

25 September 2008

## PRESS RELEASE

### MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 2008

The annual rate of growth of M3 decreased to 8.8% in August 2008, from 9.1% in July 2008.<sup>1</sup> The three-month average of the annual growth rates of M3 over the period June 2008 - August 2008 declined to 9.2%, from 9.6% in the period May 2008 - July 2008.

12-month percentage changes; adjusted for seasonal and end-of-month calendar effects	<b>JUNE 2008</b>	<b>JULY 2008</b>	<b>AUGUST 2008</b>	<b>JUNE 2008 - AUGUST 2008 AVERAGE</b>
<b>M3</b>	9.5	9.1	8.8	9.2
<b>M1</b>	1.5	0.2	0.2	0.6
<b>Loans to private sector</b>	9.9	9.4	8.8	9.3

Regarding the main components of M3, the annual rate of growth of M1 stood at 0.2% in August 2008, unchanged from the previous month. The annual rate of growth of short-term deposits other than overnight deposits decreased to 19.0% in August, from 19.5% in the previous month. The annual rate of growth of marketable instruments decreased to 8.3% in August, from 9.3% in July.

Turning to the main counterparts of M3 on the asset side of the consolidated balance sheet of the MFI sector, the annual growth rate of total credit granted to euro area residents was 9.2% in August 2008, after 9.1% in July. The annual rate of growth of credit extended to general government was 1.5% in August, following an annual rate of decline of 0.1% in July, while the annual rate of growth of credit extended to the private sector declined to 10.8% in August, from 11.0% in July. Among the components of the latter, the annual rate of growth of loans to the private sector decreased to 8.8% in August, from 9.4% in the previous month. The annual growth rate of loans to non-financial corporations decreased to 12.6% in August, from 13.1% in July.<sup>2</sup> The annual growth rate of loans to households stood at 3.9% in August, compared with 4.0% in the previous month. The annual rate of growth of lending for house purchase declined to 4.1% in August, from 4.3% in July. The annual rate of growth of consumer credit decreased to 3.9% in August, from 4.3% in July, while the annual growth rate of other lending to households stood at 2.6% in August, unchanged from

<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.

<sup>2</sup> The rates of growth referring to the breakdown of loans to the private sector by counterpart and type are unadjusted for seasonal and end-of-month calendar effects.

the previous month. Finally, the annual rate of growth of loans to non-monetary financial intermediaries (except insurance corporations and pension funds) decreased to 20.4% in August, from 23.8% in the previous month.

Over the 12 months up to August 2008, the net external asset position of the euro area MFI sector decreased by EUR 250 billion, compared with a decrease of EUR 301 billion over the 12 months up to July. The annual rate of growth of longer-term financial liabilities of the MFI sector stood at 5.5% in August, after 5.4% in July.

#### Notes

- *In addition to the monthly monetary developments for the reference month, this press release incorporates minor revisions to the data for previous months.*
- *The publication of the statistics on monetary developments in September, October, November and December 2008 is scheduled to take place at 10 am on 27 October, 27 November, 30 December 2008, and 29 January 2009 respectively.*
- *Data refer to the changing composition of the euro area, i.e. they cover the EU Member States that had adopted the euro at the time to which the statistics relate. Data on outstanding amounts referring to periods up to and including December 2000 therefore cover the initial 11 euro area Member States, Greece is included as of January 2001, Slovenia as of January 2007 and Cyprus and Malta as of January 2008. Monthly flows and annual growth rates for January 2008 are corrected for the effect of the euro area enlargement.*
- *The latest monetary data as contained in Tables 2.1 to 2.8 of the ECB's Monthly Bulletin can be found on the ECB's website (<http://www.ecb.europa.eu>) in the "Statistics" section under "Money, banking and financial markets" and then "Monetary statistics". The same section contains also longer time series for principal monetary aggregates (start date: January 1970) and methodological notes on the monetary statistics concepts and seasonal adjustment procedures.*

