



EUROPEAN CENTRAL BANK

28 January 2000

MONETARY DEVELOPMENTS IN THE EURO AREA: DECEMBER 1999

In December 1999 the annual rate of increase in M3 was 6.4%. This compares with an annual growth rate of 6.2% in November 1999. The three-month average of the annual growth rates of M3 covering the period from October to December 1999 was 6.1%, after 6.0% in the period from September to November 1999. In the interpretation of these data it has to be taken into account that the increase in the twelve-month growth rate of M3 in December 1999 is mainly due to a base effect (since M3 growth in December 1998 was comparatively weak).

12-month percentage changes	OCTOBER 1999	NOVEMBER 1999	DECEMBER 1999	OCTOBER – DECEMBER 1999 AVERAGE
M3	5.8	6.2	6.4	6.1

Most of the monthly increase in M3 in December 1999 of EUR 82 billion (see item 1 in the attached overview table) was due to seasonal influences. Corrected for seasonal factors, the rise in M3 in December as compared with November 1999 was EUR 11 billion (see the table below). This increase was lower than in the two previous months. The seasonally adjusted rise in M3 in December 1999 mirrored increases in short-term deposits other than overnight deposits (by EUR 5 billion) and in marketable instruments (by EUR 17 billion). By contrast, M1 (currency in circulation and overnight deposits) decreased by EUR 11 billion on a seasonally adjusted basis.

Seasonally-adjusted monthly changes	OCTOBER 1999		NOVEMBER 1999		DECEMBER 1999		OCTOBER – DECEMBER 1999 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3 (items 1.1 to 1.7) ¹⁾	18	0.4	20	0.4	11	0.2	17	0.4
Currency in circulation and overnight deposits (items 1.1. and 1.2) ¹⁾ (= M1)	6	0.3	5	0.3	-11	-0.6	0	0.0
Other short-term deposits (items 1.3 and 1.4) ¹⁾ (= M2-M1)	4	0.2	1	0.0	5	0.2	3	0.1
Marketable instruments (items 1.5 to 1.7) ¹⁾ (= M3-M2)	9	1.3	15	2.3	17	2.6	14	2.1

(1) 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.

The annual rate of increase in M1 declined to 10.0% in December, from 12.3% in the previous month. This development mirrored opposite movements in currency in circulation and in overnight deposits.

The annual growth rate of currency in circulation rose considerably (from 5.3% in November to 8.4% in December), which probably can be explained to some extent by precautionary holdings of banknotes in connection with uncertainties due to the century date change. At the same time, the annual growth rate of overnight deposits fell significantly (from 13.8% in November to 10.3% in December).

The annual growth rate of short-term deposits other than overnight deposits decreased to 1.3%, from 1.8% in November. This reflected a lower annual growth rate of deposits redeemable at a period of notice of up to three months (4.0% in December, compared with 5.0% in November), while the rate of decline of deposits with an agreed maturity of up to two years decreased slightly (to 2.5% in December, after 2.6% in November).

The annual rate of change in marketable instruments rose strongly in December (to 14.3%, from 4.0% in the previous month) which was partly due to the above-mentioned base effect. All components contributed to this development. The annual growth rates of money market fund shares and money market paper (26.9% in December, from 18.3% in November) and of debt securities issued with a maturity of up to two years (40.7%, after 8.1% in November) both rose significantly. Furthermore, the annual rate of decline in repurchase agreements became less pronounced (16.9%, compared with 20.7% in November).

Among the counterparts of M3, the annual rate of increase in longer-term financial liabilities of the MFI sector rose to 8.1%, from 7.3% in November. This reflected in particular a stronger annual rate of expansion of the capital and reserves of the MFI sector (14.1%, compared with 9.4% in the previous month). The annual rate of increase in deposits with an agreed maturity of over two years also rose (to 5.9%, compared with 5.4% in November). By contrast, the annual rate of growth of debt securities issued with a maturity of over two years declined (to 8.3%, from 9.0% in November), and the annual rate of contraction in deposits redeemable at a period of notice of over three months increased further, to 8.8% (from 8.1% in November).

The annual rate of change in the outstanding amount of central government deposits held with the MFI sector was 4.0% in December, after 8.0% in November 1999.

On the assets side of the consolidated balance sheet of the MFI sector, the annual growth rate of total credit granted to euro area residents remained constant at 8.4% in December 1999. This reflected, on the one hand, a slight decrease in the annual rate of change in credit extended to the private sector (to 10.5%, which compares with 10.9% in November) and, on the other hand, an increase in the growth rate of credit to general government (to 2.5%, against 1.7% in November). The slower pace of growth of credit to the private sector in December was due to a decrease in the growth rate of loans and a slightly weaker expansion of MFI holdings of shares and other equities.

During December 1999, the net external asset position of the euro area MFI sector decreased by EUR 3 billion, in absolute and non-seasonally adjusted terms. Over the twelve months up to December 1999, the net external assets of the MFI sector declined by EUR 185 billion.

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.

MONETARY DEVELOPMENTS IN THE EURO AREA : DECEMBER 1999 ⁽¹⁾

(non seasonally-adjusted data in EUR billions)

	NOVEMBER 1999			DECEMBER 1999			AVERAGE OCT-99 DEC-99
	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)	4688	46	6.2	4782	82	6.4	6.1
(1.1) Currency in circulation	330	1	5.3	350	20	8.4	6.4
(1.2) Overnight deposits	1577	33	13.8	1610	32	10.3	13.0
(1.3) Deposits with agreed maturity up to 2 years	858	-3	-2.6	876	17	-2.5	-2.4
(1.4) Deposits redeemable at notice up to 3 months	1261	-5	5.0	1282	21	4.0	4.9
(1.5) Repurchase agreements	157	1	-20.7	144	-13	-16.9	-22.0
(1.6) Money market fund shares/units and money market paper	425	20	18.3	433	-3	26.9	19.7
(1.7) Debt securities issued with maturity up to 2 years	80	-1	8.1	87	8	40.7	18.5
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	147	11	8.0	143	-4	4.0	2.6
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3532	19	7.3	3580	39	8.1	7.4
(3.1) Deposits with agreed maturity over 2 years	1148	8	5.4	1161	13	5.9	5.1
(3.2) Deposits redeemable at notice over 3 months	111	0	-8.1	113	2	-8.8	-8.3
(3.3) Debt securities issued with maturity over 2 years	1454	6	9.0	1447	-8	8.3	8.8
(3.4) Capital and reserves	820	4	9.4	860	32	14.1	10.7
(4) <i>External liabilities</i>	1905	34	12.1	1835	-74	13.9	13.2
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	8169	99	8.4	8203	30	8.4	8.3
(5.1) Credit to general government	2085	14	1.7	2062	-23	2.5	1.8
Of which Loans	852	12	1.4	842	-10	-0.1	0.5
Of which Securities other than shares	1233	2	2.0	1220	-13	4.4	2.8
(5.2) Credit to other euro area residents	6084	85	10.9	6141	53	10.5	10.6
Of which Loans	5482	62	10.1	5520	40	9.5	9.8
Of which Securities other than shares	227	8	8.2	226	-2	12.4	7.4
Of which Shares and other equities	375	15	26.9	395	15	25.0	26.6
(6) <i>External assets</i>	2175	18	-0.1	2105	-76	1.6	0.7
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-71	-8	-	33	90	-	-

(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. Figures refer to all currencies. 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. The annual growth rates were calculated on flow data.

(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) 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.