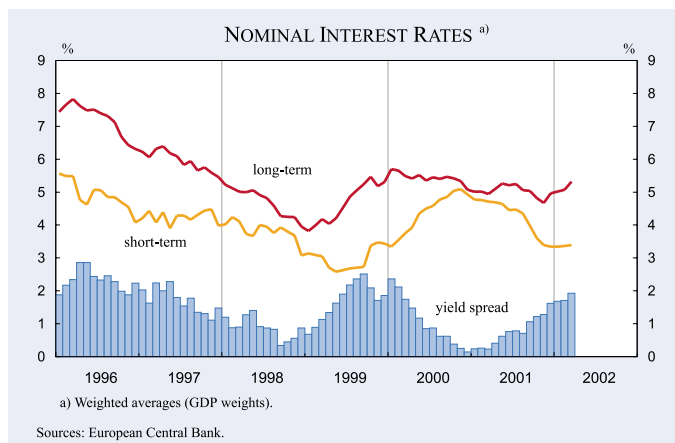
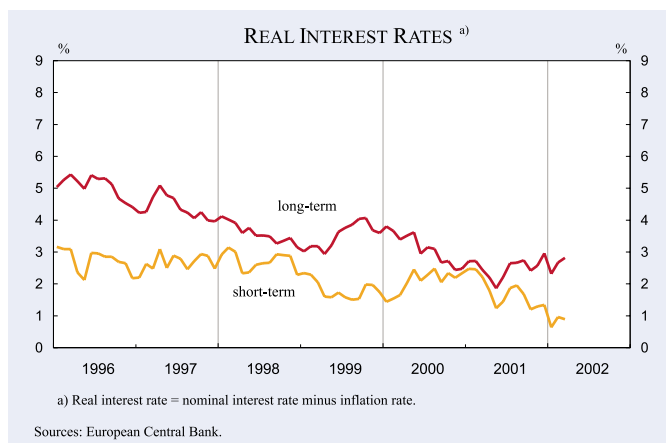


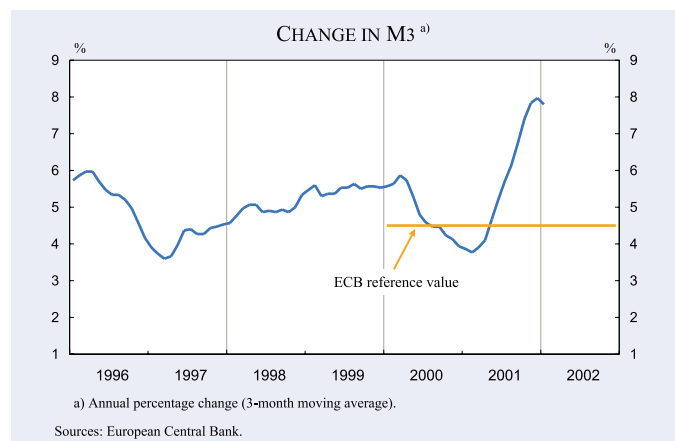
MONETARY CONDITIONS IN THE EURO-AREA



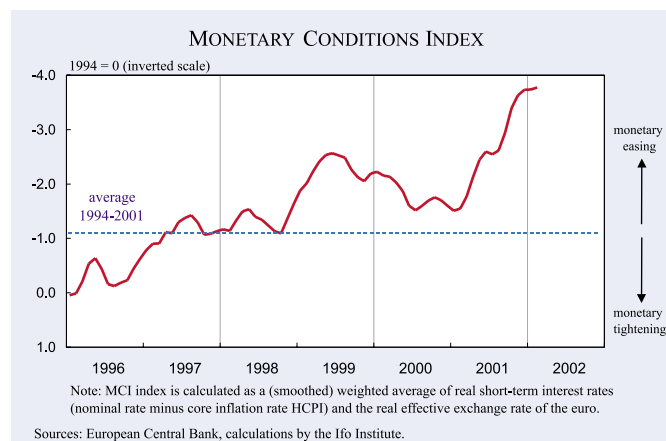
Long-term nominal bond yields rose by 25 basis points in March, continuing the development that has taken place since late 2001. Between November 2001, when government bond yields started to rise, and March the average ten-year government bond yield rose by 65 basis points. Short-term rates remained roughly stable after the turn of the year. As a result, the yield spread approached 2 percentage points.



