



EUROPEAN CENTRAL BANK

30 May 2001

MONETARY DEVELOPMENTS IN THE EURO AREA: APRIL 2001

As indicated in previous issues of the ECB Monthly Bulletin, there are indications that in recent months data on M3 growth have been significantly distorted upwards by non-resident holdings of negotiable instruments included in M3 (money market fund shares/units, money market paper and debt securities issued with an initial maturity of up to two years). This is because, whereas from a conceptual point of view, M3 should only measure money holdings of euro area residents, in practice, it is difficult to identify the residency of the holders of short-term negotiable instruments. Data of publishable quality on the magnitude of these distortions exist at this stage only for the holdings of money market fund shares/units by non-euro area residents, whereas for the non-resident holdings of other negotiable instruments only preliminary indications are available.

Adjusted for the effects of holdings of money market fund shares/units by residents outside the euro area, the annual rate of growth of M3 in April 2001 was 4.7%, up from 4.6% in March. The three-month average of the annual growth rates of this adjusted measure of M3 over the period February-April 2001 was 4.6%, compared with 4.5% for the period January-March 2001. (The annual growth rate of M3 not adjusted for holdings of money market fund shares/units by non-euro area residents was 5.2% in April 2001, compared with 5.1% in March 2001.)

12-month percentage changes	FEBRUARY 2001	MARCH 2001	APRIL 2001	FEBRUARY 2001 – APRIL 2001 AVERAGE
M3 adjusted for holdings by residents outside the euro area of money market fund shares/units	4.4	4.6	4.7	4.6
Effect on M3 growth of holdings by residents outside the euro area of money market fund shares/units	0.4	0.5	0.5	0.5
M3 not adjusted for the above effects	4.8	5.1	5.2	5.0

In addition, preliminary indications suggest that non-resident holdings of money market paper and debt securities issued with an initial maturity of up to two years by euro area MFIs may have contributed by around half a percentage point to annual M3 growth in April 2001. The ECB is still developing precise statistical information on these data and intends to publish a fully revised M3 series towards the end of this year.

The figures shown in the rest of this press release are not adjusted for non-resident holdings of marketable instruments, unless stated otherwise.

On a month-to-month basis, M3 increased by EUR 52 billion in April. Corrected for the estimated seasonal influences, M3 rose by EUR 34 billion relative to March (see the table below). This monthly increase reflected to a large extent the rise in the components of M1 and other short-term deposits (by EUR 11 billion and EUR 17 billion, respectively). Marketable instruments grew by EUR 6 billion.

Seasonally-adjusted monthly changes	FEBRUARY 2001		MARCH 2001		APRIL 2001		FEBRUARY 2001 – APRIL 2001 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3 (not adjusted for holdings by residents outside the euro area of money market fund shares/units) (items 1.1 to 1.7) ¹⁾	43	0.8	32	0.6	34	0.7	36	0.7
Currency in circulation and overnight deposits (items 1.1 and 1.2) ¹⁾ (= M1)	32	1.6	0	0.0	11	0.6	14	0.7
Other short-term deposits (items 1.3 and 1.4) ¹⁾ (= M2-M1)	13	0.6	16	0.7	17	0.7	15	0.7
Marketable instruments (items 1.5 to 1.7) ¹⁾ (= M3-M2)	-3	-0.3	17	1.9	6	0.7	7	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.

In April, the annual rate of growth of M1 declined to 1.8%, as compared to 2.0% in the previous month. This mirrored a decrease in the annual rate of change in both currency in circulation (-2.9%, compared with -1.9% in March) and overnight deposits (2.7% in April, from 2.9% in the previous month).

The annual rate of growth in short-term deposits other than overnight deposits increased in April to 4.6%, from 4.2% in March. This increase reflected the diverging developments in the components of this item. While the annual rate of growth in deposits with an agreed maturity of up to two years decreased (to 15.2%, from 15.8% in the previous month), the rate of decline of deposits redeemable at a period of notice of up to three months became less pronounced (3.0%, compared with 3.9% in March).

The annual rate of growth in marketable instruments included in M3 rose in April to 15.8%, from 15.0% in the previous month. The annual rate of increase in money market fund shares/units and money market paper increased to 13.6%, from 11.9% in March. Moreover, the annual rate of change in debt securities issued with a maturity of up to two years increased to 37.8%, after 34.2% in the previous month. By contrast, the annual rate of growth in repurchase agreements fell to 11.1% (from 13.5% in March).

Adjusted for the non-resident holdings of money market fund shares/units, the marketable instruments included in M3 grew by 13.4%, up from 12.7% in March. When corrected for non-resident holdings, the

growth rate of money market fund shares/units and money market paper in April was 9.2%, up from 7.7% in the previous month.

