

# The balance sheets of the Monetary Financial Institutions of the euro area in early 1999

*In its analysis of monetary, financial and other economic developments, the European Central Bank (ECB) focuses on euro area developments and gives a prominent role to monetary aggregates, in particular M3. A proper assessment of monetary growth in the euro area requires an accurate statistical framework. In this respect the balance sheets reported by the Monetary Financial Institutions (MFIs) of the euro area play a crucial role and contribute to the general assessment of developments in the banking sector as well as in the financial system as a whole.*

*The ECB computes both an aggregated and a consolidated balance sheet of the MFI sector at the euro area level. While the aggregated balance sheet is the sum of the balance sheets of individual MFIs (including the Eurosystem), the consolidated version excludes positions between MFIs. The balance sheets of the euro area MFIs provide a comprehensive picture of the assets and liabilities vis-à-vis both MFIs and other economic agents, with a breakdown by sector and by instrument.*

*This article shows that these balance sheets are a rich source of information for monetary analyses at the euro area level. In addition, it demonstrates that there were important similarities, but also a number of differences, with regard to some key features of the financial structure of the 11 euro area Member States at the start of Stage Three of Economic and Monetary Union.*

## I The information content of the balance sheets of the euro area Monetary Financial Institutions

The ECB computes both an aggregated and a consolidated balance sheet of the Monetary Financial Institutions (MFI) sector at the euro area level. The former is the sum of the harmonised balance sheets of all the MFIs resident in the euro area and includes inter-MFI positions. The consolidated balance sheet of the MFI sector is obtained by netting out inter-MFI positions on the aggregated balance sheet. It shows the assets and liabilities of the MFI sector vis-à-vis both the non-MFI euro area residents (the general government and other euro area residents) and the non-euro area residents (including banks and non-banks).

The balance sheets of the MFI sector have the following *main functions*:

- The liabilities side of the consolidated balance sheet of the euro area MFIs provides the basis for the calculation of monetary aggregates (M1, M2 and M3). The liability breakdowns on the consolidated balance sheet of the MFI sector allow different degrees of moneyness to be distinguished. Money plays a prominent role in the Eurosystem's monetary policy

strategy as evidenced by the announcement of a reference value for the growth of M3.

- The consolidated balance sheet of the MFI sector also provides the basis for the regular analysis of the counterparts of M3. The counterparts of M3 correspond to all the items other than M3 on the consolidated balance sheet (both on the assets side and on the liabilities side).
- The aggregated balance sheet of the MFI sector provides information on inter-MFI positions and on cross-border activities of MFIs both within the euro area and with regard to the rest of the world. This information can be used to assess the integration of financial systems and the importance of the interbank market.
- Both the aggregated balance sheet and the consolidated balance sheet of the euro area MFIs provide a breakdown of several positions by original maturity, currency denomination and sector. For example, these data provide information on the share of long-term lending compared with short-term lending, the importance of the

euro in the assets and liabilities of the MFI sector, and the relative weight of inter-MFI positions compared with positions vis-à-vis other euro area residents (including households, corporations and the government). The data can also be used to examine the financial structure of the economy and they facilitate an understanding of the monetary transmission mechanism.

- Moreover, the balance sheet of an individual credit institution provides the basis for the regular calculation of its reserve base. This information is necessary when determining the minimum reserves which credit institutions are required to hold with the Eurosystem.

The information derived from the balance sheets of the euro area MFIs also has *some limitations*:

- Causal relationships between the counterparts and M3 cannot be inferred

from the accounting identity underlying the consolidated balance sheet.

- The balance sheets only provide a snapshot of the financial position of the MFI sector at a particular point in time.
- There are a number of financial developments of relevance to an analysis of the monetary transmission mechanism which are not captured in the balance sheets of the euro area MFIs, for example off-balance-sheet transactions of MFIs and transactions between non-MFI financial intermediaries and corporations, households or the government. In order to capture these other financial flows, a broader framework is necessary, including a flow-of-funds analysis of the economy. Information on the financial accounts of both the general government and the private non-MFI sector in the euro area is being developed and will complement the information on the MFI balance sheets.

## **2 Statistical framework of the balance sheets of the euro area Monetary Financial Institutions**

The ECB's statistical system provides a consistent framework for collecting money and banking statistics on the MFIs for the euro area as a whole. The system is based on the MFI reporting population (see Box 1).

Since the aggregated balance sheet simply adds up individual balance sheets of the euro area MFIs, it is possible to compile a separate aggregated balance sheet for the Eurosystem as well as one for the euro area "other MFIs". The aggregated balance sheet of the Eurosystem is the sum of the balance sheets of the 11 national central banks of the euro area and that of the ECB (see Table 2.1 in the "Euro area statistics" section of the ECB Monthly Bulletin). The aggregated balance sheet of the "other MFIs" in the euro area is the sum of 11 national aggregated balance

sheets covering other MFIs (see Table 2.2 in the "Euro area statistics" section of the Bulletin).

The consolidated balance sheet of the euro area MFIs (see Table 2.3 of the "Euro area statistics" section) is the sum of the balance sheets of the Eurosystem and of the "other MFIs" after the consolidation of all inter-MFI positions (see Box 2). The consolidation of inter-MFI positions is performed at the euro area level because only at this level is it possible to consolidate cross-border inter-MFI positions.

