



EUROPEAN CENTRAL BANK

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MONETARY DEVELOPMENTS IN THE EURO AREA: JULY 2001

The annual rate of growth of M3 in July was 6.4%, up from 6.1% in June.¹ The three-month average of the annual growth rates of M3 over the period May-July 2001 increased to 5.9%, from 5.3% during the period April-June 2001. This increase may partly reflect the current relatively flat yield curve and the recent weakness in stock markets, which made the holdings of short-term deposits and marketable instruments included in M3 more attractive.

| 12-month percentage changes | MAY 2001 | JUNE 2001 | JULY 2001 | MAY – JULY 2001 AVERAGE |
|-----------------------------|-------------|--------------|--------------|----------------------------|
| M3 | 5.2 | 6.1 | 6.4 | 5.9 |

As pointed out previously, there are indications that the data for M3 are distorted upwards by non-resident holdings of money market paper and debt securities with a maturity up to two years issued by MFIs. Preliminary indications suggest that these holdings may have contributed by around three-quarters of a percentage point to annual M3 growth over recent months.

In July, the annual rate of growth of M1 decreased to 3.3%, from 3.8% in the previous month. This deceleration reflected the combination of a slight decrease in the annual rate of growth of overnight deposits (5.4%, compared with 5.5% in the previous month) and a decline in the annual rate of change in currency in circulation (-6.4%, compared with -4.7% in June).

The annual rate of growth of short-term deposits other than overnight deposits rose to 5.2%, from 4.6% in June. This increase reflected the moderation in the (non-seasonally adjusted) annual rate of change in deposits redeemable at a period of notice of up to three months (0.0%, compared with -1.0% in the previous month). Over the same period, the (non-seasonally adjusted) annual rate of growth of deposits with an agreed maturity of up to two years decreased marginally (to 12.3%, from 12.4% in June).

The annual rate of growth of marketable instruments included in M3 increased to 18.8% in July, from 17.3% in the previous month. This rise was driven by higher (non-seasonally adjusted) annual growth of both money market fund shares/units and money market paper (7.7%, compared with 7.4% in June) and debt securities issued with a maturity of up to two years (83.5%, up from 57.9% in the previous month).

¹ These rates of growth refer to aggregates adjusted for seasonal and end-of-month calendar effects; this applies throughout this press release unless specified otherwise.

By contrast, the annual rate of change in repurchase agreements decreased to 18.9% (from 21.7% in June).

Regarding the counterparts of M3, in July the (non-seasonally adjusted) annual rate of growth of longer-term financial liabilities of the MFI sector declined to 2.8% (from 3.4% in the previous month). This reflected lower annual rates of change in both deposits with an agreed maturity of over two years (-0.6%, compared with -0.2% in June), deposits redeemable at a period of notice of over three months (3.5%, compared with 5.9% in the previous month) and capital and reserves (3.8%, from 6.4% in June). Meanwhile, the annual rate of growth of debt securities issued with a maturity of over two years increased to 4.8% (from 4.2% in the previous month).

The (non-seasonally adjusted) annual growth rate of deposits of central government held with the MFI sector rose to 14.7%, from 11.8% in June.

On the asset side of the consolidated balance sheet of the MFI sector, in July the (non-seasonally adjusted) annual growth rate of total credit granted to euro area residents increased slightly (to 6.2%, from 6.1% in the previous month). This development was due to a less pronounced decline in the annual rate of change in credit to general government (-0.4% in July, compared with -1.5% in the previous month). By contrast, the annual rate of growth of credit extended to the private sector decreased to 8.2%, from 8.4% in June, largely as a result of a decline in the annual rate of change in loans to the private sector (to 7.6%, compared with 7.8% in June).

In July 2001, the net external asset position of the euro area MFI sector increased by EUR 15 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to July, the net external assets of the MFI sector decreased by EUR 108 billion, compared with a decline of EUR 136 billion over the 12 months up to June 2001.

