

IMPLICATIONS OF THE ENTRY OF SLOVENIA INTO THE EURO AREA FOR MONETARY STATISTICS

On 1 January 2007, Slovenia adopted the euro, thus increasing the number of euro area countries from 12 to 13. As announced in the “Euro area statistics” section of the January 2007 issue of the Monthly Bulletin, the euro area series for interest rates, the HICP and the monetary statistics cover the EU Member States that had adopted the euro at the time to which the statistics relate. This treatment differs from that applied to other statistics, such as national accounts, which will relate to the Euro 13 (the euro area including Slovenia) for the whole time series in the regular tables and charts of the Monthly Bulletin.

In the monetary statistics, data for Slovenia will thus be included for the first time in the euro area aggregates referring to end-January 2007, which will be published on 27 February and reported in the March 2007 issue of the Monthly Bulletin. This inclusion will not only reflect the addition of the balance sheet positions of Slovenian monetary financial institutions (MFIs) to those of the former euro area, but also the adjustment for the cross-border holdings of the euro area residents with MFIs in all 13 euro area Member States. Against this background, this box explains the methodology adopted for the consolidation of Slovenian MFIs into the euro area MFI balance sheet statistics and highlights some stylised facts about the MFIs resident in Slovenia.

Key facts on the Slovenian MFI sector

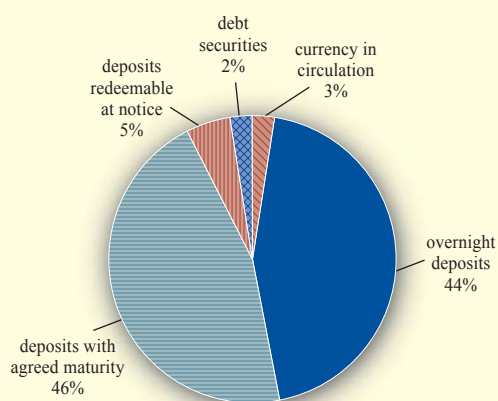
At the end of December 2006, Slovenia had a total of 30 MFIs, including 27 credit institutions, two money market funds and Banka Sloviniije. This compares with a total of 7,616 MFIs resident in the euro area (excluding Slovenia), including 6,130 credit institutions, 1,470 money market funds, 12 NCBs and the ECB.¹ The size of the balance sheet of MFIs resident in Slovenia amounted to €41 billion at the end of December 2006, compared with €27,547 billion for the euro area.

According to ECB calculations, Slovenia’s contribution to euro area M3 in December 2006 would have amounted to €16 billion of a total euro area M3 of €7,770 billion. As regards the composition of M3 in Slovenia, overnight deposits and deposits with an agreed maturity of up to two years (short-term time deposits) play a prominent role, together accounting for 90% of the total in December 2006, as against 59% for the euro area. The shares of currency in circulation and deposits redeemable at notice of up to three months (short-term savings deposits)

¹ For an overview of the development of the MFI sector in the EU, see, for example, <http://www.ecb.int/stats/money/mfi/statrep/html/index.en.html>.

Chart A Composition of Slovenian M3

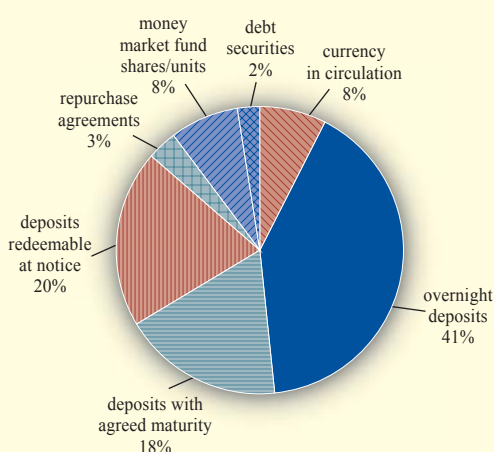
(in percentages of M3 in December 2006)



Source: ECB statistics.

Chart B Composition of euro area M3

(in percentages of M3 in December 2006)



Source: ECB statistics.

were 3% and 5% respectively. This composition differed from that of euro area M3, particularly in terms of its much larger share of short-term time deposits and much smaller share of short-term savings deposits (see Chart B). The share of holdings of MFI short-term debt securities in Slovenia is similar to that in the euro area. Repurchase agreements and money market fund shares and units, which together accounted for over 10% of M3 in December 2006, are of very limited importance in Slovenia, totalling only €8 million in the same month.

The treatment of the enlargement of the euro area in MFI balance sheet statistics

Euro area MFI balance sheet statistics for the period since 1999 refer to those EU Member States that had introduced the euro in the reference month. Data on outstanding amounts referring to periods up to and including December 2000 therefore cover a euro area of 11 participating countries, while data from January 2001 up to and including December 2006 refer to 12 participating countries (the initial 11 countries plus Greece) and data from January 2007 onwards will cover the extended euro area of 13 participating countries (the 12 countries plus Slovenia).

The integration of Slovenia into the euro area monetary statistics has a number of consequences.

First, as of January 2007, MFIs resident in Slovenia report the same set of balance sheet statistics as any other euro area MFI and all positions are reported in euro. Second, as of the reference period January 2007, all respondents in the previously 12 euro area countries treat positions vis-à-vis Slovenian residents as part of “positions against other Monetary Union Member States”. Third, in order to evaluate the effect of the enlargement in January 2007, Slovenia also reports stock data for December 2006, while the other 12 euro area countries report adjustments to the changes in the national stocks due to the inclusion of Slovenia as part of “positions against other Monetary Union Member States” as of January 2007. Euro area flows in January 2007 compared with those in December 2006 will thus be computed as the

difference in the respective stocks, adjusted for exchange rate and other revaluations and reclassifications, including the net effect of the enlargement of the euro area.

There will therefore be a break in the stock data of monetary statistics in January 2007 due to the enlargement of the euro area. By contrast, flow data are corrected to take account of this break. Indices of notional stocks, as they are derived from the respective flows, will thus not be affected by a break.² This also applies to growth rates, which are derived from those indices and not from the outstanding amounts.³

Overall, given the size of Slovenia's contribution to euro area M3, it can safely be assumed that the integration of Slovenia in January 2007 will not significantly affect the dynamics of euro area M3.

² The index for euro area monetary data for end-January 2007 is derived by multiplying the index of end-December 2006 with the monthly rate of change between end-December 2006 and end-January 2007. The latter is derived using the monthly flows between end-December 2006 and end-January 2007 (as described in the text) and the outstanding amount in December 2006 referring to the euro area already including Slovenia.

³ For details, see the "Technical notes" section of the Monthly Bulletin.