EUROPEAN CENTRAL BANK

EUROSYSTEM

Press release

28 November 2018

Monetary developments in the euro area: October 2018

- Annual growth rate of broad monetary aggregate M3 increased to 3.9% in October 2018 from 3.6% in September (revised from 3.5%)
- Annual growth rate of narrower monetary aggregate M1, comprising currency in circulation and overnight deposits, stood at 6.8% in October, unchanged from previous month
- Annual growth rate of adjusted loans to households stood at 3.2% in October, unchanged from previous month
- Annual growth rate of adjusted loans to non-financial corporations decreased to 3.9% in October from 4.3% in September

Components of the broad monetary aggregate M3

The annual growth rate of the broad monetary aggregate M3 increased to 3.9% in October 2018 from 3.6% in September, averaging 3.7% in the three months up to October. The components of M3 showed the following developments. The annual growth rate of the narrower aggregate M1, which comprises currency in circulation and overnight deposits, stood at 6.8% in October, unchanged from the previous month. The annual growth rate of short-term deposits other than overnight deposits (M2-M1) was -1.0% in October, compared with -1.4% in September. The annual growth rate of marketable instruments (M3-M2) was -4.8% in October, compared with -7.7% in September.

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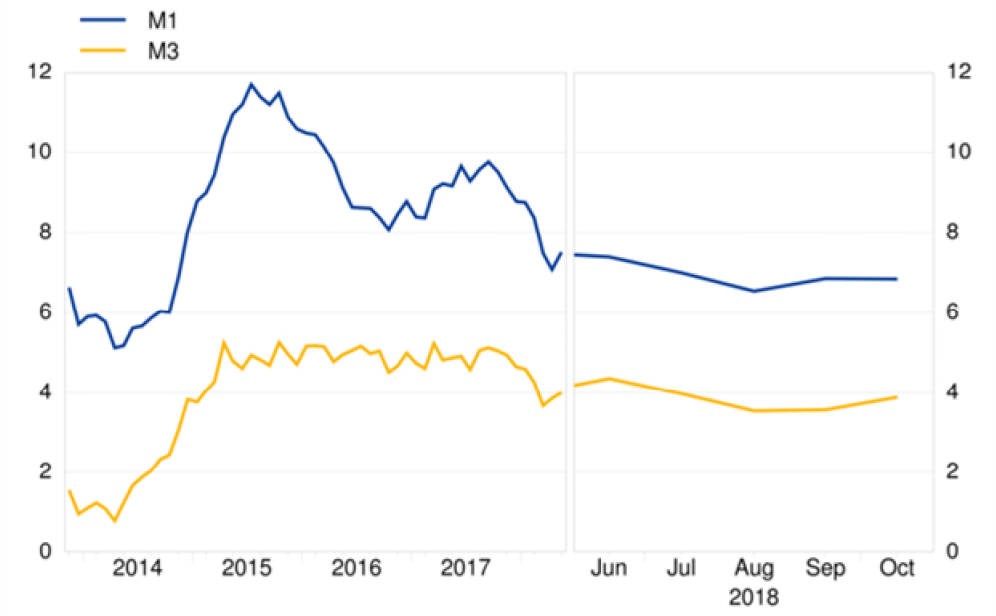
Chart 1
Monetary aggregates

(annual growth rates)



Data for monetary aggregates

Looking at the components' contributions to the annual growth rate of M3, the narrower aggregate M1 contributed 4.4 percentage points (as in the previous month), short-term deposits other than overnight deposits (M2-M1) contributed -0.3 percentage point (up from -0.4 percentage point) and marketable instruments (M3-M2) contributed -0.3 percentage point (up from -0.4 percentage point).

From the perspective of the holding sectors of deposits in M3, the annual growth rate of deposits placed by households stood at 4.7% in October, compared with 4.6% in September, while the annual growth rate of deposits placed by non-financial corporations decreased to 4.1% in October from 4.5% in September. Finally, the annual growth rate of deposits placed by non-monetary financial corporations (excluding insurance corporations and pension funds) increased to 3.0% in October from 1.0% in September.

