



EUROPEAN CENTRAL BANK

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## PRESS RELEASE

### MONETARY DEVELOPMENTS IN THE EURO AREA: JULY 2006

The annual rate of growth of M3 decreased to 7.8% in July 2006, from 8.5% in June 2006.<sup>1</sup> The three-month average of the annual growth rates of M3 over the period May 2006 - July 2006 declined to 8.3%, from 8.7% in the period April 2006 - June 2006.

12-month percentage changes; adjusted for seasonal and end-of-month calendar effects	MAY 2006	JUNE 2006	JULY 2006	MAY 2006 - JULY 2006 AVERAGE
<b>M3</b>	8.8	8.5	7.8	8.3
<b>MI</b>	10.2	9.3	7.4	9.0
<b>Loans to private sector</b>	11.4	11.0	11.1	11.2

Regarding the main components of M3, the annual rate of growth of MI decreased to 7.4% in July 2006, from 9.3% in June. The annual rate of growth of short-term deposits other than overnight deposits increased to 9.3% in July, compared with 8.8% in the previous month. The annual rate of growth of marketable instruments increased to 5.0% in July, from 4.8% in June.

Turning to the main counterparts of M3 on the asset side of the consolidated balance sheet of the MFI sector, the annual growth rate of total credit granted to euro area residents was 9.2% in July 2006, after 9.1% in June. The annual rate of growth of credit extended to general government decreased to -0.9% in July, from 0.1% in June, while the annual growth of credit extended to the private sector increased to 11.8% in July, from 11.5% in June. Among the components of the latter, the annual rate of growth of loans to the private sector stood at 11.1% in July, compared with 11.0% in the previous month. The annual growth rate of loans to non-financial corporations increased to 11.8% in July, from 11.4% in June.<sup>2</sup> The annual growth rate of loans to households decreased to 9.4% in July, from 9.6% in the previous month. The annual rate of growth of lending for house purchase decreased to 11.4% in July, from 11.8% in June. The annual rate of growth of consumer credit increased to 8.6% in July, from 8.3% in June, while the annual growth rate of other lending to households increased to 2.3% in July, from 2.1% in the previous month. Finally, the annual

<sup>1</sup> 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.

<sup>2</sup> The rates of growth referring to the breakdown of loans to the private sector by counterpart and type are unadjusted for seasonal and end-of-month calendar effects.

rate of growth of loans to non-monetary financial intermediaries (except insurance corporations and pension funds) decreased to 15.6% in July, from 16.2% in the previous month.

Over the 12 months up to July 2006, the net external asset position of the euro area MFI sector rose by EUR 5 billion, compared with a rise of EUR 10 billion over the 12 months up to June. The annual rate of growth of longer-term financial liabilities of the MFI sector increased to 8.7% in July, from 8.1% in June.

#### Notes

- *In addition to the monthly monetary developments for the reference month, this press release incorporates minor revisions to the data for previous months.*
- *The publication of the statistics on monetary developments in August, September, October and November 2006 is scheduled to take place at 10 am on 27 September, 27 October, 28 November and 29 December 2006 respectively.*
- *The latest monetary data as contained in Tables 2.1 to 2.8 of the ECB's Monthly Bulletin can be found on the ECB's website (<http://www.ecb.int/>) in the "Statistics" section under "Data services" and then "Latest monetary, financial markets and balance of payments statistics". In addition, data on a number of breakdowns of deposits, loans and holdings of securities, together with longer time series for principal monetary aggregates (start date: January 1970) and methodological notes on the monetary statistics concepts and seasonal adjustment procedures can be found in the same section under "Money, banking and financial markets" and then "Monetary statistics".*

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TABLE 1

## MONETARY DEVELOPMENTS IN THE EURO AREA: JULY 2006

DATA ADJUSTED FOR SEASONAL EFFECTS

(EUR billions and annual percentage changes <sup>a)</sup>)