Notes

- *The publication of the statistics on monetary developments in August, September and October 2001 is scheduled to take place at 10 a.m. (CET) on 27 September, 26 October and 28 November 2001, respectively.*
- *The annual rates of growth for currency in circulation, overnight deposits, M1, short-term deposits other than overnight deposits (M2 - M1), M2, marketable instruments (M3 - M2), and M3 are calculated on the basis of data adjusted for seasonal and end-of-month calendar effects (for methodological issues, see ECB, Seasonal adjustment of monetary aggregates and Consumer Price Indices (HICP) for the euro area, August 2000). Through this procedure the annual growth rates reflect underlying patterns in a more accurate way than the annual growth rates based on unadjusted data. For further items of the consolidated balance sheet of the MFI sector, annual rates of growth calculated on the basis of seasonally and calendar-adjusted data are under development.*

- *Using euro area-11 plus Greece figures throughout 2000, the (non-seasonally adjusted) annual rate of growth of M3 in July 2001 was 6.4%, compared with 6.3% in the previous month. The three-month average of the annual rates of growth of M3 covering the period from May to July 2001 was 6.1%, up from 5.5% for the period April-June 2001.*
- *More details on the latest monetary data as contained in the Tables 2.1 to 2.4 of the "Euro area statistics" section of the ECB Monthly Bulletin are available on the ECB's web site (<http://www.ecb.int>) in the "Euro area statistics – download", "Latest monetary and financial statistics" page. Data cover the Member States comprising the euro area at the time referred to, i.e. the 11 Member States up to December 2000 and the 12 Member States from January 2001 onwards. Annual growth rates are derived using monthly flows as described in the "Technical Notes" of the section "Euro Area Statistics" in the ECB Monthly Bulletin.*

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(data in EUR billions and percentage changes ^{a)})

