



EUROPEAN CENTRAL BANK

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MONETARY DEVELOPMENTS IN THE EURO AREA: OCTOBER 2001

The annual rate of growth of M3 (which from now on is corrected for holdings by non-residents of the euro area of money market paper and debt securities with a maturity up to two years)¹ was 7.4% in October, up from 6.9% in September.² The three-month average of the annual growth rates of M3 over the period August-October 2001 increased to 6.8%, from 6.2% during the period July-September 2001. This development has to be assessed against the high uncertainty in financial markets prevailing after the terrorist attacks in the US on 11 September.

12-month percentage changes	AUGUST 2001	SEPTEMBER 2001	OCTOBER 2001	AUGUST – OCTOBER 2001 AVERAGE
M3*	6.0	6.9	7.4	6.8

*Adjusted for holdings by non-residents of the euro area of money market paper and debt securities with a maturity up to two years.

In October, the annual rate of growth of M1 rose to 5.3%, from 5.1% in the previous month. This development reflected an increase in the annual rate of growth of overnight deposits (9.4%, compared with 8.5% in September). At the same time, the annual rate of change in currency in circulation decreased further (to –14.6%, from –11.0% in the previous month).

The annual rate of growth of short-term deposits other than overnight deposits remained almost constant, at 5.4%, in October (compared with 5.3% in September). This reflected divergent developments in the components of this item. On the one hand, the (non-seasonally adjusted) annual rate of growth of deposits redeemable at a period of notice of up to three months increased to 4.0% in October, from 2.3% in September. On the other hand, the (non-seasonally adjusted) annual rate of change in deposits with an agreed maturity of up to two years decreased to 7.4% in October, from 8.7% in the previous month.

The annual rate of growth of marketable instruments included in M3 rose to 20.8% in October, from 18.5% in September. This rise was driven by increases in the (non-seasonally adjusted) annual growth

¹ From this press release onwards, data on M3 and its components exclude holdings by non-residents of the euro area of money market paper and debt securities with a maturity up to two years. With their exclusion, the measurement of M3 has been brought significantly closer to the conceptual definition of this aggregate, which includes only monetary holdings of euro area residents. (For more details see the box entitled "Adjustment of M3 for holdings of negotiable instruments by non-residents of the euro area" in the ECB Monthly Bulletin of November 2001, pp. 10-13.) The effect of the exclusion of holdings of money market paper and debt securities by non-residents of the euro area on annual M3 growth was -0.7 percentage points in September 2001 and -0.6 percentage points in October 2001.

² These rates of growth refer to aggregates adjusted for seasonal and end-of-month calendar effects; this applies throughout this press release unless specified otherwise.

rates of money market fund shares/units (29.7% in October, from 26.6% in September) and of repurchase agreements (24.8%, from 19.9% in the previous month). By contrast, the (non-seasonally adjusted) annual rate of change in money market paper and debt securities issued with a maturity of up to two years fell to -3.1%, from -1.1% in September.³

Regarding the counterparts of M3, the (non-seasonally adjusted) annual rate of growth of longer-term financial liabilities of the MFI sector was unchanged at 2.1% in October. The annual rate of change of deposits with an agreed maturity of over two years stood at -0.4% (compared with -0.3% in September). The annual growth rates of MFI capital and reserves and of debt securities issued with a maturity of over two years increased slightly in October, to 1.9% and 4.6% respectively (from 1.8% and 4.5% respectively in September). By contrast, the annual rate of change in deposits redeemable at a period of notice of over three months fell from -2.6% to -4.8%.

The (non-seasonally adjusted) annual growth rate of deposits of central government held with the MFI sector decreased sharply in October, to -12.1% (from -4.3% in September).

On the asset side of the consolidated balance sheet of the MFI sector, the (non-seasonally adjusted) annual growth rate of total credit granted to euro area residents was unchanged at 5.1% in October. The annual rate of growth of credit extended to the private sector decreased to 6.8% in October, from 7.0% in the previous month. This reduction reflected in particular a moderation in the annual growth of loans to the private sector (6.4%, compared with 6.7% in September). Meanwhile, the annual rate of change in credit to general government increased slightly to -0.9%, from -1.2% in the previous month.

In October 2001, the net external asset position of the euro area MFI sector increased by EUR 17 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to October, the net external assets of the MFI sector decreased by EUR 8 billion, compared with a decline of EUR 40 billion over the 12 months up to September 2001.

Notes

- *The publication of the statistics on monetary developments in November, December 2001, January and February 2002 is scheduled to take place at 10am on 28 December 2001, 28 January 2002, 27 February 2002 and 28 March 2002 respectively.*

³ In the past, the ECB has reported data on money market fund shares/units and money market paper as an aggregate. As from this press release, there will be a separate reporting on money market fund shares/units and a new aggregate category of debt securities issued with maturity up to 2 years and money market paper will be reported. This change is conceptually more accurate and also reflects the fact that the category of money market paper is in practice difficult to distinguish from the category of other short-term debt securities.