The consolidated balance sheet of euro area MFIs provides the main source for a detailed monthly analysis of the stock of money, its components and its counterparts. In addition

**Box I****The reporting population of Monetary Financial Institutions**

The Monetary Financial Institutions (MFI) sector comprises the institutions which mainly form the money-issuing sector of the euro area. It includes resident credit institutions, as defined in Community law, and other resident financial institutions, the business of which is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities.

The European System of Central Banks (ESCB) has established procedures for the continuous monitoring, checking and updating of the credit institutions which form the MFI sector, in order to ensure that the list of MFIs remains up to date, accurate, as homogenous as possible and sufficiently stable for reporting balance sheet statistics for monetary analysis purposes. The list of MFIs covers not only the euro area countries, but also those EU Member States not participating in Monetary Union. The list is regularly updated on the ECB's Web site (<http://www.ecb.int>) under the heading "MFIs and assets".

**Composition of the list of MFIs, July 1999**

Residence	Central banks	Credit institutions	Money market funds	Other institutions	Total number of MFIs
Euro area	1	-	-	-	1
Belgium	1	117	29	0	147
Germany	1	3,180	41	0	3,222
Spain	1	390	206	0	597
France	1	1,200	710	1	1,912
Ireland	1	78	17	0	96
Italy	1	925	17	0	943
Luxembourg	1	210	463	0	674
Netherlands	1	613	28	5	647
Austria	1	899	8	2	910
Portugal	1	228	0	0	229
Finland	1	345	5	0	351
<b>Euro area total</b>	<b>12</b>	<b>8,185</b>	<b>1,524</b>	<b>8</b>	<b>9,729</b>
Denmark	1	212	3	0	216
Greece	1	59	42	0	102
Sweden	1	148	29	1	179
United Kingdom	2	508	33	0	543
<b>EU total</b>	<b>17</b>	<b>9,112</b>	<b>1,631</b>	<b>9</b>	<b>10,769</b>

For the purposes of compiling the consolidated balance sheet of the MFI sector within the euro area, the reporting population consists of resident MFIs, including subsidiaries and branches of parent companies located outside the euro area. When reporting, MFIs consolidate the business of all their branches located within the same national territory. Furthermore, head offices are permitted to consolidate the business of any subsidiaries that are also MFIs located in the same national territory, but they must keep the business of credit institutions and other MFIs separate for the purposes of compiling the minimum reserve base. No consolidation is permitted across national boundaries for statistical returns. For statistical purposes, credit institutions located in offshore financial centres are treated as residents of the territories in which they are located.

The table above presents the composition of the list of MFIs, broken down by residence as at July 1999. The first item for the euro area corresponds to the European Central Bank, which is part of the Eurosystem. In the United Kingdom the Banking Department and the Issue Department of the Bank of England are currently shown on the list of MFIs as two separate institutions; in line with the ESA 95, a single consolidated balance sheet of these two institutions is reported to the ECB for statistical purposes. With regard to the credit institutions category, Germany has the largest number of credit institutions (3,180), followed by France (1,200), Italy and Austria (925 and 899 respectively). France has the most money market funds (710), followed by Luxembourg (463) and Spain (206).

## Box 2

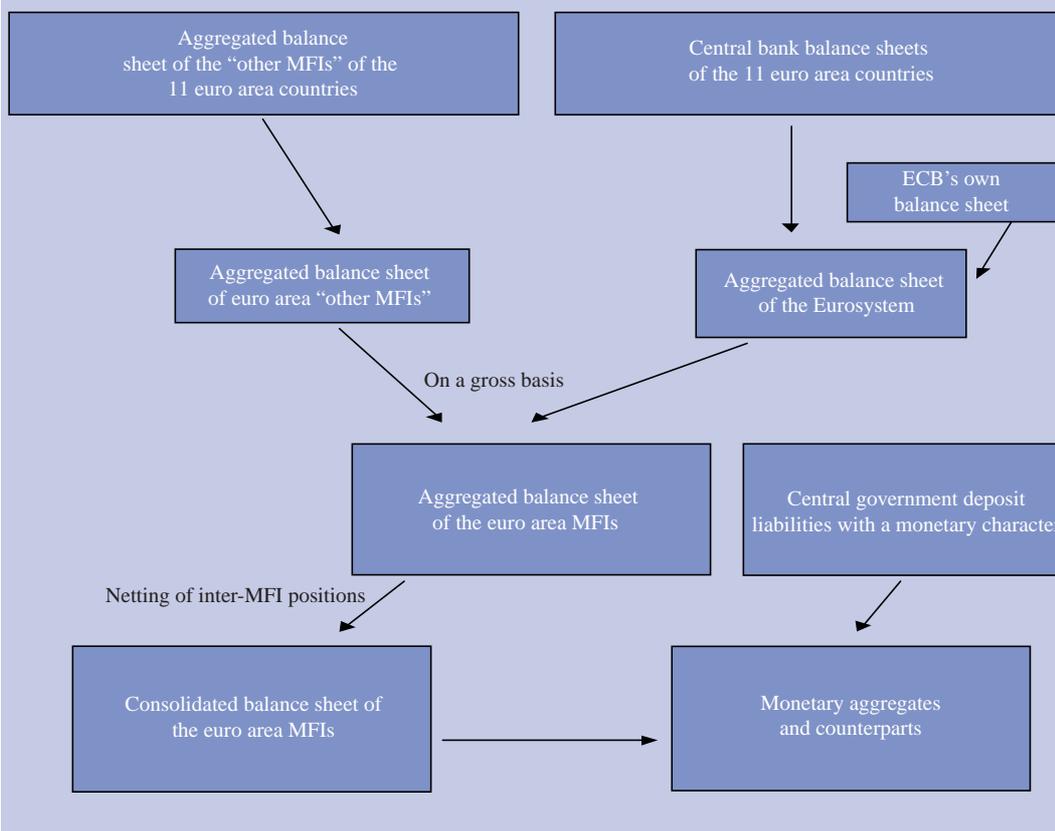
### The aggregated balance sheet and the consolidated balance sheet of the euro area Monetary Financial Institutions

