



EUROPEAN CENTRAL BANK

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Press Release

MONETARY DEVELOPMENTS IN THE EURO AREA: JULY 1999

In July 1999 the annual growth rate of M3 rose to 5.6%. This compares with an M3 growth rate of 5.3% for June 1999 (which was revised upwards from 5.0%). The three-month average of the annual growth rates of M3, covering the period from May to July 1999, increased to 5.4%, from 5.3% in the three-month period April to June 1999. (The latter figure was revised upwards from 5.1%.)

12-month percentage changes	MAY 1999	JUNE 1999	JULY 1999	MAY - JULY 1999 AVERAGE
M3	5.3	5.3	5.6	5.4

On the basis of non-seasonally adjusted monthly changes, M3 increased by EUR 7 billion in July 1999 (see item 1 in the attached overview table). Corrected for seasonal influences, the expansion of M3 in July 1999 as compared with June 1999 was about EUR 28 billion, or 0.6% (see the table below). This seasonally adjusted rise in M3 was accounted for by a considerable increase in the components of M1 (currency in circulation and overnight deposits; amounting to EUR 23 billion) and a significant increase in other short-term deposits (of EUR 13 billion). By contrast, the marketable instruments included in M3 declined on a seasonally adjusted basis (by EUR 8 billion).

Seasonally-adjusted monthly changes	MAY 1999		JUNE 1999		JULY 1999		MAY - JULY 1999 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3 (items 1.1 to 1.7 ¹⁾)	20	0.4	15	0.3	28	0.6	21	0.4
Currency in circulation and overnight deposits (= M1; items 1.1. and 1.2 ¹⁾)	13	0.7	15	0.8	23	1.2	17	0.9
Other short-term deposits (= M2-M1; items 1.3 and 1.4 ¹⁾)	5	0.3	0	0.0	13	0.6	6	0.3
Marketable instruments (= M3-M2; items 1.5 to 1.7 ¹⁾)	1	0.1	0	0.0	-8	-1.3	-2	-0.4

¹⁾ The item numbers refer to those reported in the attached overview table.

Note: Due to rounding, the sum of the changes in the components of M3 in euro (billions) may not add up to the total reported for M3.

As a result of the large (seasonally adjusted) expansion of the sum of currency in circulation and overnight deposits in July 1999, the annual growth rate of the narrow monetary aggregate M1 rose to 13.8%, from 11.4% in June. The growth rate of currency in circulation increased from 2.9% in June to 3.8% in July 1999; that of overnight deposits held with the MFI sector rose to 16.3% in July, from 13.4% in the previous month. These developments in M1 were not exclusively caused by the strong monthly increase recorded in July 1999 but also reflected so-called 'base effects' occurring one year earlier. These were related in particular to unusually large portfolio shifts from short-term deposits into marketable instruments in July 1998.

Short-term deposits other than overnight deposits also contributed to the rise in M3 growth in July 1999. The annual rate of growth of deposits redeemable at a period of notice of up to three months rose from 6.3% in June to 6.6% in July. The rate of decline of deposits with an agreed maturity of up to two years was reduced to 2.6% in July, from 3.8% in June.

On an annual basis, the rate of decline in the total of marketable instruments included in M3 became more pronounced in July 1999. This can be attributed to the fact that the (seasonally adjusted) monthly change in marketable instruments was negative in July 1999, whereas these instruments had shown a strong expansion in July 1998. The outstanding amount of repurchase agreements was 23.2% lower than a year ago (compared with an annual rate of decline of 16.1% in June). The growth rate of money market fund shares/units and money market paper dropped to 8.0% in July, from 14.2% in June. The annual percentage change of debt securities issued with a maturity of up to two years (which account for a relatively small share of marketable instruments) was -16.6% in July, as compared with -19.2% in the previous month.

Among the counterparts of M3, the outstanding amount of deposits of the central government with the MFI sector was 5.6% lower in July 1999 than a year earlier. This compares with an annual rate of decline of 7.1% in the previous month.

The annual growth rate of longer-term financial liabilities of the MFI sector continued to rise, from 5.7% in June to 5.9% in July 1999. This was accounted for by a higher annual growth rate of both deposits with an agreed maturity of over two years (2.7% in July, after 2.5% in June) and capital and reserves of MFIs (8.4% in July, as compared with 8.1% in the previous month). The annual growth rate of debt securities issued with a maturity of more than two years remained stable at 8.3%, while the contraction of deposits redeemable at a period of notice of more than three months became more pronounced in July 1999.

