



EUROPEAN CENTRAL BANK

27 September 2006

## PRESS RELEASE

### MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 2006

The annual rate of growth of M3 increased to 8.2% in August 2006, from 7.8% in July 2006.<sup>1</sup> The three-month average of the annual growth rates of M3 over the period June 2006 - August 2006 stood at 8.2%, compared with 8.3% in the period May 2006 - July 2006.

12-month percentage changes; adjusted for seasonal and end-of-month calendar effects	JUNE 2006	JULY 2006	AUGUST 2006	JUNE 2006 - AUGUST 2006 AVERAGE
<b>M3</b>	8.5	7.8	8.2	8.2
<b>M1</b>	9.3	7.4	7.2	8.0
<b>Loans to private sector</b>	11.0	11.1	11.3	11.1

Regarding the main components of M3, the annual rate of growth of M1 decreased to 7.2% in August 2006, from 7.4% in July. The annual rate of growth of short-term deposits other than overnight deposits increased to 9.8% in August, from 9.2% in the previous month. The annual rate of growth of marketable instruments increased to 7.3% in August, from 5.3% in July.

Turning to the main counterparts of M3 on the asset side of the consolidated balance sheet of the MFI sector, the annual growth rate of total credit granted to euro area residents was 9.1% in August 2006, after 9.2% in July. The annual rate of growth of credit extended to general government decreased to -1.7% in August, from -0.9% in July, while the annual growth of credit extended to the private sector was 11.9% in August, after 11.8% in July. Among the components of the latter, the annual rate of growth of loans to the private sector increased to 11.3% in August, from 11.1% in the previous month. The annual growth rate of loans to non-financial corporations increased to 12.0% in August, from 11.8% in July.<sup>2</sup> The annual growth rate of loans to households decreased to 9.2% in August, from 9.4% in the previous month. The annual rate of growth of lending for house purchase declined to 11.1% in August, from 11.4% in July. The annual rate of growth of consumer credit decreased to 8.3% in August, from 8.6% in July while the annual growth rate of other lending to households stood at 2.2% in August, compared with 2.3% in the previous month. Finally,

<sup>1</sup> 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.

<sup>2</sup> The rates of growth referring to the breakdown of loans to the private sector by counterpart and type are unadjusted for seasonal and end-of-month calendar effects.

the annual rate of growth of loans to non-monetary financial intermediaries (except insurance corporations and pension funds) increased to 19.3% in August, from 15.6% in the previous month.

Over the 12 months up to August 2006, the net external asset position of the euro area MFI sector decreased by EUR 5 billion, compared with a rise of EUR 10 billion over the 12 months up to July. The annual rate of growth of longer-term financial liabilities of the MFI sector decreased to 8.4% in August, from 8.8% in July.

#### Notes

- *In addition to the monthly monetary developments for the reference month, this press release incorporates minor revisions to the data for previous months.*
- *The publication of the statistics on monetary developments in September, October, November and December 2006 is scheduled to take place at 10 am on 27 October, 28 November, 29 December 2006 and 26 January 2007 respectively.*
- *The latest monetary data as contained in Tables 2.1 to 2.8 of the ECB's Monthly Bulletin can be found on the ECB's website (<http://www.ecb.int/>) in the "Statistics" section under "Data services" and then "Latest monetary, financial markets and balance of payments statistics". In addition, data on a number of breakdowns of deposits, loans and holdings of securities, together with longer time series for principal monetary aggregates (start date: January 1970) and methodological notes on the monetary statistics concepts and seasonal adjustment procedures can be found in the same section under "Money, banking and financial markets" and then "Monetary statistics".*

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TABLE 1

## MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 2006

DATA ADJUSTED FOR SEASONAL EFFECTS

(EUR billions and annual percentage changes <sup>a)</sup>)