Adjusted for the rate of inflation which had risen from 2% in December 2001 to 2.7% in January of this year, but then abated to 2.5% in March, long-term real yields increased from their January low, whereas short-term real interest rates declined in March.

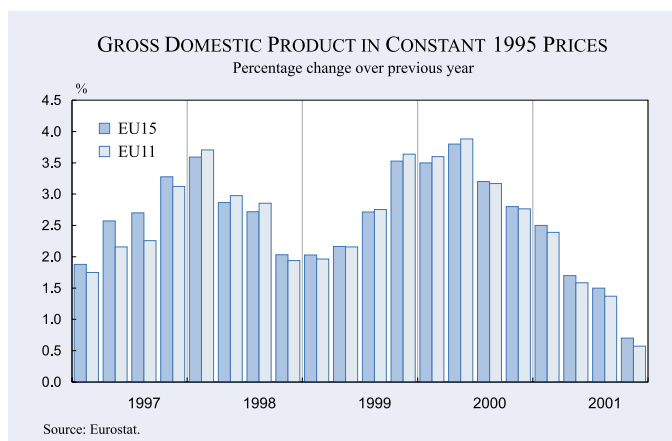


M3 growth moderated in February. The annual rate declined to 7.4% from 7.9% in January. As a result, the three-month average of the annual growth rates of M3 declined from 8% in the period from November 2001 to January 2002 to 7.8% in the period from December 2001 to February 2002.



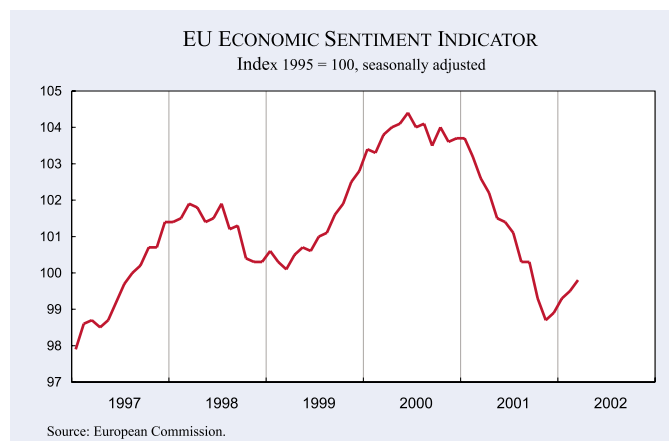
The monetary conditions index which is based on real short-term interest rates (which declined most recently) and the real effective exchange rate of the euro (which has been rather stable) has been largely flat this year. This followed the steep increase of 2001. Thus monetary easing is continuing, though no longer accelerating.

EU SURVEY RESULTS

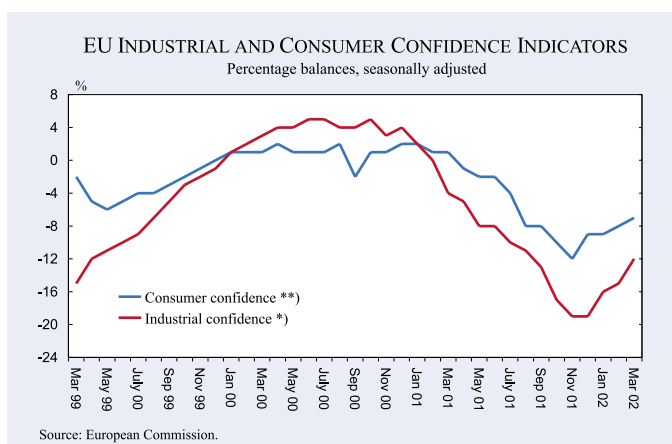


According to the latest estimates of Eurostat, real GDP growth in the fourth quarter of 2001 declined by 0.2% in the euro area and by 0.1% in the EU15 group of countries. The only positive growth rates were achieved by Sweden (0.3%), Denmark and Spain (0.2% each). The overall decline was due to decreased investment (-0.7% and -0.5% respectively) and exports (-0.6% and -0.9% respectively). In the previous quarter GDP growth had been positive, at 0.2% in both areas.

On a year-on-year basis, GDP grew by 0.6% in the euro area and by 0.7% in the EU15 group, following growth of 1.4% and 1.5%, respectively in the previous quarter. For the entire year 2001 this implies growth of real GDP of 1.5% in the euro area and 1.6% in EU15.