On the assets side of the consolidated balance sheet of the MFI sector, the annual growth rate of total credit granted to euro area residents declined, from 7.8% in June to 7.3% in July. This reduction was widespread, as it was reflected in all components of credit with the exception of MFI holdings of shares and equity. The rate of increase in credit to the private sector declined from 10.9% in June to 10.4% in

July, reflecting lower growth in both loans and in securities other than shares. The annual percentage change in credit to the general government was negative in July (-0.9%, as compared with 0.0% in the previous month).

Between June and July 1999, the net external asset position of the euro area MFI sector increased in absolute and non-seasonally adjusted terms by EUR 15 billion (as compared with an increase of EUR 11 billion in the previous month). This reflected the fact that the reduction in the external liabilities of MFIs (of EUR 41 billion) was larger than the decline in their external assets (amounting to EUR 26 billion).

It should be noted that this release of monetary data for July 1999 also incorporates revisions of historical monetary figures. Such revisions may be carried out by the Eurosystem on a quarterly basis. Details on the latest data as contained in the Tables 2.1 to 2.4 of the “Euro area statistics” section of the ECB Monthly Bulletin are made available on the ECB’s Web site (<http://www.ecb.int>) in the “Euro area statistics – download”, “Latest monetary and financial statistics” page.

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(1)

(non seasonally-adjusted data in EUR billions)

COMPONENTS OF M3 ⁽²⁾	JUNE 1999			JULY 1999			AVERAGE MAY-99 JUL-99
	End of month levels	Flows on previous month	Annual growth rate	End of month levels	Flows on previous month	Annual growth rate	Annual growth rate
(1) M3 (= items 1.1 to 1.7)	4590	20	5.3	4594	7	5.6	5.4
(1.1) Currency in circulation	324	2	2.9	332	8	3.8	2.8
(1.2) Overnight deposits	1546	42	13.4	1539	-6	16.3	14.7
(1.3) Deposits with agreed maturity up to 2 years	842	-21	-3.8	854	13	-2.6	-3.3
(1.4) Deposits redeemable at notice up to 3 months	1265	6	6.3	1270	5	6.6	6.2
(1.5) Repurchase agreements	167	-6	-16.1	162	-5	-23.2	-18.2
(1.6) Money market fund shares/units and money market paper	391	1	14.2	378	-13	8.0	11.5
(1.7) Debt securities issued with maturity up to 2 years	55	-4	-19.2	60	6	-16.6	-16.7
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	126	5	-7.1	135	9	-5.6	-4.8
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3449	32	5.7	3454	11	5.9	5.8
(3.1) Deposits with agreed maturity over 2 years	1119	6	2.5	1124	5	2.7	2.3
(3.2) Deposits redeemable at notice over 3 months	114	-1	-6.3	112	-2	-7.6	-6.6
(3.3) Debt securities issued with maturity over 2 years	1419	11	8.3	1420	6	8.3	8.5
(3.4) Capital and reserves	798	16	8.1	798	1	8.4	8.2
(4) <i>External liabilities</i>	1838	106	17.2	1765	-41	14.8	14.3
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	7927	61	7.8	7918	-19	7.3	7.7
(5.1) Credit to general government	2054	-16	0.0	2023	-41	-0.9	0.2
Of which Loans	836	6	1.0	828	-9	0.5	0.8
Of which Securities other than shares	1217	-22	-0.6	1195	-32	-1.9	-0.1
(5.2) Credit to other euro area residents	5874	77	10.9	5895	21	10.4	10.5
Of which Loans	5300	86	10.3	5326	28	9.9	10.0
Of which Securities other than shares	212	2	4.7	211	-1	1.3	1.8
Of which Shares and other equities	363	-11	24.6	358	-6	25.6	25.3
(6) <i>External assets</i>	2139	117	3.4	2077	-26	3.0	1.6
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-64	-16	-3.4	-47	32	-51.8	-24.8

(1) 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 (MFIs). These include the Eurosystem, credit institutions and money market funds located in the euro area. Figures refer to all currencies. The flows on the previous months have been adjusted to take into account reclassifications, exchange rate variations, other revaluations, and other changes which do not arise from transactions. The annual growth rates were calculated on flow data.

(2) 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.

(3) 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's web site (<http://www.ecb.int>) in the "Euro area statistics - download" page.