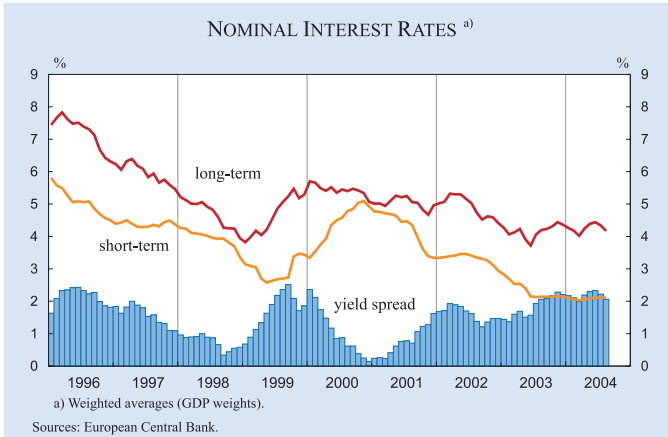
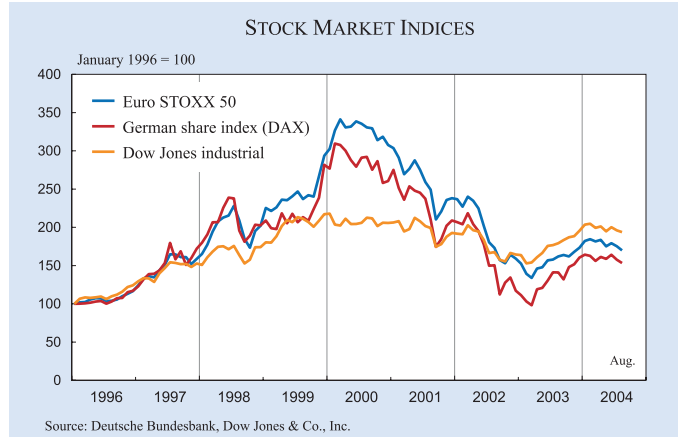


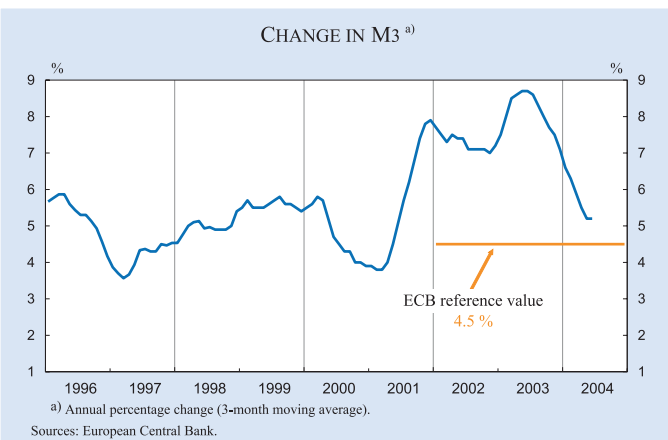
FINANCIAL CONDITIONS IN THE EURO AREA



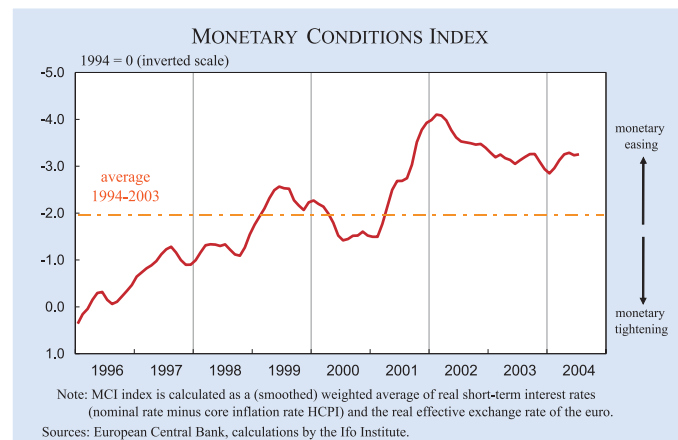
Short-term interest rates have remained largely unchanged in past months, staying at a level in accordance with the minimum refinancing rate of 2% of the euro system. Parallel to US yields, long-term rates (yields on ten-year government bonds) in the euro area declined during the past three months, averaging 4.17% in August. The yield spread thus narrowed to 2.06%.



