

Commentary on the consolidated balance sheet of the Eurosystem as at 31 December 2023

Eurosystem balance sheet

The annual consolidated balance sheet of the Eurosystem comprises the assets and liabilities of euro area national central banks (NCBs) and the ECB held at the year-end vis-à-vis third parties.

Claims and liabilities between Eurosystem central banks (intra-Eurosystem claims and liabilities) are netted and are therefore not visible.

The content and format of the Eurosystem's annual consolidated balance sheet are set out in Annexes IV and VII to Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks ([ECB/2016/34](#)), as amended.

Financial developments in 2023

On 1 January 2023 Hrvatska narodna banka joined the Eurosystem following the adoption of the euro by Croatia. As a result, the annual consolidated balance sheet of the Eurosystem as at 31 December 2023 also includes the balance sheet of Hrvatska narodna banka.



13%
Decrease in the Eurosystem's balance sheet

In 2023 the **Eurosystem's balance sheet total** fell by €1,059.6 billion to €6,891.5 billion, mainly because of the decrease in Eurosystem refinancing operations, which was in particular due to the maturing of and early repayments under the third series of targeted longer-term refinancing operations (TLTRO III).

Chart 1 presents the main components of the Eurosystem's balance sheet from 2019 to 2023. The increase in the size of the balance sheet from 2019 to 2021 was attributable mainly to the monetary policy measures taken in 2020 to soften the impact of the coronavirus (COVID-19) pandemic, including the pandemic emergency purchase programme (PEPP)¹, the launch of TLTRO III operations, and the continuation of net purchases of securities under the asset purchase programme (APP)². The decrease in the size of the balance sheet in 2022 and 2023 was mainly

¹ The PEPP is a temporary asset purchase programme of private and public sector securities initiated in March 2020 to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the pandemic. Further details can be found on the ECB's website under [Pandemic emergency purchase programme](#).

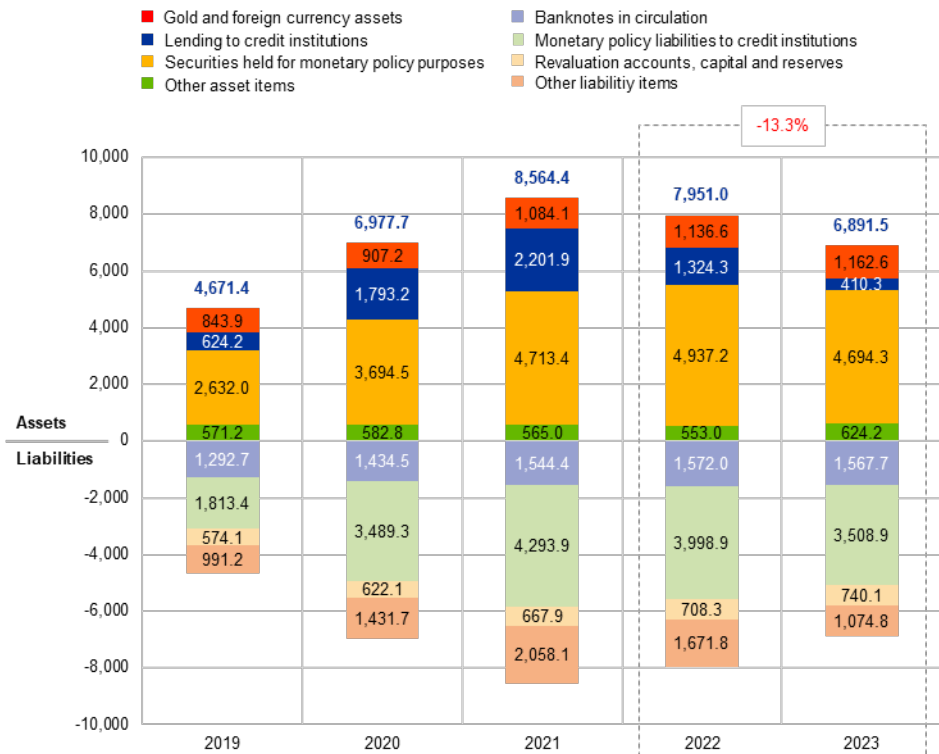
² The APP consists of the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) and the corporate sector purchase programme (CSPP). Further details can be found on the ECB's website under [Asset purchase programmes](#).

due to the maturing of and early repayments under TLTRO III operations. The decision of the Governing Council to only partially reinvest principal payments from maturing securities in the APP portfolio between March and June 2023 and to completely discontinue such reinvestments as of July 2023 also contributed to the decrease in the size of Eurosystem balance sheet in 2023.

Chart 1

Eurosystem balance sheet by component, 2019-23

(EUR billions)



Source: Eurosystem.



