

Box I

Financial investment of the non-financial sectors in the euro area in the first quarter of 2002

Data from the financial accounts allow for an analysis of the developments in the total financial investment of the non-financial sectors in the euro area in the first quarter of 2002. These data give some insight into portfolio decisions of the non-financial sectors and thereby also assist in the analysis of movements in M3.

Financial investment of euro area non-financial sectors

	Outstanding amount as a percentage of total ¹⁾	Annual growth rates ²⁾									
		2000	2000	2000	2000	2001	2001	2001	2001	2002	2002
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total	100	5.4	5.6	6.6	7.1	8.2	8.0	7.0	5.4	5.3	.
of which: short-term financial investment ³⁾	41.4	4.5	4.9	5.3	4.2	5.7	6.0	5.9	5.8	5.3	.
of which: long-term financial investment ⁴⁾	58.6	6.0	6.1	7.4	9.0	9.8	9.3	7.6	5.1	5.3	.
Currency and deposits	35.2	3.1	3.7	3.6	3.3	3.5	4.3	4.3	4.3	4.7	.
Securities other than shares	13.0	3.4	9.6	15.2	10.1	17.5	14.2	11.1	9.3	7.1	.
of which: short-term	2.1	38.7	55.0	88.3	34.0	64.8	43.0	29.4	17.9	-2.1	.
of which: long-term	10.9	0.0	5.4	9.1	7.1	11.0	10.2	8.4	7.9	9.0	.
Mutual fund shares	12.3	8.6	4.3	2.4	6.1	5.3	4.6	5.4	5.0	5.6	.
of which: mutual fund shares, excluding money market fund shares	10.3	8.2	5.2	3.1	7.0	5.4	3.7	3.3	2.1	2.4	.
of which: money market fund shares	1.9	11.6	-1.9	-2.6	-1.2	4.3	12.1	22.8	28.8	27.9	.
Quoted shares	16.9	4.1	3.0	6.8	11.2	13.6	13.7	9.8	2.8	2.4	.
Insurance technical reserves	22.6	9.7	9.5	9.3	8.4	7.6	7.4	7.2	7.5	7.6	.
M3 ⁵⁾		6.0	4.7	4.4	4.1	3.8	5.5	6.8	8.1	7.2	7.1

Source: ECB.

1) As at the end of the first quarter of 2002.

2) Annual growth rates are calculated as the ratio of the cumulative amount of financing in the last four quarters and the initial stock.

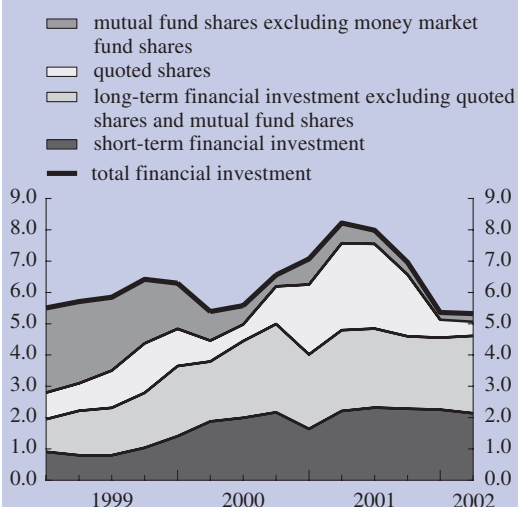
3) Short-term financial investment includes mainly currency and deposits, short-term debt securities and money market fund shares.

4) Long-term financial investment includes long-term debt securities, mutual fund shares excluding money market fund shares, quoted shares and insurance and pension products.

5) End-of-quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sector and non-Monetary Financial Institutions) with euro area MFIs.

Short-term and long-term financial investment of non-financial sectors

(contributions to annual growth rates in percentage points)



Source: ECB.

Note: Short-term financial investment consists mainly of currency and deposits, short-term debt securities and money market fund shares; long-term financial investment consists of long-term debt securities, quoted shares, mutual fund shares excluding money market fund shares and insurance and pension products.

The table above reveals that the annual growth of financial investment of the non-financial sectors remained broadly stable in the first quarter of 2002 at 5.3%. This overall pattern masks, however, a decline in the annual growth rate of short-term financial investment being offset by a rise in the annual growth in long-term financial investment (see the chart). As regards the former, the main reason for the decline has been lower annual growth of investment in short-term debt securities, mainly related to a base effect, while investment in money market fund shares remained relatively strong. With regard to long-term financial investment, there was, in particular, an increase in the annual growth rates of long-term debt securities. Also, investment in mutual fund shares (excluding money market fund shares) rose somewhat, probably mainly investment in equity-linked mutual fund shares, although remaining at a relatively subdued level. Demand for quoted shares stayed weak.

These data are compatible with the assessment that the moderation in M3 short-term dynamics in the first quarter of 2002 may, in fact, have been due to some reversal of previous portfolio shifts out of equity which had occurred in the autumn of 2001. This reversal of portfolio shifts into longer-term financial instruments has probably been fostered by the steepening yield curve. In addition, as the subdued annual growth of investment in quoted shares indicates, investors tended to prefer mutual fund shares to direct investment in quoted shares in early 2002.