



EUROPEAN CENTRAL BANK

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MONETARY DEVELOPMENTS IN THE EURO AREA: SEPTEMBER 1999

In September 1999 the annual rate of increase in M3 rose to 6.1%, from 5.7% recorded for August 1999. The three-month average of the annual growth rates of M3, covering the period from July to September 1999, increased to 5.9%, up from 5.6% in the three-month period from June to August 1999.

12-month percentage changes	JULY 1999	AUGUST 1999	SEPTEMBER 1999	JULY - SEPTEMBER 1999 AVERAGE
M3	5.8	5.7	6.1	5.9

On the basis of non-seasonally adjusted monthly changes, M3 rose by EUR 15 billion in September 1999 (see item 1 in the attached overview table). An increase in M3 of EUR 28 billion was recorded in terms of seasonally adjusted data (see the table below). The seasonally adjusted expansion of M3 mainly mirrored that in the components of M1 (currency in circulation and overnight deposits; amounting to EUR 12 billion) and in the marketable instruments included in M3 (of EUR 12 billion). The seasonally adjusted rise in the other short-term deposits was less pronounced, at EUR 4 billion.

Seasonally-adjusted monthly changes	JULY 1999		AUGUST 1999		SEPTEMBER 1999		JULY - SEPTEMBER 1999 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3 (= items 1.1 to 1.7 ¹⁾)	35	0.8	1	0.0	28	0.6	21	0.5
Currency in circulation and overnight deposits (items 1.1. and 1.2 ¹⁾) (= M1)	24	1.3	0	0.0	12	0.6	12	0.6
Other short-term deposits (items 1.3 and 1.4 ¹⁾) (= M2-M1)	14	0.6	-4	-0.2	4	0.2	5	0.2
Marketable instruments (items 1.5 to 1.7 ¹⁾) (= M3-M2)	-2	-0.4	5	0.8	12	2.0	5	0.8

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.

Reflecting the relatively strong (seasonally adjusted) month-on-month growth in September, the annual rate of increase in M1 rose to 13.0%, from 12.8% in August. This increase was a consequence of the rise in the annual growth rate of currency in circulation, to 5.2% in September, compared with 3.9% in the previous month; by contrast, the annual growth rate of overnight deposits declined slightly, to 14.8% in September (15.0% in the previous month).

Mirroring the modest (seasonally adjusted) month-on-month growth recorded in September, the annual rate of increase in short-term deposits other than overnight deposits recorded a slight decline, from 2.4% in August to 2.2% in September. This reflected both a slower pace of growth of deposits redeemable at a period of notice of up to three months (6.1% in September, from 6.4% in August) and a stronger rate of decline of deposits with an agreed maturity of up to two years (3.2% in September, from 2.9% in August).

The annual rate of change of the marketable instruments included in M3 was 0.5% in September, turning positive from -2.0% in the previous month. This reflected a substantially higher annual growth rate of money market fund shares and money market paper (14.9% in September from 11.7% in the previous month) and of debt securities issued with an agreed maturity of up to two years (6.0% in September, against -10.8% in August). At the same time, the annual rate of contraction in repurchase agreements became more pronounced.

Among the counterparts of M3, the annual rate of increase in longer-term financial liabilities of the MFI sector was broadly stable, at 5.6% in September. This reflected the fact that the annual growth rates of both deposits and debt securities issued with maturity over two years were broadly stable (at around 3.0% and 7.5%, respectively). The rate of contraction of deposits redeemable with a period of notice of more than three months became less pronounced (7.6% in September, from 8.0% in August). Conversely, the growth rate of capital and reserves of MFIs declined to 7.9% in September, from 8.6% in the previous month.

The annual rate of change in the outstanding amount of central government deposits held with the MFI sector remained negative, at -7.6% in September (it was -9.0% in August).

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 remained constant at 7.9% in September. This reflected, on the one hand, an increase in the growth rate of credit to the general government (1.3% in September, against 0.2% in the previous month), and, on the other, a moderate slowdown in the annual rate of increase in credit extended to other euro area residents. The latter was 10.5% in September (compared with 10.8% in August), reflecting a slightly less pronounced growth of loans to the private sector (9.7% in September, against 9.9% in the previous month), as well as of MFI holdings of both debt securities and shares and other equity.

Between August and September 1999, the net external asset position of the euro area MFI sector increased, in absolute and non-seasonally adjusted terms, by EUR 16 billion (after declining by EUR 34 billion in August). This was a consequence of an increase in external assets of EUR 10 billion, which was accompanied by a decline in external liabilities of EUR 6 billion.

More 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.

MONETARY DEVELOPMENTS IN THE EURO AREA : SEPTEMBER 1999 ⁽¹⁾

(non seasonally-adjusted data in EUR billions)

	AUGUST 1999			SEPTEMBER 1999			AVERAGE JUL-99 SEP-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
COMPONENTS OF M3 ⁽²⁾							
(1) M3 (= items 1.1 to 1.7)	4587	-19	5.7	4604	15	6.1	5.9
(1.1) Currency in circulation	326	-6	3.9	327	1	5.2	4.3
(1.2) Overnight deposits	1513	-29	15.0	1537	24	14.8	15.4
(1.3) Deposits with agreed maturity up to 2 years	857	2	-2.9	845	-13	-3.2	-2.9
(1.4) Deposits redeemable at notice up to 3 months	1270	0	6.4	1268	-2	6.1	6.4
(1.5) Repurchase agreements	163	-1	-19.8	159	-4	-23.1	-21.7
(1.6) Money market fund shares/units and money market paper	396	13	11.7	400	4	14.9	12.0
(1.7) Debt securities issued with maturity up to 2 years	61	1	-10.8	67	5	6.0	-7.2
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	138	2	-9.0	133	-5	-7.6	-7.4
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3469	9	5.7	3496	21	5.6	5.7
(3.1) Deposits with agreed maturity over 2 years	1131	7	2.9	1133	2	3.0	2.9
(3.2) Deposits redeemable at notice over 3 months	111	-1	-8.0	111	0	-7.6	-7.7
(3.3) Debt securities issued with maturity over 2 years	1426	4	7.6	1442	14	7.5	7.7
(3.4) Capital and reserves	800	-1	8.6	810	5	7.9	8.4
(4) <i>External liabilities</i>	1775	-15	15.1	1780	-6	9.5	13.4
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	7945	4	7.9	8007	61	7.9	7.8
(5.1) Credit to general government	2037	2	0.2	2060	21	1.3	0.6
Of which Loans	824	-4	-0.3	830	5	-0.2	0.0
Of which Securities other than shares	1213	6	0.5	1230	16	2.3	0.9
(5.2) Credit to other euro area residents	5907	2	10.8	5947	39	10.5	10.6
Of which Loans	5326	-5	9.9	5369	43	9.7	9.9
Of which Securities other than shares	223	9	7.0	221	-3	4.4	4.9
Of which Shares and other equities	358	-1	29.2	357	-1	27.4	27.7
(6) <i>External assets</i>	2053	-49	-1.1	2080	10	-4.5	-1.5
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-29	21	-64.1	-73	-45	-26.9	-43.9

(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.