



EUROPEAN CENTRAL BANK

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MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 2002

The annual rate of growth of M3 was 7.0% in August 2002, compared with 7.1% in July.¹ The three-month average of the annual growth rates of M3 over the period June-August 2002 decreased to 7.1%, from 7.3% during the period May-July 2002.

12-month percentage changes	JUNE 2002	JULY 2002	AUGUST 2002	JUNE-AUGUST 2002 AVERAGE
M3	7.1	7.1	7.0	7.1

In August 2002, the annual rate of growth of M1 increased to 7.8%, from 7.6% in July. This reflected a less negative annual rate of change in currency in circulation (–5.7% in August, compared with –9.6% in July), whereas the annual growth rate of overnight deposits decreased to 10.1% in August, from 10.8% in the previous month.

The annual rate of growth of short-term deposits other than overnight deposits was 5.4% in August, compared with 5.5% in July. The (non-seasonally adjusted) annual rates of growth of both deposits with agreed maturity up to two years and deposits redeemable at a period of notice of up to three months decreased to 1.2% and 8.9% respectively in August, from 1.7% and 9.0% respectively in July.

The annual growth rate of marketable instruments included in M3 decreased to 10.1% in August, from 10.4% in July. This development was mainly driven by a decrease in the (non-seasonally adjusted) annual rate of change of money market paper and debt securities issued with a maturity of up to two years (to –10.5% in August, from –9.3% in July). Over the same period, the (non-seasonally adjusted) annual growth rate of money market fund shares/units decreased slightly to 22.9% in August, from 23.0% in July. The (non-seasonally adjusted) annual growth rate of repurchase agreements stood at 1.7% in August, unchanged from the previous month.

Regarding the counterparts of M3, the (non-seasonally adjusted) annual rate of growth of longer-term financial liabilities of the MFI sector rose to 5.4% in August, from 5.1% in July. This development reflected in particular an increase in the annual rate of growth of deposits with an agreed maturity of over two years to 2.2%, from 1.8% in July, and of the annual rate of change of deposits redeemable at a

¹ 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.

period of notice of over three months, to -10.6% from -11.7% in the previous month. By contrast, the annual growth rate of debt securities issued with a maturity of over two years and of MFI capital and reserves remained almost unchanged (8.5% in August against 8.4% in July and 6.1% against 6.0% respectively).

The (non-seasonally adjusted) annual rate of change of holdings of central government with the MFI sector decreased to -9.5% in August, from -4.5% in July.

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 rose slightly to 4.2% in August, from 4.1% in the previous month. This was mainly the result of an increase in the annual growth rate of credit extended to the private sector, to 5.2% in August, from 5.0% in July. The annual growth rate of loans to the private sector rose to 5.4% in August, from 5.2% in July and the annual growth rate of MFI holdings of shares and other equities increased to 3.2%, from 0.5% in the previous month. At the same time, the annual rate of change of MFI holdings of securities other than shares decreased to 4.1% in August, from 8.6% in July. By contrast, the annual growth rate of credit to general government decreased to 0.7% in August, from 0.9% in the previous month.

In August 2002, the net external asset position of the euro area MFI sector increased by EUR 16 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to August, the net external assets of the MFI sector went up by EUR 134 billion, compared with a rise by EUR 145 billion over the 12 months up to July.

Notes

- *The publication of the statistics on monetary developments in September, October, November and December 2002 is scheduled to take place at 10am on 28 October, 28 November, 30 December 2002 and 28 January 2003 respectively.*
- *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, September 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.*
- *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. 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)})

	JULY 2002			AUGUST 2002			AVERAGE JUN-02 AUG-02
	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) <i>M3</i> (= items 1.3, 1.4 and 1.6) ^{b)}	5555	30	7.1	5596	40	7.0	7.1
(1.1) Currency in circulation	293	11	-9.6	300	7	-5.7	-9.9
(1.2) Overnight deposits	1954	6	10.8	1968	14	10.1	10.6
(1.3) M1 (= items 1.1 and 1.2)	2247	17	7.6	2268	21	7.8	7.4
(1.4) Other short-term deposits ^{c)}	2495	2	5.5	2498	4	5.4	5.7
(1.5) M2 (= items 1.3 and 1.4)	4742	19	6.5	4766	25	6.5	6.5
(1.6) Marketable instruments ^{d)}	814	11	10.4	829	15	10.1	10.4
Data unadjusted for seasonal and calendar effects							
COMPONENTS OF M3 ^{b)}							
(2) M3 (= items 2.1 to 2.7)	5554	-11	7.0	5567	12	7.1	7.1
(2.1) Currency in circulation	297	11	-9.6	301	4	-5.7	-9.8
(2.2) Overnight deposits	1961	-35	10.5	1928	-32	10.6	10.8
(2.3) Deposits with agreed maturity up to 2 years	1084	4	1.7	1097	13	1.2	1.7
(2.4) Deposits redeemable at notice up to 3 months	1403	3	9.0	1409	6	8.9	9.0
(2.5) Repurchase agreements	228	-1	1.7	236	8	1.7	2.1
(2.6) Money market fund shares/units	455	13	23.0	469	13	22.9	22.9
(2.7) Money market paper and debt securities issued with maturity up to 2 years	126	-6	-9.3	127	1	-10.5	-9.2
COUNTERPARTS OF M3 ^{e)}							
MFI liabilities:							
(3) <i>Holdings of central government</i>	150	-3	-4.5	140	-11	-9.5	-7.4
of which Deposits	150	-3	-3.3	139	-11	-8.5	-6.3
(4) <i>Longer-term financial liabilities against other euro area residents</i> (= items 4.1 to 4.4)	3957	18	5.1	3973	14	5.4	5.0
(4.1) Deposits with agreed maturity over 2 years	1180	2	1.8	1169	3	2.2	1.7
(4.2) Deposits redeemable at notice over 3 months	107	0	-11.7	107	0	-10.6	-11.6
(4.4) Debt securities issued with maturity over 2 years	1669	6	8.4	1686	1	8.5	8.5
(4.4) Capital and reserves	1002	10	6.0	1012	9	6.1	5.5
(5) <i>External liabilities</i>	2644	-1	4.7	2612	-24	2.6	3.3
MFI assets:							
(6) <i>Credit to euro area residents</i> (= items 6.1 and 6.2)	9655	-20	4.1	9647	-8	4.2	4.2
(6.1) Credit to general government	2062	-8	0.9	2050	-12	0.7	0.9
of which Loans	827	-2	-0.6	817	-10	-1.4	-0.9
of which Securities other than shares	1235	-6	2.0	1233	-2	2.2	2.1
(6.2) Credit to other euro area residents	7593	-13	5.0	7596	4	5.2	5.2
of which Loans	6692	-3	5.2	6692	0	5.4	5.3
of which Securities other than shares	346	1	8.6	340	-4	4.1	8.5
of which Shares and other equities	554	-11	0.5	564	9	3.2	1.5
(7) <i>External assets</i>	2753	-3	10.4	2741	-8	7.7	9.0
Other counterparts of M3 (residual)							
(8) (= M3 + items 3, 4, and 5 - items 6 and 7)	-103	25	ND	-97	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 M3 and its components exclude holdings by non-residents of the euro area of money market fund shares/units, money market paper and debt securities with a maturity up to two years.

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) 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.