



EUROPEAN CENTRAL BANK

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Press Release

MONETARY DEVELOPMENTS IN THE EURO AREA: NOVEMBER 1998

In November 1998, the twelve-month rate of growth of the broad monetary aggregate M3 decreased to 4.5%, from 5% in October 1998. The latest three-months moving average of twelve-month growth rates of M3 (covering September to November 1998) was at 4.7%, which was very close to the reference value of 4.5% set by the Governing Council at its meeting on 1 December 1998.

Twelve-month percentage changes	SEPTEMBER 1998	OCTOBER 1998	NOVEMBER 1998	AVERAGE SEPTEMBER- NOVEMBER 1998
M3	4.5	5.0	4.5	4.7

Note: The figures for M3 growth in September and October 1998 have been revised slightly upwards since their first publication by the ECB on 14 December 1998.

Monetary aggregates are derived from the liabilities side of the consolidated balance sheet of the Monetary and Financial Institutions (MFIs) sector. The decrease in M3 in November 1998 mainly reflected reduced holdings by the public of marketable instruments issued by MFIs, in particular repurchase agreements and debt securities up to 2 years. In absolute and non-seasonally adjusted terms, repurchase agreements and debt securities up to 2 years contracted by ECU 18 billion and 9 billion, respectively, in November 1998. At the same time, holdings of overnight deposits with MFIs increased significantly in November 1998 and reached a twelve-month growth rate of 11.5%. The annual growth of short-term deposits with MFIs other than overnight remained broadly stable in November 1998 (cf. the upper panel in the attached table).

The analysis of the main counterparts of M3 in the consolidated balance sheet of the MFI sector shows that longer-term liabilities of the MFIs (item 3 in the table) and, on the asset side of the balance sheet, credit to euro area residents (item 5 in the table) play a prominent role among monetary counterparts. The former component can provide information on possible substitution effects with instruments included in

M3; the latter may provide information on the monetary policy transmission and the role of financial intermediaries in the euro area.

In November 1998, the twelve month growth rate of the longer-term financial liabilities of the MFIs was 2.9%. In absolute and non-seasonally adjusted terms, MFIs' longer-term financial liabilities against other euro area residents decreased slightly in November 1998.

Credit growth in the euro area remained strong in November 1998. Loans to the private sector grew at 8.5% on a twelve-month basis. In absolute and non-seasonally adjusted terms, new net loans to private sector euro area residents increased by ECU 45 billion in November 1998, thereby largely outpacing the corresponding rise of M3 (ECU 19 billion). A relatively fast growth was also recorded in MFIs' holdings of shares and other equities in November 1998.

Finally, the external assets of the MFIs increased by ECU 68 billion in November 1998 (item 6 in the table), nearly compensating the rise by ECU 73 billion in external liabilities (item 4 in the table). The amount of other counterparts of M3 (mainly fixed assets and remaining assets and liabilities of MFIs; item 7 in the table) fell by ECU 17 billion in November 1998.

Note of caution: This commentary on monetary developments in the euro area is based on a comparison of end-of-month stocks. In the near future, the difference in levels will be adjusted for reclassifications, exchange rate variations, other revaluations, and any other changes which do not arise from transactions.

MONETARY DEVELOPMENTS IN THE EURO AREA: NOVEMBER 1998 ⁽¹⁾

(non seasonally-adjusted data in ECU billion)

	OCTOBER 1998			NOVEMBER 1998			AVERAGE SEPT. 98- NOV. 98
	End of month levels	Change on previous month	Annual growth rate	End of month levels	Change on previous month	Annual growth rate	Annual growth rate
COMPONENTS OF M3 ⁽²⁾							
(1) M3 (= items 1.1 to 1.7)	4286	32	5.0	4336	19 ⁽³⁾	4.5 ⁽³⁾	4.7 ⁽³⁾
(1.1) Currency in circulation	310	2	0.8	311	1	0.2	0.4
(1.2) Overnight deposits	1329	4	10.7	1372	43	11.5	11.0
(1.3) Deposits with agreed maturity up to 2 years	860	4	-4.3	860	-1	-3.8	-4.1
(1.4) Deposits redeemable at notice up to 3 months	1188	4	6.4	1190	2	6.3	6.3
(1.5) Repurchase agreements	215	9	4.6	198	-18	-7.8	-1.0
(1.6) Money market fund shares/units and money market paper	294	7	4.7	325	0 ⁽³⁾	4.7 ⁽³⁾	3.6 ⁽³⁾
(1.7) Debt securities issued with maturity up to 2 years	89	4	23.5	80	-9	15.8	20.2
COUNTERPARTS OF M3 ⁽⁴⁾							
MFI liabilities:							
(2) Deposits of central government	160	-3	6.0	153	-7	7.6	7.1
(3) Longer-term financial liabilities against other euro area residents (= items 3.1 to 3.4)	3208	-12	3.3	3207	-1	2.9	3.3
(3.1) Deposits with agreed maturity over 2 years	1013	-3	1.9	1010	-3	1.6	2.0
(3.2) Deposits redeemable at notice over 3 months	208	0	-3.2	208	0	-3.1	-3.2
(3.3) Debt securities issued with maturity over 2 years	1283	-6	5.3	1287	4	4.9	5.3
(3.4) Capital and reserves	705	-2	3.8	703	-2	3.2	3.5
(4) External liabilities	1531	42	13.3	1604	73	14.6	13.1
MFI assets:							
(5) Credit to euro area residents (= items 5.1 and 5.2)	7475	51	6.8	7539	65	7.0	6.8
(5.1) Credit to general government	2041	15	1.8	2054	13	1.6	1.5
Of which Loans	829	7	-0.6	834	5	-1.5	-1.0
Of which Securities other than shares	1212	8	3.5	1220	9	3.8	3.3
(5.2) Credit to other euro area residents	5434	36	8.8	5485	51	9.2	8.9
Of which Loans	4960	31	8.2	5005	45	8.5	8.3
Of which Securities other than shares	198	4	6.8	194	-4	3.0	4.6
Of which Shares and other equities	276	1	24.7	286	11	27.2	26.0
(6) External assets	1883	4	3.6	1951	68	4.2	3.9
(7) Other counterparts of M3 (residual) (= M3 + items 2, 3 and 4 - items 5 and 6)	-173	4	0.4	-191	-17	0.3	0.4

(1) Discrepancies in the table can be due to rounding. The information in this table is based on consolidated balance sheet data reported by Monetary Financial Institutions (MFIs). These include the ESCB, credit institutions and money market funds located in the euro area. Figures refer to all currencies. The difference in levels will be adjusted for reclassifications, exchange rate variations, other revaluations, and other changes which do not arise from transactions

(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) Data for the Money Market Funds of Luxembourg are currently available only as from November 98. Changes on previous month and annual growth rates have been adjusted to take into account this break in series.

(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>).