Counterparts of the broad monetary aggregate M3

As a reflection of changes in the items on the monetary financial institution (MFI) consolidated balance sheet other than M3 (counterparts of M3), the annual growth rate of M3 in October 2018 can be broken down as follows: credit to the private sector contributed 3.3 percentage points (as in the previous

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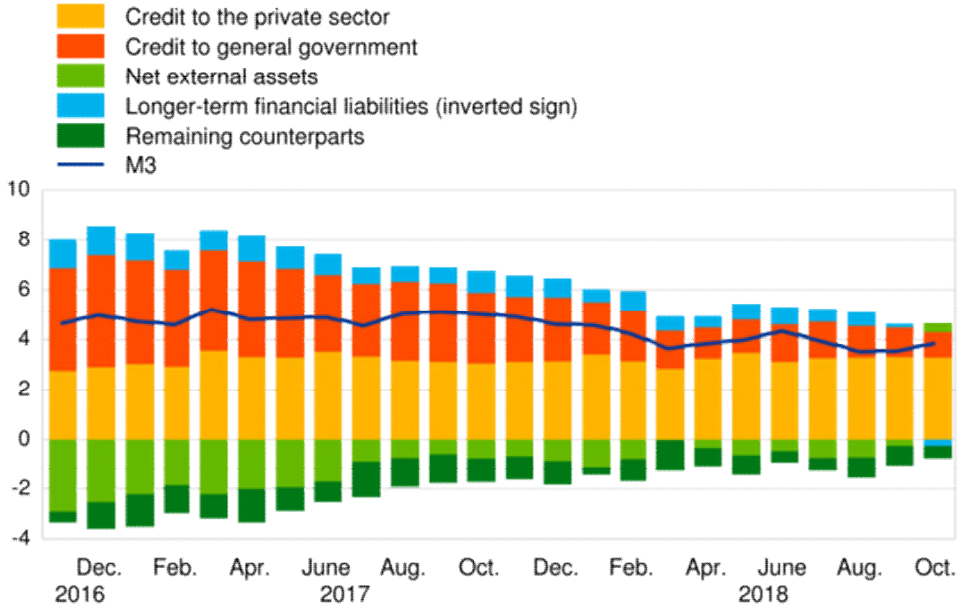
month), credit to general government contributed 1.0 percentage points (down from 1.2 percentage points), net external assets contributed 0.3 percentage point (up from -0.3 percentage point), longer-term financial liabilities contributed -0.2 percentage point (down from 0.1 percentage point), and the remaining counterparts of M3 contributed -0.5 percentage point (up from -0.8 percentage point).

Chart 2

Contribution of the M3 counterparts to the annual growth rate of M3

(percentage points)



Data for contribution of the M3 counterparts to the annual growth rate of M3

Credit to euro area residents

As regards the dynamics of credit, the annual growth rate of total credit to euro area residents stood at 2.9% in October 2018, compared with 3.0% in the previous month. The annual growth rate of credit to general government decreased to 2.6% in October from 3.1% in September, while the annual growth rate of credit to the private sector stood at 3.0% in October, unchanged from the previous month.

The annual growth rate of adjusted loans to the private sector (i.e. adjusted for loan sales, securitisation and notional cash pooling) stood at 3.3% in October, compared with 3.4% in September. Among the borrowing sectors, the annual growth rate of adjusted loans to households stood at 3.2% in October, unchanged from the previous month, while the annual growth rate of adjusted loans to non-financial

