

Box 2

Financing and investment of the non-financial sectors of the euro area in 2000

The release of quarterly financial accounts data in the euro area for the fourth quarter of 2000¹ allows an overview of financing and financial investment in the non-financial sectors of the euro area in the entire year 2000.

Table A: Financing of non-financial sectors in the euro area¹⁾

	Main financing components												
	Financing of general government						Financing of non-financial corporations					Financing of households ²⁾	
	Loans	Taken from euro area MFIs	Securities other than shares	Held by euro area MFIs	Loans	Taken from euro area MFIs	Securities other than shares	Quoted shares		Loans taken from euro area MFIs ³⁾			
Annual growth rates (end of period)³⁾													
1998 Q4	6.0	3.1	-1.1	-0.4	4.2	3.9	7.1	8.8	8.5	8.6	5.1	8.8	9.1
1999 Q1	5.9	3.5	-0.1	0.9	4.3	5.7	5.7	6.8	7.0	9.5	4.1	10.5	10.9
Q2	5.9	3.0	0.0	0.7	3.8	2.1	6.2	8.3	7.9	11.4	3.7	10.5	10.9
Q3	6.1	2.2	-1.9	-0.3	3.2	5.2	7.1	7.9	7.3	14.4	5.4	11.0	11.2
Q4	6.0	2.4	-1.2	0.4	3.2	6.4	6.8	8.1	7.0	14.8	4.8	10.4	10.8
2000 Q1	6.3	2.2	-1.4	0.0	3.2	1.8	8.1	11.4	9.8	10.1	5.0	9.6	9.7
Q2	6.1	2.2	-1.7	-0.3	2.9	-1.6	8.0	11.5	9.5	12.8	4.4	8.6	8.7
Q3	6.7	1.9	-2.0	-1.2	2.7	-6.2	9.7	14.2	11.3	14.4	5.6	7.8	8.0
Q4	6.4	1.6	-1.8	-0.9	2.5	-8.7	9.1	14.5	10.9	19.6	4.6	7.3	7.3
Ratio to total financing as at Q4 2000 (amounts outstanding)	100%	30%	6%	5%	23%	7%	50%	21%	17%	3%	24%	20%	19%

Source: ECB.

- 1) Non-financial sectors comprise general government, non-financial corporations and households including non-profit institutions serving households.
- 2) Growth rates are based on non-seasonally adjusted transactions, and therefore do not include valuation effects and reclassifications.
- 3) Including non-profit institutions serving households.

As regards the liabilities of the non-financial sectors, 2000 saw the continuation of a strong divergence between the financing needs of the private and public sectors. On the side of general government, financing needs fell continuously during 2000, partly under the impact of the receipts from the UMTS mobile phone licence auctions. As to the structure of debt, a higher recourse to securities issuance – compared with loans – was visible.

Concerning the financing of non-financial corporations, three main features can be underlined. First, the annual growth of the total financing of non-financial corporations remained high in 2000. It declined only in the last quarter of the year, to 9.1% from 9.7% in the third quarter, after a period of practically two years of continuous acceleration. Second, the annual rate of growth of loans provided by MFIs in the euro area was below that of total loans to non-financial corporations, with the gap between the growth rates of the two aggregates widening. As a result, financing by financial intermediaries other than euro area MFIs to non-financial corporations increased considerably over time. This phenomenon may be linked to the intense merger and acquisition activity and the purchase of UMTS licences by firms in the euro area over the past two years. To finance these operations, companies may have had particularly substantial recourse to credit from non-euro area financial institutions. Third, the issuance of securities other than shares by non-financial corporations continued to increase very strongly, with an annual rate of growth of 19.6% in the fourth quarter of 2000. In terms of volume, however, this source of finance remained rather unimportant for the sector.

On the investment side, total financial investment of the non-financial sectors continued to increase in the last quarter of 2000 with an annual rate of growth of 7.3%, up from 6.3% in the same quarter of 1999 (see Table B below). The relatively subdued developments of currency, deposits and money market fund shares contrasted with high growth of certain forms of long-term financial investment. Notably, the growth of insurance technical reserves as well as of non-monetary mutual funds remained strong in 2000. For the former, this

¹ For more details, see Table 6.1 in the "Euro area statistics" section of this issue of the Monthly Bulletin.

reflects developments in pension funds in the context of an ageing population, while, for the latter, it reflects the increasingly important role of institutional investors in the financial markets. In addition, there was a marked rise in investment in quoted shares, which may reflect large-scale acquisitions of companies by non-financial corporations in the euro area. While the counterpart of shares acquired by the non-financial sector cannot be exactly identified, indications from balance of payments data suggest that such purchases reflected to a large extent acquisitions of non-euro area assets.

Table B: Financial investment of non-financial sectors in the euro area¹⁾

	Main financial investment components										Memo item: M3
	Currency, deposits and short-term marketable instruments	Currency and deposits ³⁾	Short-term securities other than shares	Money market fund shares	Long-term marketable instruments and insurance technical reserves	Long-term securities other than shares	Quoted shares	Mutual fund shares other than money market fund shares	Insurance technical reserves		
Annual growth rates (end of period)²⁾											
1998 Q4	5.5	1.9	3.2	-22.5	-4.6	8.4	-5.1	5.6	31.2	8.7	4.9
1999 Q1	5.9	1.6	3.2	-25.8	-8.4	9.1	-1.1	6.0	27.7	8.6	5.5
Q2	6.3	1.9	2.8	-21.3	0.6	9.4	0.5	7.6	23.6	8.7	5.4
Q3	6.7	2.5	3.5	-22.1	-1.2	9.6	0.4	10.5	19.8	9.0	5.7
Q4	6.3	2.5	2.8	-6.0	2.5	8.8	3.2	7.9	14.1	9.7	6.0
2000 Q1	5.1	3.4	3.3	5.0	4.8	6.2	-1.4	5.2	8.2	9.9	6.0
Q2	5.3	3.1	3.4	13.4	-10.1	6.7	3.7	5.8	4.8	9.8	6.1
Q3	6.2	3.5	3.2	37.4	-8.5	7.8	7.1	9.6	2.9	9.5	5.2
Q4	7.3	3.1	2.9	18.6	-4.6	9.8	5.1	14.4	8.3	8.8	4.9
Ratio to total financial investment as at Q4 2000 (amounts outstanding)											
	100%	35%	33%	1%	1%	65%	10%	21%	12%	22%	33%

Source: ECB.

- 1) Non-financial sectors comprise general government, non-financial corporations and households including non-profit institutions serving households.
- 2) Growth rates of financial investment are based on non-seasonally adjusted transactions, and therefore do not include valuation effects and reclassifications. The growth rate of M3 is a quarterly average annual growth rate adjusted for seasonal and calendar effects.
- 3) Excluding central government deposits with MFIs.