



EUROPEAN CENTRAL BANK

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## MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 2001

The annual rate of growth of M3 in August was 6.7%, up from 6.4% in July.<sup>1</sup> The three-month average of the annual growth rates of M3 over the period June-August 2001 increased to 6.4%, from 5.9% during the period May-July 2001. These developments continue to reflect partly the relatively flat yield curve up to August and the weakness in stock markets, which made the holdings of short-term deposits and marketable instruments included in M3 more attractive.

12-month percentage changes	JUNE 2001	JULY 2001	AUGUST 2001	JUNE - AUGUST 2001 AVERAGE
M3	6.1	6.4	6.7	6.4

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. These holdings may have contributed by around three-quarters of a percentage point to annual M3 growth over recent months.

In August, the annual rate of growth of M1 was 3.6%, compared with 3.4% in the previous month. This development reflected an increase in the annual rate of growth of overnight deposits (6.0%, compared with 5.4% in the previous month). During the same period, the annual rate of change in currency in circulation decreased further (to -8.3%, from -6.4% in July).

The annual rate of growth of short-term deposits other than overnight deposits declined to 4.9% in August, from 5.2% in July. This reflected the fall in the (non-seasonally adjusted) annual rate of growth of deposits with an agreed maturity of up to two years to 10.7%, from 12.3% in July. By contrast, the (non-seasonally adjusted) annual rate of change in deposits redeemable at a period of notice of up to three months increased to 0.9% in August, from 0.0% in the previous month.

The annual rate of growth of marketable instruments included in M3 rose to 20.6% in August, from 18.8% in the previous month. This rise was driven by higher (non-seasonally adjusted) growth in repurchase agreements (23.3%, from 18.2% in July), money market fund shares/units and money market

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<sup>1</sup> 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.

paper (8.1%, compared with 8.0% in July) and debt securities issued with a maturity of up to two years (84.0%, from 83.4% in the previous month).

Regarding the counterparts of M3, in August the (non-seasonally adjusted) annual rate of growth of longer-term financial liabilities of the MFI sector declined to 2.3% (from 2.7% in the previous month). This decrease reflected lower annual rates of growth of deposits redeemable at a period of notice of over three months (0.0%, compared with 3.5% in the previous month) and debt securities issued with a maturity of over two years (3.7%, compared with 4.5% in July). The annual rate of decline in deposits with an agreed maturity of over two years was almost unchanged (-0.7%, compared with -0.6% in July). Finally, the annual rate of growth in capital and reserves rose slightly (to 4.0%, from 3.9% in July).

The (non-seasonally adjusted) annual growth rate of deposits of central government held with the MFI sector decreased significantly in August, to 7.8% (from 14.7% in July).

On the asset side of the consolidated balance sheet of the MFI sector, in August the (non-seasonally adjusted) annual growth rate of total credit granted to euro area residents declined to 5.9%, from 6.2% in the previous month. This development was due to a decline in the annual rate of growth of credit extended to the private sector (7.6%, compared with 8.2% in July), which was, in turn, largely the result of a decrease in the annual rate of change in loans to the private sector (to 7.1%, compared with 7.6% in July). By contrast, the annual rate of change in credit to general government increased from -0.4% in July to 0.1% in August.

In August 2001, the net external asset position of the euro area MFI sector increased by EUR 44 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to August, the net external assets of the MFI sector decreased by EUR 53 billion, compared with a decline of EUR 106 billion over the 12 months up to July 2001.

#### Notes

- *The publication of the statistics on monetary developments in September, October, November and December 2001 is scheduled to take place at 10am on 26 October 2001, 28 November 2001, 28 December 2001 and 28 January 2002, 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 (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.*
- *Using euro area-11 plus Greece figures throughout 2000, the (non-seasonally adjusted) annual rate of growth of M3 in August 2001 was 6.6%, compared with 6.4% in the previous month. The three-month*

*average of the annual rates of growth of M3 covering the period from June to August 2001 was 6.5%, up from 6.1% for the period from May to July 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.*

## MONETARY DEVELOPMENTS IN THE EURO AREA : AUGUST 2001

(data in EUR billions and percentage changes <sup>a)</sup>)