| | JUNE 2001 | | | JULY 2001 | | | AVERAGE MAY-01 JUL-01 |
|---|-----------------------|-----------------|-----------------------|-----------------------|-----------------|-----------------------|-----------------------------|
| | End of month level | Monthly flow | Annual growth rate | End of month level | Monthly flow | Annual growth rate | Annual growth rate |
| Seasonally and calendar effect adjusted data | | | | | | | |
| (1) M3 (= items 1.3, 1.4 and 1.6) ^{b)} | 5290 | 33 | 6.1 | 5327 | 43 | 6.4 | 5.9 |
| (1.1) Currency in circulation | 331 | -2 | -4.7 | 324 | -6 | -6.4 | -5.0 |
| (1.2) Overnight deposits | 1758 | 6 | 5.5 | 1764 | 8 | 5.4 | 5.1 |
| (1.3) M1 (= items 1.1 and 1.2) | 2088 | 4 | 3.8 | 2089 | 2 | 3.3 | 3.3 |
| (1.4) Other short-term deposits ^{c)} | 2357 | 14 | 4.6 | 2374 | 19 | 5.2 | 4.6 |
| (1.5) M2 (= items 1.3 and 1.4) | 4446 | 18 | 4.2 | 4463 | 21 | 4.3 | 4.0 |
| (1.6) Marketable instruments ^{d)} | 844 | 15 | 17.3 | 864 | 22 | 18.8 | 17.0 |
| Data unadjusted for seasonal and calendar effects | | | | | | | |
| COMPONENTS OF M3 ^{b)} | | | | | | | |
| (2) M3 (= items 2.1 to 2.7) | 5329 | 42 | 6.3 | 5332 | 9 | 6.4 | 6.0 |
| (2.1) Currency in circulation | 332 | 0 | -4.7 | 327 | -5 | -6.7 | -5.1 |
| (2.2) Overnight deposits | 1794 | 36 | 6.0 | 1777 | -16 | 5.2 | 5.3 |
| (2.3) Deposits with agreed maturity up to 2 years | 1069 | -3 | 12.4 | 1076 | 9 | 12.3 | 12.5 |
| (2.4) Deposits redeemable at notice up to 3 months | 1283 | 10 | -1.0 | 1287 | 4 | 0.0 | -1.1 |
| (2.5) Repurchase agreements | 227 | -10 | 21.7 | 228 | 1 | 18.9 | 19.3 |
| (2.6) Money market fund shares/units ^{e)} and money market paper | 479 | -1 | 7.4 | 490 | 13 | 7.7 | 7.3 |
| (2.7) Debt securities issued with maturity up to 2 years | 144 | 11 | 57.9 | 145 | 3 | 83.5 | 63.5 |
| COUNTERPARTS OF M3 ^{f)} | | | | | | | |
| MFI liabilities: | | | | | | | |
| (3) Deposits of central government | 165 | 18 | 11.8 | 156 | -9 | 14.7 | 18.1 |
| (4) Longer-term financial liabilities against other euro area residents (= items 4.1 to 4.4) | 3850 | 29 | 3.4 | 3841 | 1 | 2.8 | 3.3 |
| (4.1) Deposits with agreed maturity over 2 years | 1170 | -1 | -0.2 | 1164 | -5 | -0.6 | -0.4 |
| (4.2) Deposits redeemable at notice over 3 months | 123 | 0 | 5.9 | 122 | -1 | 3.5 | 5.6 |
| (4.4) Debt securities issued with maturity over 2 years | 1590 | 8 | 4.2 | 1597 | 14 | 4.8 | 4.5 |
| (4.4) Capital and reserves | 967 | 21 | 6.4 | 958 | -7 | 3.8 | 5.5 |
| (5) External liabilities | 2596 | -23 | 16.9 | 2502 | -58 | 13.8 | 14.8 |
| MFI assets: | | | | | | | |
| (6) Credit to euro area residents (= items 6.1 and 6.2) | 9274 | 29 | 6.1 | 9280 | 15 | 6.2 | 6.1 |
| (6.1) Credit to general government | 2035 | 6 | -1.5 | 2028 | -5 | -0.4 | -1.5 |
| of which Loans | 838 | -2 | -1.6 | 834 | -4 | -1.8 | -1.6 |
| of which Securities other than shares | 1198 | 8 | -1.6 | 1195 | -1 | 0.6 | -1.6 |
| (6.2) Credit to other euro area residents | 7238 | 23 | 8.4 | 7252 | 20 | 8.2 | 8.4 |
| of which Loans | 6382 | 55 | 7.8 | 6388 | 14 | 7.6 | 7.8 |
| of which Securities other than shares | 302 | 2 | 25.6 | 315 | 14 | 27.4 | 26.0 |
| of which Shares and other equities | 554 | -34 | 7.4 | 549 | -8 | 5.2 | 6.6 |
| (7) External assets | 2691 | 19 | 9.5 | 2608 | -42 | 7.9 | 8.9 |
| Other counterparts of M3 (residual) | | | | | | | |
| (8) (= M3 + items 3, 4, and 5 - items 6 and 7) | -25 | 18 | ND | -58 | -30 | ND | ND |

a) Discrepancies in the table can be due to rounding. The information in this table is based on consolidated balance sheet statistics reported by Monetary Financial Institutions. These include the Eurosystem, credit institutions and money market funds located in the euro area at the time referred to, i.e. the 11 Member States up to December 2000, and the 12 Member States (now including Greece) from January 2001 onwards. Annual growth rates are derived using monthly flows as described in the Technical Notes of the section "Euro area statistics" in the ECB Monthly Bulletin.

b) Liabilities of Monetary Financial Institutions (MFIs) and specific units of the central government (post offices, treasury) vis-à-vis non-MFI euro area residents excluding central government.

c) Deposits with agreed maturity up to 2 years and deposits redeemable at notice up to 3 months.

d) Repurchase agreements, money market fund shares/units (excluding holdings by non-residents of the euro area), money market paper and debt securities issued with maturity up to 2 years.

e) Excluding holdings by non-residents of the euro area.

f) Assets and liabilities of Monetary Financial Institutions (MFIs) vis-à-vis non-MFI euro area residents, including central government.

Note: More details of the latest data, as well as estimates for earlier periods going back to September 1997 may be found on the ECB web site (<http://www.ecb.int>) in the "Euro area statistics - download" page.

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