



EUROPEAN CENTRAL BANK

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MONETARY DEVELOPMENTS IN THE EURO AREA: DECEMBER 2001

The annual rate of growth of M3 was 8.0% in December 2001, unchanged from the previous month.¹ The three-month average of the annual growth rates of M3 over the period October-December 2001 increased to 7.8%, from 7.4% during the period September-November 2001. The high level of the annual growth rate of M3 over the last few months has to be assessed in the context of shifts to liquid positions in an economic and financial environment characterised by great uncertainty.

12-month percentage changes	OCTOBER 2001	NOVEMBER 2001	DECEMBER 2001	OCTOBER- DECEMBER 2001 AVERAGE
M3	7.5	8.0	8.0	7.8

In December, the annual rate of growth of M1 declined to 5.0%, from 6.0% in the previous month. This development reflected a strong decrease in the annual rate of change in currency in circulation (-32.1%, compared with -19.4% in November). Over the same period, the annual rate of growth of overnight deposits rose to 12.5% from 11.2% in the previous month.

The annual rate of growth of short-term deposits other than overnight deposits increased to 7.1% in December, from 5.8% in November. This reflected a significant rise in the (non-seasonally adjusted) annual rate of growth of deposits redeemable at a period of notice of up to three months (to 7.5% in December from 6.0% in November). Meanwhile, the annual rate of growth of deposits with an agreed maturity of up to two years stood at 6.1% (compared with 6.0% in the previous month).

The annual rate of growth of marketable instruments included in M3 declined to 20.1% in December, from 22.0% in the previous month. This development was driven by a strong decrease in the (non-seasonally adjusted) annual growth rates of money market paper and debt securities issued with a maturity of up to two years (to -0.5% in December, from 7.2% in November) as well as of repurchase agreements (12.5% in December, from 18.6% in the previous month). By contrast, the (non-seasonally adjusted) annual growth rate of money market fund shares/units rose to 34.5% in December, from 30.5% in November.

¹ 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.

Regarding the counterparts of M3, in December the (non-seasonally adjusted) annual rate of growth of longer-term financial liabilities of the MFI sector increased to 4.7%, from 3.5% in November. This evolution reflected divergent developments among the components of this item. On the one hand, the annual growth rate of debt securities issued with a maturity of over two years rose to 7.3% in December (from 6.4% in the previous month), and the annual growth rate of MFI capital and reserves increased to 8.5% (from 4.5% in the previous month). On the other hand, the annual rates of change in deposits redeemable at notice over three months and in deposits with an agreed maturity of over two years decreased further to -8.5% (from -6.8% in November) and -0.3% (compared with -0.1% in November) respectively.

The (non-seasonally adjusted) annual rate of change in holdings of central government with the MFI sector recorded a further decrease in December (-16.2%, compared with -13.2% in November).

On the asset side of the consolidated balance sheet of the MFI sector, the (non-seasonally adjusted) annual growth rate of total credit granted to euro area residents stood at 5.3% in December (compared with 5.4% in the previous month). The annual rate of growth of credit extended to the private sector recorded a slight decrease to 6.7% in December, from 6.9% in November. This development was largely the result of a significant decline in the annual growth of loans to the private sector (6.1% in December, from 6.6% in November). Over the same period, the annual growth rate of credit to general government increased slightly to 0.2%, from 0.0% in the previous month.

In December 2001, the net external asset position of the euro area MFI sector decreased by EUR 8 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to December, the net external assets of the MFI sector increased by EUR 1 billion, compared with an increase by EUR 27 billion over the 12 months up to November 2001.

Notes

- *The publication of the statistics on monetary developments in January, February, March and April 2002 is scheduled to take place at 10am on 27 February, 28 March, 26 April and 31 May 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.*
- *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.