The diagram below outlines the process leading from national submissions to the consolidated balance sheet of the euro area MFIs and to the euro area monetary aggregates. The balance sheets of the national “other MFIs” sectors of the 11 euro area countries are combined to form the aggregated balance sheet of the euro area “other MFIs” sector. Similarly, aggregation of the balance sheets of the 11 euro area national central banks and that of the ECB yields the aggregated balance sheet of the Eurosystem. These balance sheets are both compiled on a gross basis. The aggregated balance sheet thus includes assets and liabilities vis-à-vis other MFIs. For example, it includes deposits exchanged on the interbank markets or the liquidity periodically supplied to the banking system by the Eurosystem.

Consolidation implies the following: i) deposits with MFIs and loans to MFIs are netted out; and ii) currency in circulation and negotiable liabilities issued by the MFI sector (debt securities, money market paper and money market fund shares and units) are netted out with the amounts of such instruments held on the assets side by MFIs. As it is very difficult to identify the current holder of a negotiable financial instrument (to do so would imply monitoring all subsequent on-sales of the security), the amounts held outside the MFI sector can only be derived as a residual of the total issued, minus the corresponding holdings reported by MFIs as assets.

Finally, monetary aggregates are derived by adding to the monetary liabilities recorded on the consolidated balance sheet certain short-term deposit liabilities of the central government (Post Office accounts, national savings accounts and Treasury accounts), which have similar characteristics to short-term bank deposits.

### The compilation of the consolidated balance sheet of the euro area MFIs



to the monthly data, further detailed information is reported quarterly, which consists of breakdowns of the aggregated balance sheet, in particular with regard to original maturity, country, purpose, currency denomination and sector (see, for example,

Tables 2.5 and 2.6 in the “Euro area statistics” section of the Bulletin). The sector breakdown is based on classifications laid down in the European System of Accounts 1995 (ESA 95).

### 3 The counterparts of M3 in the consolidated balance sheet of the euro area Monetary Financial Institutions

#### Derivation of the counterparts of M3

Table I below shows how the counterparts of M3 may be obtained from the consolidated balance sheet of the euro area MFIs.

Using the balance sheet identity, it is possible to present the monetary aggregate M3 as follows:

$$M3 \equiv \text{credit to euro area residents} + \text{net external assets} - \text{longer-term financial liabilities} + \text{other counterparts}$$

The counterparts of M3 are defined in the following way:

- *Credit* is defined as loans granted to non-MFI euro area residents (including the general government and the private sector) plus MFI holdings of securities issued by non-MFI euro area residents. As securities can be seen as an alternative source of funds relative to loans, this definition provides more accurate information on the amount of financing supplied by the MFI sector to the economy than a narrow definition comprising only loans.

- *Net external assets* are defined as external assets held by MFIs less external liabilities of MFIs. External assets are holdings of cash in non-euro area currencies, holdings of securities issued by non-euro area residents, loans to non-euro area residents (including banks), and gold and special drawing rights (SDRs) held by the Eurosystem. External liabilities are deposits held by non-euro area residents with euro area MFIs, loans by non-euro area residents to euro area MFIs, and the counterpart of SDRs.

Changes in the net external assets of the MFI sector to a large extent reflect foreign transactions of non-MFI euro area residents in terms of the current account, the capital account and the non-MFI sector financial account of the euro area balance of payments. This is illustrated in a monetary presentation of the euro area balance of payments which makes a distinction between the external transactions of the MFI sector and those of the non-MFI sector (see Table 2).

**Table I**

#### Schematic consolidated balance sheet of the euro area MFIs

Assets	Liabilities
Credit to euro area residents	M3 <sup>1)</sup>
External assets	Longer-term financial liabilities
Other assets (including fixed assets)	External liabilities
	Other liabilities (including deposits held by the central government)

1) Including central government deposit liabilities of a monetary nature.

**Table 2****Monetary presentation of the euro area balance of payments***(on a cash basis)***External transactions of the non-MFI sector:**

	Current account
+	Capital account
+	Balance of financial transactions by the non-MFI sector
+	Errors and omissions
=	Balance of payments of the non-MFI sector

**External transactions of the MFI sector:<sup>1)</sup>**

	Balance of financial transactions of the Eurosystem
+	Balance of financial transactions by other MFIs
=	Balance of payments of the MFI sector

*The overall balance of payments identity implies that:*

	Balance of payments of the non-MFI sector
=	– Balance of payments of the MFI sector
=	Change in the net external assets of the MFI sector

1) *This simplified presentation does not include external transactions of the MFI sector classified in the current account or in the capital account or errors and omissions corresponding to the external transactions of this sector.*

As shown in the simplified presentation given above, the change in the net external assets of the MFI sector is the mirror image of the transactions of non-MFIs with non-euro area residents. This results from the fact that external transactions of non-MFI euro area residents have an impact on the consolidated balance sheet of the euro area MFIs to the extent that the corresponding payments go through the banking system. For this reason, many of the foreign transactions of MFIs and the resulting change in their net external asset position can be associated with the external transactions of the non-MFI sector.