	JULY 2006			AUGUST 2006			AVERAGE JUN-06 AUG-06
	End of month level	Monthly flow <sup>b)</sup>	Annual growth rate	End of month level	Monthly flow <sup>b)</sup>	Annual growth rate	Annual growth rate
<b>COMPONENTS OF M3 <sup>c)</sup></b>							
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	7390	20	7.8	7469	80	8.2	8.2
(1.1) Currency in circulation	552	5	11.5	559	6	11.4	11.3
(1.2) Overnight deposits	2994	-24	6.7	3013	19	6.5	7.4
(1.3) <b>M1</b> (items 1.1 and 1.2)	3546	-19	7.4	3571	25	7.2	8.0
(1.4) Deposits with agreed maturity up to 2 years	1243	27	19.0	1270	28	21.0	19.1
(1.5) Deposits redeemable at notice up to 3 months	1563	-1	2.5	1567	4	2.2	2.6
(1.6) Other short term deposits (items 1.4 and 1.5)	2806	27	9.2	2837	31	9.8	9.3
(1.7) <b>M2</b> (items 1.3 and 1.6)	6352	7	8.2	6408	56	8.4	8.6
(1.8) Repurchase agreements	252	5	4.7	255	3	5.2	4.2
(1.9) Money market fund shares/units	623	7	0.7	626	2	1.1	0.8
(1.10) Debt securities issued with maturity up to 2 years	162	1	30.1	180	18	42.3	34.2
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	1038	12	5.3	1061	23	7.3	5.8
<b>COUNTERPARTS OF M3</b>							
<b>MFI liabilities:</b>							
(2) <i>Holdings against central government</i> <sup>d)</sup>	188	9	-7.7	198	10	12.0	0.6
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	5286	50	8.8	5301	16	8.4	8.4
(3.1) Deposits with agreed maturity over 2 years	1611	10	9.2	1616	6	9.3	9.2
(3.2) Deposits redeemable at notice over 3 months	94	2	4.0	96	2	7.1	4.2
(3.3) Debt securities issued with maturity over 2 years	2304	15	8.5	2313	13	8.1	8.3
(3.4) Capital and reserves	1277	23	9.0	1275	-5	8.1	8.2
<b>MFI assets:</b>							
(4) <i>Credit to euro area residents</i> (= items 4.1 and 4.2)	12623	89	9.2	12694	68	9.1	9.1
(4.1) Credit to general government	2374	-20	-0.9	2365	-14	-1.7	-0.8
of which Loans	827	-6	-0.6	825	-2	-0.9	-0.5
of which Securities other than shares	1547	-14	-1.0	1540	-12	-2.1	-0.9
(4.2) Credit to other euro area residents	10249	109	11.8	10329	82	11.9	11.7
of which Loans	8836	81	11.1	8909	75	11.3	11.1
of which Securities other than shares	615	16	21.1	618	5	21.5	20.5
of which Shares and other equities	798	13	12.8	803	2	12.4	12.3
(5) <i>Net external assets</i>	502	5	ND	479	-20	ND	ND
(6) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 - items 4, 5)	-261	-16	ND	-206	57	ND	ND

a) Figures may not add up 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.

b) Calculated from the monthly difference in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.

c) 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.

d) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.

TABLE 2

## MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 2006

DATA UNADJUSTED FOR SEASONAL EFFECTS

(EUR billions and annual percentage changes <sup>a)</sup>)

	JULY 2006			AUGUST 2006			AVERAGE JUN-06 AUG-06
	End of month level	Monthly flow b)	Annual growth rate	End of month level	Monthly flow b)	Annual growth rate	Annual growth rate
<b>COMPONENTS OF M3<sup>c)</sup></b>							
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	7411	15	7.8	7427	17	8.3	8.1
(1.1) Currency in circulation	563	9	11.1	559	-4	11.6	11.4
(1.2) Overnight deposits	3011	-35	6.8	2958	-53	6.6	7.2
(1.3) <b>M1</b> (items 1.1 and 1.2)	3574	-26	7.4	3517	-57	7.4	7.9
(1.4) Deposits with agreed maturity up to 2 years	1234	25	18.8	1268	35	20.7	19.2
(1.5) Deposits redeemable at notice up to 3 months	1563	-3	2.5	1563	0	2.2	2.6
(1.6) Other short term deposits (items 1.4 and 1.5)	2797	22	9.1	2831	34	9.7	9.3
(1.7) <b>M2</b> (items 1.3 and 1.6)	6371	-4	8.2	6348	-23	8.4	8.5
(1.8) Repurchase agreements	250	5	4.9	265	14	6.3	4.6
(1.9) Money market fund shares/units	627	13	0.7	634	7	1.2	0.9
(1.10) Debt securities issued with maturity up to 2 years	162	1	30.1	180	18	42.3	34.2
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	1040	19	5.4	1079	39	7.6	5.9
<b>COUNTERPARTS OF M3</b>							
<b>MFI liabilities:</b>							
(2) <i>Holdings against central government</i> <sup>d)</sup>	194	-13	-7.5	185	-9	11.4	0.7
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	5293	48	8.8	5296	4	8.5	8.4
(3.1) Deposits with agreed maturity over 2 years	1611	9	9.2	1614	2	9.3	9.2
(3.2) Deposits redeemable at notice over 3 months	93	1	4.1	95	2	7.1	4.3
(3.3) Debt securities issued with maturity over 2 years	2309	17	8.5	2310	5	8.1	8.3
(3.4) Capital and reserves	1279	21	9.0	1277	-5	8.1	8.2
<b>MFI assets:</b>							
(4) <i>Credit to euro area residents</i> (= items 4.1 and 4.2)	12643	64	9.2	12631	-14	9.1	9.1
(4.1) Credit to general government	2381	-25	-0.9	2357	-28	-1.7	-0.8
of which Loans	826	-4	-0.6	821	-6	-0.8	-0.5
of which Securities other than shares	1554	-21	-1.0	1537	-22	-2.1	-0.9
(4.2) Credit to other euro area residents	10262	89	11.8	10274	14	11.9	11.7
of which Loans	8860	75	11.1	8875	18	11.3	11.1
of which Securities other than shares	615	11	21.2	612	-1	21.4	20.5
of which Shares and other equities	788	3	12.8	787	-4	12.3	12.2
(5) <i>Net external assets</i>	500	-1	ND	485	-13	ND	ND
(6) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 - items 4, 5)	-245	-12	ND	-209	38	ND	ND