The economic sentiment indicator went up again in March. It increased by 0.3 and 0.2 percentage points in the EU and the euro area, respectively. The economic sentiment indicator in the EU is now only half a percentage point lower than the level reached in August 2001. It had reached its low point in November of last year. The increase was highest in Belgium (0.8 percentage points), Germany (0.7), Portugal (0.5) and Finland (0.5). The indicator remained stable in Denmark and decreased in Austria (-0.4), Spain (-0.3), the Netherlands (-0.2) and Italy (-0.1).

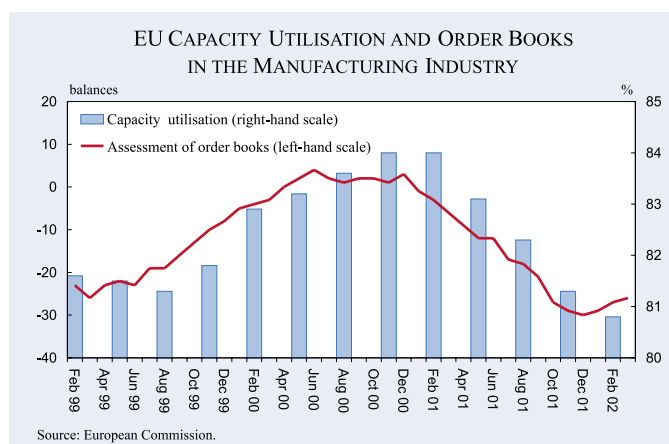


* The industrial confidence indicator is an average of responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

** New consumer confidence indicators, calculated as an arithmetic average of the following questions: financial and general economic situation (over the next 12 months), unemployment expectations (over the next 12 months) and savings (over the next 12 months). Seasonally adjusted data.

The **industrial confidence** indicator increased by 3 percentage points in both the EU and the euro area. Industrialists' confidence fell in only three Member States (Greece, Luxembourg and Austria), but rose in nine. In Belgium, Germany, France, Italy and Finland the indicator recorded a rise of 4 percentage points or more. A significant improvement in production expectations lay behind such positive developments.

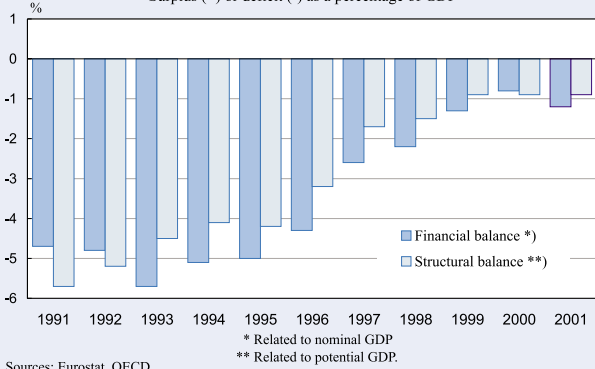
Changes in the **consumer confidence** indicator were positive for the EU. Aggregate figures conceal large differences across Member States. Consumer confidence increased in Belgium, Germany and France, but declined in, for instance, Spain and Italy, remaining unchanged in the UK.



The quarterly report on capacity utilisation showed a further decline. It had peaked exactly a year ago. Assessments of order books in the EU manufacturing industry continued its slow improvement from the depths recorded last December (-30). They deteriorated markedly, however, in Spain, Luxembourg and Austria. The worst assessments were given in Luxembourg, Austria, Germany and the UK., although in Germany this was an improvement and in the UK no change from the previous month.

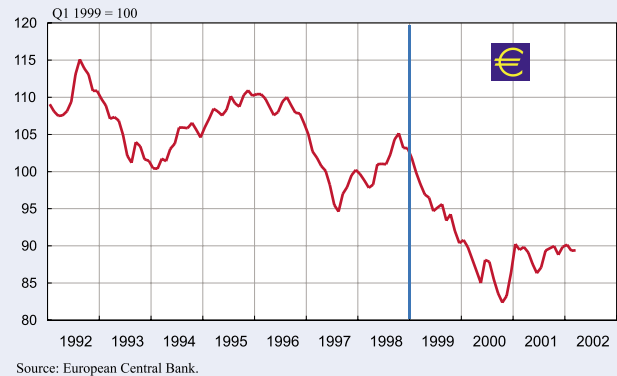
EURO AREA INDICATORS

GENERAL GOVERNMENT FISCAL BALANCES
Surplus (+) or deficit (-) as a percentage of GDP



Compared to the year 2000, when the aggregate government deficit of the EU reached an all-time low at 0.8% of nominal GDP, the deficit - as estimated by the OECD - rose again to 1.2% of GDP. Because of slower economic growth in 2002, the deficit is likely to be still higher this year. The structural balance (adjusted for cyclical effects and related to potential GDP) is estimated to have remained unchanged in 2001, at 0.9%.

