

## Box I

### The use of flows statistics in the analysis of monetary data

In general, flows statistics are aimed at measuring the economic transactions performed by an institutional sector over a certain period of time. In the case of monetary statistics, flows statistics express the variation in the aggregates caused by acquisitions of financial assets or the incurring of financial liabilities by the MFI sector. They are calculated by adjusting the difference between end-of-month stocks for the effect of “non-transactions-related” factors. These factors can be summarised under two headings:

1) *Reclassifications and other statistical factors*: these include the impact on the assets and liabilities of the MFI sector of changes in the reporting population, corporate restructuring, the reclassification of assets and liabilities and the correction of reporting errors. Institutions entering or leaving the reporting population and corporate restructuring affect the comparability of end-of-month stocks. Reclassifications of assets and liabilities and the correction of reporting errors may give rise to breaks in series.

2) *Revaluations and write-offs/write-downs*: changes in the value of the assets and liabilities of the MFI sector may also arise from exchange rate changes, changes in the market price of securities and write-offs or write-downs of loans. With regard to the first factor, as stocks are expressed in euro a change in the exchange rate of the euro will affect the value of assets or liabilities denominated in foreign currency. Similarly, a recorded change in the market value of securities held or issued by MFIs affects the outstanding stock of securities, in addition to actual transactions in these securities. Finally, a write-off or write-down of loans has an impact on the reported value of the outstanding amount of loans, but is not related to a change in the amount of MFI financing to the economy.

Flows statistics are regularly published as part of Tables 2.3 and 2.4 of the “Euro area statistics” section of the Monthly Bulletin. The tables show monthly flows in amounts and, for monetary aggregates, the annual percentage changes for each month. Annual percentage changes are calculated by adding the monthly flows corresponding to the present and the 11 previous months and expressing them as a percentage of the end-of-month stock of the 12th previous month.

Owing to the fact that the harmonised reporting system for monetary statistics was only introduced in 1998, flows data for periods prior to 1998 rely to a significant extent on estimation. The ECB has therefore decided to use, for the time being, the flows data for the calculation of 12-month growth rates for its monetary aggregates only as from the start of Stage Three of EMU. Although these flows data are also still provisional, they can already be regarded as economically and statistically more meaningful than the corresponding unadjusted changes in stocks.