



EUROPEAN CENTRAL BANK

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MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 1999

In August 1999 the annual growth rate of M3 stood at 5.7%. This compares with an M3 growth rate of 5.8% recorded for July 1999 (revised upwards from 5.6%). The three-month average of the annual growth rates of M3, covering the period from June to August 1999, rose to 5.6%, from 5.5% in the three-month period May to July 1999. (The latter figure was revised upwards from 5.4%.)

12-month percentage changes	JUNE 1999	JULY 1999	AUGUST 1999	JUNE - AUGUST 1999 AVERAGE
M3	5.3	5.8	5.7	5.6

On the basis of non-seasonally adjusted monthly changes, M3 decreased by EUR 20 billion in August 1999 (see item I in the attached overview table). Corrected for seasonal influences, M3 remained practically constant in August 1999 as compared with July 1999 (see the table below). This seasonally adjusted stability of M3 reflected a virtual stagnation in the components of M1 (currency in circulation and overnight deposits), while a decline in other short-term deposits (of EUR 4 billion) contrasted with an increase in the marketable instruments included in M3 (of EUR 3 billion).

Seasonally-adjusted monthly changes	JUNE 1999		JULY 1999		AUGUST 1999		JUNE - AUGUST 1999 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3 (items I.1 to I.7 ¹⁾)	18	0.4	34	0.8	-2	0.0	17	0.4
Currency in circulation and overnight deposits (= M1; items I.1. and I.2 ¹⁾)	15	0.8	24	1.3	0	0.0	13	0.7
Other short-term deposits (= M2-M1; items I.3 and I.4 ¹⁾)	0	0.0	14	0.6	-4	-0.2	3	0.1
Marketable instruments (= M3-M2; items I.5 to I.7 ¹⁾)	3	0.5	-3	-0.5	3	0.5	1	0.1

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 its (seasonally adjusted) stability in August 1999, the annual growth rate of the narrow monetary aggregate M1 fell to 12.8%, from 13.9% in July. This was due to a decline of the annual growth rate of overnight deposits from 16.4% in July to 15.0% in August, while the growth rate for currency in circulation increased slightly from 3.8% in July to 3.9% in August 1999.

Short-term deposits other than overnight deposits recorded an annual increase of 2.4% in August, compared with 2.8% in July. This reflected a decrease in the rate of growth of deposits redeemable at a period of notice of up to three months from 6.7% in July to 6.4% in August. In addition, the rate of decline of deposits with an agreed maturity of up to two years increased to 3.0% in August, from 2.5% in the previous month.

The annual rate of decline in the total of marketable instruments included in M3 was reduced to 2.0% in August 1999 against 5.3% in July. This was reflected in all the financial instruments included in this category. The outstanding amount of repurchase agreements was 20.0% lower than a year ago (the annual rate of decline was 22.0% in July). The growth rate of money market fund shares/units and money market paper increased to 11.6% in August, from 9.3% in July. The rate of decline in debt securities issued with a maturity of up to two years was 10.0% in August, as compared with 16.7% in the previous month.

Among the counterparts of M3, the annual growth rate of longer-term financial liabilities of the MFI sector remained nearly constant (5.8% in August 1999 after 5.9% in July). Whereas the annual growth rate of deposits with an agreed maturity of over two years and capital and reserves of MFIs saw a broadly stable development, a lower annual growth rate was recorded for debt securities issued with a maturity of more than two years (7.7% in August, after 8.0% in July). Furthermore, the rate of decline of deposits redeemable at a period of notice of more than three months increased (to 8.0% on an annual basis, after 7.6% in July)

The outstanding amount of deposits of the central government with the MFI sector was 9.0% lower in August 1999 than a year earlier. This compares with an annual rate of decline of 5.6% in July.

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 was nearly unchanged, standing at 7.8% in August (after 7.7% in July). This broad stability was evident both with respect to credit to general government and credit to other euro area residents. The annual rate of growth of credit to other euro area residents rose marginally, to 10.7% in August from 10.6% in July. This reflected a higher growth in MFI holdings of both debt securities and shares and other equities, whereas the annual growth rate of loans to the private sector was slightly lower in August (9.9%, compared to 10.0% in the previous month). The annual rate of growth of credit extended to general government remained at 0.2%. The fact that the annual rate of change of loans to the general government turned negative (from 0.5% in July to -0.2% in August) was

compensated by a higher growth rate of MFI holdings of debt securities issued by the general government (0.6% in August, compared with 0.0% in the previous month).

Between July and August 1999, the net external asset position of the euro area MFI sector decreased in absolute and non-seasonally adjusted terms by EUR 34 billion (as compared with an increase of EUR 10 billion in the previous month). Underlying this development was a reduction in the external assets of MFIs (of EUR 50 billion), which was larger than the decline in their external liabilities (of EUR 16 billion). Over the past 12 months, the net external asset position of the MFI sector fell by EUR 207 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.

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

(non seasonally-adjusted data in EUR billions)

	JULY 1999			AUGUST 1999			AVERAGE JUN-99 AUG-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)	4603	16	5.8	4585	-20	5.7	5.6
(1.1) Currency in circulation	332	8	3.8	326	-6	3.9	3.5
(1.2) Overnight deposits	1540	-5	16.4	1511	-29	15.0	14.9
(1.3) Deposits with agreed maturity up to 2 year:	854	13	-2.5	857	2	-3.0	-3.1
(1.4) Deposits redeemable at notice up to 3 month:	1270	5	6.7	1270	0	6.4	6.5
(1.5) Repurchase agreements	164	-3	-22.0	163	-2	-20.0	-19.4
(1.6) Money market fund shares/units and money market paper	383	-8	9.3	396	13	11.6	11.7
(1.7) Debt securities issued with maturity up to 2 year	60	5	-16.7	62	2	-10.0	-15.2
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	135	9	-5.6	138	2	-9.0	-7.2
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3457	12	5.9	3469	9	5.8	5.8
(3.1) Deposits with agreed maturity over 2 year:	1124	5	2.8	1131	7	2.9	2.7
(3.2) Deposits redeemable at notice over 3 month:	112	-2	-7.6	111	-1	-8.0	-7.3
(3.3) Debt securities issued with maturity over 2 year	1420	4	8.0	1427	4	7.7	8.0
(3.4) Capital and reserves	801	4	8.8	800	-1	8.7	8.5
(4) <i>External liabilities</i>	1773	-31	15.6	1775	-16	15.3	16.1
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	7938	14	7.7	7943	1	7.8	7.8
(5.1) Credit to general government	2035	-18	0.2	2038	3	0.2	0.2
Of which Loans	828	-8	0.5	825	-4	-0.2	0.4
Of which Securities other than shares	1207	-10	0.0	1214	6	0.6	0.0
(5.2) Credit to other euro area residents	5903	32	10.6	5905	-1	10.7	10.7
Of which Loans	5329	32	10.0	5325	-7	9.9	10.0
Of which Securities other than shares	214	3	3.2	222	7	6.5	4.8
Of which Shares and other equities	360	-3	26.6	358	-2	29.2	26.8
(6) <i>External assets</i>	2081	-21	3.3	2052	-50	1.0	2.6
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-51	14	-22.5	-29	25	-57.8	-27.2

(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" section