- *The annual rates of growth for currency in circulation, overnight deposits, M1, short-term deposits other than overnight deposits (M2 - M1), M2, marketable instruments (M3 - M2), and M3 are calculated on the basis of data adjusted for seasonal and end-of-month calendar effects (see ECB, Seasonal adjustment of monetary aggregates and consumer price indices (HICP) for the euro area, August 2000). Through this procedure the annual growth rates reflect underlying patterns in a more accurate way than the annual growth rates based on unadjusted data.*
- *Using euro area-11 plus Greece figures throughout 2000, the annual rate of growth of M3 in October 2001 was 7.3%, compared with 6.9% in September. The three-month average of the annual rates of growth of M3 covering the period from August to October 2001 was 6.7%, up from 6.2% for the period from July to September 2001.*
- *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.*

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(data in EUR billions and percentage changes ^{a)})

	SEPTEMBER 2001			OCTOBER 2001			AVERAGE AUG-01 OCT-01
	End of month level	Monthly flow	Annual growth rate	End of month level	Monthly flow	Annual growth rate	Annual growth rate
Seasonally and calendar effect adjusted data							
(1) M3 (= items 1.3, 1.4 and 1.6) ^{b)}	5287	47	6.9	5332	44	7.4	6.8
(1.1) Currency in circulation	309	-9	-11.0	297	-12	-14.6	-11.3
(1.2) Overnight deposits	1825	32	8.5	1846	21	9.4	8.0
(1.3) M1 (= items 1.1 and 1.2)	2134	23	5.1	2143	9	5.3	4.7
(1.4) Other short-term deposits ^{c)}	2392	13	5.3	2404	11	5.4	5.2
(1.5) M2 (= items 1.3 and 1.4)	4526	36	5.2	4546	20	5.4	5.0
(1.6) Marketable instruments ^{d)}	761	11	18.5	785	24	20.8	18.6
Data unadjusted for seasonal and calendar effects							
COMPONENTS OF M3 ^{b)}							
(2) M3 (= items 2.1 to 2.7)	5253	48	7.0	5274	21	7.3	6.8
(2.1) Currency in circulation	309	-10	-10.9	295	-14	-14.4	-11.0
(2.2) Overnight deposits	1818	70	9.1	1819	2	9.2	7.9
(2.3) Deposits with agreed maturity up to 2 years	1075	-18	8.7	1078	2	7.4	9.0
(2.4) Deposits redeemable at notice up to 3 months	1299	6	2.3	1310	11	4.0	2.4
(2.5) Repurchase agreements	229	-5	19.9	237	8	24.8	22.8
(2.6) Money market fund shares/units	375	4	26.6	387	12	29.7	26.0
(2.7) Money market paper and debt securities issued with maturity up to 2 years	148	-1	-1.1	148	-1	-3.1	-2.1
P.M. Non-euro area resident holdings of money market paper and debt securities with maturity up to 2 years	135	2	(-0.7) ^{e)}	136	0	(-0.6) ^{e)}	(-0.7) ^{e)}
COUNTERPARTS OF M3 ^{d)}							
MFI liabilities:							
(3) Deposits of central government	154	1	-4.3	153	-1	-12.1	-3.0
(4) Longer-term financial liabilities against other euro area residents (= items 4.1 to 4.4)	3843	17	2.1	3864	18	2.1	2.1
(4.1) Deposits with agreed maturity over 2 years	1163	1	-0.3	1162	0	-0.4	-0.4
(4.2) Deposits redeemable at notice over 3 months	119	-1	-2.6	117	-2	-4.8	-2.4
(4.4) Debt securities issued with maturity over 2 years	1599	14	4.5	1612	14	4.6	4.3
(4.4) Capital and reserves	962	4	1.8	972	6	1.9	2.4
(5) External liabilities	2641	22	14.2	2661	7	13.3	14.3
MFI assets:							
(6) Credit to euro area residents (= items 6.1 and 6.2)	9299	42	5.1	9332	28	5.1	5.2
(6.1) Credit to general government	2026	-1	-1.2	2016	-10	-0.9	-1.2
of which Loans	830	1	-0.7	828	-3	-1.2	-1.1
of which Securities other than shares	1195	-2	-1.7	1189	-7	-0.8	-1.5
(6.2) Credit to other euro area residents	7274	43	7.0	7316	38	6.8	7.1
of which Loans	6419	49	6.7	6446	25	6.4	6.8
of which Securities other than shares	325	2	24.5	332	7	24.1	24.7
of which Shares and other equities	530	-8	1.4	539	6	2.2	2.3
(7) External assets	2697	63	12.0	2734	24	12.5	11.6
Other counterparts of M3 (residual)							
(8) (= M3 + items 3, 4, and 5 - items 6 and 7)	-107	-17	ND	-114	-7	ND	ND

a) Discrepancies 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. Data on money market fund shares/units, money market paper and debt securities issued with maturity up to 2 years and on the relevant aggregates exclude holdings of residents outside the euro area.

b) 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.

c) Deposits with agreed maturity up to 2 years and deposits redeemable at notice up to 3 months.

d) Repurchase agreements, money market fund shares/units, money market paper and debt securities issued with maturity up to 2 years.

e) Effect of the exclusion of holdings by non-euro area residents of money market paper and debt securities issued with maturity up to 2 years on the annual rate of growth of M3.

f) 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 web site (<http://www.ecb.int>) in the "Euro area statistics - download" page.