- *Longer-term financial liabilities* are deposits with an agreed maturity of over two years, debt securities issued by euro area MFIs with an original maturity of more than two years, deposits redeemable at a period of notice of over three months, plus the capital and reserves of the MFI sector. Longer-term financial liabilities are excluded from the definition of M3 as they are considered more as portfolio instruments used for savings than as means of transaction. Nevertheless, they may be considered substitutes for some of the positions in M3. Developments in longer-term financial liabilities may also reflect

financing decisions by MFIs, as they may constitute an alternative source of funds to short-term liabilities, and allow MFIs to have a maturity structure for their liabilities which is more in line with that for their assets.

- *Other counterparts* include the remaining items on the consolidated balance sheet. One of these is deposits that the central government holds with the MFI sector. In addition, there are fixed assets, i.e. non-financial assets of MFIs, such as buildings. The remaining assets and liabilities include a variety of items, such as financial derivatives positions, amounts receivable or payable in respect of suspense and transit items, accrued interest receivable/payable on deposits, dividends to be received/paid, amounts receivable/payable not related to the main MFI business, the asset counterpart to coins issued by the state, net positions arising from securities lending without cash collateral, and net amounts payable in respect of the future settlement of transactions in securities. Finally, the other counterparts position also includes a balancing item for the short-term deposit liabilities of the central government which are included in M3 (see Box 2).

The relationship between M3 and its counterparts rests on an accounting identity; it does not imply a causal relationship between M3 and its counterparts. In practice, most of the items on the balance sheet depend on movements in interest rates and developments in economic activity and inflation. In this sense, various balance sheet positions have common or similar determinants and their behaviour can provide an indication of the nature of underlying developments in the euro area economy. While it may be possible to relate movements in individual counterparts to those in M3,

this is not necessarily always the case. For example, an increase in lending to euro area residents will not be associated with a change in M3 if borrowers use the funds to finance investments outside the euro area. In this case the increase in the item "credit to euro area residents" is matched by a decrease in the MFIs' net external assets. The analysis of the counterparts is nevertheless helpful to complement the analysis of monetary developments and to facilitate a better understanding of economic trends in the euro area.

#### **4 Structure of the balance sheets of the euro area Monetary Financial Institutions in March 1999**

##### **The consolidated balance sheet of the euro area MFIs**

The consolidated balance sheet of the euro area MFIs provides the basis for an analysis of developments in M3 and its counterparts at the euro area level. Chart 1 below shows the composition of the consolidated balance sheet of the euro area MFIs at end-March 1999.

On the *liabilities* side, MFI positions included in M3 accounted for 40.8% of total liabilities in March 1999. With regard to the components of M3, currency in circulation and overnight deposits (which form the narrow monetary aggregate M1) accounted for 7.1% and 32.4% of M3 respectively, thereby implying a share of M1 in M3 of slightly below 40%. Deposits with an agreed maturity of up to two years accounted for 19.5% of M3, while the share of deposits redeemable at a period of notice of up to three months was 27.8% of M3 (these two categories plus the liabilities included in M1 constitute the intermediate monetary aggregate M2). Finally, the marketable instruments which are included in M3 (but not in M2) represented 13.2% of M3. Among these, money market fund shares/units and money market paper (net) amounted to 8.2% of M3, repurchase agreements to 4.0% and debt securities issued with a maturity of up to two years to 1.1%.

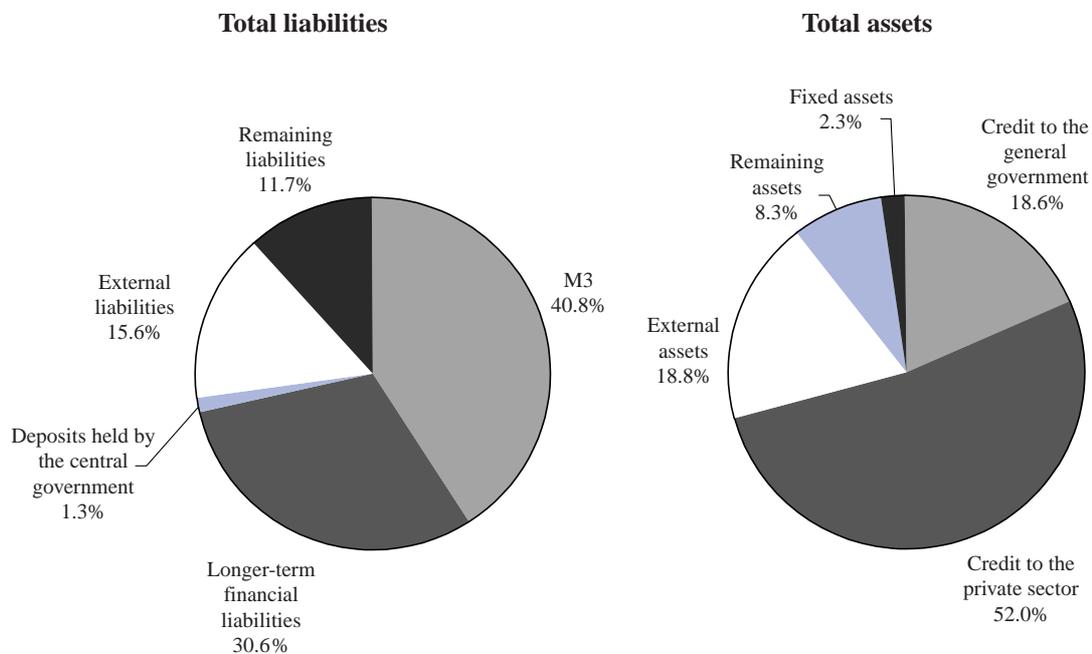
The share of longer-term financial liabilities was 30.6% of total MFI liabilities in March 1999. Deposits with an agreed maturity of over two years accounted for 10.1% of the total consolidated balance sheet of the euro area MFIs and the share of debt securities issued with a maturity of over two years was 12.4%. Capital and reserves accounted for 7.0% of total liabilities. Finally, the share of deposits redeemable at a period of notice of over three months was 1.1%.

