

Box 1

The structure of MFI loans to the non-financial sector in the third quarter of 1999

A complete set of quarterly data on MFI loans granted to the non-financial sector is now available, broken down by counterpart, type of loan and original maturity, from the first quarter of 1998 up to the third quarter of 1999 (see Table 2.5 in the “Euro area statistics” section). As emphasised previously (see Box 1 on page 10 of the October 1999 issue of the ECB Monthly Bulletin), the annual growth rates discussed in this box are not directly comparable with those reported for the total of MFI loans in the main text. In particular, they are not corrected for the effect of changes in value not related to transactions, even if some reclassifications have been accounted for in the table shown below. Moreover, these distortions may differ in size across counterpart sectors, types of loans, or maturities, thus making comparisons across these categories problematical. Therefore, the reported figures should be interpreted with caution. Work is currently under way to improve the quality of these quarterly data and their consistency with the monthly data on loans.

At the end of the third quarter of 1999 94% of the outstanding MFI loans to non-MFI counterparts resident in the euro area were granted to the non-financial sector (with the remaining 6% covering loans to insurance corporations, pension funds and other non-monetary financial intermediaries). Among the loans to the non-financial sector, loans granted to households (including non-profit institutions serving households) had a 46% share. Loans to non-financial corporations accounted for 40% and loans to general government represented 14% of the total loans to the non-financial sector. As regards the maturity breakdown, it is notable that loans extended to households were mostly (80%) characterised by an original maturity of more than five years. Three-quarters of these long-term loans to households were for house purchase. Loans to non-financial corporations with an original maturity of over five years amounted to 49% of the total loans to this counterpart sector and those with a maturity of up to one year represented 35%. Finally, 90% of loans to state and local governments had a maturity exceeding five years. (No maturity breakdown is available for loans to central government.)

The table below presents both outstanding levels and annual growth rates of MFI loans to the non-financial sector (excluding non-profit institutions serving households). The annual rate of growth of loans to households was broadly stable at 9.7% in the third quarter of 1999. This overall stability masked a reduction in the rate of growth of consumer credit (which nonetheless remained high, in particular for loans with a medium-term maturity of over one and up to five years) and a slight increase in the growth rate of loans for house purchase. The latter occurred against a background of rising mortgage rates (see Table 3.4 in the “Euro area statistics” section), which nevertheless still remained low by historical standards. In addition, the stronger trend of loans for house purchase took place in a context of rising property prices in several euro area countries.

The annual growth rate of loans to non-financial corporations fell from 8.1% in the second quarter to 7.0% in the third quarter of 1999. This was mainly a consequence of a reduced rate of increase in loans with an original maturity exceeding five years (which was 6.0% in the third quarter of 1999, compared with 8.2% in the second quarter), while the rate of expansion in short-term loans (with a maturity of up to one year) remained virtually unchanged and that in medium-term loans (with a maturity of over one year and up to five years) strengthened a little. The continued rapid expansion of short and medium-term business loans was probably influenced by the ongoing economic recovery and the enhanced pace of mergers and acquisitions in the euro area, whereas the decline in the growth of longer-term loans may reflect the impact of higher bank lending rates (see Table 3.4 in the “Euro area statistics” section).

The outstanding amount of loans granted to general government was broadly unchanged in the third quarter of 1999 from the level recorded in the third quarter of 1998. The annual growth rate of loans to general government was lower than in the second quarter of 1999 (0.2%, compared with 1.3%), reflecting a more pronounced rate of decline in loans to central government (4.9% in the third quarter, after 2.3% in the second

quarter), a more moderate rate of expansion in loans to state government and a significantly lower rate of increase in loans to social security funds. By contrast, the rate of change in loans to local authorities turned positive.

MFI loans to the non-financial sector by counterpart, type and original maturity¹⁾

(outstanding amounts in EUR billions; annual growth rates as percentages)

Loans to households and non-financial corporations

	Households ²⁾									Non-financial corporations ²⁾				
		Consumer credit ³⁾			Lending for house purchase ³⁾			Other lending		Up to 1 year	Over 1 and up to 5 years	Over 5 years		
		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years							
Outstanding amounts ⁴⁾ 1999 Q3	2,642	435	85	154	195	1,636	19	67	1,550	571	2,338	829	364	1,145
Annual growth rate 1999 Q2	9.6	10.1	9.0	13.3	8.5	10.1	13.4	-2.8	10.5	8.5	8.1	9.0	7.5	8.2
Q3	9.7	8.3	6.5	11.4	7.1	10.4	11.8	-2.7	10.8	9.1	7.0	8.8	8.1	6.0

Loans to general government

	General government												
		Central government ²⁾	Other general government									Social security funds ²⁾	
			State government ²⁾			Local government ²⁾				Up to 1 year	Over 1 and up to 5 years		Over 5 years
			Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years					
Outstanding amounts ⁴⁾ 1999 Q3	830	206	279	11	21	247	328	19	11	298	18		
Annual growth rate 1999 Q2		1.3	-2.3	2.9	35.3	-2.1	2.1	-2.1	1.0	-79.8	15.0	203.5	
Q3		0.2	-4.9	2.2	37.2	5.7	0.9	1.1	7.9	-78.9	16.4	18.4	

Source: ECB.

1) Growth rates are calculated on the basis of changes in outstanding amounts. They cannot be derived from the stock data displayed in Table 2.5 in the "Euro area statistics" section of this ECB Monthly Bulletin, as they have been corrected for the effect of some reclassifications made at the start of Stage Three of EMU.

2) Corresponding to ESA 95 definitions.

3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

4) Differences between some subtotals and their components are due to rounding.

previous month. The decline in the annual growth rate of these debt securities may be related, in part, to base effects arising from the volatility in the demand for these instruments in the aftermath of the financial turmoil in the autumn of 1998 (with a rather exceptional decline in outstanding amounts in October and a recovery in November 1998). Finally, the rate of decline in deposits redeemable at a period of notice of over three months was broadly unchanged at 8.1% in November 1999.

During November the net external asset position of the MFI sector declined by €14 billion in absolute and non-seasonally adjusted terms (after a decrease of €33 billion in October 1999). This decline resulted from a stronger increase in MFI external liabilities (€16 billion) than in external assets (€2 billion).

Overall, during the 12 months up to November 1999 the outstanding amount of M3 rose by €272 billion (see Table 2). Over this period credit to the private sector