



EUROPEAN CENTRAL BANK

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PRESS RELEASE

MONETARY DEVELOPMENTS IN THE EURO AREA: JANUARY 2000

In January 2000 the annual rate of increase in M3 was 5.0%. This compares with an annual growth rate of 6.2% in December 1999 (revised downwards from 6.4%). The three-month average of the annual growth rates of M3 covering the period from November 1999 to January 2000 was 5.7%, after 6.0% in the period from October to December 1999 (the latter figure was revised downwards from 6.1%). The decline in the 12-month growth rate of M3 in January 2000 was largely the result of a base effect, as the strong increase in M3 in January 1999 dropped out of the calculation of the 12-month growth rate.

12-month percentage changes	NOVEMBER 1999	DECEMBER 1999	JANUARY 2000	NOVEMBER 1999 – JANUARY 2000 AVERAGE
M3	6.1	6.2	5.0	5.7

The monthly decline in M3 in January 2000 of EUR 10 billion can be attributed to seasonal influences. Corrected for seasonal factors, M3 rose in January 2000 by EUR 18 billion (see the table below). This monthly increase was significantly larger than in December 1999. The seasonally adjusted rise in M3 in January 2000 reflected an increase in M1 (currency in circulation and overnight deposits) of EUR 38 billion. By contrast, short-term deposits other than overnight deposits declined by a seasonally adjusted EUR 17 billion and marketable instruments decreased by a seasonally adjusted EUR 4 billion.

Seasonally-adjusted monthly changes	NOVEMBER 1999		DECEMBER 1999		JANUARY 2000		NOVEMBER 1999 – JANUARY 2000 AVERAGE	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3								
(items 1.1 to 1.7) ¹⁾								
Currency in circulation and overnight deposits (items 1.1. and 1.2) ¹⁾ (= M1)	24	0.5	7	0.2	18	0.4	16	0.3
Other short-term deposits (items 1.3 and 1.4) ¹⁾ (= M2-M1)	10	0.5	0	0.0	38	2.0	16	0.8
Marketable instruments (items 1.5 to 1.7) ¹⁾ (= M3-M2)	0	0.0	-6	-0.3	-17	-0.8	-8	-0.4
	14	2.1	13	2.0	-4	-0.5	8	1.2

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

In January 2000 the annual rate of increase in M1 declined to 9.0%, from 9.8% in December 1999. This reflected a decrease in the annual growth rate of both currency in circulation (to 6.2%, from 8.4% in December) and overnight deposits (to 9.5%, from 10.1% in December). The decline in the growth rate of currency in circulation can probably be explained by reduced precautionary holdings of banknotes after a temporarily higher demand in connection with uncertainties related to the century date change. The year-on-year growth rate of overnight deposits in January 2000 was affected downwards by the base effect mentioned above, as the exceptionally strong rise in these instruments in January 1999 dropped out of the calculation of the 12-month growth rate.

The annual rate of change in short-term deposits other than overnight deposits turned negative; it was -0.4% in January, compared with 1.2% December. This reflected a stronger annual rate of decline of deposits with an agreed maturity of up to two years (4.3% in January, after 2.6% in the previous month). In addition, the annual growth rate of deposits redeemable at a period of notice of up to three months decreased to 2.4% (from 3.9% in December).

The annual growth rate of marketable instruments included in M3 declined in January, to 13.0% (it was 13.8% in the previous month). This reflected divergent developments in its components. While the annual growth rate of money market fund shares and money market paper declined (to 21.3%, from 27.6% in December), the annual growth rate of debt securities issued with a maturity of up to two years rose (to 30.9%, from 26.4% in December). Furthermore, the annual rate of decline in repurchase agreements became much less pronounced (it was 9.2% in January, compared with 15.9% in the previous month).

