



EUROPEAN CENTRAL BANK

Frankfurt am Main, 26 March 1999

MONETARY DEVELOPMENTS IN THE EURO AREA: FEBRUARY 1999

In February 1999 the 12-month rate of growth of the monetary aggregate M3 decreased to 5.2%, from 5.6% in January 1999. The three-month moving average of the 12-month growth rates of M3 (covering the period from December 1998 to February 1999) increased to 5.1%. This is 0.2 percentage points higher than the previous observation covering the three months through January 1999.

Twelve-month percentage changes	DECEMBER 1998	JANUARY 1999	FEBRUARY 1999	AVERAGE DECEMBER 1998 - FEBRUARY 1999
M3	4.5	5.6	5.2	5.1

Note: The figure for M3 growth in January 1999 has been revised downwards to 5.6% from 5.7% since its first publication by the ECB on 1 March 1999.

The deceleration of M3 in February was mainly due to a decline in the high pace of the 12-month growth rate of overnight deposits to 15.1% from 17.6% in January 1999 (item 1.2 in the attached table). In addition, the 12-month rate of growth of deposits with an agreed maturity of up to two years decreased to -4.1% in February from -2.8% in January, and the annual rate of change of currency in circulation turned slightly negative in February 1999.

Among the other components in M3, the 12-month growth of deposits redeemable at notice of up to three months remained stable at 5.8% in February 1999. In contrast, the growth of money market fund shares and money market paper increased; their annual increase reached 13.2% in February from 7.5% in January. The 12-month growth rate of repurchase agreements and of debt securities issued with a maturity of up to two years remained negative in February (-14.0% and -10.6% respectively).

Among the counterparts of M3, the 12-month growth of deposits of the central government with the MFI sector (item 2 in the table) decreased to -1.0% in February from 2.5% in January. The annual pace of growth of the longer-term financial liabilities of the MFI sector against other euro area residents (item 3 in the table) fell to 3.6% in February, from 4.1% in January.

On the asset side of the consolidated balance sheet of the MFI sector, total credit growth in the euro area (item 5 in the table) declined slightly to 7.4% in February from 7.8% in January. The annual growth rate of loans to the private sector decreased somewhat, to 9.3%, having recorded 9.7% in January. The annual percentage change of credit extended by the MFI sector through the purchase of securities other than shares issued by the private sector turned negative in February (-3.3%, compared with 2.3% in January). By contrast, credit to the general government accelerated slightly, to an annual growth rate of 2.2%.

The external liabilities of the MFI sector decreased, in absolute and non-seasonally adjusted terms, by EUR 52 billion between January and February 1999 (item 4 in the table). This was more than compensated by a large reduction of the external assets over the same period (by EUR 102 billion; item 6 in the table). Consequently, the net external asset position of the MFI sector decreased in February. (These figures reflect inter alia the unwinding, in the course of February 1999, of temporary gross balances relating to the operation of the TARGET system, of an amount of approximately EUR 75 billion, that had affected the January figures.)

Note of caution: annual growth rates for the months up to December 1998 are based on a comparison of end-of-month stocks. For January and February 1999, the 12-month growth rates are calculated on the basis of flow data which adjust the changes in the end-of-month stocks for reclassifications, exchange rate variations, other revaluations, and any other changes which do not arise from transactions.

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(non seasonally-adjusted data in EUR billions)

COMPONENTS OF M3 ⁽²⁾	JANUARY 1999			FEBRUARY 1999			AVERAGE DEC-98 FEB-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)	4490	13	5.6	4483	-11	5.2	5.1
(1.1) Currency in circulation	314	-9	1.0	310	-4	-0.4	0.6
(1.2) Overnight deposits	1470	19	17.6	1441	-30	15.1	14.7
(1.3) Deposits with agreed maturity up to 2 years	882	-12	-2.8	867	-16	-4.1	-2.7
(1.4) Deposits redeemable at notice up to 3 months	1246	15	5.8	1250	4	5.8	5.9
(1.5) Repurchase agreements	175	-5	-20.0	188	12	-14.0	-15.8
(1.6) Money market fund shares/units and money market paper	350	13	7.5	371	20	13.2	7.9
(1.7) Debt securities issued with maturity up to 2 years	54	-8	-7.9	57	2	-10.6	-7.4
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	138	-6	2.5	146	8	-1.0	0.9
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3313	45	4.1	3333	10	3.6	3.4
(3.1) Deposits with agreed maturity over 2 years	1000	2	1.3	1012	5	0.9	1.2
(3.2) Deposits redeemable at notice over 3 months	214	0	-1.4	214	-1	-1.6	-1.8
(3.3) Debt securities issued with maturity over 2 years	1336	26	7.3	1350	11	6.8	6.4
(3.4) Capital and reserves	762	17	4.1	757	-5	3.5	2.7
(4) <i>External liabilities</i>	1703	184	18.4	1651	-52	12.3	13.4
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	7687	74	7.8	7713	23	7.4	7.4
(5.1) Credit to general government	2043	14	1.9	2061	18	2.2	1.9
Of which Loans	839	3	2.4	841	2	2.5	1.6
Of which Securities other than shares	1204	11	1.5	1220	15	2.1	2.1
(5.2) Credit to other euro area residents	5644	60	10.2	5652	5	9.5	9.6
Of which Loans	5104	55	9.7	5112	5	9.3	9.1
Of which Securities other than shares	207	-3	2.3	202	-6	-3.3	1.7
Of which Shares and other equities	333	8	24.8	338	5	23.0	25.5
(6) <i>External assets</i>	2054	147	8.4	1952	-102	1.6	3.6
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-97	14	151.9	-52	34	95.8	150.0

(1) Discrepancies in the table can be due to rounding. The information in this table is based on consolidated balance sheet data 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>).