After their peaks at the beginning of 2004, the stock markets in Germany, Europe and the United States have lost steam again. The DAX breached the 4,000 mark in June, but has not been able to reach this level again. Greater optimism about GDP growth in Europe has been offset by anxiety about rising interest rates in the United States.

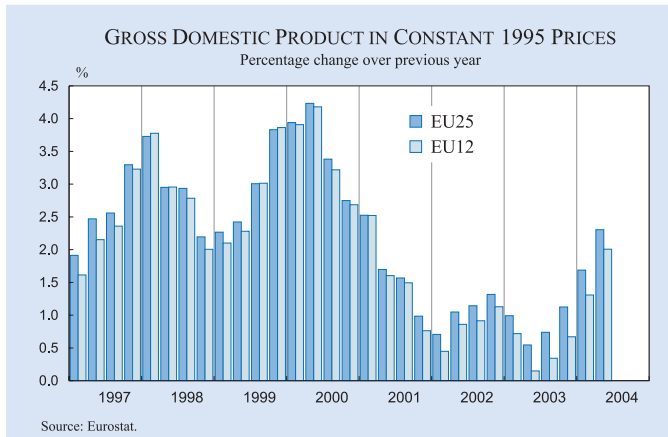


The annual rate of growth of M3 increased marginally from 5.4% in June 2004 to 5.5% in July 2004, the latest month for which data are available. After the marked decline of monetary growth since mid-2003, the short-term dynamics of M3 has increased again. However, the three-month moving average of the annual growth rates of M3 over the period May 2004 to July 2004 stood at 5.2%, unchanged from the previous period.

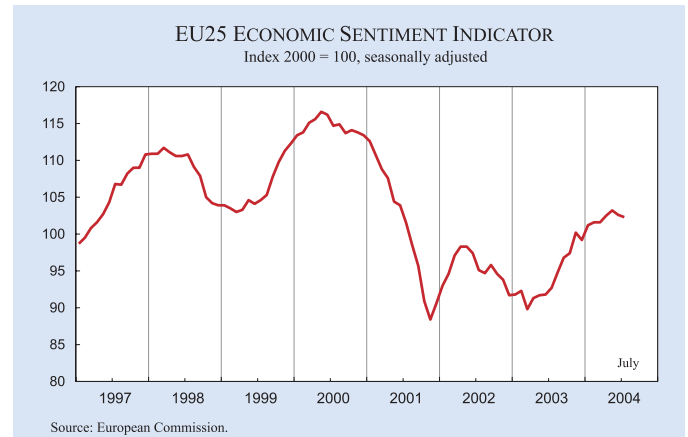


The monetary conditions index of the euro area has remained largely unchanged during the past four months, reflecting the steady monetary policy of the European Central Bank.