#### **European Central Bank**

Press and Information Division

Kaiserstrasse 29, D-60311 Frankfurt am Main

Tel.: +49 69 1344 7455, Fax: +49 69 1344 7404

Internet: <http://www.ecb.europa.eu>

**Reproduction is permitted provided that the source is acknowledged.**

TABLE 1

## MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 2008

DATA ADJUSTED FOR SEASONAL EFFECTS

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

	JULY 2008			AUGUST 2008			AVERAGE JUN-08 AUG-08
	End of month level	Monthly flow <sup>b)</sup>	Annual growth rate	End of month level	Monthly flow <sup>b)</sup>	Annual growth rate	Annual growth rate
<b>COMPONENTS OF M3 <sup>c)</sup></b>							
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	9091	59	9.1	9149	48	8.8	9.2
(1.1) Currency in circulation	650	0	7.1	654	4	7.2	7.4
(1.2) Overnight deposits	3167	-26	-1.1	3178	6	-1.2	-0.7
(1.3) <b>M1</b> (items 1.1 and 1.2)	3817	-26	0.2	3831	10	0.2	0.6
(1.4) Deposits with agreed maturity up to 2 years	2383	88	39.0	2428	39	37.2	38.3
(1.5) Deposits redeemable at notice up to 3 months	1530	-7	-2.1	1528	-2	-1.8	-2.0
(1.6) Other short term deposits (items 1.4 and 1.5)	3913	81	19.5	3956	37	19.0	19.1
(1.7) <b>M2</b> (items 1.3 and 1.6)	7730	55	9.1	7788	47	8.9	9.2
(1.8) Repurchase agreements	346	6	17.2	336	-10	16.7	17.4
(1.9) Money market fund shares/units	727	-3	1.0	745	18	4.1	2.4
(1.10) Debt securities issued with maturity up to 2 years	288	2	23.7	280	-7	9.6	18.3
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	1361	4	9.3	1361	1	8.3	9.1
<b>COUNTERPARTS OF M3</b>							
<b>MFI liabilities:</b>							
(2) <i>Holdings against central government</i> <sup>d)</sup>	179	-4	-3.8	196	17	2.9	-3.3
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	6062	36	5.4	6115	30	5.5	5.5
(3.1) Deposits with agreed maturity over 2 years	1833	0	4.6	1841	5	4.6	4.9
(3.2) Deposits redeemable at notice over 3 months	116	-1	-2.2	115	-1	-3.4	-2.2
(3.3) Debt securities issued with maturity over 2 years	2593	20	3.1	2621	7	2.8	2.9
(3.4) Capital and reserves	1519	17	11.5	1537	18	12.3	11.9
<b>MFI assets:</b>							
(4) <i>Credit to euro area residents</i> (= items 4.1 and 4.2)	15107	118	9.1	15258	130	9.2	9.1
(4.1) Credit to general government	2441	7	-0.1	2466	20	1.5	0.2
of which Loans	991	-5	1.5	996	4	2.0	1.8
of which Securities other than shares	1450	11	-1.2	1470	16	1.3	-0.9
(4.2) Credit to other euro area residents	12666	111	11.0	12793	110	10.8	11.0
of which Loans	10685	57	9.4	10752	54	8.8	9.3
of which Securities other than shares	1093	26	36.4	1140	43	38.8	37.3
of which Shares and other equities	888	28	5.9	900	12	7.2	5.2
(5) <i>Net external assets</i>	371	-9	ND	387	17	ND	ND
(6) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 - items 4, 5)	-146	-17	ND	-186	-52	ND	ND

a) Figures may not add up 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.

b) Calculated from the monthly difference in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.

c) 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.

d) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.