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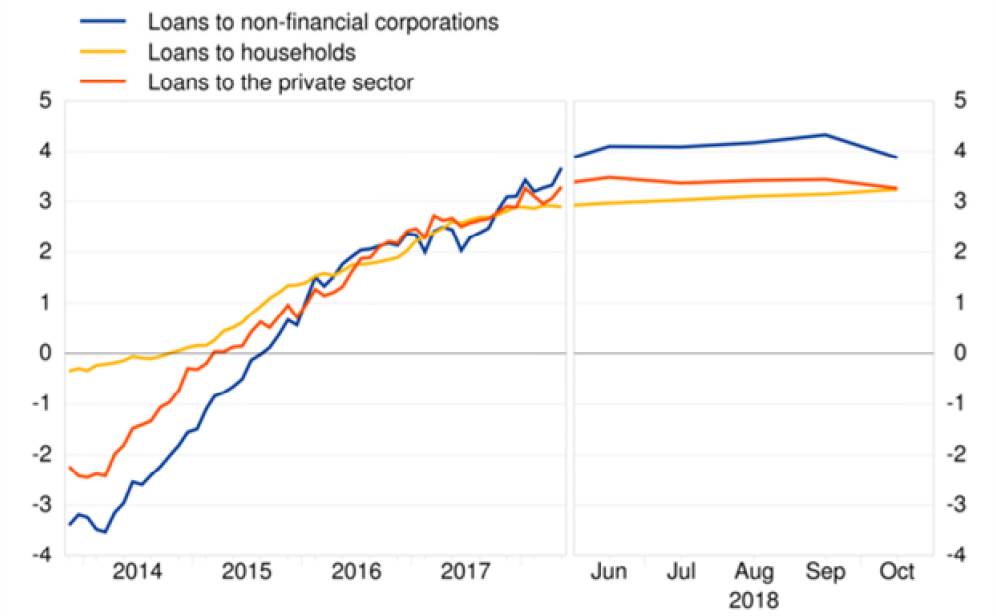
corporations decreased to 3.9% in October from 4.3% in September.

Chart 3
Adjusted loans to the private sector

(annual growth rates)



Data for adjusted loans to the private sector

Annex

Table: Annex to the press release on monetary developments in the euro area

Notes:

- Data in this press release are adjusted for seasonal and end-of-month calendar effects, unless stated otherwise.
- "Private sector" refers to euro area non-MFIs excluding general government.
- Hyperlinks in the main body of the press release and in annex tables are dynamic. The data they lead to may therefore change with subsequent data releases as a result of revisions. Figures shown in annex tables are a snapshot of the data as at the time of the current release.

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1 Monetary developments in the euro area: October 2018

(EUR billions and annual percentage changes; data adjusted for seasonal effects [a])

	End-of-month level	Monthly flow			Annual growth rate		
	Oct 2018	Aug 2018	Sep 2018	Oct 2018	Aug 2018	Sep 2018	Oct 2018
COMPONENTS OF M3							
1. M3	**12272**	**28**	**43**	**61**	**3.5**	**3.6**	**3.9**
1.1. M2	11631	28	54	53	4.0	4.3	4.4
1.1.1. M1	8202	40	64	38	6.5	6.8	6.8
Currency in circulation	1154	7	7	4	3.9	4.1	4.1
Overnight deposits	7047	34	57	34	7.0	7.3	7.3
1.1.2. Other short-term deposits (M2 - M1)	3429	-13	-10	15	-1.5	-1.4	-1.0
Deposits with an agreed maturity of up to two years	1144	-16	-14	12	-7.6	-7.5	-6.0
Deposits redeemable at notice of up to three months	2285	4	4	3	1.8	1.8	1.7
1.2. Marketable instruments (M3 - M2)	641	0	-10	8	-4.1	-7.7	-4.8
Repurchase agreements	72	3	0	0	-2.5	2.0	-0.6
Money market fund shares	502	-7	-6	6	-3.3	-6.4	-4.3
Debt securities issued with a maturity of up to two years	67	3	-4	1	-10.6	-23.3	-12.0
COUNTERPARTS OF M3							
MFI liabilities:							
2. Holdings against central government [b]	**398**	**37**	**15**	**-5**	**16.4**	**14.5**	**18.3**
3. Longer-term financial liabilities vis-a-vis other euro area residents	**6795**	**-7**	**28**	**14**	**-0.8**	**-0.1**	**0.4**
3.1. Deposits with an agreed maturity of over two years	1937	-9	-8	0	-2.7	-2.7	-1.7
3.2. Deposits redeemable at notice of over three months	57	0	0	0	-9.9	-9.3	-8.8
3.3. Debt securities issued with a maturity of over two years	2110	-6	28	10	-2.6	0.0	0.8
3.4. Capital and reserves	2692	9	8	4	2.1	1.9	1.9
MFI assets:							
4. Credit to euro area residents	**18003**	**45**	**31**	**20**	**3.1**	**3.0**	**2.9**
4.1. Credit to general government	4609	15	7	-13	3.3	3.1	2.6
Loans	1001	-6	-4	-3	-4.4	-4.4	-4.2
Debt securities	3595	21	11	-9	5.6	5.3	4.7
Equity [c]	14	0	0	0	0.6	0.9	0.5
4.2. Credit to the private sector [d]	13394	30	24	32	3.0	3.0	3.0
Loans [e]	11090	31	23	22	3.0	2.9	2.8
Adjusted loans [f]	11423	30	29	20	3.4	3.4	3.3
Debt securities	1525	4	-1	12	6.1	5.9	7.2
Equity and non-money market fund investment fund shares	779	-5	2	-1	-1.8	-1.1	-1.5
5. Net external assets	**996**	**-6**	**45**	**18**	**-**	**-**	**-**
6. Other counterparts of M3 (residual)	**466**	**19**	**11**	**31**	**-**	**-**	**-**
of which:							
6.1. Repos with central counterparties (liabilities) [c]	167	-3	-4	-10	24.6	7.7	-9.9
6.2. Reverse repos to central counterparties (assets) [c]	174	-3	-6	-9	34.2	4.9	-22.0

