



EUROPEAN CENTRAL BANK

26 October 2001

MONETARY DEVELOPMENTS IN THE EURO AREA: SEPTEMBER 2001

The annual rate of growth of M3 in September was 7.6%, up from 6.7% in August.¹ The three-month average of the annual growth rates of M3 over the period July-September 2001 increased to 6.9%, from 6.5% during the period June-August 2001. The particularly strong rise in M3 in September can be associated with a pronounced preference of investors for liquid positions as a reaction to the increased uncertainty following the terrorist attacks in the US on 11 September.

12-month percentage changes	JULY 2001	AUGUST 2001	SEPTEMBER 2001	JULY – SEPTEMBER 2001 AVERAGE
M3	6.5	6.7	7.6	6.9

As pointed out previously, there are indications that the data for M3 are distorted upwards by non-resident holdings of money market paper and debt securities with a maturity up to two years issued by MFIs. These holdings may have contributed by around three-quarters of a percentage point to annual M3 growth over recent months.

In September, the annual rate of growth of M1 was 5.2%, compared with 3.7% in the previous month. This development reflected a strong increase in the annual rate of growth of overnight deposits (8.5%, compared with 6.1% in the previous month). During the same period, the annual rate of change in currency in circulation decreased further (to -11.0%, from -8.3% in August).

The annual rate of growth of short-term deposits other than overnight deposits rose to 5.3% in September, from 5.0% in August. This reflected the increase in the (non-seasonally adjusted) annual rate of growth of deposits redeemable at a period of notice of up to three months to 2.3% in September, from 0.9% in August. By contrast, the (non-seasonally adjusted) annual rate of change in deposits with an agreed maturity of up to two years decreased to 8.8% in September, from 10.8% in the previous month.

The annual rate of growth of marketable instruments included in M3 rose to 21.3% in September, from 20.4% in the previous month. This reflected divergent developments of the components of this item. On the one hand, the (non-seasonally adjusted) annual growth rate of money market fund shares/units

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.

and money market paper rose to 11.5% in September, from 8.3% in August. On the other hand, the (non-seasonally adjusted) annual rate of change in repurchase agreements fell to 19.9%, compared with 23.8% in August. The (non-seasonally adjusted) annual growth rate of debt securities issued with a maturity of up to two years remained practically constant at 78.3%.

Regarding the counterparts of M3, the (non-seasonally adjusted) annual rate of growth of longer-term financial liabilities of the MFI sector stood at 2.0% in September (compared with 2.2% in August). The annual rates of change of deposits redeemable at a period of notice of over three months and of MFI capital and reserves declined to -2.6% and 1.7% respectively in September (from 0.0% and 3.6% respectively in August). The annual rate of change in deposits with an agreed maturity of over two years increased to -0.4%, from -0.7% in August. Finally, the annual rate of growth in debt securities issued with a maturity of over two years rose to 4.5%, from 3.8% in August.

The (non-seasonally adjusted) annual growth rate of deposits of central government held with the MFI sector decreased sharply in September, to -4.4% (from 7.5% in August).

On the asset side of the consolidated balance sheet of the MFI sector, in September the (non-seasonally adjusted) annual growth rate of total credit granted to euro area residents declined to 5.1%, from 5.5% in the previous month. This development was due to a decline in the annual rate of growth of credit extended to the private sector (6.9%, compared with 7.6% in August), which was, in turn, largely the result of a decrease in the annual rate of change in loans to the private sector (to 6.7%, compared with 7.2% in August). By contrast, the annual rate of change in credit to general government went up from -1.5% in August to -1.2% in September.

In September 2001, the net external asset position of the euro area MFI sector increased by EUR 44 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to September, the net external assets of the MFI sector increased by EUR 2 billion, compared with a decline of EUR 67 billion over the 12 months up to August 2001.