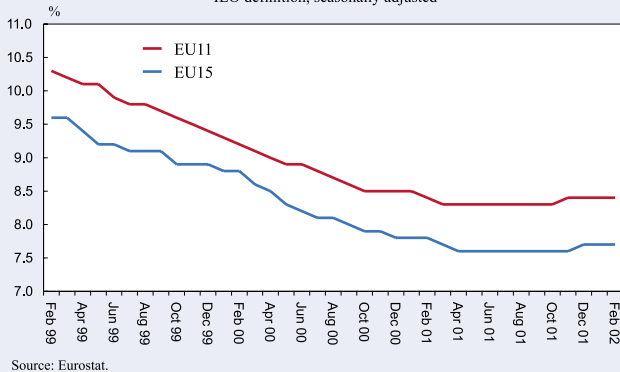
REAL EFFECTIVE EXCHANGE RATE OF THE EURO ^{a)}



a) BIS calculations; to December 1998, based on weighted averages of the euro area countries' effective exchange rates; from January 1999, based on weighted averages of bilateral euro exchange rates. Weights are based on 1990 manufactured goods trade with the trading partners United States, Japan, Switzerland, United Kingdom, Sweden, Denmark, Greece, Norway, Canada, Australia, Hong Kong, South Korea and Singapore and capture third market effects. Real rates are calculated using national CPIs. Where CPI data are not yet available, estimates are used.

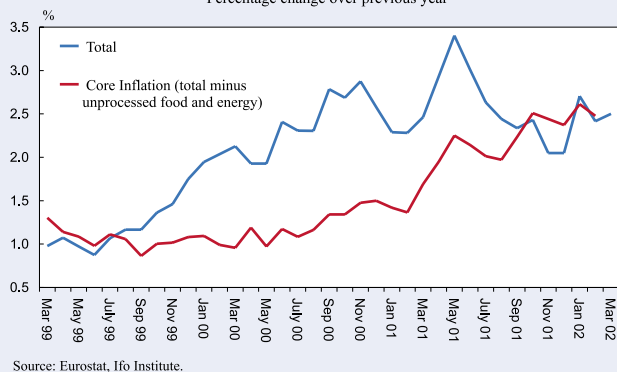
Whereas the nominal effective exchange rate of the euro has fluctuated around 87 cents during recent months, the real effective exchange rate has stabilised at 89 to 90 cents since the middle of last year. The turnaround from the all-time low of 82.4 cents in October 2000 has been rather halting, with 90 cents having presented a true upper limit to date.

UNEMPLOYMENT RATE
ILO definition, seasonally adjusted



In February 2002, the standardised rate of unemployment for the euro area remained at 8.4% of the labour force, unchanged since November 2001. The number of unemployed remained roughly constant month-on-month. However, it increased year-on-year (by around 90,000) for the second consecutive month. January's rise had been the first since November 1997. In March, employment expectations derived from surveys continued to improve slightly in manufacturing and services, but deteriorated in construction. The unemployment rate for the entire EU held steady at 7.7%, thus maintaining the difference of 0.7 percentage points effective since March 2001.

INFLATION RATE (HICP)
Percentage change over previous year



The year-on-year rate of HICP inflation in the euro area, which had declined to 2.4% in February from 2.7% in January, rose to 2.5% in March, owing to recent increases in the price of oil on world markets. Core inflation (excluding unprocessed food and energy), which had also declined in February to 2.5% from 2.6% in January, is not yet available for March, but is likely to have remained broadly unchanged.

Overall, price developments in the first few months of 2002 were mainly influenced by a number of specific factors resulting in some erratic movements. Inflation is expected to fall below 2% in the months to come owing mainly to strong base effects stemming from developments in food and energy prices last year.