

Box I

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

On 1 January 2011 Estonia adopted the euro, thereby increasing the number of euro area countries from 16 to 17. Monetary statistics for Estonia will be included for the first time in the euro area aggregates for January 2011, which will be published on 25 February 2011 and reported in the March 2011 issue of the Monthly Bulletin.¹ This box highlights a few features of the balance sheets of MFIs resident in Estonia,² which form the basis for the Estonian contribution to euro area monetary statistics.

Key features of the MFI sector in Estonia

At the end of December 2010 a total of 37 MFIs were resident in Estonia, while the euro area (i.e. excluding Estonia) had a total of 7,828 MFIs.³ The aggregated balance sheet of Estonian MFIs totalled €22 billion at the end of December 2010, which amounts to around 0.1% of the aggregated MFI balance sheet of the enlarged euro area. This contribution is smaller than those of other countries that have joined the euro area in recent years. The aggregated balance sheets of MFIs in Malta, Slovakia and Slovenia each accounted for around 0.2% of the aggregated MFI balance sheet of the euro area, and that of MFIs in Cyprus accounted for around 0.4%.

Impact of Estonian data on euro area M3

According to ECB calculations, Estonia's contribution to euro area M3 would have totalled €9 billion in December 2010. Deposits accounted for 96% of that contribution. 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 48% and 42% of Estonian M3 respectively (see Chart A), while deposits redeemable at notice of up to three months accounted for 6%. By comparison, total deposits excluding repurchase agreements accounted for 81% of euro area M3 (i.e. excluding Estonia) in that month, with smaller contributions by both overnight deposits and deposits with an agreed maturity of up to two years (see Chart B). Holdings of MFI

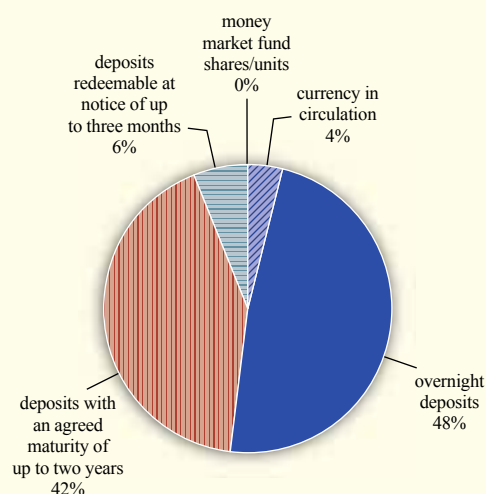
1 For monetary statistics, the euro area series covers all of the EU Member States that had adopted the euro at the time to which the statistics relate. This approach, which is also applied for MFI interest rate statistics and the HICP, differs from that applied for all other datasets, such as GDP, where data relate to the current 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 the box entitled "Implications of the entry of Slovenia into the euro area for monetary statistics", *Monthly Bulletin*, ECB, February 2007. See also the "General Notes" at the back of the Monthly Bulletin.

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

Chart A Composition of M3 in Estonia

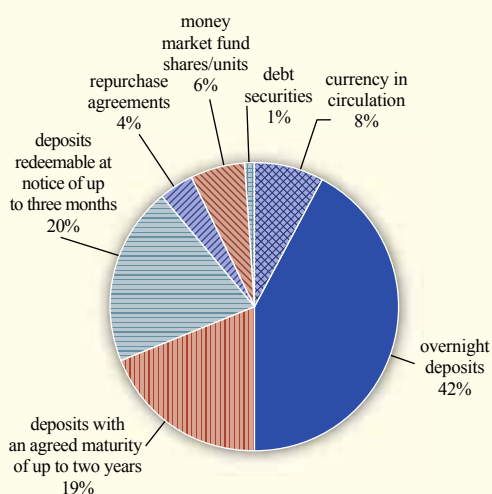
(December 2010)



Source: ECB.

Chart B Composition of euro area M3

(December 2010)



Source: ECB.

short-term debt securities and repurchase agreements, which in the euro area accounted for 1% and 4% of M3 holdings respectively, were negligible in Estonia. There were no money market funds resident in Estonia, while shares/units issued by money market funds resident in the euro area accounted for 6% of euro area M3.

Turning to the counterparts of M3, the longer-term liabilities of Estonian MFIs totalled around €2.5 billion in December 2010, while, on the asset side of the balance sheet, MFI loans to the private sector totalled around €14 billion. From a sectoral point of view, €6 billion of those outstanding loans were granted to non-financial corporations, €7 billion were granted to households, and less than €0.5 billion were granted to non-monetary financial intermediaries other than insurance corporations and pension funds.

Euro area MFI balance sheet statistics comprise data for those EU Member States that were part of the euro area in the reference month. Thus, from January 2011 onwards both outstanding amounts and growth rates will cover all 17 countries currently in the euro area.⁴ Estonia's contribution to the outstanding amount of euro area M3 in December 2010 would have been around 0.1%. Overall, given the size of that contribution, the integration of Estonia in January 2011 will not affect the dynamics of euro area M3 statistics.

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 data on transactions, and thus also in growth rates.