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.
Monthly flows refer to differences in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.
M3 comprises liabilities of MFIs and specific units of central government (post offices, treasury) vis-à-vis non-MFI euro area residents excluding central government.
b) Includes holdings of the central government of deposits with the MFI sector and of securities issued by the MFI sector.
c) The series is not adjusted for seasonal effects.
d) Private sector refers to euro area non-MFIs excluding general government.
e) For further breakdowns see Table 4.
f) Adjusted for loan sales and securitisation (resulting in derecognition from the MFI statistical balance sheet) as well as for positions arising from notional cash pooling services provided by MFIs.

2 Contributions to the M3 annual growth rate: October 2018

(contributions in terms of the M3 annual percentage change; data adjusted for seasonal effects [a])

	Aug 2018	Sep 2018	Oct 2018
COMPONENTS OF M3			
1. M1	4.2	4.4	4.4
1.1. Currency in circulation	0.4	0.4	0.4
1.2. Overnight deposits	3.9	4.0	4.1
2. M2 - M1 (other short-term deposits)	-0.5	-0.4	-0.3
3. M3 - M2 (marketable instruments)	-0.2	-0.4	-0.3
COUNTERPARTS OF M3			
4. Credit to the private sector	3.3	3.3	3.3
5. Credit to general government	1.3	1.2	1.0
6. Net external assets	-0.7	-0.3	0.3
7. Longer-term financial liabilities (inverted sign) [b]	0.5	0.1	-0.2
8. Remaining counterparts	-0.8	-0.8	-0.5
M3 (sum of items 1 to 3, or items 4 to 8)	**3.5**	**3.6**	**3.9**

a) Figures may not add up due to rounding.
b) Longer-term financial liabilities vis-a-vis euro area residents excluding central government.

3 Breakdown of deposits in M3 by holding sector and type: October 2018

(EUR billions and annual percentage changes; data adjusted for seasonal effects [a])