Regarding the counterparts of M3, the annual rate of increase in longer-term financial liabilities of the MFI sector declined to 7.2% in January, from 7.8% in December. This reflected a lower annual growth rate of debt securities issued with a maturity of over two years (5.9%, compared with 8.2% in December) and a stronger annual rate of decline of deposits redeemable at a period of notice of over three months (9.1% in January, compared with 8.8% in the previous month). By contrast, the annual growth rate of capital and reserves rose in January (reaching 14.7%, after 13.7% in December). The growth rate of deposits with an agreed maturity of over two years was 5.4%, unchanged from the previous month.

The annual rate of change in the outstanding amount of central government deposits held with the MFI sector declined to 0.6% in January, from 4.7% in December.

On the assets side of the consolidated balance sheet of the MFI sector, the annual growth rate of total credit granted to euro area residents declined from 8.2% in December 1999 to 7.4% in January 2000. This reflected lower growth of credit extended to the private sector (9.5% in January, compared with 10.5% in the previous month), as well as a slight decrease in the growth of credit extended to general government. The decline in the annual growth rate of credit to the private sector in January was the

result of a decrease in the growth rates of both loans and MFI holdings of securities issued by the private sector.

During January 2000, the net external asset position of the euro area MFI sector decreased by EUR 51 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to January 2000, the net external assets of the MFI sector declined by EUR 181 billion.

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.

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MONETARY DEVELOPMENTS IN THE EURO AREA : JANUARY 2000 ⁽¹⁾

(non seasonally-adjusted data in EUR billions)

	DECEMBER 1999			JANUARY 2000			AVERAGE NOV-99 JAN-00
	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
COMPONENTS OF M3 ⁽²⁾							
(1) M3 (= items 1.1 to 1.7)	4779	83	6.2	4775	-10	5.0	5.7
(1.1) Currency in circulation	350	20	8.4	333	-17	6.2	6.6
(1.2) Overnight deposits	1605	30	10.1	1631	25	9.5	11.0
(1.3) Deposits with agreed maturity up to 2 years	876	20	-2.6	859	-18	-4.3	-3.2
(1.4) Deposits redeemable at notice up to 3 months	1283	22	3.9	1280	-3	2.4	3.9
(1.5) Repurchase agreements	145	-13	-15.9	156	10	-9.2	-14.9
(1.6) Money market fund shares/units and money market paper	435	-5	27.6	436	-3	21.3	22.8
(1.7) Debt securities issued with maturity up to 2 years	84	9	26.4	81	-4	30.9	18.6
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	144	-3	4.7	134	-11	0.6	4.3
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3590	40	7.8	3607	18	7.2	7.4
(3.1) Deposits with agreed maturity over 2 years	1162	13	5.4	1164	2	5.4	5.3
(3.2) Deposits redeemable at notice over 3 months	113	2	-8.8	112	-1	-9.1	-8.7
(3.3) Debt securities issued with maturity over 2 years	1450	-3	8.2	1448	-4	5.9	7.7
(3.4) Capital and reserves	865	28	13.7	882	20	14.7	12.6
(4) <i>External liabilities</i>	1826	-86	13.2	1912	72	6.7	10.9
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	8192	17	8.2	8239	52	7.4	8.0
(5.1) Credit to general government	2056	-35	1.8	2057	8	1.6	1.8
Of which Loans	842	-10	-0.2	834	-8	-1.0	0.0
Of which Securities other than shares	1214	-25	3.2	1223	16	3.5	3.1
(5.2) Credit to other euro area residents	6136	51	10.5	6181	44	9.5	10.3
Of which Loans	5522	39	9.6	5564	40	8.7	9.5
Of which Securities other than shares	222	-3	12.0	223	1	9.6	10.2
Of which Shares and other equities	392	15	24.4	395	2	21.4	24.0
(6) <i>External assets</i>	2103	-76	2.0	2142	21	-3.1	-0.2
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	44	94	ND	46	-4	ND	0.0

(1) 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 (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>) in the "Euro area statistics - download" page.