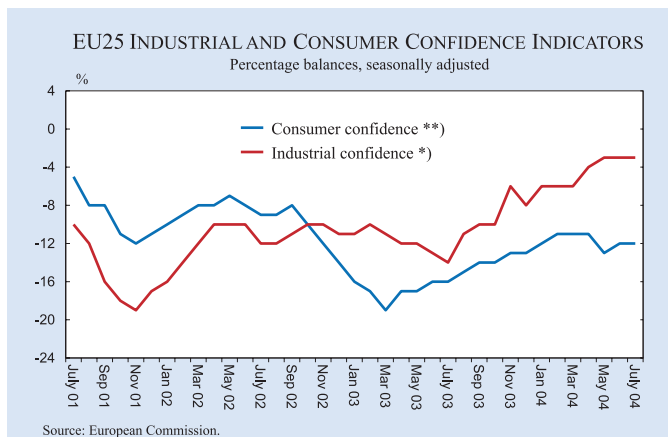
EU SURVEY RESULTS



EU25 GDP rose by 0.6%, euro-zone GDP rose by 0.5% in the second quarter of 2004, compared to the previous quarter. In the first quarter of 2004, growth rates were 0.7% for EU25 and 0.6% for the euro-zone. Year-on year growth amounted to 2.3% in the EU25 and 2% in the euro-zone, after 1.7% and 1.3%, respectively in the previous quarter. Exports and government expenditures were the major factors in both groups of countries.



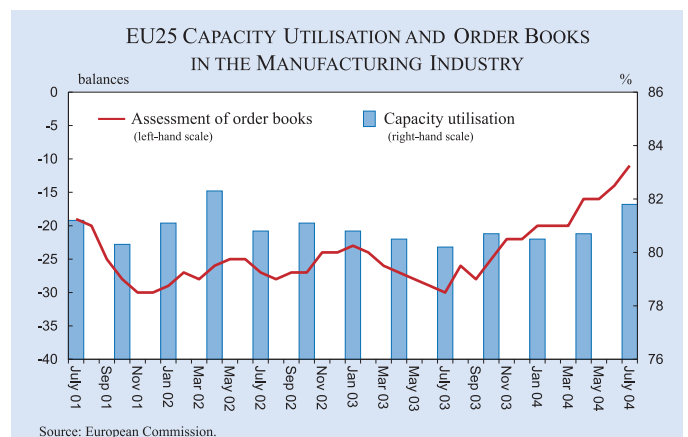
Following a small upturn in May and an equally small decline in June, economic sentiment in the EU experienced another small setback to 102.3 in July, the latest month for which data have been published. In Belgium, Ireland and Italy the indicator rose markedly, whereas in Greece, Estonia, Hungary, Poland and the UK it registered a significant drop.



* 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).

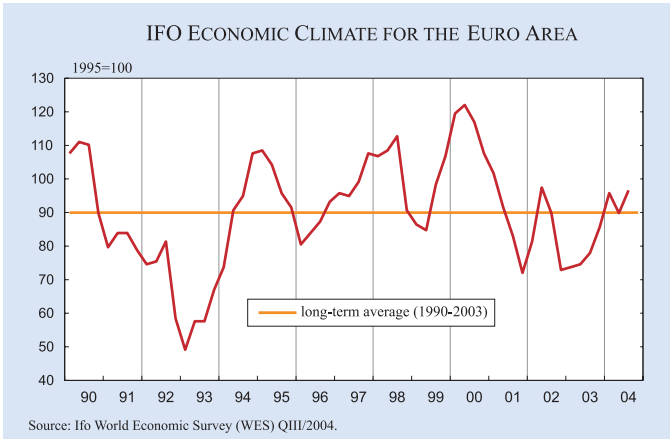
** New consumer confidence indicators, calculated as an arithmetic average of the following questions: financial and general economic situation (over the next 12 months), unemployment expectations (over the next 12 months) and savings (over the next 12 months). Seasonally adjusted data.

Industrial confidence remained unchanged in July at a level of -3. Consumer confidence also remained unchanged from June at -12. Consumer opinion has shown a very static picture for the last 12 months. This is also true at country level.