Notes

- *The publication of the statistics on monetary developments in October, November, December 2001 and January 2002 is scheduled to take place at 10am on 28 November 2001, 28 December 2001, 28 January 2002 and 27 February 2002 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, 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 (non-seasonally adjusted) annual rate of growth of M3 in September 2001 was 7.7%, compared with 6.7% in the previous month. The three-month average of the annual rates of growth of M3 covering the period from July to September 2001 was 6.9%, up from 6.6% for the period from June to August 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.*

MONETARY DEVELOPMENTS IN THE EURO AREA : SEPTEMBER 2001

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

	AUGUST 2001			SEPTEMBER 2001			AVERAGE JUL-01 SEP-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) <i>M3</i> (= items 1.3, 1.4 and 1.6) ^{b)}	5365	42	6.7	5418	52	7.6	6.9
(1.1) Currency in circulation	318	-6	-8.3	309	-9	-11.0	-8.6
(1.2) Overnight deposits	1792	26	6.1	1830	38	8.5	6.7
(1.3) <i>M1</i> (= items 1.1 and 1.2)	2110	20	3.7	2139	29	5.2	4.1
(1.4) Other short-term deposits ^{c)}	2379	7	5.0	2394	14	5.3	5.2
(1.5) <i>M2</i> (= items 1.3 and 1.4)	4489	27	4.4	4533	43	5.3	4.7
(1.6) Marketable instruments ^{d)}	876	15	20.4	885	8	21.3	20.1
Data unadjusted for seasonal and calendar effects							
COMPONENTS OF M3 ^{b)}							
(2) <i>M3</i> (= items 2.1 to 2.7)	5331	3	6.6	5379	47	7.7	6.9
(2.1) Currency in circulation	318	-9	-7.8	309	-10	-10.9	-8.5
(2.2) Overnight deposits	1747	-31	5.5	1817	70	9.1	6.7
(2.3) Deposits with agreed maturity up to 2 years	1093	18	10.8	1075	-18	8.8	10.7
(2.4) Deposits redeemable at notice up to 3 months	1293	6	0.9	1299	6	2.3	1.1
(2.5) Repurchase agreements	234	7	23.8	229	-5	19.9	20.5
(2.6) Money market fund shares/units ^{e)} and money market paper	499	7	8.3	504	4	11.5	9.3
(2.7) Debt securities issued with maturity up to 2 years	147	5	80.2	146	0	78.3	80.0
COUNTERPARTS OF M3 ^{f)}							
MFI liabilities:							
(3) <i>Deposits of central government</i>	152	-3	7.5	154	1	-4.4	5.9
(4) <i>Longer-term financial liabilities against other euro area residents</i> (= items 4.1 to 4.4)	3824	2	2.2	3842	15	2.0	2.3
(4.1) Deposits with agreed maturity over 2 years	1162	-2	-0.7	1163	1	-0.4	-0.5
(4.2) Deposits redeemable at notice over 3 months	119	-1	0.0	119	-1	-2.6	0.0
(4.4) Debt securities issued with maturity over 2 years	1585	-2	3.8	1599	13	4.5	4.2
(4.4) Capital and reserves	958	7	3.6	962	2	1.7	2.9
(5) <i>External liabilities</i>	2481	26	14.3	2505	19	13.0	13.6
MFI assets:							
(6) <i>Credit to euro area residents</i> (= items 6.1 and 6.2)	9253	-23	5.5	9292	37	5.1	5.4
(6.1) Credit to general government	2020	-10	-1.5	2022	-2	-1.2	-1.6
of which Loans	829	-4	-1.3	829	0	-0.8	-1.3
of which Securities other than shares	1190	-6	-1.9	1193	-2	-1.7	-1.9
(6.2) Credit to other euro area residents	7234	-13	7.6	7270	38	6.9	7.5
of which Loans	6368	-16	7.2	6415	46	6.7	7.2
of which Securities other than shares	323	9	25.5	325	3	25.0	24.7
of which Shares and other equities	543	-6	3.4	530	-10	1.1	3.1
(7) <i>External assets</i>	2615	52	10.1	2691	63	12.0	10.1
Other counterparts of M3 (residual)							
(8) (= M3 + items 3, 4, and 5 - items 6 and 7)	-81	-2	ND	-104	-18	ND	ND

a) 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. 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.

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 (excluding holdings by non-residents of the euro area), money market paper and debt securities issued with maturity up to 2 years.

e) Excluding holdings by non-residents of the euro area.

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.