

Box 1

THE SLOVAK MFI SECTOR AND ITS IMPACT ON MONETARY STATISTICS FOR THE EURO AREA

On 1 January 2009 Slovakia adopted the euro, thereby increasing the number of euro area countries from 15 to 16. Monetary statistics for Slovakia will be included for the first time in the euro area aggregates for January, which will be published on 26 February 2009 and reported in the March 2009 issue of the Monthly Bulletin.¹ This box highlights a few features of the balance sheets of MFIs resident in Slovakia,² which form the basis for the Slovak contribution to the euro area monetary statistics.

Key features of the MFI sector in Slovakia

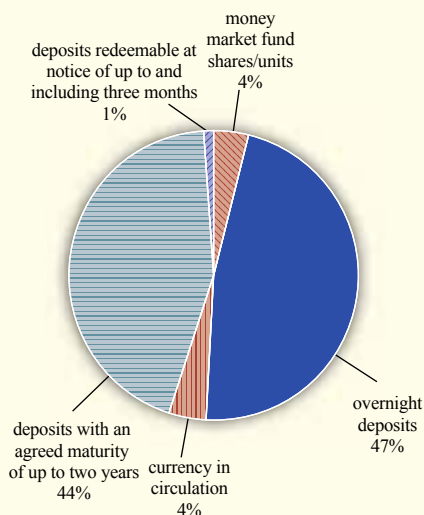
40 MFIs were resident in Slovakia at the end of December 2008, of which 26 were credit institutions and 13 were money market funds, with the remaining institution being the national central bank of Slovakia – Národná banka Slovenska. This compared with a total of 8,310 MFIs resident in the euro area in that month (i.e. excluding Slovakia), including 6,570 credit

1 For monetary statistics, the euro area series cover all of those EU Member States that had adopted the euro at the time to which the statistics relate. This approach, which is also applied for MFI interest rate statistics and the HICP, differs from that applied for all other datasets, such as GDP, for which data relate to the latest composition of the euro area for the entire time series.

2 For details of the statistical methodology adopted for MFI balance sheet statistics as regards the enlargement of the euro area, see Box 1, entitled “Implications of the entry of Slovenia into the euro area for monetary statistics”, in the February 2007 issue of the Monthly Bulletin. See also the “General notes” section of the Monthly Bulletin.

Chart A Composition of M3 in Slovakia

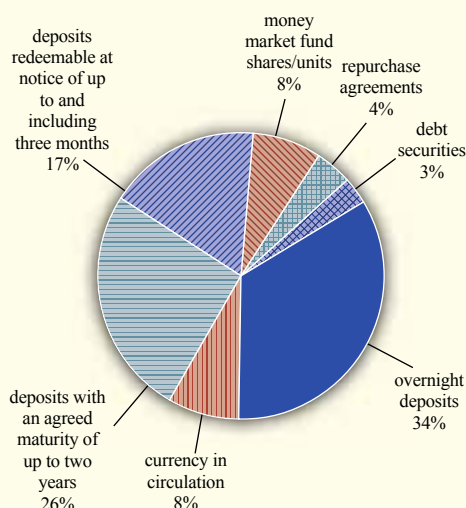
(percentages; December 2008)



Source: ECB.

Chart B Composition of euro area M3

(percentages; December 2008)



Source: ECB.

institutions, 1,721 money market funds, 15 NCBs and the ECB.³ The aggregated balance sheet of Slovak MFIs totalled €80 billion at the end of December 2008, which amounts to around 0.2% of the aggregated MFI balance sheet of the enlarged euro area.

According to ECB calculations, Slovakia's contribution to euro area M3 in December 2008 would have totalled €37 billion. Deposits accounted for 92% of Slovak M3 in that month. Overnight deposits and deposits with an agreed maturity of up to two years (i.e. short-term time deposits) made up the two largest shares, accounting for 47% and 44% of Slovak M3 respectively, while deposits redeemable at notice of up to and including three months accounted for only 1% (see Chart A). This breakdown differed from that of euro area M3 in that month (i.e. excluding Slovakia), as total deposits excluding repurchase agreements accounted for 77% of euro area M3, with smaller contributions by both overnight deposits and deposits with an agreed maturity of up to two years (see Chart B). Holdings of money market fund shares/units accounted for 4% of M3 in Slovakia, compared with 8% for the euro area. Holdings of MFI short-term debt securities and repurchase agreements, which in the euro area accounted for 3% and 4% of M3 holdings respectively, were negligible in Slovakia.

Turning to the counterparts of M3, the value of the longer-term liabilities of Slovak MFIs was somewhat less than €2.5 billion in December 2008, while, on the asset side of the balance sheet, MFIs' outstanding loans to the private sector totalled €30 billion. From a sectoral point of view, €15 billion of those outstanding loans were granted to non-financial corporations, €13 billion were granted to households and €2 billion were granted to other financial intermediaries (OFIs).

Euro area MFI balance sheet statistics comprise the data for those EU Member States that had introduced the euro in the reference month. Thus, from January 2009 onwards both the nominal amounts and growth rates will cover the 16 countries now in the euro area.⁴ Slovakia's contribution to euro area M3 in December 2008 would have been around 0.4%. Overall, given the size of that contribution, the integration of Slovakia in January 2009 will not significantly affect the dynamics of euro area M3 statistics.

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

4 In order to avoid breaks in statistics, the inclusion of new countries is treated as a reclassification – i.e. it is corrected for in transaction data, and thus also in growth rates. For details, see, for example, Annex III of the “Handbook for the compilation of flows statistics on the MFI balance sheet” (<http://www.ecb.europa.eu/pub/pdf/other/handbookcompilationflowstatisticsmfibalance200602en.pdf>).