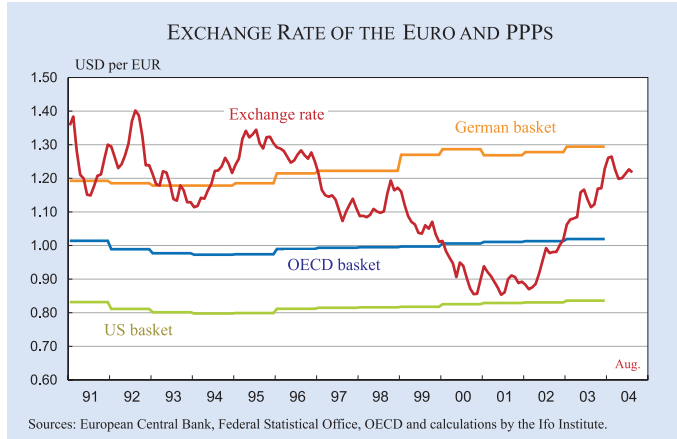


The assessment of order books saw a significant improvement in July. This improvement since summer 2003 has been the major factor behind the rise in overall industrial confidence. In the third quarter, excess production capacity declined to a value that is, for the first time in three years, below the long-term average. Capacity utilisation saw a clear rise in the third quarter to 81.8, compared to 80.7 in the second quarter and is now either close to or above its long-term average in the majority of Member Countries.

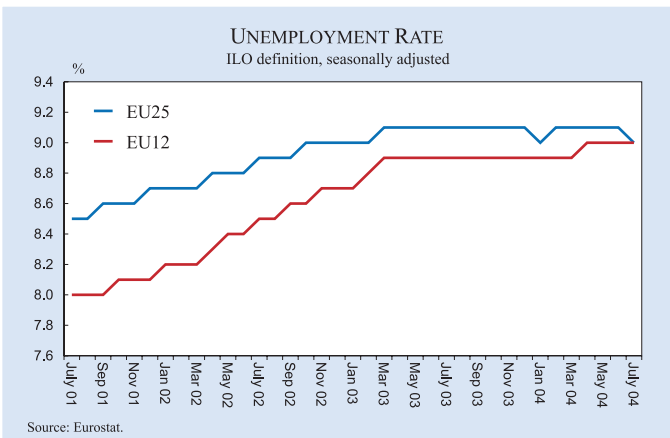
EURO AREA INDICATORS



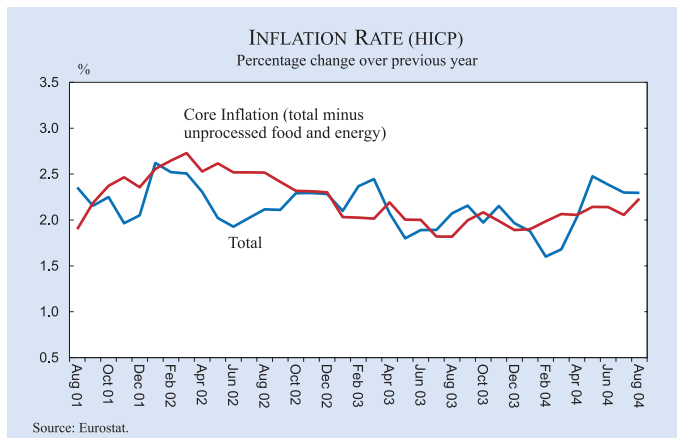
The latest survey of the euro-area countries showed a resurgence of the Economic Climate indicator in the July survey, due to markedly higher assessments of the current situation and continued optimism regarding the next six months. In Ireland, Spain and Finland present economic activity continued to be assessed very positively. In the Netherlands, Portugal, Germany and Italy assessments of the present situation improved compared to the April survey, but remained below the euro-area average. In all countries expectations continued to be very positive.



The nominal exchange rate of the euro has been hovering around \$1.22 for the past two months, thus moving away from the PPPs based on the German market basket.



The latest Eurostat data for July show that euro-area unemployment has remained stable at 9.0%, seasonally adjusted, barely higher than a year ago (8.9%). The lowest rates were registered in Austria (4.2%), Luxembourg (4.3%), and Ireland (4.5%). They were highest in Spain (11%), Germany (9.9%) and France (9.5%). The Netherlands recorded the most important increase over a year ago (3.8% to 4.8%).



The rise in consumer prices (HICP) in the euro area remained unchanged in August from July (2.3% on the previous year). It had peaked in May at 2.5%. Core inflation (adjusted for food and energy prices) rose slightly to 2.2% over a year ago.