



EUROPEAN CENTRAL BANK

28 January 2005

## MONETARY DEVELOPMENTS IN THE EURO AREA: DECEMBER 2004

The annual rate of growth of M3 increased to 6.4% in December 2004, from 6.0% in November 2004.<sup>1</sup> The three-month average of the annual growth rates of M3 over the period October 2004 - December 2004 rose to 6.1%, from 5.9% in the period September 2004 - November 2004.

12-month percentage changes; adjusted for seasonal and end-of- month calendar effects	OCTOBER 2004	NOVEMBER 2004	DECEMBER 2004	OCTOBER - DECEMBER 2004 AVERAGE
<b>M3</b>	5.8	6.0	6.4	6.1
<b>M1</b>	9.0	9.8	8.4	9.0
<b>Loans to private sector</b>	6.7	6.9	7.0	6.9

Regarding the main components of M3, the annual rate of growth of M1 decreased to 8.4% in December 2004, from 9.8% in November. The annual rate of growth of short-term deposits other than overnight deposits increased to 4.5% in December, from 3.2% in the previous month. The annual rate of growth of marketable instruments increased to 6.3% in December, from 2.9% in November.

Turning to the main counterparts of M3 on the asset side of the consolidated balance sheet of the MFI sector, the annual growth rate of total credit granted to euro area residents was 6.0% in December 2004, unchanged from the previous month. The annual rate of growth of credit extended to general government decreased to 2.4% in December, from 3.3% in November, while the annual growth of credit extended to the private sector was 7.0% in December, after 6.7% in November. Among the components of the latter, the annual rate of growth of loans to the private sector stood at 7.0% in December, compared with 6.9% in the previous month. The annual growth rate of loans to non-financial corporations increased to 5.4% in December, from 5.2% in November.<sup>2</sup> The annual growth rate of loans to households stood at 7.8% in December, compared with 7.9% in the previous month. The annual rate of growth of lending for house purchase was 10.0% in December, unchanged from November. The annual rate of growth of consumer credit decreased to 5.7% in December, from 6.5% in November, while the annual growth rate of other lending to households decreased to 1.7% in December, from 1.9% in the previous month. Finally, the annual

<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.

<sup>2</sup> The rates of growth referring to the breakdown of loans to the private sector by counterpart and type are unadjusted for seasonal and end-of-month calendar effects.

rate of growth of loans to non-monetary financial intermediaries (except insurance corporations and pension funds) decreased to 9.3% in December, from 10.1% in the previous month.

Over the 12 months up to December 2004, the net external asset position of the euro area MFI sector rose by EUR 161 billion, compared with a rise of EUR 124 billion over the 12 months up to November. The annual rate of growth of longer-term financial liabilities of the MFI sector increased to 8.1% in December, from 7.7% in November.

#### Notes

- *In addition to the monthly monetary developments for the reference month, this press release incorporates minor revisions to the data for previous months.*
- *The publication of the statistics on monetary developments in January, February, March and April 2005 is scheduled to take place at 10 am on 25 February, 30 March, 27 April and 31 May 2005 respectively.*
- *The latest monetary data as contained in Tables 2.1 to 2.8 of the ECB's Monthly Bulletin can be found on the ECB's website (<http://www.ecb.int/>) in the "Statistics" section under "Data services" and then "Latest monetary, financial markets and balance of payments statistics". In addition, data on a number of breakdowns of deposits, loans and holdings of securities, together with longer time series for principal monetary aggregates (start date: January 1970) and methodological notes on the monetary statistics concepts and seasonal adjustment procedures can be found in the same section under: "Money, banking and financial markets" and then "Monetary statistics".*