	JUNE 2006			JULY 2006			AVERAGE MAY-06 JUL-06
	End of month level	Monthly flow <sup>b)</sup>	Annual growth rate	End of month level	Monthly flow <sup>b)</sup>	Annual growth rate	Annual growth rate
<b>COMPONENTS OF M3 <sup>c)</sup></b>							
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	7376	40	8.5	7387	18	7.8	8.3
(1.1) Currency in circulation	548	3	11.1	552	5	11.5	11.5
(1.2) Overnight deposits	3018	13	9.0	2994	-24	6.7	8.5
(1.3) <b>M1</b> (items 1.1 and 1.2)	3565	16	9.3	3546	-19	7.4	9.0
(1.4) Deposits with agreed maturity up to 2 years	1216	41	17.3	1244	29	19.2	17.0
(1.5) Deposits redeemable at notice up to 3 months	1564	-6	3.0	1562	-1	2.5	3.0
(1.6) Other short term deposits (items 1.4 and 1.5)	2780	35	8.8	2807	27	9.3	8.7
(1.7) <b>M2</b> (items 1.3 and 1.6)	6345	51	9.1	6353	8	8.2	8.8
(1.8) Repurchase agreements	247	-5	2.7	251	5	4.5	4.9
(1.9) Money market fund shares/units	618	6	0.6	620	4	0.3	0.0
(1.10) Debt securities issued with maturity up to 2 years	165	-11	30.3	162	1	30.2	35.7
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	1031	-11	4.8	1034	10	5.0	5.6
<b>COUNTERPARTS OF M3</b>							
<b>MFI liabilities:</b>							
(2) <i>Holdings against central government</i> <sup>d)</sup>	181	10	-2.4	187	8	-8.0	-4.7
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	5227	39	8.1	5283	49	8.7	8.6
(3.1) Deposits with agreed maturity over 2 years	1601	10	9.0	1611	10	9.2	9.6
(3.2) Deposits redeemable at notice over 3 months	92	2	1.7	94	2	4.2	1.8
(3.3) Debt securities issued with maturity over 2 years	2290	23	8.1	2302	13	8.5	8.4
(3.4) Capital and reserves	1244	5	7.5	1277	23	9.0	8.2
<b>MFI assets:</b>							
(4) <i>Credit to euro area residents</i> (= items 4.1 and 4.2)	12534	64	9.1	12625	91	9.2	9.2
(4.1) Credit to general government	2395	10	0.1	2375	-19	-0.9	-0.2
of which Loans	831	2	-0.2	827	-6	-0.6	-0.4
of which Securities other than shares	1563	8	0.3	1548	-13	-0.9	0.0
(4.2) Credit to other euro area residents	10139	54	11.5	10249	110	11.8	11.7
of which Loans	8759	55	11.0	8837	81	11.1	11.2
of which Securities other than shares	599	12	18.8	614	15	20.9	19.4
of which Shares and other equities	781	-14	11.6	798	14	13.0	12.2
(5) <i>Net external assets</i>	488	36	ND	497	0	ND	ND
(6) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 - items 4, 5)	-239	-10	ND	-263	-16	ND	ND

a) Figures may not add up 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.

b) Calculated from the monthly difference in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.

c) 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.

d) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.

TABLE 2

## MONETARY DEVELOPMENTS IN THE EURO AREA: JULY 2006

DATA UNADJUSTED FOR SEASONAL EFFECTS

(EUR billions and annual percentage changes <sup>a)</sup>)

	JUNE 2006			JULY 2006			AVERAGE MAY-06 JUL-06
	End of month level	Monthly flow b)	Annual growth rate	End of month level	Monthly flow b)	Annual growth rate	Annual growth rate
<b>COMPONENTS OF M3<sup>c)</sup></b>							
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	7403	44	8.4	7409	13	7.7	8.2
(1.1) Currency in circulation	554	10	11.5	563	9	11.1	11.5
(1.2) Overnight deposits	3046	45	8.3	3011	-35	6.8	8.2
(1.3) <b>M1</b> (items 1.1 and 1.2)	3600	55	8.8	3574	-26	7.4	8.7
(1.4) Deposits with agreed maturity up to 2 years	1209	19	18.1	1235	26	18.9	17.3
(1.5) Deposits redeemable at notice up to 3 months	1566	-3	3.1	1562	-4	2.5	3.0
(1.6) Other short term deposits (items 1.4 and 1.5)	2775	16	9.1	2798	23	9.1	8.8
(1.7) <b>M2</b> (items 1.3 and 1.6)	6375	71	8.9	6372	-3	8.2	8.7
(1.8) Repurchase agreements	247	-11	2.7	250	5	4.9	5.0
(1.9) Money market fund shares/units	616	-5	0.7	624	10	0.3	0.1
(1.10) Debt securities issued with maturity up to 2 years	165	-11	30.3	162	1	30.2	35.7
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	1028	-28	4.9	1037	16	5.1	5.6
<b>COUNTERPARTS OF M3</b>							
<b>MFI liabilities:</b>							
(2) <i>Holdings against central government</i> <sup>d)</sup>	208	41	-1.9	194	-13	-7.8	-4.5
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	5235	49	8.1	5290	47	8.7	8.6
(3.1) Deposits with agreed maturity over 2 years	1602	11	9.0	1611	9	9.2	9.6
(3.2) Deposits redeemable at notice over 3 months	92	1	1.8	94	1	4.2	1.9
(3.3) Debt securities issued with maturity over 2 years	2293	21	8.1	2307	15	8.5	8.4
(3.4) Capital and reserves	1248	16	7.5	1278	21	9.0	8.2
<b>MFI assets:</b>							
(4) <i>Credit to euro area residents</i> (= items 4.1 and 4.2)	12579	55	9.1	12644	65	9.2	9.2
(4.1) Credit to general government	2406	4	0.1	2382	-24	-0.9	-0.1
of which Loans	829	2	-0.2	827	-4	-0.7	-0.4
of which Securities other than shares	1578	2	0.3	1555	-20	-0.9	0.0
(4.2) Credit to other euro area residents	10173	51	11.5	10262	89	11.8	11.7
of which Loans	8788	80	11.0	8861	75	11.1	11.2
of which Securities other than shares	603	10	18.8	613	10	21.0	19.4
of which Shares and other equities	782	-39	11.4	788	4	13.0	12.1
(5) <i>Net external assets</i>	492	64	ND	495	-5	ND	ND
(6) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 - items 4, 5)	-225	14	ND	-246	-13	ND	ND