On the *assets* side of the consolidated balance sheet, credit to euro area residents was the largest item at end-March 1999, amounting to 70.6% of the total. Most of the credit to euro area residents is extended to the private sector (which has a 73.6% share of total credit to euro area residents), with the remainder being credit to the general government. Around 90% of the amount of credit granted to the private sector corresponded to direct lending, i.e. loans. Securitised lending in the form of debt securities, shares and other equity covered the remaining 10%. By contrast, credit to the general government mainly takes the form of MFI purchases of debt securities (which accounted for nearly 60% of total MFI credit to the general government).

## Chart I

### Consolidated balance sheet of the euro area MFIs

(March 1999; shares as a percentage of the total)



In March 1999 the MFI sector (including the Eurosystem) had a positive net external asset position. External liabilities amounted to 15.6% of the total consolidated liabilities of the euro area and external assets amounted to 18.8% of the total consolidated assets of the euro area. The outstanding stocks of external assets and liabilities of the Eurosystem include temporary gross positions vis-à-vis the national central banks not participating in the euro area related to the operation of the TARGET payment system. Obviously, these positions disappear on a net basis.

#### Structure of the aggregated balance sheet of the euro area MFIs, excluding the Eurosystem

The aggregated balance sheet of the euro area "other MFIs" (i.e. MFIs excluding the Eurosystem) shows the financial position of these MFIs vis-à-vis the sectors of the economy and vis-à-vis non-euro area residents. A breakdown by country and by instrument can also be provided.

#### Main liabilities

As can be seen from Table 3, more than one-third (36.2%) of the *total amount of liabilities* on the aggregated balance sheet of the euro area other MFIs is accounted for by institutions located in Germany. The three largest euro area countries (Germany, France and Italy) account for 70.9% of total liabilities. Other countries' shares in the total balance sheet of the euro area other MFIs range from 0.7% for Finland to 6.7% for Spain. Other MFIs resident in Luxembourg have a 4% share in the total liabilities of the euro area other MFIs; this implies that the share of other MFIs resident in Luxembourg as a percentage of national GDP is the largest of all the euro area countries.

*Deposits* are the main liability category of other MFIs, accounting for 67.8% of total liabilities (see Table 3). Roughly half of these deposits are held by the euro area money-holding sector, while inter-MFI deposits account for slightly more than one-third of total deposits (34.0%) (see Table 2.2 in the

**Table 3****Total aggregated liabilities of other MFIs by country and by instrument***(March 1999)*

	Deposits (all currencies)		Debt securities issued		Money market fund shares/units		Money market paper	
	as a % of national liabilities	as a % of the euro area total	as a % of national liabilities	as a % of the euro area total	as a % of national liabilities	as a % of the euro area total	as a % of national liabilities	as a % of the euro area total
Belgium	76.0	5.4	11.3	3.7	0.2	0.4	0.0	0.0
Germany	67.3	35.9	22.4	54.6	0.4	7.3	0.5	14.1
Spain	78.0	7.7	3.4	1.5	4.8	16.8	0.0	0.0
France	63.4	22.5	9.6	15.6	4.9	62.0	3.5	69.4
Ireland	78.1	2.0	8.3	1.0	-	-	0.0	0.0
Italy	59.6	9.3	16.5	11.8	0.2	1.3	0.0	0.0
Luxembourg	78.4	4.6	5.6	1.5	5.8	12.2	2.4	8.0
Netherlands	74.7	6.7	13.9	5.7	-	-	0.0	0.0
Austria	71.4	3.3	17.2	3.6	-	-	0.0	0.0
Portugal	63.8	1.8	5.1	0.7	-	-	0.0	0.0
Finland	67.4	0.7	5.0	0.2	-	-	14.1	8.6
<i>Euro area</i>	<i>67.8</i>	<i>100.0</i>	<i>14.9</i>	<i>100.0</i>	<i>1.9</i>	<i>100.0</i>	<i>1.2</i>	<i>100.0</i>
<b>Total (EUR billions)</b>		<b>9,933</b>		<b>2,176</b>		<b>280</b>		<b>178</b>

	Capital and reserves		Remaining liabilities		Total liabilities	
	as a % of national liabilities	as a % of the euro area total	as a % of national liabilities	as a % of the euro area total	Memo item: as a % of national GDP <sup>1)</sup>	as a % of the euro area total
Belgium	3.9	3.7	8.7	4.6	318.9	4.9
Germany	4.1	29.1	5.3	21.1	274.6	36.2
Spain	8.0	10.3	5.8	4.2	187.5	6.7
France	5.5	25.9	13.0	34.6	272.1	24.1
Ireland	6.8	2.3	6.8	1.3	333.3	1.7
Italy	7.2	14.8	16.5	19.3	146.5	10.6
Luxembourg	2.4	1.9	5.4	2.4	3,768.3	4.0
Netherlands	4.9	5.8	6.5	4.4	253.0	6.1
Austria	5.0	3.1	6.3	2.2	243.1	3.1
Portugal	6.0	2.2	25.2	5.4	295.8	1.9
Finland	5.9	0.9	7.6	0.6	95.9	0.7
<i>Euro area</i>	<i>5.1</i>	<i>100.0</i>	<i>9.1</i>	<i>100.0</i>	<i>249.5</i>	<i>100.0</i>
<b>Total (EUR billions)</b>		<b>750</b>		<b>1,328</b>		<b>14,645</b>

Note: "As a % of national liabilities" is to be understood as the percentage share of each item in the total liabilities of each country's other MFIs. "As a % of the euro area total" is to be understood as the percentage share of each country in the euro area total for each item.