68%

Share in total assets of securities held for monetary policy purposes



€242.8 billion

Decrease in securities held for monetary policy purposes

Euro-denominated securities held for monetary policy purposes (asset

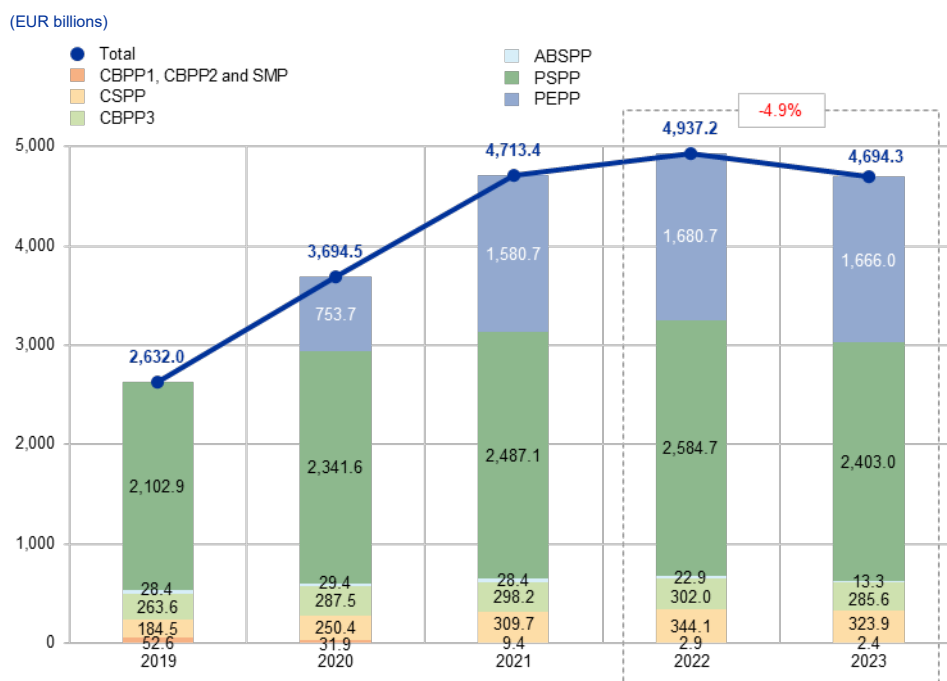
item 7.1) constituted 68% of the Eurosystem's total assets as at the end of 2023.

Under this balance sheet item, the Eurosystem holds securities acquired under the APP, the PEPP and the terminated Securities Markets Programme (SMP).

In 2023 securities held by the Eurosystem for monetary policy purposes decreased by €242.8 billion to €4,694.3 billion (Chart 2). Securities holdings under the APP accounted for 94% (or €227.7 billion) of this decrease as a result of the only partial reinvestment of principal payments from maturing securities in this portfolio between March and June 2023, followed by the complete discontinuation of reinvestments as of July 2023. Meanwhile, securities held under the PEPP fell by €14.6 billion, mainly owing to the net impact of the amortisation of premiums and discounts on securities held in the portfolio. Securities held under the SMP decreased by €0.5 billion owing to redemptions.

Chart 2

Securities held for monetary policy purposes, 2019-23



Source: Eurosystem.

Impairment tests of securities held for monetary policy purposes are conducted on an annual basis and approved by the Governing Council. As a result of the impairment tests conducted at the end of 2023 on the PEPP corporate sector portfolio, the Governing Council deemed it appropriate to establish a provision of €43 million against credit risks on monetary policy operations.



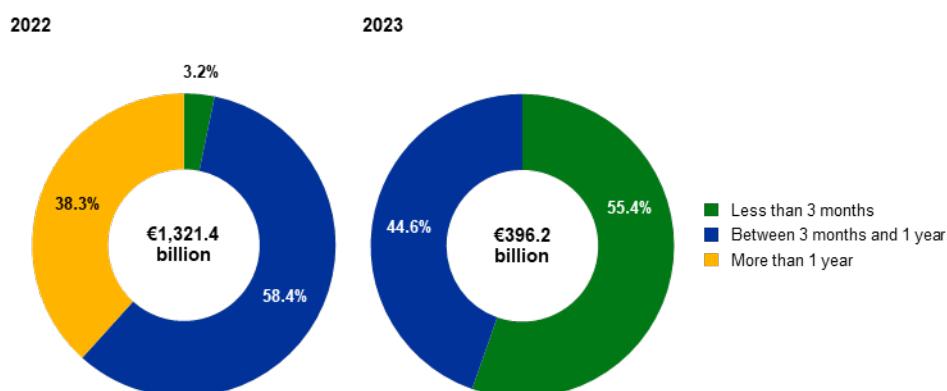
€914.1 billion
Decrease in Eurosystem
refinancing operations