Regarding the counterparts of M3, in April the annual rate of growth of longer-term financial liabilities of the MFI sector declined to 3.6% (from 4.4% in the previous month). This reflected a contraction in the annual rate of change in deposits with an agreed maturity of over two years (-0.2%, from 0.0% in March) as well as a fall in annual growth in deposits redeemable with a period of notice of over three months (10.6%, compared with 11.9% in the previous month), debt securities issued with a maturity of over two years (5.1%, from 6.3% in March) and capital and reserves (5.2%, after 6.2% in the previous month).

The annual growth rate of the outstanding amount of central government deposits held with the MFI sector decreased in April to 14.4%, from 14.6% in March.

On the asset side of the consolidated balance sheet of the MFI sector, in April the annual growth rate of total credit granted to euro area residents stood at 5.7%, unchanged from the previous month. The annual rate of change of credit extended to the private sector declined to 9.0% in April, from 9.2% in the previous month. This reduction reflected, in particular, weaker growth in loans to the private sector (8.3%, as compared to 8.6% in March). Meanwhile, the annual rate of decline in credit to general government became somewhat less pronounced (4.7% in April, compared to 5.4% in the previous month).

In April 2001, the net external asset position of the euro area MFI sector decreased by EUR 43 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to April, the net external assets of the MFI sector decreased by EUR 72 billion, compared to a decline of EUR 51 billion over the 12 months up to March.

Notes

- *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 covers 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. Monthly flows refer to the euro area-11 for months up to December 2000 and the euro area-12 from January 2001 onwards. The monthly flows for January 2001 are corrected also for the effect of the enlargement of the euro area.*
- *Using euro area-11 plus Greece figures throughout 2000, the annual rate of growth of M3 (not adjusted for non-euro area resident holdings of money market fund shares/units) in April 2001 was 5.3%, after 5.2% in*

the previous month, while the three-month moving average of the annual rates of growth of M3 covering the period from February to April 2001 was 5.2%.

MONETARY DEVELOPMENTS IN THE EURO AREA :

(non seasonally-adjusted data in EUR billions and percentage changes; ⁽¹⁾)

	MARCH 2001			APRIL 2001			AVERAGE FEB-01 APR-01
	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⁾							
M3 adjusted for non-euro area resident holdings of money market funds shares/units	5193	46	4.6	5243	49	4.7	4.6
(1) <i>M3</i> not adjusted for the non-euro area resident holdings of money market fund shares/units (= items 1.1 to 1.7)	5278	53	5.1	5330	52	5.2	5.0
(1.1) Currency in circulation	335	1	-1.9	335	0	-2.9	-2.0
(1.2) Overnight deposits	1704	12	2.9	1740	35	2.7	2.7
(1.3) Deposits with agreed maturity up to 2 years	1068	14	15.8	1070	2	15.2	15.4
(1.4) Deposits redeemable at notice up to 3 months	1269	0	-3.9	1273	3	-3.0	-3.8
(1.5) Repurchase agreements	225	9	13.5	223	-2	11.1	15.3
(1.6) Money market fund shares/units and money market paper	557	15	11.9	567	9	13.6	12.4
(1.7) Debt securities issued with maturity up to 2 years	118	2	34.2	123	5	37.8	34.1
Effect on M3 of non-euro area resident holdings of money market fund shares/units ⁽³⁾	84	7	0.5	87	3	0.5	0.5
COUNTERPARTS OF M3 ⁽⁴⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	150	-4	14.6	152	2	14.4	11.7
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3795	20	4.4	3793	-3	3.6	4.1
(3.1) Deposits with agreed maturity over 2 years	1172	2	0.0	1169	-3	-0.2	-0.2
(3.2) Deposits redeemable at notice over 3 months	128	0	11.9	126	-2	10.6	11.9
(3.3) Debt securities issued with maturity over 2 years	1573	6	6.3	1575	0	5.1	5.8
(3.4) Capital and reserves	923	12	6.2	923	1	5.2	6.0
(4) <i>External liabilities</i>	2449	139	14.6	2470	26	13.8	14.1
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	9140	99	5.7	9206	62	5.7	5.7
(5.1) Credit to general government	2020	14	-5.4	2019	-4	-4.7	-5.5
Of which Loans	851	1	-0.5	843	-8	-1.8	-0.8
Of which Securities other than shares	1168	13	-8.8	1175	4	-6.9	-8.7
(5.2) Credit to other euro area residents	7120	84	9.2	7187	66	9.0	9.3
Of which Loans	6270	61	8.6	6310	42	8.3	8.6
Of which Securities other than shares	288	9	27.2	292	4	25.4	24.1
Of which Shares and other equities	563	15	7.9	586	20	9.2	10.2
(6) <i>External assets</i>	2633	106	11.0	2611	-17	9.6	9.5
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-101	2	11.9	-72	31	28.2	ND

(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 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. Monthly flows refer to the euro area-11 for months up to December 2000, and the euro area-12 from January 2001 onwards. 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. Figures refer to all currencies.

(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) Growth rate: difference in percentage points.

(4) 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.