



EUROPEAN CENTRAL BANK

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PRESS RELEASE

MONETARY DEVELOPMENTS IN THE EURO AREA: MARCH 1999

In March 1999 the 12-month rate of growth of the monetary aggregate M3 was 5.1%. The 12 month rates of growth of M3 for the months of January and February 1999 have been revised downwards, to 5.4% (from 5.6%) and 5.1% (from 5.2%), respectively.

These figures result in a three-month moving average of the 12-month growth rates of M3, covering the first quarter of 1999, of 5.2%. This is slightly above the previous observation for the three-month moving average (covering the three months from December 1998 to February 1999), which has been revised downwards from 5.1% to 5.0%.

Twelve-month percentage changes	JANUARY 1999	FEBRUARY 1999	MARCH 1999	AVERAGE JANUARY - MARCH 1999
M3	5.4	5.1	5.1	5.2

The steady rate of growth of M3 in March results from slight divergencies in movements of the components of M3. On the one hand, the decline in deposits with an agreed maturity of up to two years was halted (the annual rate of change was -0.1% in March against -4.2% in the previous month). In addition, the annual growth rate of currency in circulation increased to 1.2% from 0.6% in February. On the other hand, the 12-month growth rate of overnight deposits, which had climbed to 17.3% in January 1999, continued to slow down in March, to 13.1% (against 14.9% in February). The growth rates of other components of M3 also decreased in March. The yearly increase of deposits redeemable at notice

up to three months decreased to 5.6% (against 5.9% in February). The annual growth rate of money market fund shares and money market paper declined to 9.2% (from 11.9% in February). Finally, the contraction of repurchase agreements and of debt securities issued with a maturity of up to two years, which was already apparent in previous months, became more marked.

Among the counterparts of M3, the 12-month growth rate of deposits of the central government with the MFI sector (item 2 in the table) increased to 9.8% in March from -1.1% in February. The 12-month rate of growth of the longer-term financial liabilities of the MFI sector against other euro area residents (item 3 in the table) remained broadly unchanged at 3.9%.

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) slightly increased to 7.5% in March (7.4% in February). The annual growth rate of loans to the private sector reached 9.6% (9.2% in February). In contrast, the annual rate of growth of credit extended by the MFI sector through the purchase of securities other than shares issued by the private sector continued to be negative, at -4.5% (against -3.6% in February). Finally, the annual growth rate of credit to the general government fell slightly, to 1.7% (against 2.2% in February).

The external liabilities of the MFI sector increased, in absolute and non-seasonally adjusted terms, by EUR 36 billion between February and March (item 4 in the table). This was more than compensated by a rise of external assets by EUR 63 billion. As a result, the net external asset position of the MFI sector in the euro area increased by EUR 27 billion between February and March 1999.

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(non seasonally-adjusted data in EUR billions)

COMPONENTS OF M3 ⁽²⁾	FEBRUARY 1999			MARCH 1999			AVERAGE JAN-99 MAR-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)	4486	-7	5.1	4498	8	5.1	5.2
(1.1) Currency in circulation	313	-1	0.6	315	2	1.2	0.9
(1.2) Overnight deposits	1441	-30	14.9	1454	12	13.1	15.1
(1.3) Deposits with agreed maturity up to 2 years	867	-16	-4.2	879	10	-0.1	-2.3
(1.4) Deposits redeemable at notice up to 3 months	1252	5	5.9	1250	-2	5.6	5.7
(1.5) Repurchase agreements	185	12	-15.4	179	-6	-16.4	-17.7
(1.6) Money market fund shares/units and money market paper	370	20	11.9	365	-6	9.2	9.1
(1.7) Debt securities issued with maturity up to 2 years	58	3	-9.6	56	-2	-18.7	-11.9
COUNTERPARTS OF M3 ⁽³⁾							
MFI liabilities:							
(2) <i>Deposits of central government</i>	146	8	-1.1	141	-5	9.8	3.7
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	3329	12	3.7	3360	27	3.9	3.8
(3.1) Deposits with agreed maturity over 2 years	1012	5	1.4	1107	3	1.6	1.6
(3.2) Deposits redeemable at notice over 3 months	213	-1	-1.8	121	-1	-1.9	-1.7
(3.3) Debt securities issued with maturity over 2 years	1349	10	7.0	1363	11	7.1	7.2
(3.4) Capital and reserves	754	-2	2.8	769	14	3.1	2.9
(4) <i>External liabilities</i>	1651	-87	12.3	1713	36	11.5	15.0
MFI assets:							
(5) <i>Credit to euro area residents</i> (= items 5.1 and 5.2)	7713	22	7.4	7792	76	7.5	7.6
(5.1) Credit to general government	2060	17	2.2	2064	4	1.7	1.9
Of which Loans	842	3	2.4	838	-4	2.2	2.3
Of which Securities other than shares	1218	14	2.0	1226	8	1.3	1.6
(5.2) Credit to other euro area residents	5653	5	9.5	5727	72	9.7	9.8
Of which Loans	5110	4	9.2	5163	51	9.6	9.5
Of which Securities other than shares	204	-5	-3.6	206	2	-4.5	-2.1
Of which Shares and other equities	339	6	23.1	358	20	22.8	23.5
(6) <i>External assets</i>	1952	-135	1.6	2044	63	2.7	5.0
(7) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 and 4 - items 5 and 6)	-54	40	104.0	-124	-72	62.7	114.9

(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>).