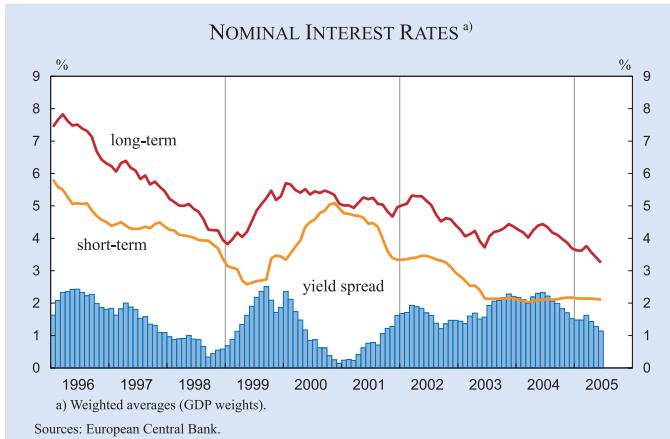
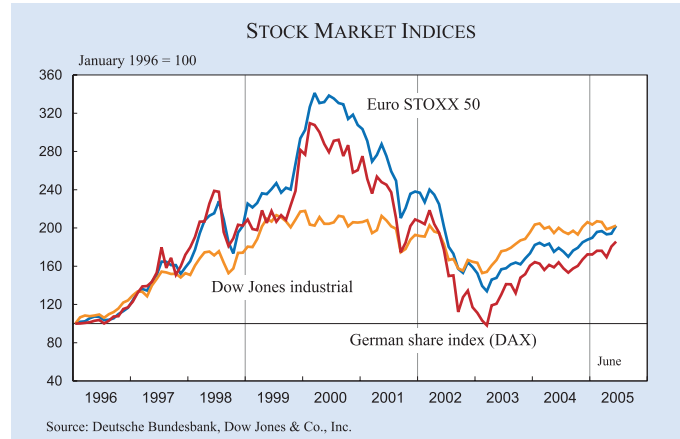


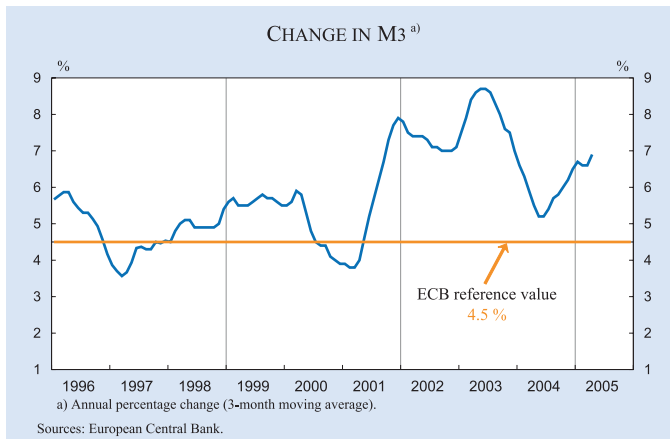
# FINANCIAL CONDITIONS IN THE EURO AREA



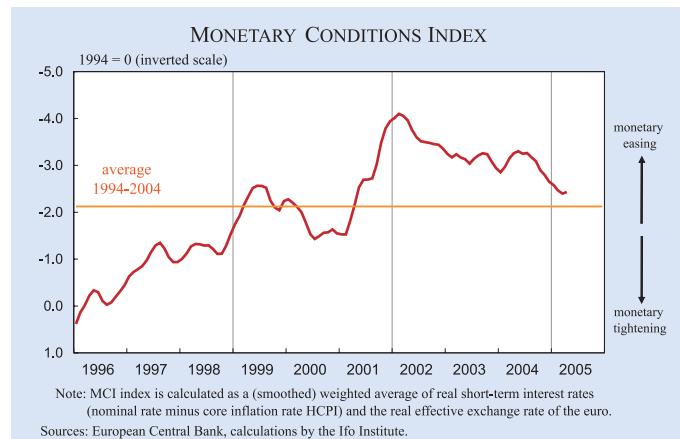
At its meeting on 2 June 2005, the European Central Bank Council decided to leave its key interest rate unchanged at 2%. This is reflected in the 3-month money market rate that has averaged 2.14% since January. Bond yields have continued to decline and averaged 3.25% in May 2005. The yield spread consequently shrank to 1.14%.