1) Total liabilities of MFIs excluding the Eurosystem as a percentage of national nominal GDP for 1998. Sources: Eurostat and ECB calculations.

"Euro area statistics" section of the ECB Monthly Bulletin). The remaining deposits are held by non-euro area residents (16% of total deposits) and by central governments (1%). The relative importance of individual countries in terms of deposits is broadly similar to their share in total liabilities.

Debt securities issued are the second largest liability on the aggregated balance sheet of the euro area other MFIs, with a share of

14.9%. The amounts issued are particularly high in Germany, amounting to 54.6% of the total for the euro area, while other MFIs resident in France and in Spain account for a relatively small amount of debt securities issued when compared with their share in the total aggregated balance sheet for the euro area.

MFI liabilities in respect of money market fund shares/units and money market paper account

for a relatively small proportion of the total, representing 1.9% and 1.2% of total liabilities respectively. These liabilities are mostly concentrated in France, with a 69.4% share of the total euro area amount of money market paper and 62.0% of the total for euro area money market fund shares/units. In relation to the small size of the country, MFIs resident in Luxembourg also issue a significant proportion of these short-term marketable securities. Furthermore, compared with the size of the

respective countries, Spanish MFIs have a relatively high share of total money market fund shares/units, and Finnish MFIs issue a relatively high proportion of money market paper.

Finally, *capital and reserves*, i.e. the other MFIs' own funds, and *remaining liabilities* represented 5.1% and 9.1% of total euro area liabilities respectively. With a few exceptions, the country shares are broadly similar to those seen for total euro area liabilities.

**Table 4**  
**Total aggregated assets of other MFIs by country and by instrument**  
(March 1999)

	Loans		Securities other than shares		Shares and other equity		Money market paper	
	as a % of national assets	as a % of the euro area total	as a % of national assets	as a % of the euro area total	as a % of national assets	as a % of the euro area total	as a % of national assets	as a % of the euro area total
Belgium	63.5	4.3	27.1	8.1	2.3	3.1	0.0	0.1
Germany	76.3	38.5	15.2	33.9	5.0	49.7	0.1	6.6
Spain	73.9	6.9	15.0	6.1	4.1	7.6	0.5	5.1
France	67.2	22.6	16.1	23.9	1.7	11.3	2.1	78.1
Ireland	73.0	1.8	18.6	2.0	1.7	0.8	0.0	0.0
Italy	65.5	9.7	16.5	10.7	4.1	12.0	0.0	0.0
Luxembourg	66.9	3.7	27.1	6.7	1.6	1.7	1.0	6.0
Netherlands	81.4	6.9	11.3	4.2	3.5	6.0	0.0	0.0
Austria	77.3	3.4	12.4	2.4	5.7	4.9	0.0	0.0
Portugal	57.2	1.5	11.0	1.3	4.5	2.4	0.0	0.0
Finland	70.6	0.7	13.2	0.6	1.9	0.4	3.6	4.1
<i>Euro area</i>	<i>71.7</i>	<i>100.0</i>	<i>16.2</i>	<i>100.0</i>	<i>3.6</i>	<i>100.0</i>	<i>0.7</i>	<i>100.0</i>
<b>Total (EUR billions)</b>		<b>10,501</b>		<b>2,379</b>		<b>528</b>		<b>95</b>

	Fixed assets		Remaining assets		Total assets	
	as a % of national assets	as a % of the euro area total	as a % of national assets	as a % of the euro area total	Memo item: as a % of national GDP <sup>1)</sup>	as a % of the euro area total
Belgium	0.5	1.6	6.6	5.2	318.9	4.9
Germany	0.7	14.5	2.7	15.8	274.6	36.2
Spain	2.2	8.6	4.3	4.7	187.5	6.7
France	3.4	48.7	9.5	37.3	272.1	24.1
Ireland	0.6	0.6	6.1	1.7	333.3	1.7
Italy	2.9	18.2	11.0	19.1	146.5	10.6
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Austria	1.0	1.9	3.6	1.9	243.1	3.1
Portugal	1.3	1.4	26.1	8.2	295.8	1.9
Finland	2.4	1.1	8.3	1.0	95.9	0.7
<i>Euro area</i>	<i>1.7</i>	<i>100.0</i>	<i>6.3</i>	<i>100.0</i>	<i>249.5</i>	<i>100.0</i>
<b>Total (EUR billions)</b>		<b>244</b>		<b>897</b>		<b>14,645</b>

Note: "As a % of national assets" is to be understood as the percentage share of each item in the total assets of each country's other MFIs. "As a % of the euro area total" is to be understood as the percentage share of each country in the euro area total for each item.  
1) Total assets of MFIs excluding the Eurosystem as a percentage of national nominal GDP for 1998. Sources: Eurostat and ECB calculations.

