



EUROPEAN CENTRAL BANK

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## MONETARY DEVELOPMENTS IN THE EURO AREA: JUNE 1999

In June 1999 the annual growth rate of M3 stood at 5.0%. This was somewhat lower than the growth rate of 5.2% for May 1999 (revised downwards from 5.3%). The three-month moving average of the annual growth rates of M3, covering the period from April to June 1999, was 5.1%. The same figure was recorded for the period from March to May 1999 (revised downwards from 5.2%).

12-month percentage changes	APRIL 1999	MAY 1999	JUNE 1999	APRIL - JUNE 1999 AVERAGE
<b>M3</b>	5.0	5.2	5.0	5.1

On the basis of non-seasonally adjusted data, M3 increased by EUR 10 billion in June 1999 (see item 1 in the attached overview table). About half of this change was due to seasonal factors. In terms of seasonally adjusted figures (see the table below), M3 rose by EUR 5 billion since the previous month. This seasonally adjusted increase in M3 in June 1999 reflected a significant rise in the components of M1 (currency in circulation and overnight deposits; amounting to EUR 14 billion), a limited increase in other short-term deposits (of EUR 2 billion) and a significant decline in marketable instruments (of EUR 12 billion).

Seasonally-adjusted monthly changes	APRIL 1999		MAY 1999		JUNE 1999		APRIL - JUNE 1999 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
<b>M3</b> (items 1.1 to 1.7 <sup>1)</sup> )	11	0.2	20	0.4	5	0.1	12	0.3
Currency in circulation and overnight deposits (= M1; items 1.1. and 1.2 <sup>1)</sup> )	18	1.0	12	0.7	14	0.8	15	0.8
Other short-term deposits (= M2-M1; items 1.3 and 1.4 <sup>1)</sup> )	-15	-0.7	4	0.2	2	0.1	-3	-0.1
Marketable instruments (= M3-M2; items 1.5 to 1.7 <sup>1)</sup> )	8	1.4	3	0.5	-12	-2.0	0	-0.0

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.

The annual growth rate of currency in circulation increased to 3.0% in June 1999, from 1.7% recorded in May. Conversely, the growth rate of overnight deposits decreased to 13.1% in June, from 13.7% in the previous month.

The other short-term deposits included in M3 recorded an annual increase of 2.0% in June, compared with 1.8% in May. This reflected an increase in the rate of growth of deposits redeemable at a period of notice of up to three months from 5.7% in May to 6.2% in June. By contrast, deposits with an agreed maturity of up to two years continued to display a negative annual rate of change (-3.6% in June, compared with -3.5% in May).

The annual rate of change of marketable securities fell from 0.3% in May to -2.4% in June. This was reflected in all the financial instruments included in this category. The growth rate of money market fund shares and money market paper dropped to 10.4% from 13.7% in the previous month; the contraction in both repurchase agreements and in debt securities issued with a maturity of up to two years continued at a more rapid pace in June.

Among the counterparts of M3, the annual percentage change in deposits of the central government with the MFI sector turned negative (from 3.0% in May to -3.2% in June). The growth rate of longer-term financial liabilities of the MFI sector against other euro area residents increased slightly to 5.2%, from 5.0% in the previous month. This was due to a higher annual growth rate of deposits with an agreed maturity of over two years (2.2% in June, compared with 1.5% in May), while the rates of change in the other longer-term financial instruments remained stable or declined somewhat.

On the assets side of the consolidated balance sheet of the MFI sector, the annual growth rate of total credit extended to euro area residents declined slightly to 7.7% in June, from 7.9% in the previous month. This reflected two contrasting developments. On the one hand, the rate of change in credit to general government turned negative (from 1.3% in May to -0.6% in June). On the other, the annual rate of growth of credit to private euro area residents rose from 10.5% in May to 10.9% in June, reflecting the higher growth in both loans to the private sector and in securities other than shares.

Between May and June 1999, the external liabilities of MFIs rose by EUR 106 billion in absolute and non-seasonally adjusted terms. This was more than offset by an increase in their external assets of EUR 118 billion. As a result, the net external asset position of the euro area MFI sector increased by EUR 12 billion in June.

*As of this Press Release, 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" page.*

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## MONETARY DEVELOPMENTS IN THE EURO AREA : JUNE 1999

(1)

(non seasonally-adjusted data in EUR billions)

COMPONENTS OF M3 <sup>(2)</sup>	MAY 1999			JUNE 1999			AVERAGE APR-99 JUN-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) <b>M3</b> (= items 1.1 to 1.7)	4564	31	5.2	4576	10	5.0	5.1
(1.1) Currency in circulation	322	2	1.7	324	2	3.0	2.2
(1.2) Overnight deposits	1496	23	13.7	1542	46	13.1	13.5
(1.3) Deposits with agreed maturity up to 2 year:	861	-10	-3.5	844	-18	-3.6	-3.3
(1.4) Deposits redeemable at notice up to 3 month:	1258	4	5.7	1264	5	6.2	5.9
(1.5) Repurchase agreements	173	0	-14.8	168	-6	-15.7	-14.9
(1.6) Money market fund shares/units and money market paper	393	4	13.7	378	-17	10.4	12.0
(1.7) Debt securities issued with maturity up to 2 year	60	7	-12.7	56	-4	-17.5	-16.7
<b>COUNTERPARTS OF M3 <sup>(3)</sup></b>							
<b>MFI liabilities:</b>							
(2) <i>Deposits of central government</i>	128	4	3.0	132	4	-3.2	-1.8
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3396	4	5.0	3431	36	5.2	5.1
(3.1) Deposits with agreed maturity over 2 year:	1110	-1	1.5	1117	6	2.2	1.8
(3.2) Deposits redeemable at notice over 3 month:	115	-4	-6.0	114	-1	-6.3	-5.4
(3.3) Debt securities issued with maturity over 2 year	1385	2	8.1	1399	13	7.9	8.1
(3.4) Capital and reserves	786	6	6.7	801	17	6.7	6.8
(4) <i>External liabilities</i>	1722	-29	11.0	1842	106	17.4	13.8
<b>MFI assets:</b>							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	7879	72	7.9	7933	50	7.7	7.7
(5.1) Credit to general government	2062	17	1.3	2042	-21	-0.6	0.4
Of which Loans	831	-1	1.0	836	5	0.9	0.6
Of which Securities other than shares	1231	18	1.5	1206	-26	-1.5	0.3
(5.2) Credit to other euro area residents	5818	55	10.5	5891	71	10.9	10.5
Of which Loans	5223	34	10.1	5305	80	10.4	10.1
Of which Securities other than shares	208	6	-1.0	210	2	3.9	0.3
Of which Shares and other equities	387	15	25.4	376	-11	24.4	24.2
(6) <i>External assets</i>	2001	-76	-2.0	2133	118	3.0	1.2
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-71	14	-14.5	-85	-13	-7.9	-3.1

(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.