



EUROPEAN CENTRAL BANK

28 January 2003

## MONETARY DEVELOPMENTS IN THE EURO AREA: DECEMBER 2002

The annual rate of growth of M3 was 6.8% in December 2002, down from 7.1% in November.<sup>1</sup> The three-month average of the annual growth rates of M3 over the period October-December 2002 declined to 6.9%, from 7.1% during the period September-November 2002.

12-month percentage changes	OCTOBER 2002	NOVEMBER 2002	DECEMBER 2002	OCTOBER-DECEMBER 2002 AVERAGE
<b>M3</b>	6.9	7.1	6.8	6.9

In December 2002, the annual rate of growth of M1 increased to 9.8%, from 9.2% in November. There was a strong rise in the annual rate of increase in currency in circulation (to 42.7% in December, from with 14.8% in November), which, however, to a large extent reflected base effects resulting from the falling demand for currency in December 2001, prior to the euro cash changeover. At the same time, the annual growth rate of overnight deposits decreased to 5.8% in December 2002, from 8.3% in the previous month.

The annual rate of growth of short-term deposits other than overnight deposits declined to 3.6% in December, from 4.9% in November. This was the result of a decrease in the (non-seasonally adjusted) annual rate of change of both deposits with an agreed maturity of up to two years (to -0.2% in December, from 1.5% in November) and deposits redeemable at a period of notice of up to three months (to 6.6%, from 7.7% in the previous month).

The annual growth rate of marketable instruments included in M3 rose to 8.6% in December, from 8.2% in November. This development reflected both an increase in the (non-seasonally adjusted) annual growth rate of repurchase agreements (to 4.2% in December, from 2.2% in November), and a less negative annual rate of change in money market paper and debt securities issued with a maturity of up to two years (-9.2% in December, compared with -10.9% in November). By contrast, the (non-seasonally adjusted) annual growth rate of money market fund shares/units declined to 17.5% in December, from 18.7% in November.

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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 4.3% in December, from 4.9% in November. This was the result of divergent developments in the components of this item. The annual growth rates of both debt securities issued with a maturity of over two years and of MFI capital and reserves decreased to 6.6% and 3.1% respectively in December, from 7.8% and 4.3% respectively in November. By contrast, the annual rate of growth of deposits with an agreed maturity of over two years increased to 3.3% in December, from 2.8% in November. Finally, the annual rate of change in deposits redeemable at a period of notice of over three months remained unchanged at -8.7% in December.

The (non-seasonally adjusted) annual rate of change in holdings of central government with the MFI sector stood at -4.0% in December, 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 stood at 4.0% in December, almost unchanged from 3.9% in November. The annual growth rate of credit extended to general government was 1.6% in December (compared with 1.7% in November), while the annual growth rate of credit extended to the private sector stood at 4.7% (compared with 4.6% in the previous month). The annual rate of increase in loans to the private sector remained almost unchanged (4.6% in December, against 4.5% in November). The annual growth rate of MFI holdings of securities other than shares rose to 9.3% in December, from 6.7% in November, whereas the annual growth rate of MFI holdings of shares and other equities decreased to 2.6%, from 4.4% in the previous month.

In December 2002, the net external asset position of the euro area MFI sector increased by EUR 18 billion, in absolute and non-seasonally adjusted terms. Over the 12 months up to December, the net external assets of the MFI sector went up by EUR 159 billion, compared with a rise by EUR 133 billion over the 12 months up to November.

#### Notes

- *The publication of the statistics on monetary developments in January, February, March and April 2003 is scheduled to take place at 10am on 27 February, 28 March, 29 April and 28 May 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.*

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(data in EUR billions and percentage changes <sup>a)</sup>)

	NOVEMBER 2002			DECEMBER 2002			AVERAGE OCT-02 DEC-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>	5721	43	7.1	5741	16	6.8	6.9
(1.1) Currency in circulation	320	5	14.8	333	14	42.7	21.3
(1.2) Overnight deposits	2027	30	8.3	2036	2	5.8	7.6
(1.3) M1 (= items 1.1 and 1.2)	2347	36	9.2	2370	15	9.8	9.1
(1.4) Other short-term deposits <sup>c)</sup>	2532	1	4.9	2518	-11	3.6	4.6
(1.5) M2 (= items 1.3 and 1.4)	4879	36	6.9	4888	5	6.5	6.7
(1.6) Marketable instruments <sup>d)</sup>	843	7	8.2	854	11	8.6	8.2
<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)	5695	73	7.2	5783	83	6.8	7.0
(2.1) Currency in circulation	321	7	14.9	341	20	42.3	21.2
(2.2) Overnight deposits	2021	54	8.7	2083	54	5.7	7.7
(2.3) Deposits with agreed maturity up to 2 years	1086	-7	1.5	1076	-7	-0.2	1.3
(2.4) Deposits redeemable at notice up to 3 months	1429	11	7.7	1459	30	6.6	7.4
(2.5) Repurchase agreements	230	-4	2.2	226	-3	4.2	2.1
(2.6) Money market fund shares/units	477	15	18.7	470	-7	17.5	18.0
(2.7) Money market paper and debt securities issued with maturity up to 2 years	131	-3	-10.9	127	-4	-9.2	-8.7
<b>COUNTERPARTS OF M3 <sup>e)</sup></b>							
<b>MFI liabilities:</b>							
(3) <i>Holdings of central government</i>	149	-3	-4.0	138	-11	-4.0	-3.9
of which Deposits	147	-4	-4.0	136	-11	-4.0	-3.7
(4) <i>Longer-term financial liabilities against other euro area residents</i> (= items 4.1 to 4.4)	3995	22	4.9	3973	4	4.3	4.7
(4.1) Deposits with agreed maturity over 2 years	1174	4	2.8	1186	13	3.3	2.8
(4.2) Deposits redeemable at notice over 3 months	106	0	-8.7	106	0	-8.7	-8.8
(4.4) Debt securities issued with maturity over 2 years	1699	16	7.8	1684	-11	6.6	7.5
(4.4) Capital and reserves	1016	3	4.3	997	2	3.1	3.9
(5) <i>External liabilities</i>	2738	50	4.4	2629	-53	3.0	3.8
<b>MFI assets:</b>							
(6) <i>Credit to euro area residents</i> (= items 6.1 and 6.2)	9762	41	3.9	9779	48	4.0	4.1
(6.1) Credit to general government	2084	15	1.7	2054	-10	1.6	1.8
of which Loans	829	9	-1.7	836	8	-1.2	-1.3
of which Securities other than shares	1254	6	4.1	1218	-17	3.6	4.0
(6.2) Credit to other euro area residents	7678	26	4.6	7725	57	4.7	4.7
of which Loans	6754	20	4.5	6778	33	4.6	4.7
of which Securities other than shares	357	4	6.7	368	11	9.3	7.4
of which Shares and other equities	567	3	4.4	579	13	2.6	3.4
(7) <i>External assets</i>	2937	85	9.2	2837	-35	8.9	8.9
<b>Other counterparts of M3 (residual)</b>							
(8) (= M3 + items 3, 4, and 5 - items 6 and 7)	-122	15	ND	-94	11	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. 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, 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.

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