### Main assets

At the euro area level loans were by far the most important asset on the aggregated balance sheet of the euro area other MFIs in March 1999, accounting for 71.7% of total assets (see Table 4). Holdings of securities other than shares constituted the second largest item, representing 16.2% of total assets of other MFIs, while holdings of shares and other equity amounted to only 3.6% of total assets. Holdings of money market paper amounted to a mere 0.7% of the aggregated assets.

For loans, the relative shares of individual countries broadly match the shares in the total for the aggregated balance sheet of the euro area other MFIs. A similar picture exists for holdings of securities other than shares. As regards shares and other equity, the other MFIs in Germany hold a relatively high proportion of the total aggregated euro area amount (almost 50%), whereas that of other MFIs resident in France is only half as large as their share in total euro area assets. At the same time, French other MFIs hold 78.1% of the total amount of money market paper held by euro area other MFIs, and they also hold a relatively large proportion of fixed assets and remaining assets when compared with other MFIs resident in other euro area countries.

### Structure of deposits of the money-holding sector

Table 5 shows the structure of deposits held by non-MFI euro area residents, with a breakdown by original maturity. At the euro area level deposits with an agreed maturity are the most common type of deposits of the money-holding sector, representing more than 40% of the total. Overnight deposits and deposits redeemable at notice also account for significant shares of the total (28.5% and 27% respectively). More than half of the amount of deposits with an agreed maturity are of a longer-term nature (around 56% have a maturity of over two years). By contrast, a large proportion of deposits

redeemable at notice (about 91%) can be classified as having a period of notice of up to three months.

With regard to country patterns, *overnight deposits* held by the money-holding sector reach relatively high levels in Italy (24.9% of the euro area total for overnight deposits) when compared with Italy's share in total euro area deposits (11.7%). By contrast, the share of overnight deposits is relatively low in Germany (27.5% of total euro area overnight deposits, while its share of total deposits is 39.1%). In other countries the share of overnight deposits is more similar to their share of total deposits.

Among the *deposits with an agreed maturity*, the share of deposits held with MFIs resident in Italy in the total amount of euro area deposits is relatively small (5%, compared with an 11.7% share of total deposits), while the share of such deposits held with MFIs resident in Germany is relatively large (about 45% of the euro area total). The share of deposits with an agreed maturity of up to one year is particularly high in Luxembourg; it accounts for almost 10% of total euro area deposits with an agreed maturity of up to one year. Conversely, Luxembourg's share in the total deposits of the money-holding sector in the euro area is just 2.8%. MFIs in Italy have the largest share of deposits with an agreed maturity of over one and up to two years. Of the total amount of euro area deposits with an agreed maturity of over two years, almost 85% are concentrated in Germany and France.

The use of *deposits redeemable at notice* is not as widespread in the euro area as that of deposits with an agreed maturity. Compared with national MFI sector shares of total deposits, deposits redeemable at notice are of low importance in Luxembourg, Austria and Portugal. While deposits redeemable at a period of notice of up to three months are common in most countries, those redeemable at a period of notice of over three months are almost exclusively held in Germany (98.8% of the total). The latter account for

**Table 5****Deposits of the money-holding sector with MFIs (excluding the Eurosystem)***(March 1999)*

	Overnight deposits		Deposits with an agreed maturity							
			Total		up to one year		over one and up to two years		over two years	
	as a % of national deposits	as a % of the euro area total	as a % of national deposits	as a % of the euro area total	as a % of national deposits	as a % of the euro area total	as a % of national deposits	as a % of the euro area total	as a % of national deposits	as a % of the euro area total
Belgium	21.0	3.5	35.0	4.0	28.4	8.1	0.8	2.5	5.8	1.2
Germany	20.1	27.5	46.9	44.9	12.4	29.3	0.4	11.5	34.1	58.5
Spain	27.7	8.3	32.0	6.7	24.9	12.9	3.4	19.5	3.7	1.4
France	25.1	15.9	39.2	17.3	5.6	6.1	0.2	2.8	33.4	26.4
Ireland	12.8	0.7	49.7	1.8	39.0	3.5	1.7	1.7	9.0	0.6
Italy	60.7	24.9	17.4	5.0	9.7	6.8	4.0	31.1	3.8	1.9
Luxembourg	34.7	3.4	61.8	4.2	57.6	9.7	0.9	1.7	3.3	0.4
Netherlands	32.1	7.7	32.1	5.4	15.5	6.4	0.6	2.9	16.0	4.8
Austria	24.2	3.0	75.1	6.5	42.4	9.0	3.5	8.2	29.2	4.5
Portugal	33.4	2.5	66.1	3.4	56.5	7.3	7.2	10.3	2.4	0.2
Finland	65.0	2.7	24.5	0.7	12.1	0.9	10.1	7.9	2.4	0.1
<i>Euro area</i>	28.5	100.0	40.8	100.0	16.5	100.0	1.5	100.0	22.8	100.0
<b>Total (EUR billions)</b>	<b>1,384</b>		<b>1,983</b>		<b>803</b>		<b>72</b>		<b>1,107</b>	