	End-of-month level	Monthly flow			Annual growth rate		
	Oct 2018	Aug 2018	Sep 2018	Oct 2018	Aug 2018	Sep 2018	Oct 2018
BREAKDOWN OF DEPOSITS IN M3							
Total deposits	**10548**	**24**	**47**	**50**	**4.0**	**4.3**	**4.4**
1. Deposits placed by households [b]	**6587**	**25**	**23**	**38**	**4.6**	**4.6**	**4.7**
1.1. Overnight deposits	3984	27	24	37	8.6	8.4	8.4
1.2. Deposits with an agreed maturity of up to two years	522	-4	-4	-4	-10.4	-10.0	-9.6
1.3. Deposits redeemable at notice of up to three months	2080	2	4	5	1.9	1.9	2.0
1.4. Repurchase agreements	1	0	-1	0	-10.7	-45.8	-45.3
2. Deposits placed by non-financial corporations	**2317**	**8**	**17**	**3**	**4.2**	**4.5**	**4.1**
2.1. Overnight deposits	1892	12	18	1	6.5	6.8	6.0
2.2. Deposits with an agreed maturity of up to two years	275	-3	-1	4	-7.2	-6.8	-4.0
2.3. Deposits redeemable at notice of up to three months	144	1	0	-1	-0.7	-0.7	-2.0
2.4. Repurchase agreements	6	-1	0	-1	13.8	27.4	5.7
3. Deposits placed by non-monetary financial corporations excluding insurance corporations and pension funds [c]	**993**	**-16**	**7**	**6**	**-1.7**	**1.0**	**3.0**
3.1. Overnight deposits	726	-9	12	-7	0.5	3.7	5.6
3.2. Deposits with an agreed maturity of up to two years	194	-9	-7	9	-5.4	-6.2	-3.3
3.3. Deposits redeemable at notice of up to three months	27	0	0	-1	13.7	11.1	8.4
3.4. Repurchase agreements [c]	46	1	2	5	-24.9	-14.1	-9.5
4. Deposits placed by insurance corporations and pension funds	**208**	**-2**	**-3**	**-4**	**8.1**	**5.2**	**2.8**
5. Deposits placed by other general government	**444**	**9**	**2**	**6**	**4.7**	**4.9**	**5.9**

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.
Monthly flows refer to differences in levels adjusted for reclassifications, exchange rate variations, other revaluations and any other changes which do not arise from transactions.
b) Includes deposits by non-profit institutions serving households.
c) Excludes repurchase agreements with central counterparties.

4 Breakdown of private sector loans by borrowing sector, type and original maturity: October 2018

(EUR billions and annual percentage changes; data adjusted for seasonal effects [a])

	End-of-month level	Monthly flow			Annual growth rate		
	Oct 2018	Aug 2018	Sep 2018	Oct 2018	Aug 2018	Sep 2018	Oct 2018
BREAKDOWN OF LOANS AS COUNTERPART TO M3							
1. Loans to households [b]	**5716**	**18**	**15**	**15**	**3.2**	**3.1**	**3.2**
Adjusted loans [c]	**5996**	**17**	**15**	**19**	**3.1**	**3.2**	**3.2**
1.1. Credit for consumption	682	4	2	4	7.2	6.9	7.1
1.2. Lending for house purchase	4324	14	13	12	3.2	3.2	3.3
1.3. Other lending	711	0	0	0	-0.8	-0.8	-0.7
of which: sole proprietors	377	0	0	0	-1.4	-1.1	-1.1
2. Loans to non-financial corporations	**4403**	**14**	**9**	**5**	**3.1**	**3.2**	**2.8**
Adjusted loans [c]	**4469**	**12**	**17**	**3**	**4.2**	**4.3**	**3.9**
2.1. up to 1 year	985	3	0	-17	3.0	3.3	0.6
2.2. over 1 year and up to 5 years	844	2	2	7	5.3	4.6	4.9
2.3. over 5 years	2574	8	7	15	2.4	2.7	2.9
3. Loans to non-monetary financial corporations except insurance corporations and pension funds [d]	**850**	**0**	**-6**	**5**	**0.8**	**-0.4**	**-0.5**
Adjusted loans [c]	**850**	**-1**	**-5**	**2**	**1.4**	**0.2**	**-0.1**
4. Loans to insurance corporations and pension funds	**121**	**0**	**4**	**-4**	**4.6**	**11.6**	**7.3**
Adjusted loans [c]	**107**	**2**	**2**	**-3**	**6.1**	**9.4**	**6.5**

a) Figures may not add up due to rounding.
Monthly flows refer to differences in levels adjusted for write-offs/write-downs, reclassifications, exchange rate variations and any other changes which do not arise from transactions. Data refer to loans granted by monetary financial institutions (MFIs) to non-MFI euro area residents excluding general government.
b) Includes loans to non-profit institutions serving households.
c) Adjusted for loan sales and securitisation (resulting in derecognition from the MFI statistical balance sheet) as well as for positions arising from notional cash pooling services provided by MFIs.
d) Excludes reverse repos to central counterparties.