All three indices continued on a broadly rising trend. The Euro STOXX rose to 3151.7 in June from 3032.5 in May; the Dow Jones Industrial recovered to 10586.7 in June from its last high of 10723.8 in February; and the German DAX averaged a new high of 4586.3 in June.

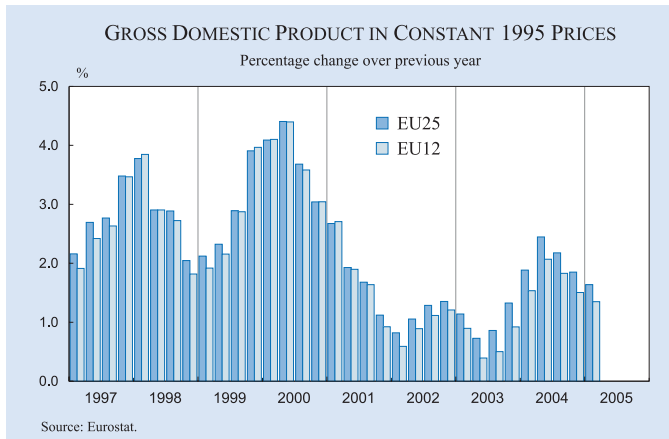


The annual growth rate of M3 increased to 7.3% in May 2005, from 6.8% in April. The three-month moving average of the annual M3 growth rates over the period from March to May 2005 rose to 6.9% from 6.6% in the previous three-month period. The annual rate of growth of M1, one of the main components of M3, increased to 10.1% in May 2005 from 9.3% in April.

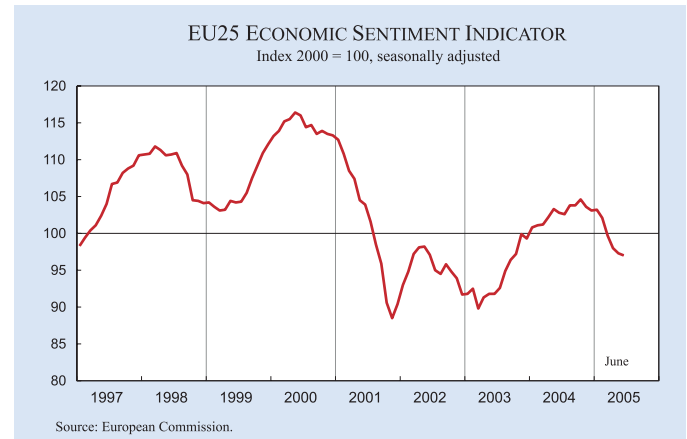


Between March and April 2005, the monetary conditions index rose marginally following a declining trend (tighter monetary conditions) since May 2004. Real short-term interest rates all but constant in April whereas the real effective exchange rate of the euro declined.

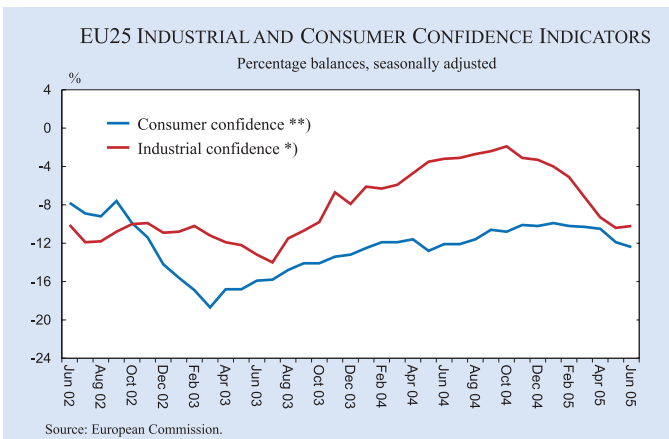
# EU SURVEY RESULTS



In the first quarter of 2005, real gross domestic product of EU25 (as well as the eurozone) increased by 0.5% on the previous quarter. Compared to the first quarter of 2004, GDP of EU25 rose by 1.6%, that of the eurozone by 1.3%.



