



EUROPEAN CENTRAL BANK

29 June 2001

MONETARY DEVELOPMENTS IN THE EURO AREA: MAY 2001

The annual rate of growth of M3 (adjusted for the holdings of money market fund shares/units by non-euro area residents) in May amounted to 5.4%, up from 4.8% in April (the latter figure was revised upwards from 4.7%). The three-month average of the annual growth rates of M3 over the period March-May 2001 increased to 4.9%, from 4.6% for the period February-April 2001.

12-month percentage changes	MARCH 2001	APRIL 2001	MAY 2001	MARCH 2001 – MAY 2001 AVERAGE
M3 ¹⁾	4.6	4.8	5.4	4.9

1) Excluding holdings of money market fund shares/units by non-residents of the euro area.

As indicated previously, there are indications that the data for M3 (as shown above) are distorted upwards by non-resident holdings of money market paper and debt securities issued with a maturity up to two years.

On a month-to-month basis, M3 increased by EUR 35 billion in May. Corrected for the estimated seasonal influences, M3 rose by EUR 31 billion relative to April (see the table below). This monthly increase reflected mainly a strong rise of M1 and of the marketable instruments (by EUR 22 billion and EUR 15 billion, respectively). The short-term deposits other than overnight deposits decreased by EUR 6 billion.

Seasonally-adjusted monthly changes	MARCH 2001		APRIL 2001		MAY 2001		MAR 01 – MAY 01 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3 ¹⁾ (items I.1 to I.7) ²⁾	28	0.5	35	0.7	31	0.6	31	0.6
Currency in circulation and overnight deposits (items I.1 and I.2) ²⁾ (= M1)	3	0.1	12	0.6	22	1.1	12	0.6
Other short-term deposits (items I.3 and I.4) ²⁾ (= M2-M1)	16	0.7	16	0.7	-6	-0.2	9	0.4
Marketable instruments (items I.5 to I.7) ^{1),2)} (= M3-M2)	8	1.1	8	1.0	15	1.8	10	1.3

1) Excluding holdings of money market fund shares/units by non-residents of the euro area.

2) The item numbers refer to those reported in the attached overview table.

Note: Due to rounding, the sum of the changes in the components of M3 in euro (billions) may not add up to the total reported for M3.

In May, the annual rate of growth of M1 increased to 3.5%, compared to 1.9% in the previous month. This increase reflects divergent developments in the two components of M1. While the annual rate of

change of overnight deposits increased strongly (5.0% in May, up from 2.8% in April), the rate of decline in currency in circulation became more pronounced (3.8% in May, compared with 2.9% in the previous month).

The annual rate of growth of the short-term deposits other than overnight deposits decreased to 4.0% in May, compared with 4.6% in the previous month. This reflected the fall in the annual growth rate of the deposits with an agreed maturity up to two years (12.6%, compared with 15.4% in April). The rate of decline in the deposits redeemable at a period of notice up to three months became less pronounced (2.3%, compared with 3.0% in April).

The annual rate of growth of marketable instruments included in M3 (adjusted for the holdings of money market fund shares/units by non-euro area residents) rose to 15.1% in May, from 13.4% in the previous month. This increase was due to the higher annual rates of growth of both repurchase agreements (16.2%, compared with 11.3% in April) and debt securities issued with a maturity up to two years (46.8%, compared with 36.6% in April). By contrast, the annual rate of growth of money market fund shares/units and money market paper fell to 8.2% (from 9.4% in April).

Regarding the counterparts of M3, in May the annual rate of growth of longer-term financial liabilities of the MFI sector declined to 3.4% (from 3.7% in the previous month). This reflected lower annual rates of growth of the deposits redeemable with a period of notice over three months (7.5%, compared with 10.6% in April) and of the debt securities issued with a maturity over two years (4.4%, compared with 5.2% in April). The annual rate of change of the deposits with an agreed maturity over two years remained unchanged at -0.2%, whereas the growth rate of capital and reserves increased (to 5.9%, compared with 5.4% in the previous month).

The annual growth rate of central government deposits held with the MFI sector increased to 27.4% in May, from 14.5% in the previous month.

On the asset side of the consolidated balance sheet of the MFI sector, in May the annual growth rate of total credit granted to euro area residents stood at 5.8%, unchanged from the previous month. The annual rate of change of credit extended to the private sector further declined to 8.6% in May, from 9.1% in the previous month. This reduction reflected, in particular, a moderation in the annual growth of loans to the private sector (8.0%, as compared to 8.4% in April). Meanwhile, the annual rate of decline in credit to general government became somewhat less pronounced (3.2% in May, compared to 4.6% in the previous month).

In May 2001, the net external assets position of the euro area MFI sector decreased by EUR 9 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to May, the net external assets of the MFI sector decreased by EUR 93 billion, compared to a decline of EUR 100 billion over the 12 months up to April 2001.