a) Figures may not add up 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.

b) Calculated from the monthly difference in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.

c) 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.

d) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.

TABLE 3

**CONTRIBUTIONS OF M3 COMPONENTS TO THE M3 ANNUAL GROWTH RATE: AUGUST 2006**  
**DATA ADJUSTED FOR SEASONAL EFFECTS**  
 (contributions in terms of the M3 annual percentage change <sup>a)</sup>)

	JUNE 2006	JULY 2006	AUGUST 2006
(1) <b>M1</b>	4.4	3.6	3.5
(1.1) <i>of which</i> : Currency	0.8	0.8	0.8
(1.2) <i>of which</i> : Overnight deposits	3.6	2.7	2.7
(2) <b>M2 - M1</b> (= other short-term deposits)	3.3	3.5	3.7
(3) <b>M3 - M2</b> (= short-term marketable instruments)	0.7	0.8	1.1
(4) <b>M3</b> (= items 1, 2 and 3)	8.5	7.8	8.2

a) Discrepancies can be due to rounding.

TABLE 4

**BREAKDOWN OF LOANS BY COUNTERPART, TYPE AND ORIGINAL MATURITY: AUGUST 2006**  
**DATA UNADJUSTED FOR SEASONAL EFFECTS**  
 (EUR billions and annual percentage changes <sup>a)</sup>)

	JULY 2006				AUGUST 2006			
	End of month level	Monthly flow <sup>b)</sup>	write-offs / write-downs	Annual growth rate	End of month level	Monthly flow <sup>b)</sup>	write-offs / write-downs	Annual growth rate
<b>BREAKDOWN OF LOANS <sup>c)</sup></b>								
(1) <b>Loans to non-financial corporations</b>	3686	42	-1	11.8	3680	-5	-1	12.0
(1.1) up to 1 year	1111	12	0	9.3	1085	-26	0	9.1
(1.2) over 1 year and up to 5 years	670	16	0	18.8	673	3	-1	19.9
(1.3) over 5 years	1905	14	0	11.0	1922	18	0	11.2
(2) <b>Loans to households <sup>d)</sup></b>	4417	32	-1	9.4	4430	14	-1	9.2
(2.1) Consumer credit	579	4	0	8.6	580	0	0	8.3
(2.2) Lending for house purchase	3111	29	0	11.4	3125	14	0	11.1
(2.3) Other lending <sup>d)</sup>	726	-2	0	2.3	725	-1	0	2.2
(3) <b>Loans to non-monetary financial intermediaries except insurance corporations and pension funds</b>	667	-5	0	15.6	679	12	0	19.3
(4) <b>Loans to insurance corporations and pension funds</b>	90	5	0	40.7	86	-3	0	33.8

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.

b) Calculated from monthly difference in levels adjusted for write-offs/write-downs, reclassifications, exchange rate variations and any other changes which do not arise from transactions.

c) Loans granted by monetary financial institutions (MFIs) to non-MFI euro area residents excluding general government.

d) Includes loans to non-profit institutions serving households.