TABLE 2

## MONETARY DEVELOPMENTS IN THE EURO AREA: AUGUST 2008

DATA UNADJUSTED FOR SEASONAL EFFECTS

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

	JULY 2008			AUGUST 2008			AVERAGE JUN-08 AUG-08
	End of month level	Monthly flow b)	Annual growth rate	End of month level	Monthly flow b)	Annual growth rate	Annual growth rate
<b>COMPONENTS OF M3 <sup>c)</sup></b>							
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	9094	22	9.0	9120	16	9.1	9.2
(1.1) Currency in circulation	659	7	7.3	656	-3	7.3	7.4
(1.2) Overnight deposits	3178	-85	-1.3	3133	-49	-0.3	-0.3
(1.3) <b>M1</b> (items 1.1 and 1.2)	3837	-78	0.1	3790	-51	0.9	0.9
(1.4) Deposits with agreed maturity up to 2 years	2365	98	39.2	2425	53	36.6	38.1
(1.5) Deposits redeemable at notice up to 3 months	1529	-11	-2.1	1526	-2	-1.8	-2.0
(1.6) Other short term deposits (items 1.4 and 1.5)	3894	88	19.5	3951	51	18.7	19.0
(1.7) <b>M2</b> (items 1.3 and 1.6)	7731	9	9.0	7740	0	9.3	9.2
(1.8) Repurchase agreements	333	3	17.3	343	10	16.4	17.3
(1.9) Money market fund shares/units	743	8	1.2	757	14	4.1	2.5
(1.10) Debt securities issued with maturity up to 2 years	288	2	23.7	280	-7	9.6	18.3
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	1364	12	9.3	1380	17	8.2	9.1
<b>COUNTERPARTS OF M3</b>							
<b>MFI liabilities:</b>							
(2) <i>Holdings against central government</i> <sup>d)</sup>	181	-30	-3.8	187	6	3.0	-3.2
(3) <i>Longer-term financial liabilities against other euro area residents</i> (= items 3.1 to 3.4)	6086	35	5.5	6115	6	5.5	5.6
(3.1) Deposits with agreed maturity over 2 years	1840	-1	4.6	1839	-4	4.6	4.9
(3.2) Deposits redeemable at notice over 3 months	116	-1	-2.2	114	-1	-3.4	-2.2
(3.3) Debt securities issued with maturity over 2 years	2605	16	3.1	2625	0	2.8	2.9
(3.4) Capital and reserves	1526	21	11.5	1537	11	12.3	11.9
<b>MFI assets:</b>							
(4) <i>Credit to euro area residents</i> (= items 4.1 and 4.2)	15147	102	9.1	15183	15	9.2	9.1
(4.1) Credit to general government	2448	-3	-0.2	2453	1	1.5	0.1
of which Loans	991	-4	1.5	989	-2	1.9	1.8
of which Securities other than shares	1457	1	-1.2	1464	3	1.2	-0.9
(4.2) Credit to other euro area residents	12699	104	11.0	12731	15	10.8	11.0
of which Loans	10720	63	9.4	10721	-11	8.8	9.3
of which Securities other than shares	1101	23	36.5	1129	24	38.8	37.3
of which Shares and other equities	879	19	5.9	881	1	7.1	5.2
(5) <i>Net external assets</i>	385	-4	ND	380	-4	ND	ND
(6) <i>Other counterparts of M3 (residual)</i> (= M3 + items 2, 3 - items 4, 5)	-170	-71	ND	-141	17	ND	ND

a) Figures may not add up 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.

b) Calculated from the monthly difference in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.

c) 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.

d) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.

TABLE 3

**CONTRIBUTIONS OF M3 COMPONENTS TO THE M3 ANNUAL GROWTH RATE: AUGUST 2008**

DATA ADJUSTED FOR SEASONAL EFFECTS

(contributions in terms of the M3 annual percentage change <sup>a)</sup>)

	JUNE 2008	JULY 2008	AUGUST 2008
(1) <b>M1</b>	0.7	0.1	0.1
(1.1) <i>of which</i> : Currency	0.6	0.5	0.5
(1.2) <i>of which</i> : Overnight deposits	0.1	-0.4	-0.5
(2) <b>M2 - M1</b> (= other short-term deposits)	7.4	7.7	7.5
(3) <b>M3 - M2</b> (= short-term marketable instruments)	1.5	1.4	1.2
(4) <b>M3</b> (= items 1, 2 and 3)	9.5	9.1	8.8

a) Discrepancies can be due to rounding.

TABLE 4

**BREAKDOWN OF LOANS BY COUNTERPART, TYPE AND ORIGINAL MATURITY: AUGUST 2008**

DATA UNADJUSTED FOR SEASONAL EFFECTS

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

	JULY 2008				AUGUST 2008			
	End of month level	Monthly flow <sup>b)</sup>	write-offs / write-downs	Annual growth rate	End of month level	Monthly flow <sup>b)</sup>	write-offs / write-downs	Annual growth rate
<b>BREAKDOWN OF LOANS <sup>c)</sup></b>								
(1) <b>Loans to non-financial corporations</b>	4714	47	-1	13.1	4721	0	-1	12.6
(1.1) up to 1 year	1377	12	0	11.2	1360	-19	0	10.7
(1.2) over 1 year and up to 5 years	935	10	0	19.0	942	6	0	18.0
(1.3) over 5 years	2402	25	0	11.9	2419	13	0	11.7
(2) <b>Loans to households <sup>d)</sup></b>	4906	17	-1	4.0	4915	8	-1	3.9
(2.1) Consumer credit	636	1	0	4.3	633	-3	0	3.9
(2.2) Lending for house purchase	3504	20	0	4.3	3516	11	0	4.1
(2.3) Other lending <sup>d)</sup>	766	-4	0	2.6	765	0	0	2.6
(3) <b>Loans to non-monetary financial intermediaries except insurance corporations and pension funds</b>	999	1	0	23.8	985	-17	0	20.4
(4) <b>Loans to insurance corporations and pension funds</b>	101	-2	0	-7.5	100	-2	0	-8.2

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.

b) Calculated from monthly difference in levels adjusted for write-offs/write-downs, reclassifications, exchange rate variations and any other changes which do not arise from transactions.

c) Loans granted by monetary financial institutions (MFIs) to non-MFI euro area residents excluding general government.

d) Includes loans to non-profit institutions serving households.