



EUROPEAN CENTRAL BANK

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MONETARY DEVELOPMENTS IN THE EURO AREA: OCTOBER 1999

In October 1999 the annual rate of increase in M3 was 6.0%. This compares with a growth rate of 6.2% recorded for September 1999 (this figure was revised upwards from 6.1%). The three-month average of the annual growth rates of M3, covering the period from August to October 1999, stood at 6.0%, unchanged from the three month moving average covering the period from July to September 1999 (which was revised upwards from 5.9%).

12-month percentage changes	AUGUST 1999	SEPTEMBER 1999	OCTOBER 1999	AUGUST - OCTOBER 1999 AVERAGE
M3	5.8	6.2	6.0	6.0

On the basis of non-seasonally adjusted monthly changes, M3 rose by EUR 20 billion in October 1999 (see item I in the attached overview table). Corrected for seasonal influences, the expansion of M3 in October 1999 as compared with September 1999 was EUR 22 billion (see the table below). The seasonally adjusted rise of M3 mirrored rises in all of its main components. The seasonally adjusted monthly change in the components of M1 (currency in circulation and overnight deposits) was EUR 9 billion and that in the other short-term deposits EUR 6 billion. The seasonally adjusted rise in marketable instruments was EUR 8 billion.

Seasonally-adjusted monthly changes	AUGUST 1999		SEPTEMBER 1999		OCTOBER 1999		AUGUST - OCTOBER 1999 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3 (items I.1 to I.7) ¹⁾	1	0.0	31	0.7	22	0.5	18	0.4
Currency in circulation and overnight deposits (items I.1. and I.2) ¹⁾ (= M1)	-1	0.0	12	0.7	9	0.5	7	0.4
Other short-term deposits (items I.3 and I.4) ¹⁾ (= M2-M1)	-4	-0.2	4	0.2	6	0.3	2	0.1
Marketable instruments (items I.5 to I.7) ¹⁾ (= M3-M2)	6	0.9	14	2.2	8	1.2	9	1.5

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 rate of increase in M1 decreased slightly to 13.0% (from 13.1% in September 1999) reflecting a small decline in the annual growth rate of overnight deposits, to 14.8% in October. The rate of increase in currency in circulation rose moderately, to 5.5% in October, from 5.2% in the previous month.

The annual rate of increase in short-term deposits other than overnight deposits rose to 2.5% (from 2.2% in September). This reflected a slower rate of decline of deposits with an agreed maturity of up to two years (which was 2.0% in October, against 3.2% in September), while the annual growth rate of deposits redeemable at a period of notice of up to three months declined (reaching 5.7% in October, compared with 6.1% in September).

The rate of change of marketable instruments, on an annual basis, turned negative in October (-1.2% from 0.9% in the previous month). This reflected a more pronounced contraction in repurchase agreements (at an annual rate of 28.3%, compared with 23.3% in September) as well as a slightly lower annual growth rate of money market fund shares and money market paper (13.7% in October which compares with 13.9% in September 1999). The annual growth rate of debt securities issued with an agreed maturity of up to two years increased to 16.4% (16.1% in September).

Among the counterparts of M3, the annual rate of increase in longer-term financial liabilities of the MFI sector increased to 6.9%, from 5.5% in September, reflecting a stronger expansion of all its main components with the exception of deposits redeemable at a period of notice of over three months. The annual growth rate of deposits with an agreed maturity of over two years increased to 4.1% in October 1999 (from 3.2% in September), while that of debt securities issued with a maturity over two years reached 9.4% (7.5% in September). The growth rate of capital and reserves of MFIs increased to 8.6%. The rate of contraction of deposits redeemable with a period of notice of more than three months became more pronounced (8.0% in October, from 7.6% in September).

The annual rate of change in the outstanding amount of central government deposits held with the MFI sector remained negative in October (it was -4.2%, against -7.5% in September).

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 rose slightly, to 8.1%, in October (from 8.0% in September 1999). This reflected a slight decline in the annual rate of change in credit extended to the private sector (10.5% in October which compares with 10.6% in September), while the growth rate of credit to general government increased (to 1.7% in October, against 1.0% in the previous month). The slight decrease in the annual growth rate of credit to the private sector in October mirrored the fact that the rate of change of MFI holdings of debt securities issued by the private sector turned negative. By contrast, the growth rates of both loans and MFI holdings of shares and other equity increased slightly.

During October 1999, the net external asset position of the euro area MFI sector declined, in absolute and non-seasonally adjusted terms, by EUR 35 billion (after having recorded an increase of EUR 18 billion during September). This decline was a consequence of an increase in MFI external liabilities of EUR 41 billion which exceeded the increase in external assets of EUR 6 billion. Over the twelve months up to October 1999, the net external assets of the MFI sector decreased by EUR 209 billion.

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 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 : OCTOBER 1999 ⁽¹⁾

(non seasonally-adjusted data in EUR billions)

	SEPTEMBER 1999			OCTOBER 1999			AVERAGE AUG-99 OCT-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)	4602	18	6.2	4635	20	6.0	6.0
(1.1) Currency in circulation	327	1	5.2	329	2	5.5	4.9
(1.2) Overnight deposits	1538	25	14.9	1543	4	14.8	14.9
(1.3) Deposits with agreed maturity up to 2 years	844	-12	-3.2	859	13	-2.0	-2.7
(1.4) Deposits redeemable at notice up to 3 months	1268	-2	6.1	1267	-2	5.7	6.1
(1.5) Repurchase agreements	158	-4	-23.3	156	-3	-28.3	-23.9
(1.6) Money market fund shares/units and money market paper	398	2	13.9	404	5	13.7	13.1
(1.7) Debt securities issued with maturity up to 2 years	68	8	16.1	77	1	16.4	8.9
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	133	-5	-7.5	136	3	-4.2	-6.8
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3492	26	5.5	3517	26	6.9	6.0
(3.1) Deposits with agreed maturity over 2 years	1134	2	3.2	1139	6	4.1	3.5
(3.2) Deposits redeemable at notice over 3 months	111	0	-7.6	111	-1	-8.0	-7.9
(3.3) Debt securities issued with maturity over 2 years	1441	19	7.5	1454	15	9.4	8.1
(3.4) Capital and reserves	805	4	7.4	814	6	8.6	8.0
(4) <i>External liabilities</i>	1774	13	10.2	1842	41	10.2	11.7
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	8008	63	8.0	8067	59	8.1	8.0
(5.1) Credit to general government	2054	23	1.0	2074	25	1.7	0.9
Of which Loans	831	6	0.0	840	9	0.4	0.1
Of which Securities other than shares	1223	18	1.7	1234	16	2.7	1.4
(5.2) Credit to other euro area residents	5955	40	10.6	5993	34	10.5	10.7
Of which Loans	5374	44	9.9	5416	41	10.0	10.0
Of which Securities other than shares	222	-4	4.9	217	-8	-0.4	4.2
Of which Shares and other equities	359	-1	28.0	360	1	28.1	28.7
(6) <i>External assets</i>	2083	31	-3.6	2117	6	-2.2	-2.3
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-91	-42	-13.2	-53	27	-32.1	-31.0

(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.