European Central Bank Executive Board Member Jose Manuel Gonzalez-Paramo said Monday that the central bank is closely monitoring asset price rises in the euro zone.

"We are watching them carefully because they have an impact on demand, which has an impact on (consumer) prices, which is the indicator that we care about," he said speaking at an academic event in Madrid.

His comments echo those made by ECB President Jean-Claude Trichet after the central bank's interest rate decision last week.

Trichet said that low interest rates have fueled rises in house prices, and that there is a risk the situation could become unsustainable in certain parts of the euro zone.

Gonzalez-Paramo added Monday that the concern stems more from the rate of growth of prices than their actual levels.

"They are growing at faster rates than, for example, growth domestic product or income," he said.

In Spain, real-estate prices have risen nearly 20% a year for the past few years, according to private appraisal companies.

Speaking about the European Union's Stability and Growth Pact, Gonzalez-Paramo reiterated the ECB's position that its rules shouldn't be changed, although its implementation could be improved.

He added that the ECB won't comment on the proposals to reform the pact currently being discussed by the region's finance ministers.

Gonzalez-Paramo reiterated that the ECB expects inflation to fall below 2.00% during 2005.

He also repeated the central bank's position on the euro, saying that sharp moves are unwelcome.