Notes

- *More details on the latest monetary data as contained in the Tables 2.1 to 2.4 of the "Euro area statistics" section of the ECB Monthly Bulletin are available on the ECB's web site (<http://www.ecb.int>) in the "Euro area statistics – download", "Latest monetary and financial statistics" page. Data cover the Member States comprising the euro area at the time referred to, i.e. the 11 Member States up to December 2000 and the 12 Member States from January 2001 onwards. Annual growth rates are derived using monthly flows as described in the "Technical Notes" of the section "Euro Area Statistics" in the ECB Monthly Bulletin. Monthly flows refer to the euro area-11 for months up to December 2000 and the euro area-12 from January 2001 onwards. The monthly flows for January 2001 are corrected also for the effect of the enlargement of the euro area.*
- *Using euro area-11 plus Greece figures throughout 2000, the annual rate of growth of M3 in May 2001 was 5.5%, compared to 4.9% in the previous month. The three-month average of the annual rates of growth of M3 covering the period from March to May 2001 was 5.0%, up from 4.7% for the period February-April 2001.*

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(non seasonally-adjusted data in EUR billions and percentage changes; ¹⁾)

	APRIL 2001			MAY 2001			AVERAGE MAR-01 MAY-01
	End of month levels	Flows on previous month	Annual growth rate	End of month levels	Flows on previous month	Annual growth rate	Annual growth rate
COMPONENTS OF M3 ²⁾							
(1) M3 (= items 1.1 to 1.7) ³⁾	5249	53	4.8	5296	35	5.4	4.9
(1.1) Currency in circulation	335	0	-2.9	332	-3	-3.8	-2.9
(1.2) Overnight deposits	1741	36	2.8	1765	21	5.0	3.6
(1.3) Deposits with agreed maturity up to 2 years	1071	2	15.4	1072	-4	12.6	14.6
(1.4) Deposits redeemable at notice up to 3 months	1273	4	-3.0	1273	0	-2.3	-3.1
(1.5) Repurchase agreements	223	-1	11.3	235	12	16.2	13.7
(1.6) Money market fund shares/units and money market paper ³⁾	482	8	9.4	487	3	8.2	8.4
(1.7) Debt securities issued with maturity up to 2 years	122	4	36.6	132	7	46.8	39.2
COUNTERPARTS OF M3 ⁴⁾							
MFI liabilities:							
(2) Deposits of central government	152	2	14.5	146	-6	27.4	18.8
(3) Longer-term financial liabilities against other euro area residents (= items 3.1 to 3.4)	3793	-1	3.7	3810	2	3.4	3.8
(3.1) Deposits with agreed maturity over 2 years	1169	-2	-0.2	1171	2	-0.2	-0.1
(3.2) Deposits redeemable at notice over 3 months	126	-2	10.6	123	-2	7.5	10.0
(3.3) Debt securities issued with maturity over 2 years	1575	1	5.2	1581	-5	4.4	5.3
(3.4) Capital and reserves	924	2	5.4	935	7	5.9	5.9
(4) External liabilities	2555	26	14.7	2623	13	13.8	14.6
MFI assets:							
(5) Credit to euro area residents (= items 5.1 and 5.2)	9208	69	5.8	9248	32	5.8	5.8
(5.1) Credit to general government	2016	-2	-4.6	2030	17	-3.2	-4.4
Of which Loans	843	-8	-1.6	838	-6	-1.6	-1.2
Of which Securities other than shares	1172	6	-6.8	1192	23	-4.4	-6.7
(5.2) Credit to other euro area residents	7192	71	9.1	7218	16	8.6	9.0
Of which Loans	6314	46	8.4	6334	8	8.0	8.4
Of which Securities other than shares	292	5	25.6	298	6	24.4	25.8
Of which Shares and other equities	586	20	9.3	586	1	7.0	8.1
(6) External assets	2465	-17	10.1	2523	3	9.6	10.5
(7) Other counterparts of M3 (residual) (= M3 + items 2, 3 and 4 - items 5 and 6)	76	28	ND	103	9	ND	ND

1) Discrepancies in the table can be due to rounding. The information in this table is based on consolidated balance sheet statistics reported by Monetary Financial Institutions (MFIs). These include the Eurosystem, credit institutions and money market funds located in the euro area at the time referred to, i.e. the 11 Member States up to December 2000, and the 12 Member States (now including Greece) from January 2001 onwards. Annual growth rates are derived using monthly flows as described in the Technical Notes of the section "Euro area statistics" in the ECB Monthly Bulletin. Monthly flows refer to the euro area-11 for months up to December 2000, and the euro area-12 from January 2001 onwards. The flows on the previous months have been adjusted to take into account reclassifications, exchange rate variations, other revaluations, and other changes which do not arise from transactions. Figures refer to all currencies.

2) Liabilities of Monetary Financial Institutions (MFIs) and specific units of the central government (post offices, treasury) vis-à-vis non-MFI euro area residents, excluding central government.

3) Excluding holdings of money market fund shares/units by non-residents of the euro area.

4) Assets and liabilities of Monetary Financial Institutions (MFIs) vis-à-vis non-MFI euro area residents, including central government.

Note: More details of the latest data, as well as estimates for earlier periods going back to September 1997 may be found on the ECB's web site (<http://www.ecb.int>) in the "Euro area statistics - download" page.