Lending to credit institutions (asset item 5) decreased by €914.1 billion to €410.3 billion.³ The decrease is almost entirely attributable to the maturing of and early repayments under TLTRO III operations (€925.4 billion), while maturities under pandemic emergency longer-term refinancing operations (PELTROs) amounted to €1.1 billion. No PELTROs remained outstanding as of 31 December 2023. Allotments under the three-month longer-term refinancing operations (LTROs) increased by €1.2 billion. Chart 3 shows the maturity breakdown of outstanding **longer-term refinancing operations** (asset item 5.2) as at 31 December 2023 and a comparison for the previous year.

³ More information about lending can be found on the ECB's website under [Open market operations](#).

Chart 3

Residual maturity of outstanding longer-term refinancing operations, 2022-23



Source: Eurosystem.



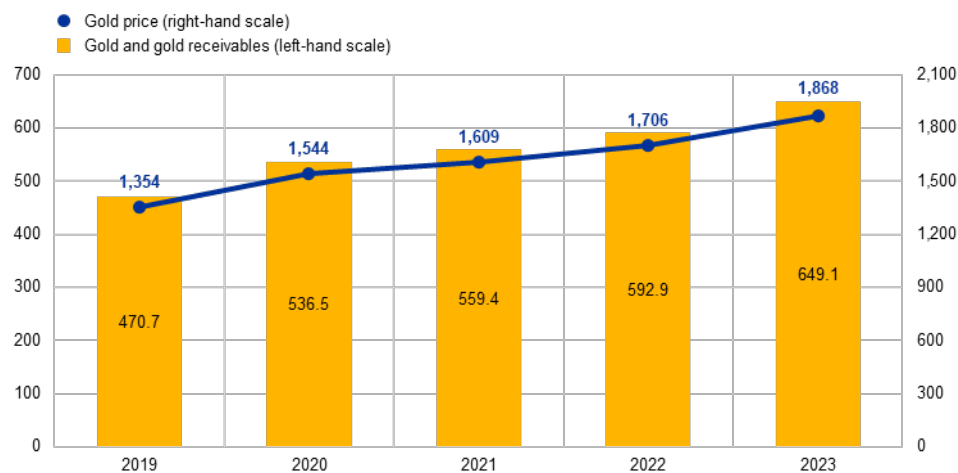
€649.1 billion
Gold and gold receivables

In 2023 the value of the **Eurosystem's gold and gold receivables** (asset item 1) increased by €56.2 billion to €649.1 billion (Chart 4), resulting mainly from the higher market price of gold in euro terms. This increase also led to an equivalent rise in the Eurosystem's gold revaluation accounts.

Chart 4

Gold holdings and gold prices, 2019-23

(left-hand scale: EUR billions; right-hand scale: euro per fine ounce of gold)



Source: Eurosystem.

The **net position of the Eurosystem in foreign currency** (asset items 2 and 3 minus liability items 7, 8 and 9) fell by €30.6 billion in euro terms to €315.5 billion. Customer and portfolio transactions accounted for €23.2 billion of the decrease, while the remaining €7.4 billion was due to the effect of the revaluation of assets and liabilities denominated in foreign currency. The Eurosystem's foreign currency holdings comprise mainly US dollars, special drawing rights (SDRs) and Japanese yen.

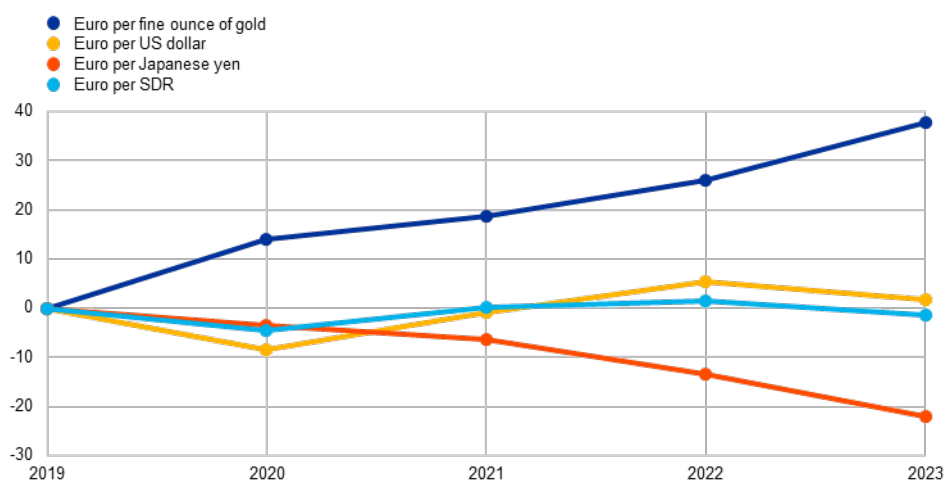
In line with the Eurosystem's harmonised accounting rules, gold, foreign exchange and financial instruments (other than securities classified as held-to-maturity, non-marketable securities and securities held for monetary policy purposes) are revalued at market rates and prices. The gold price and the principal exchange rates used for the revaluation of year-end balances of the main foreign currency holdings and those of the previous year-end were as follows:

Exchange rates	2023	2022
US dollars per euro	1.1050	1.0666
Japanese yen per euro	156.33	140.66
Euro per SDR	1.2157	1.2517
Euro per fine ounce of gold	1,867.828	1,706.075

Chart 5 below shows the gold price and main foreign exchange rate movements against the euro during the period from 2019 to 2023.

Chart 5
Main foreign exchange rates and gold price, 2019-23

(percentage changes vis-à-vis 2019, year-end data)



Source: Eurosystem.

€4.3 billion
Decrease in banknotes
in circulation

In 2023 **banknotes in circulation** (liability item 1) fell by €4.3 billion to €1,567.7 billion, which was the first annual decline in nominal terms since the adoption of the euro in 2002.⁴ This decrease was mainly due to the higher level of interest rates in 2023 and the related lower demand for cash in view of the higher opportunity cost of holding cash.

Base money, which in addition to banknotes in circulation includes **current accounts** (liability item 2.1) and the **deposit facility** (liability item 2.2), fell by €493.2 billion to €5,076.6 billion in 2023. This was mainly due to the decrease in outstanding Eurosystem refinancing operations and the discontinuation of reinvestments of principal payments from maturing securities held under the APP.

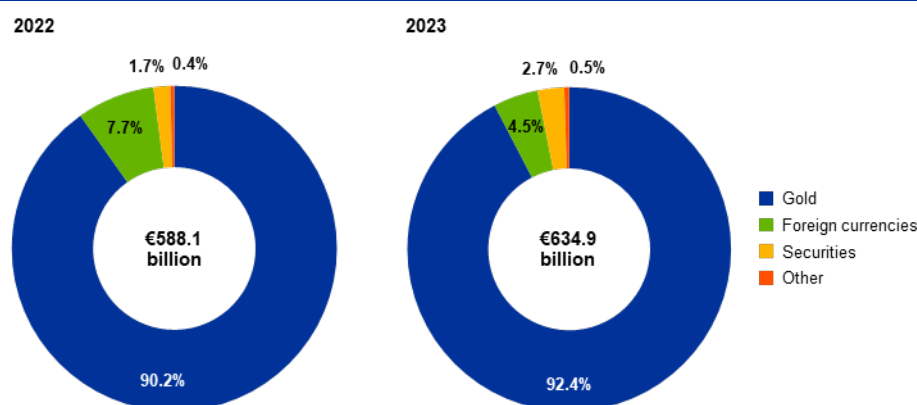
⁴ Information on the development of banknotes in circulation since 2002, broken down by denomination, can be found on the ECB's website under [Banknotes and coins circulation](#).

Liabilities to other euro area residents denominated in euro (liability item 5) fell by €260.7 billion to €303.9 billion as a result of a decrease in deposits of government and other euro area residents, including financial institutions not subject to minimum reserve requirements. **Liabilities to non-euro area residents denominated in euro** (liability item 6) decreased by €258.8 billion to €281.9 billion. These developments were consistent with the adjustment of the remuneration of certain non-monetary policy deposits as of 1 May 2023, which provided incentives for a gradual and orderly reduction of such deposits held within the Eurosystem.⁵

Revaluation accounts (liability item 11) increased by €46.8 billion to stand at €634.9 billion at the end of 2023, primarily reflecting the rise in the revaluation accounts for gold and securities, which was partially offset by the decline in the revaluation accounts for foreign currencies (Chart 6).

Chart 6

Breakdown of revaluation accounts, 2022-23



Source: Eurosystem.

Capital and reserves (liability item 12) decreased by €15.0 billion to €105.2 billion in 2023. Some Eurosystem central banks maintain **provisions** (part of liability item 10) for risks that have not materialised.⁶ These provisions stood at €73.1 billion at the end of 2023, compared with €115.6 billion at the end of 2022. The decrease was due to the release of part of these provisions to cover financial risks that materialised in the course of 2023.

⁵ More information can be found on the ECB's website under [ECB adjusts remuneration of certain non-monetary policy deposits as of 1 May 2023](#).

⁶ The creation of these provisions is subject to the legal frameworks of the individual central banks. Provisions related to Eurosystem monetary policy operations are not included.