a) Figures may not add up 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.

b) Calculated from the monthly difference in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.

c) 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.

d) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.

TABLE 3

**CONTRIBUTIONS OF M3 COMPONENTS TO THE M3 ANNUAL GROWTH RATE: JULY 2006**  
**DATA ADJUSTED FOR SEASONAL EFFECTS**  
 (contributions in terms of the M3 annual percentage change <sup>a)</sup>)

	MAY 2006	JUNE 2006	JULY 2006
(1) <b>M1</b>	4.8	4.5	3.6
(1.1) <i>of which</i> : Currency	0.9	0.8	0.8
(1.2) <i>of which</i> : Overnight deposits	3.9	3.6	2.7
(2) <b>M2 - M1</b> (= other short-term deposits)	3.0	3.3	3.5
(3) <b>M3 - M2</b> (= short-term marketable instruments)	1.0	0.7	0.7
(4) <b>M3</b> (= items 1, 2 and 3)	8.8	8.5	7.8

a) Discrepancies can be due to rounding.

TABLE 4

**BREAKDOWN OF LOANS BY COUNTERPART, TYPE AND ORIGINAL MATURITY: JULY 2006**  
**DATA UNADJUSTED FOR SEASONAL EFFECTS**  
 (EUR billions and annual percentage changes <sup>a)</sup>)

	JUNE 2006				JULY 2006			
	End of month level	Monthly flow <sup>b)</sup>	write-offs / write-downs	Annual growth rate	End of month level	Monthly flow <sup>b)</sup>	write-offs / write-downs	Annual growth rate
<b>BREAKDOWN OF LOANS <sup>c)</sup></b>								
(1) <b>Loans to non-financial corporations</b>	3643	48	-1	11.4	3687	44	-1	11.8
(1.1) up to 1 year	1099	21	0	8.1	1111	12	0	9.3
(1.2) over 1 year and up to 5 years	653	9	0	17.8	671	17	0	19.0
(1.3) over 5 years	1891	17	0	11.4	1905	14	0	11.0
(2) <b>Loans to households <sup>d)</sup></b>	4386	43	-1	9.6	4417	32	-1	9.4
(2.1) Consumer credit	576	7	0	8.3	579	4	0	8.6
(2.2) Lending for house purchase	3082	29	0	11.8	3111	29	0	11.4
(2.3) Other lending <sup>d)</sup>	729	8	0	2.1	726	-2	0	2.3
(3) <b>Loans to non-monetary financial intermediaries except insurance corporations and pension funds</b>	674	-9	0	16.2	667	-5	0	15.6
(4) <b>Loans to insurance corporations and pension funds</b>	85	-2	0	32.7	90	5	0	40.8

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.

b) Calculated from monthly difference in levels adjusted for write-offs/write-downs, reclassifications, exchange rate variations and any other changes which do not arise from transactions.

c) Loans granted by monetary financial institutions (MFIs) to non-MFI euro area residents excluding general government.

d) Includes loans to non-profit institutions serving households.