TABLE 1

## MONETARY DEVELOPMENTS IN THE EURO AREA: DECEMBER 2004

DATA ADJUSTED FOR SEASONAL EFFECTS

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

	NOVEMBER 2004			DECEMBER 2004			AVERAGE OCT-04 DEC-04
	End of month level	Monthly flow <sup>b)</sup>	Annual growth rate	End of month level	Monthly flow <sup>b)</sup>	Annual growth rate	Annual growth rate
<b>COMPONENTS OF M3 <sup>c)</sup></b>							
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	6485	26	6.0	6529	47	6.4	6.1
(1.1) Currency in circulation	453	7	19.2	453	0	17.0	18.6
(1.2) Overnight deposits	2454	21	8.2	2441	-12	6.9	7.4
(1.3) <b>M1</b> (items 1.1 and 1.2)	2907	28	9.8	2894	-12	8.4	9.0
(1.4) Deposits with agreed maturity up to 2 years	1007	-11	-3.1	1038	33	0.4	-1.6
(1.5) Deposits redeemable at notice up to 3 months	1631	9	7.5	1634	3	7.3	7.4
(1.6) Other short term deposits (items 1.4 and 1.5)	2638	-3	3.2	2671	35	4.5	3.7
(1.7) <b>M2</b> (items 1.3 and 1.6)	5545	26	6.5	5565	24	6.5	6.4
(1.8) Repurchase agreements	225	1	0.2	243	18	9.8	4.0
(1.9) Money market fund shares/units	617	-5	4.7	619	3	3.5	4.2
(1.10) Debt securities issued with maturity up to 2 years	97	4	-1.0	101	3	15.8	3.3
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	940	0	2.9	963	24	6.3	4.0
<b>COUNTERPARTS OF M3</b>							
<b>MFI liabilities:</b>							
(2) <i>Holdings against central government</i> <sup>d)</sup>	179	-19	1.0	188	10	6.6	8.8
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	4445	34	7.7	4459	30	8.1	7.9
(3.1) Deposits with agreed maturity over 2 years	1343	15	7.9	1355	13	8.3	7.9
(3.2) Deposits redeemable at notice over 3 months	90	0	-1.4	90	0	-1.2	-1.6
(3.3) Debt securities issued with maturity over 2 years	1952	6	9.9	1967	24	10.6	10.3
(3.4) Capital and reserves	1061	12	4.5	1048	-6	4.4	4.4
<b>MFI assets:</b>							
(4) <i>Credit to euro area residents</i> (= items 4.1 and 4.2)	10966	64	6.0	10980	26	6.0	6.0
(4.1) Credit to general government	2322	-10	3.3	2295	-26	2.4	3.3
of which Loans	829	-15	-0.1	826	-3	-0.7	0.3
of which Securities other than shares	1493	5	5.3	1469	-24	4.2	5.1
(4.2) Credit to other euro area residents	8643	74	6.7	8684	52	7.0	6.7
of which Loans	7518	59	6.9	7549	42	7.0	6.9
of which Securities other than shares	457	7	6.3	466	11	8.2	6.9
of which Shares and other equities	669	8	4.5	669	-1	5.3	4.7
(5) <i>Net external assets</i>	349	4	ND	369	30	ND	ND
(6) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 - items 4, 5)	-206	-27	ND	-172	31	ND	ND

a) Figures may not add up due to rounding. The information in this table is based on consolidated balance sheet statistics reported by monetary financial institutions (MFIs). These include the Eurosystem, credit institutions and money market funds located in the euro area.

b) Calculated from the monthly difference in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.

c) 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.

d) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.

TABLE 2

MONETARY DEVELOPMENTS IN THE EURO AREA: DECEMBER 2004

DATA UNADJUSTED FOR SEASONAL EFFECTS

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

	NOVEMBER 2004			DECEMBER 2004			AVERAGE OCT-04 DEC-04
	End of month level	Monthly flow b)	Annual growth rate	End of month level	Monthly flow b)	Annual growth rate	Annual growth rate
<b>COMPONENTS OF M3 <sup>c)</sup></b>							
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	6465	38	5.9	6560	99	6.4	6.1
(1.1) Currency in circulation	449	4	18.4	469	20	17.7	18.6
(1.2) Overnight deposits	2465	45	8.2	2474	11	6.4	7.6
(1.3) <b>M1</b> (items 1.1 and 1.2)	2914	49	9.6	2943	31	8.1	9.2
(1.4) Deposits with agreed maturity up to 2 years	1003	-14	-3.3	1044	42	0.7	-1.6
(1.5) Deposits redeemable at notice up to 3 months	1612	7	7.4	1642	30	7.3	7.4
(1.6) Other short term deposits (items 1.4 and 1.5)	2615	-7	3.0	2685	72	4.7	3.7
(1.7) <b>M2</b> (items 1.3 and 1.6)	5529	42	6.4	5628	103	6.4	6.5
(1.8) Repurchase agreements	225	-6	0.6	228	3	9.5	4.2
(1.9) Money market fund shares/units	613	-3	4.6	604	-9	3.7	4.2
(1.10) Debt securities issued with maturity up to 2 years	97	4	-1.0	101	3	15.8	3.3
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	936	-5	3.0	932	-3	6.2	4.1
<b>COUNTERPARTS OF M3</b>							
<b>MFI liabilities:</b>							
(2) <i>Holdings against central government <sup>d)</sup></i>	183	-15	1.0	163	-20	5.6	8.4
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	4440	29	7.8	4462	37	8.1	7.9
(3.1) Deposits with agreed maturity over 2 years	1337	15	7.9	1359	24	8.3	7.9
(3.2) Deposits redeemable at notice over 3 months	90	1	-1.4	91	1	-1.2	-1.5
(3.3) Debt securities issued with maturity over 2 years	1958	7	9.9	1962	12	10.6	10.3
(3.4) Capital and reserves	1056	6	4.5	1051	1	4.4	4.4
<b>MFI assets:</b>							
(4) <i>Credit to euro area residents</i> (= items 4.1 and 4.2)	10950	90	6.0	10959	21	6.0	6.0
(4.1) Credit to general government	2324	3	3.4	2277	-46	2.4	3.4
of which Loans	830	-4	-0.1	836	5	-0.7	0.3
of which Securities other than shares	1493	7	5.4	1442	-51	4.2	5.2
(4.2) Credit to other euro area residents	8626	87	6.7	8682	67	7.0	6.7
of which Loans	7511	69	6.9	7550	50	7.0	6.9
of which Securities other than shares	455	6	6.3	464	12	8.2	6.9
of which Shares and other equities	660	12	4.7	667	5	5.3	4.8
(5) <i>Net external assets</i>	372	9	ND	389	27	ND	ND
(6) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 - items 4, 5)	-234	-47	ND	-164	68	ND	ND

