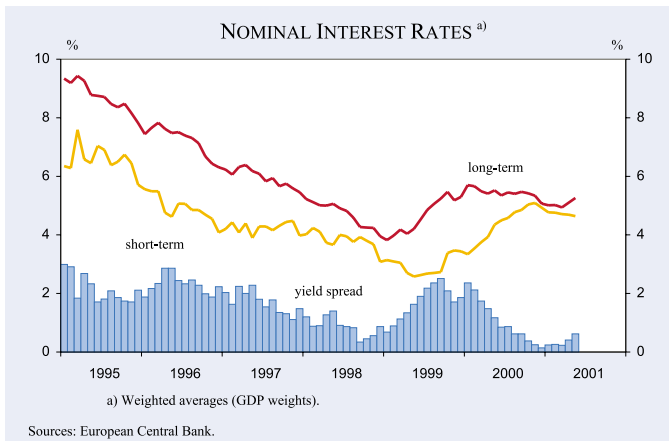
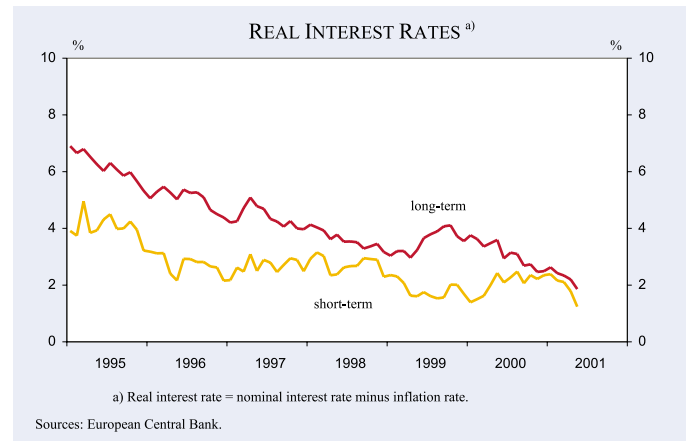


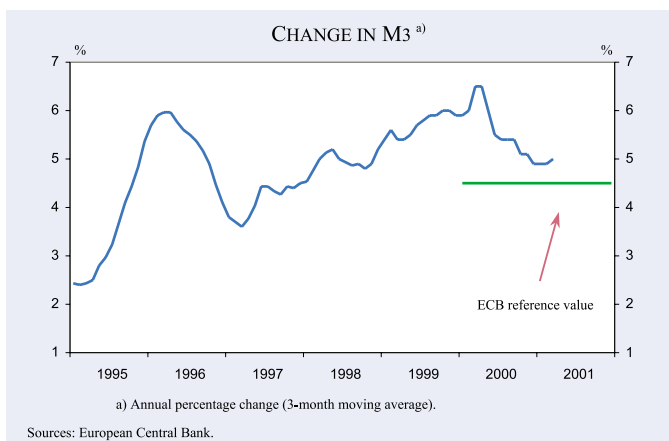
## MONETARY CONDITIONS IN THE EURO-AREA



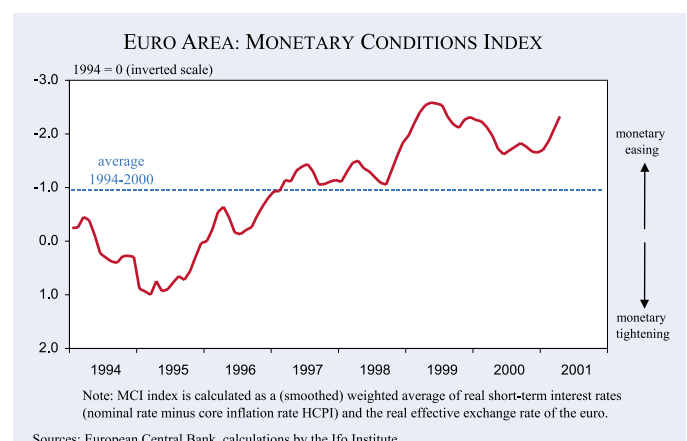
From November 2000, when money market rates started to decline, to end-May 2001 three-month money market rates in the Euro area declined by 60 basis points. In contrast, ten-year bond yields started to increase again in April and rose by more than 30 basis points from March to May. Therefore the spread between short-term and long-term interest rates rose again.



Because of rising inflation in the entire euro area, real interest rates at the short and long ends have continued to decline, to below 2%.



In March 2001, the annual growth rate of M3 increased to 5% from 4.7% in February. The March growth rate was affected by a number of special factors, however. The ECB concludes therefore that, if these factors are taken into account, underlying monetary dynamics continued their downward trend in March 2001.



The monetary conditions index continued to show monetary easing in the Euro area as both, real interest rates and the real effective exchange rate of the euro declined in May.