



EUROPEAN CENTRAL BANK

28 June 1999

Press Release

MONETARY DEVELOPMENTS IN THE EURO AREA: MAY 1999

In May 1999 the annual growth rate¹ of M3 was 5.3%. This compares with a growth rate of 5.0% for April 1999 (which was revised upwards from 4.9%). The three-month moving average of the growth rates of M3, covering the period from March to May 1999, increased to 5.2% from 5.1% in the period from February to April 1999 (the latter figure was revised upwards from 5.0%).

Twelve-month percentage changes	MARCH 1999	APRIL 1999	MAY 1999	AVERAGE MARCH - MAY 1999
M3	5.2	5.0	5.3	5.2

As of this press release, the ECB also reports the seasonally-adjusted monthly changes in M3 and its main components. On the basis of non-seasonally adjusted data, M3 expanded by EUR 36 billion in May 1999 (see the attached overview table). Around a third of this change reflected seasonal effects. In terms of seasonally-adjusted figures, M3 rose by EUR 25 billion on the previous month (see the table below). This mainly reflected increases in currency in circulation and overnight deposits (of EUR 16 billion). In addition, there were smaller increases in other short-term deposits (of EUR 4 billion) and marketable instruments (of EUR 5 billion).

Seasonally-adjusted monthly changes	MARCH 1999		APRIL 1999		MAY 1999		AVERAGE MARCH - MAY 1999	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3 (items 1.1 to 1.7 ⁽¹⁾)	33	0.8	11	0.2	25	0.5	23	0.5
Currency in circulation and overnight deposits (items 1.1. and 1.2 ⁽¹⁾)	9	0.5	18	1.0	16	0.9	14	0.8
Other short-term deposits (items 1.3 and 1.4 ⁽¹⁾)	28	1.3	-15	-0.7	4	0.2	6	0.3
Marketable instruments (items 1.5 to 1.7 ⁽¹⁾)	-3	-0.6	8	1.4	5	0.9	3	0.6

(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 EUR billions may not add up to the total reported for M3.

¹ All percentage changes reported in the text of this press release refer to 12-month growth rates.

The annual growth rate of overnight deposits increased from 13.5% in April to 14.2% in May. By contrast, the growth rate of currency in circulation declined to 1.6% in May, from 1.9% in April.

As a result of the relatively modest (seasonally-adjusted) expansion of other short-term deposits in May, their annual growth rate declined to 1.7%, from 2.1% in April 1999. This reflected the fact that the rate of change of deposits with an agreed maturity of up to two years was -3.6% in May, against -2.8% in April. By contrast, the annual growth rate of deposits redeemable at notice up to three months remained unchanged at 5.7%.

The annual rate of change of marketable securities was 0.4% in May, after having been -1.1% in April. This upturn was largely due to a higher growth rate of money market fund shares and money market paper, which reached 14.7% against 12.6% in the previous month. Conversely, the annual rates of change of repurchase agreements and of debt securities issued with a maturity of up to two years continued to be negative.

Among the counterparts of M3, the rate of change of deposits of the central government with the MFI sector was 3.7% in May, after having been negative in April (-4.2%). The growth rate of the longer-term financial liabilities of the MFI sector against other euro area residents declined to 5.0% from 5.2% in the previous month. Among these longer-term liabilities, the growth rates of deposits declined, while that of debt securities issued remained broadly stable at 8.1% in May 1999.

On the assets side of the consolidated balance sheet of the MFI sector, the growth rate of total credit extended to euro area residents increased to 7.9% in May, from 7.3% in the previous month. Credit to general government expanded at an annual rate of 1.2% (against 0.4% in April). The growth rate of credit granted to private euro area residents rose to 10.5% in May (from 10.0% in the previous month). All forms of credit to the private sector (loans and securitised lending) contributed to this increase.

The external liabilities of MFIs decreased, in absolute and non-seasonally adjusted terms, by EUR 30 billion between April and May. As their external assets fell by EUR 71 billion, the net external asset position of the MFI sector in the euro area deteriorated by EUR 41 billion in May.

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(1)

(non seasonally-adjusted data in EUR billions)

COMPONENTS OF M3 ⁽²⁾	APRIL 1999			MAY 1999			AVERAGE MAR-99 MAY-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 (%)
(1) M3 (= items 1.1 to 1.7)	4532	34	5.0	4569	36	5.3	5.2
(1.1) Currency in circulation	320	2	1.9	322	2	1.6	1.9
(1.2) Overnight deposits	1472	18	13.5	1501	29	14.2	13.6
(1.3) Deposits with agreed maturity up to 2 years	871	-6	-2.8	861	-10	-3.6	-2.3
(1.4) Deposits redeemable at notice up to 3 months	1254	5	5.7	1258	3	5.7	5.6
(1.5) Repurchase agreements	173	-7	-14.3	174	1	-14.6	-14.1
(1.6) Money market fund shares/units and money market paper	388	20	12.6	394	5	14.7	12.4
(1.7) Debt securities issued with maturity up to 2 years	54	2	-20.5	60	6	-15.9	-19.3
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	123	-17	-4.2	128	4	3.7	3.0
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3390	27	5.2	3395	4	5.0	4.8
(3.1) Deposits with agreed maturity over 2 years	1111	3	1.8	1110	0	1.6	1.7
(3.2) Deposits redeemable at notice over 3 months	119	-2	-2.4	115	-4	-3.2	-2.6
(3.3) Debt securities issued with maturity over 2 years	1381	14	8.2	1383	1	8.1	8.0
(3.4) Capital and reserves	780	12	7.0	785	6	6.8	5.8
(4) <i>External liabilities</i>	1739	9	12.6	1722	-30	10.6	11.6
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	7806	32	7.3	7881	74	7.9	7.7
(5.1) Credit to general government	2044	-10	0.4	2059	15	1.2	1.1
Of which Loans	832	-9	-0.2	830	-2	1.0	0.8
Of which Securities other than shares	1212	-1	0.9	1229	17	1.3	1.2
(5.2) Credit to other euro area residents	5762	42	10.0	5822	59	10.5	10.2
Of which Loans	5188	24	9.7	5226	37	10.0	9.9
Of which Securities other than shares	202	5	-2.0	209	7	-0.6	-2.3
Of which Shares and other equities	372	13	23.8	387	15	26.5	24.3
(6) <i>External assets</i>	2064	-18	2.2	2006	-71	-2.2	0.9
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-86	39	11.0	-73	12	-8.6	21.6

(1) Discrepancies in the table may be due to rounding. The information in this table is based on 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>).