



EUROPEAN CENTRAL BANK

28 November 2002

## MONETARY DEVELOPMENTS IN THE EURO AREA: OCTOBER 2002

The annual rate of growth of M3 decreased to 7.0% in October 2002, from 7.3% in September (revised downwards from 7.4%).<sup>1</sup> The three-month average of the annual growth rates of M3 stood at 7.1% over the period August-October 2002, unchanged from the period July-September 2002.

12-month percentage changes	AUGUST 2002	SEPTEMBER 2002	OCTOBER 2002	AUGUST-OCTOBER 2002 AVERAGE
M3	7.0	7.3	7.0	7.1

In October 2002, the annual rate of growth of M1 stood at 8.2%, unchanged from September. This stability reflected contrasting developments among the components of the item. The annual rate of change in currency in circulation recorded a strong increase (to 6.2% in October, from -0.5% in September), whereas the annual growth rate of overnight deposits declined to 8.5% in October, from 9.6% in the previous month.

The annual rate of growth of short-term deposits other than overnight deposits rose to 5.5% in October, from 5.2% in September. This was the result of an increase in the (non-seasonally adjusted) annual rate of growth of deposits with agreed maturity up to two years, to 2.4% in October, from 0.8% in September. Over the same period, the (non-seasonally adjusted) annual growth rate of deposits redeemable at a period of notice of up to three months declined to 8.0%, from 8.5% in the previous month.

The annual growth rate of marketable instruments included in M3 decreased to 8.4% in October, from 11.5% in September. This development was mainly driven by a decrease in the (non-seasonally adjusted) annual growth rates of both repurchase agreements (to 0.5% in October, from 6.0% in September) and money market fund shares/units (to 18.4% in October, from 21.5% in September). By contrast, the (non-seasonally adjusted) annual rate of change of money market paper and debt securities issued with a maturity of up to two years became less negative in October (-5.1%, compared with -7.1% in September).

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<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.

Regarding the counterparts of M3, the (non-seasonally adjusted) annual rate of growth of longer-term financial liabilities of the MFI sector decreased to 4.9% in October, from 5.1% in September. This reflected a decline in the annual rate of growth of debt securities issued with a maturity of over two years (to 8.1% in October, from 8.3% in September) and of MFI capital and reserves (to 4.3% in October, from 5.3% in the previous month). At the same time, the annual rate of change of deposits redeemable at a period of notice of over three months was -9.1% in October (as compared to -9.6% in the previous month) and that of deposits with an agreed maturity of over two years remained almost unchanged at 2.3%.

The (non-seasonally adjusted) annual rate of change of holdings of central government with the MFI sector stood at -2.2% in October, unchanged from the previous month.

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 was 4.3% in October, unchanged from September. The annual growth rate of credit extended to general government increased to 2.1% in October, from 1.7% in September, while the annual growth rate of credit extended to the private sector was 4.9%, compared to 5.0% in the previous month. The annual growth rate of loans to the private sector decreased to 5.0% in October, from 5.2% in September. Over the same period, the annual growth rate of MFI holdings of shares and other equities rose to 3.6%, from 2.8% in September. The annual growth rate of MFI holdings of securities other than shares was 5.9% in October, compared with 5.8% in September.

In October 2002, the net external asset position of the euro area MFI sector increased by EUR 28 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to October, the net external assets of the MFI sector went up by EUR 131 billion, compared with a rise by EUR 128 billion over the 12 months up to September.

#### Notes

- *The publication of the statistics on monetary developments in November, December 2002, January and February 2003 is scheduled to take place at 10am on 30 December 2002, 28 January 2003, 27 February 2003 and 28 March 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, October 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 <sup>a)</sup>)

	SEPTEMBER 2002			OCTOBER 2002			AVERAGE AUG-02 OCT-02
	End of month level	Monthly flow	Annual growth rate	End of month level	Monthly flow	Annual growth rate	Annual growth rate
<b>Seasonally and calendar effect adjusted data</b>							
(1) <i>M3</i> (= items 1.3, 1.4 and 1.6) <sup>b)</sup>	5654	64	7.3	5684	31	7.0	7.1
(1.1) Currency in circulation	306	7	-0.5	314	8	6.2	0.0
(1.2) Overnight deposits	1993	29	9.6	1997	4	8.5	9.4
(1.3) M1 (= items 1.1 and 1.2)	2299	36	8.2	2311	12	8.2	8.0
(1.4) Other short-term deposits <sup>c)</sup>	2510	8	5.2	2532	22	5.5	5.4
(1.5) M2 (= items 1.3 and 1.4)	4809	44	6.6	4843	34	6.8	6.6
(1.6) Marketable instruments <sup>d)</sup>	845	20	11.5	841	-3	8.4	10.0
<b>Data unadjusted for seasonal and calendar effects</b>							
<b>COMPONENTS OF M3 <sup>b)</sup></b>							
(2) M3 (= items 2.1 to 2.7)	5609	48	7.2	5628	20	7.0	7.1
(2.1) Currency in circulation	307	6	-0.9	314	7	6.3	-0.1
(2.2) Overnight deposits	1984	57	9.6	1967	-17	8.5	9.5
(2.3) Deposits with agreed maturity up to 2 years	1074	-23	0.8	1094	20	2.4	1.5
(2.4) Deposits redeemable at notice up to 3 months	1411	2	8.5	1418	7	8.0	8.5
(2.5) Repurchase agreements	240	4	6.0	237	-3	0.5	2.9
(2.6) Money market fund shares/units	462	-2	21.5	464	2	18.4	21.0
(2.7) Money market paper and debt securities issued with maturity up to 2 years	132	4	-7.1	135	3	-5.1	-7.7
<b>COUNTERPARTS OF M3 <sup>e)</sup></b>							
<b>MFI liabilities:</b>							
(3) <i>Holdings of central government</i>	149	4	-2.2	155	5	-2.2	-4.2
of which Deposits	148	4	-1.8	154	5	-1.7	-3.5
(4) <i>Longer-term financial liabilities against other euro area residents</i> (= items 4.1 to 4.4)	3974	25	5.1	3980	9	4.9	5.1
(4.1) Deposits with agreed maturity over 2 years	1169	1	2.2	1170	1	2.3	2.2
(4.2) Deposits redeemable at notice over 3 months	107	0	-9.6	106	-1	-9.1	-9.8
(4.4) Debt securities issued with maturity over 2 years	1682	13	8.3	1690	10	8.1	8.4
(4.4) Capital and reserves	1016	10	5.3	1014	-1	4.3	4.9
(5) <i>External liabilities</i>	2672	45	3.6	2695	25	3.8	3.3
<b>MFI assets:</b>							
(6) <i>Credit to euro area residents</i> (= items 6.1 and 6.2)	9703	57	4.3	9729	26	4.3	4.3
(6.1) Credit to general government	2074	14	1.7	2068	-6	2.1	1.5
of which Loans	821	3	-1.1	821	0	-0.8	-1.1
of which Securities other than shares	1253	11	3.7	1248	-5	4.1	3.4
(6.2) Credit to other euro area residents	7629	43	5.0	7660	32	4.9	5.0
of which Loans	6728	37	5.2	6744	19	5.0	5.2
of which Securities other than shares	349	8	5.8	353	3	5.9	5.3
of which Shares and other equities	551	-2	2.8	563	10	3.6	2.9
(7) <i>External assets</i>	2816	68	8.4	2865	53	8.6	8.2
<b>Other counterparts of M3 (residual)</b>							
(8) (= M3 + items 3, 4, and 5 - items 6 and 7)	-113	-4	ND	-136	-19	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.