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(data in EUR billions and percentage changes ^{a)})

	NOVEMBER 2001			DECEMBER 2001			AVERAGE OCT-01 DEC-01
	End of month level	Monthly flow	Annual growth rate	End of month level	Monthly flow	Annual growth rate	Annual growth rate
Seasonally and calendar effect adjusted data							
(1) <i>M3</i> (= items 1.3, 1.4 and 1.6) ^{b)}	5371	41	8.0	5385	14	8.0	7.8
(1.1) Currency in circulation	278	-19	-19.4	234	-44	-32.1	-22.0
(1.2) Overnight deposits	1882	38	11.2	1905	24	12.5	11.0
(1.3) M1 (= items 1.1 and 1.2)	2160	20	6.0	2139	-20	5.0	5.4
(1.4) Other short-term deposits ^{c)}	2426	19	5.8	2452	26	7.1	6.1
(1.5) M2 (= items 1.3 and 1.4)	4586	38	5.9	4591	5	6.1	5.8
(1.6) Marketable instruments ^{d)}	786	3	22.0	794	9	20.1	21.3
Data unadjusted for seasonal and calendar effects							
COMPONENTS OF M3 ^{b)}							
(2) M3 (= items 2.1 to 2.7)	5328	55	7.8	5425	98	7.7	7.7
(2.1) Currency in circulation	279	-16	-19.0	240	-39	-32.4	-21.9
(2.2) Overnight deposits	1865	48	10.5	1964	99	12.5	10.7
(2.3) Deposits with agreed maturity up to 2 years	1081	1	6.0	1094	13	6.1	6.5
(2.4) Deposits redeemable at notice up to 3 months	1326	15	6.0	1367	41	7.5	5.9
(2.5) Repurchase agreements	230	-7	18.6	219	-10	12.5	18.6
(2.6) Money market fund shares/units	395	10	30.5	394	0	34.5	31.5
(2.7) Money market paper and debt securities issued with maturity up to 2 years	152	4	7.2	147	-7	-0.5	2.5
COUNTERPARTS OF M3 ^{e)}							
MFI liabilities:							
(3) <i>Holdings of central government</i>	152	-3	-13.2	141	-11	-16.2	-14.1
of which Deposits	150	-3	-11.7	139	-11	-16.1	-13.2
(4) <i>Longer-term financial liabilities against other euro area residents</i> (= items 4.1 to 4.4)	3866	19	3.5	3892	29	4.7	3.5
(4.1) Deposits with agreed maturity over 2 years	1161	-2	-0.1	1168	6	-0.3	-0.2
(4.2) Deposits redeemable at notice over 3 months	116	-1	-6.8	116	0	-8.5	-6.6
(4.4) Debt securities issued with maturity over 2 years	1606	19	6.4	1613	9	7.3	6.2
(4.4) Capital and reserves	983	2	4.5	996	14	8.5	5.3
(5) <i>External liabilities</i>	2726	38	14.6	2715	-16	14.5	14.3
MFI assets:							
(6) <i>Credit to euro area residents</i> (= items 6.1 and 6.2)	9412	72	5.4	9449	44	5.3	5.2
(6.1) Credit to general government	2033	23	0.0	2025	-5	0.2	-0.3
of which Loans	843	15	-0.3	846	2	-1.1	-0.9
of which Securities other than shares	1190	8	0.0	1179	-7	1.1	0.0
(6.2) Credit to other euro area residents	7379	50	6.9	7425	49	6.7	6.8
of which Loans	6501	51	6.6	6517	22	6.1	6.4
of which Securities other than shares	333	2	24.3	337	2	23.5	23.6
of which Shares and other equities	544	-3	2.2	570	25	6.0	3.7
(7) <i>External assets</i>	2825	66	15.2	2802	-24	13.9	14.0
Other counterparts of M3 (residual)							
(8) (= M3 + items 3, 4, and 5 - items 6 and 7)	-166	-29	ND	-79	80	ND	ND

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 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. Data on M3 and its components exclude holdings by non-residents of the euro area of money market fund shares/units, money market paper and debt securities with a maturity up to two years.

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, money market paper and debt securities issued with maturity up to 2 years.

e) 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.