a) Figures may not add up due to rounding. The information in this table is based on consolidated balance sheet statistics reported by monetary financial institutions (MFIs). These include the Eurosystem, credit institutions and money market funds located in the euro area.

b) Calculated from the monthly difference in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.

c) 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.

d) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.

TABLE 3

**CONTRIBUTIONS OF M3 COMPONENTS TO THE M3 ANNUAL GROWTH RATE: DECEMBER 2004**  
**DATA ADJUSTED FOR SEASONAL EFFECTS**  
 (contributions in terms of the M3 annual percentage change <sup>a)</sup>)

	OCTOBER 2004	NOVEMBER 2004	DECEMBER 2004
(1) <b>M1</b>	3.9	4.2	3.6
(1.1) <i>of which</i> : Currency	1.2	1.2	1.1
(1.2) <i>of which</i> : Overnight deposits	2.7	3.0	2.6
(2) <b>M2 - M1</b> (= other short-term deposits)	1.5	1.3	1.9
(3) <b>M3 - M2</b> (= short-term marketable instruments)	0.4	0.4	0.9
(4) <b>M3</b> (= items 1, 2 and 3)	5.8	6.0	6.4

a) Discrepancies can be due to rounding. The information in this table is based on consolidated balance sheet statistics reported by monetary financial institutions (MFIs). These include the Eurosystem, credit institutions and money market funds located in the euro area.

TABLE 4

**BREAKDOWN OF LOANS BY COUNTERPART, TYPE AND ORIGINAL MATURITY: DECEMBER 2004**  
**DATA UNADJUSTED FOR SEASONAL EFFECTS**  
 (EUR billions and annual percentage changes <sup>a)</sup>)

	NOVEMBER 2004				DECEMBER 2004			
	End of month level	Monthly flow b)	write-offs / write-downs	Annual growth rate	End of month level	Monthly flow b)	write-offs / write-downs	Annual growth rate
<b>BREAKDOWN OF LOANS <sup>c)</sup></b>								
(1) <b>Loans to non-financial corporations</b>	3143	23	-1	5.2	3154	21	-4	5.4
(1.1) up to 1 year	975	15	0	2.6	975	-1	-2	2.5
(1.2) over 1 year and up to 5 years	549	3	0	5.5	548	3	0	6.1
(1.3) over 5 years	1618	5	0	6.7	1632	19	-2	7.0
(2) <b>Loans to households <sup>d)</sup></b>	3780	23	-1	7.9	3805	26	-3	7.8
(2.1) Consumer credit	510	1	0	6.5	514	4	-1	5.7
(2.2) Lending for house purchase	2572	19	0	10.0	2593	22	-1	10.0
(2.3) Other lending <sup>d)</sup>	698	3	0	1.9	699	0	-2	1.7
(3) <b>Loans to non-monetary financial intermediaries except insurance corporations and pension funds</b>	535	24	0	10.1	542	9	0	9.3
(4) <b>Loans to insurance corporations and pension funds</b>	54	-1	0	10.0	49	-5	0	37.1

a) Discrepancies can be due to rounding. The information in this table is based on consolidated balance sheet statistics reported by monetary financial institutions (MFIs). These include the Eurosystem, credit institutions and money market funds located in the euro area.

b) Calculated from monthly difference in levels adjusted for write-offs/write-downs, reclassifications, exchange rate variations and any other changes which do not arise from transactions.

c) Loans granted by monetary financial institutions (MFIs) to non-MFI euro area residents excluding general government.

d) Includes loans to non-profit institutions serving households.