	JULY 2001			AUGUST 2001			AVERAGE JUN-01 AUG-01
	End of month level	Monthly flow	Annual growth rate	End of month level	Monthly flow	Annual growth rate	Annual growth rate
<b>Seasonally and calendar effect adjusted data</b>							
(1) <i>M3</i> (= items 1.3, 1.4 and 1.6) <sup>b)</sup>	5327	44	6.4	5362	42	6.7	6.4
(1.1) Currency in circulation	324	-6	-6.4	318	-6	-8.3	-6.4
(1.2) Overnight deposits	1765	8	5.4	1789	27	6.0	5.6
(1.3) <i>M1</i> (= items 1.1 and 1.2)	2089	2	3.4	2107	20	3.6	3.6
(1.4) Other short-term deposits <sup>c)</sup>	2375	19	5.2	2378	6	4.9	4.9
(1.5) <i>M2</i> (= items 1.3 and 1.4)	4463	21	4.3	4485	26	4.3	4.3
(1.6) Marketable instruments <sup>d)</sup>	864	22	18.8	877	16	20.6	18.9
<b>Data unadjusted for seasonal and calendar effects</b>							
<b>COMPONENTS OF M3 <sup>b)</sup></b>							
(2) <i>M3</i> (= items 2.1 to 2.7)	5332	9	6.4	5328	3	6.6	6.4
(2.1) Currency in circulation	327	-5	-6.7	318	-9	-7.8	-6.4
(2.2) Overnight deposits	1777	-15	5.2	1745	-31	5.4	5.5
(2.3) Deposits with agreed maturity up to 2 years	1076	9	12.3	1091	18	10.7	11.8
(2.4) Deposits redeemable at notice up to 3 months	1287	4	0.0	1292	5	0.9	0.0
(2.5) Repurchase agreements	227	0	18.2	233	6	23.3	21.1
(2.6) Money market fund shares/units <sup>e)</sup> and money market paper	491	14	8.0	498	7	8.1	7.8
(2.7) Debt securities issued with maturity up to 2 years	145	3	83.4	150	6	84.0	75.1
<b>COUNTERPARTS OF M3 <sup>f)</sup></b>							
<b>MFI liabilities:</b>							
(3) <i>Deposits of central government</i>	156	-9	14.7	153	-3	7.8	11.4
(4) <i>Longer-term financial liabilities against other euro area residents</i> (= items 4.1 to 4.4)	3837	-4	2.7	3827	-1	2.3	2.8
(4.1) Deposits with agreed maturity over 2 years	1164	-5	-0.6	1162	-1	-0.7	-0.5
(4.2) Deposits redeemable at notice over 3 months	122	-1	3.5	119	-2	0.0	3.1
(4.4) Debt securities issued with maturity over 2 years	1593	9	4.5	1583	-4	3.7	4.1
(4.4) Capital and reserves	958	-7	3.9	962	6	4.0	4.7
(5) <i>External liabilities</i>	2502	-58	13.8	2477	21	14.1	14.9
<b>MFI assets:</b>							
(6) <i>Credit to euro area residents</i> (= items 6.1 and 6.2)	9282	16	6.2	9245	-22	5.9	6.1
(6.1) Credit to general government	2030	-6	-0.4	2017	-8	0.1	-0.6
of which Loans	834	-3	-1.8	830	-4	-1.2	-1.5
of which Securities other than shares	1196	-2	0.5	1188	-5	1.0	0.0
(6.2) Credit to other euro area residents	7253	22	8.2	7227	-14	7.6	8.1
of which Loans	6388	15	7.6	6362	-18	7.1	7.5
of which Securities other than shares	315	14	27.3	323	9	29.3	27.4
of which Shares and other equities	549	-7	5.3	542	-6	3.8	5.5
(7) <i>External assets</i>	2608	-41	8.0	2625	65	10.6	9.4
<b>Other counterparts of M3 (residual)</b>							
(8) (= M3 + items 3, 4, and 5 - items 6 and 7)	-64	-36	ND	-86	-23	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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