In June, the EU Economic Sentiment Indicator slightly declined by 0.3 points, indicating a slowdown of the decline that had started in November 2004. The consumer confidence continued to be fairly stable and the decline in industrial confidence came to a halt after a continuous fall since the end of last year. Confidence in other business sectors (services, retail trade and construction) registered small declines. There has been a strong fall of economic sentiment in the UK for the fourth consecutive month to 94.8 in June (February: 113.5).

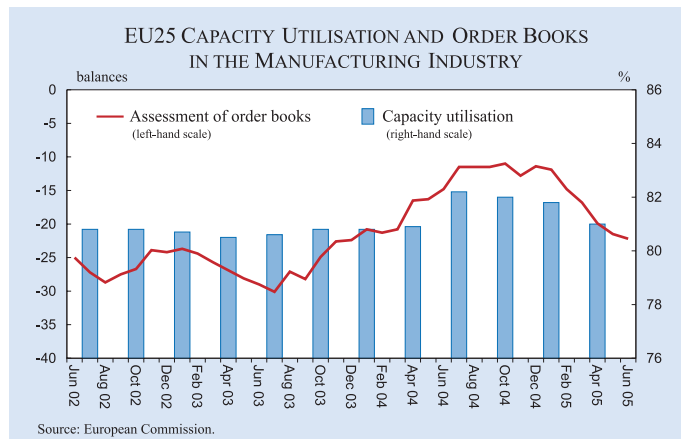


\* The industrial confidence indicator is an average of responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

\*\* 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.

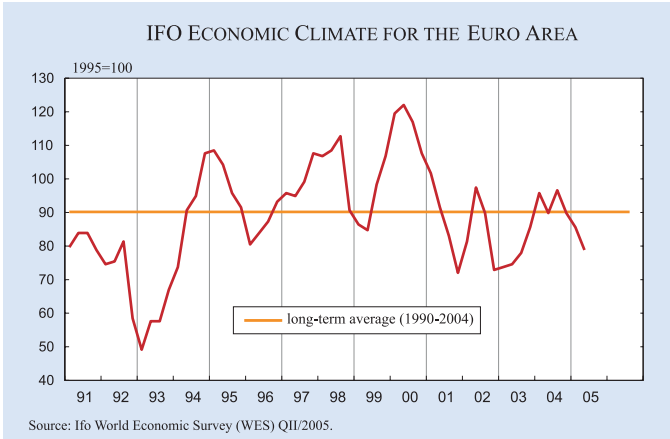
The industrial confidence indicator rose marginally in the EU. The coming months will show whether this is the beginning of a turnaround or merely an interruption of a continuing downward trend.

There was hardly any change in the consumer confidence indicator in June. Since the beginning of last year, the indicator has been fluctuating within a small corridor of -10 and -13. This stability is also reflected in the development of the underlying factors. Only unemployment expectations worsened slightly, while consumer expectations regarding their own financial situation, the general economic situation and their savings remained unchanged.

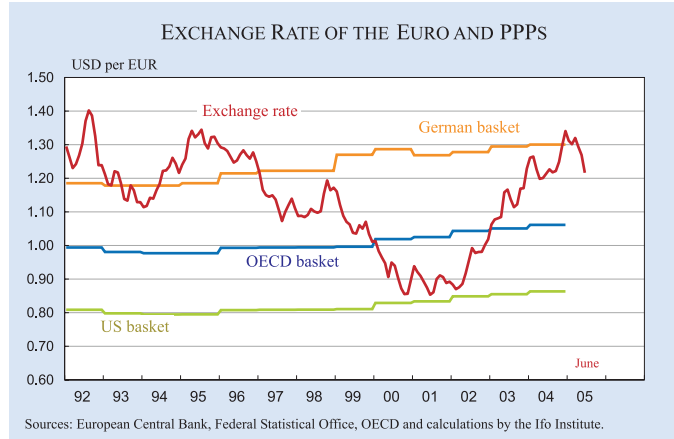


The slight increase of EU industrial confidence in June was caused by a small improvement in production expectations, while the assessment of order books worsened from -21.5 to -22.2. Capacity utilisation in the second quarter of 2005 declined to 81.0% from 81.8% in the first quarter.

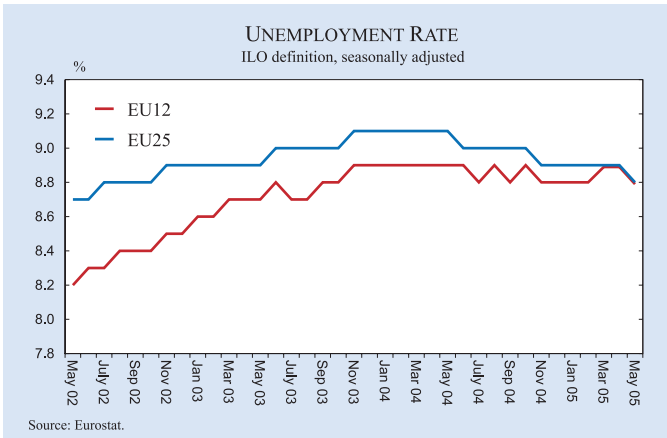
# EURO AREA INDICATORS



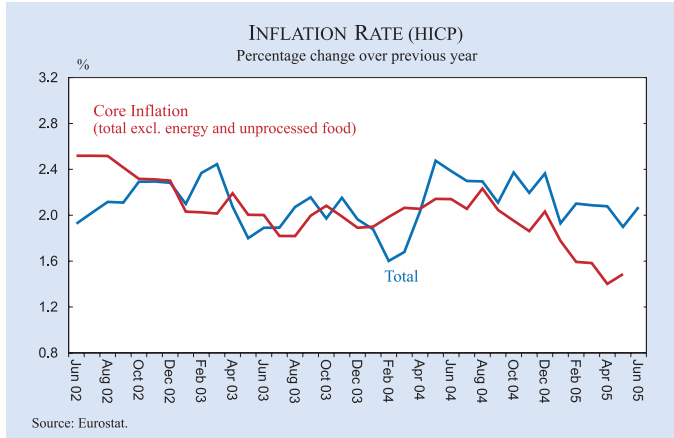
The Ifo World Economic Survey for the Euro area showed a further deterioration of the economic climate in the second quarter of 2005 to 78.8 from 85.6 in the first quarter. Both expectations for the next six months as well as assessments of the current economic situation declined. This indicates that the economic weakening in the euro area will persist.



The exchange rate of the euro against the US dollar continued to decline in June when it dropped to an average rate of \$1.22. It had reached a high of \$1.34 in December 2004. It has thus bounced back from its purchasing power parity (\$1.30) with the dollar based on the German goods basket.



Euro-area unemployment (seasonally adjusted), like that in EU 25, stood at 8.8% in May 2005, down from 8.9% in April. The lowest rates were again registered in Ireland (4.2%), the UK (4.6% in March), Austria (4.6%) Luxembourg (4.7% and Denmark (4.9% in April). Unemployment rates were highest in Poland (17.8%), Slovakia (15.5%), Greece (10.2%), Spain (9.9%) and France (9.8%).



The annual inflation rate of the euro-zone (HICP) rose from 1.9% in May 2005 to an estimated 2.1% in June. It has remained rather stable at about 2% during the year to date, despite the rise in oil prices. The lowest inflation rates were registered in Finland (0.6%) and the Netherlands (1.1%), the highest in Luxembourg (3.7%). Core inflation (excluding energy and unprocessed foods) which had followed a steeply declining trend, showed a slight increase in May.