	Deposits redeemable at notice						Repurchase agreements		Total deposits
	Total		up to three months		over three months				
	as a % of national deposits	as a % of the euro area total	as a % of national deposits	as a % of the euro area total	as a % of national deposits	as a % of the euro area total	as a % of national deposits	as a % of the euro area total	as a % of the euro area total
Belgium	43.5	7.6	43.4	8.4	0.1	0.1	0.5	0.7	4.7
Germany	32.9	47.7	26.6	42.5	6.3	98.8	0.1	1.0	39.1
Spain	22.7	7.2	22.7	7.9	0.0	0.0	17.7	40.8	8.5
France	31.6	21.1	31.6	23.3	0.0	0.0	4.1	20.1	18.0
Ireland	36.7	2.0	36.5	2.2	0.1	0.1	0.8	0.3	1.5
Italy	10.5	4.5	10.5	5.0	0.0	0.0	11.4	36.1	11.7
Luxembourg	3.3	0.3	3.1	0.4	0.1	0.1	0.2	0.2	2.8
Netherlands	35.6	9.1	35.5	10.0	0.1	0.3	0.2	0.4	6.9
Austria	0.6	0.1	0.2	0.0	0.4	0.6	0.1	0.1	3.5
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.3	2.1
Finland	10.3	0.4	10.3	0.5	0.0	0.0	0.1	0.0	1.2
<i>Euro area</i>	27.0	100.0	24.5	100.0	2.5	100.0	3.7	100.0	100.0
<b>Total (EUR billions)</b>	<b>1,310</b>		<b>1,189</b>		<b>121</b>		<b>180</b>		<b>4,856</b>

Note: "As a % of national deposits" is to be understood as the percentage share of each item in the total deposits of each country. "As a % of the euro area total" is to be understood as the percentage share of each country in the euro area total for each item.

only a small share of total deposits of the money-holding sector of the euro area (2.5%).

### Structure of loans granted to the non-financial private sector

In the ECB's statistical framework repurchase agreements also fall under the heading "deposits held by the money-holding sector", although, in practice, in some countries they have characteristics similar to those of marketable securities. These instruments are held mainly in Spain (40.8% of the euro area total), Italy (36.1%) and France (20.1%).

Data available at a quarterly frequency allow for a sectoral analysis of loans. A first set of key quarterly data, relating to a breakdown of outstanding loans to non-MFIs by sector, type and original maturity at issue, was published in the April 1999 issue of the ECB Monthly Bulletin (see Table 2.5 in the "Euro area statistics" section).

Table 6 below presents a *sector breakdown* of loans granted by other MFIs, showing separate data for non-financial corporations, households and non-profit institutions serving households. At the euro area level loans to households in March 1999 accounted for 52.4% of the total value of outstanding loans to the non-financial private sector, with the share of loans to non-financial corporations amounting to 46.9%. The share of loans to

non-profit institutions serving households (such as consumers' associations, charities, social and cultural clubs, trade unions and political parties, etc.) was 0.7%.

For households, an additional breakdown by *type of loan* is available. Table 6 shows that loans for house purchase play an important role at the euro area level. In March 1999 they represented around 32% of total loans to the

**Table 6**  
**MFI loans to the non-financial private sector by type**  
(March 1999)

	Non-financial corporations		Households			
	as a % of national loans	as a % of the euro area total	as a % of national loans	as a % of the euro area total	Consumer credit	
					as a % of national loans	as a % of the euro area total
Belgium	50.7	3.8	48.8	3.2	5.1	2.0
Germany	36.6	32.4	62.8	49.8	10.8	51.7
Spain	48.3	8.8	51.2	8.3	9.6	9.3
France	50.8	20.0	48.3	17.0	10.7	22.8
Ireland	46.1	1.0	52.2	1.0	12.7	1.5
Italy	66.7	17.6	32.2	7.6	2.6	3.6
Luxembourg	67.7	1.4	30.3	0.5	1.4	0.2
Netherlands	46.2	7.2	53.8	7.5	3.5	3.0
Austria	69.9	5.0	29.3	1.9	9.7	3.7
Portugal	47.8	1.9	51.9	1.8	6.7	1.4
Finland	40.9	0.9	58.2	1.2	5.9	0.7
<i>Euro area</i>	<i>46.9</i>	<i>100.0</i>	<i>52.4</i>	<i>100.0</i>	<i>8.7</i>	<i>100.0</i>
<b>Total (EUR billions)</b>		<b>2,268.0</b>		<b>2,535.0</b>		<b>421.0</b>

	Households (continued)				Non-profit institutions serving households		Total loans as a % of the euro area total
	Lending for house purchase		Other loans		as a % of national loans	as a % of the euro area total	
	as a % of national loans	as a % of the euro area total	as a % of national loans	as a % of the euro area total			
Belgium	28.1	3.1	15.5	4.6	0.5	2.5	3.5
Germany	38.6	50.2	13.4	47.3	0.6	36.7	41.6
Spain	31.2	8.3	10.4	7.5	0.5	6.3	8.5
France	29.4	17.0	8.2	12.9	0.9	23.8	18.5
Ireland	39.6	1.3	0.0	0.0	1.7	2.4	1.0
Italy	11.4	4.4	18.2	19.2	1.2	19.9	12.4
Luxembourg	9.7	0.3	19.2	1.5	1.9	2.5	0.9
Netherlands	45.5	10.4	4.8	3.0	0.0	0.0	7.3
Austria	13.7	1.4	6.0	1.7	0.8	3.7	3.3
Portugal	39.4	2.3	5.8	0.9	0.3	0.8	1.8
Finland	38.3	1.3	14.0	1.3	0.9	1.3	1.1
<i>Euro area</i>	<i>31.9</i>	<i>100.0</i>	<i>11.7</i>	<i>100.0</i>	<i>0.7</i>	<i>100.0</i>	<i>100.0</i>
<b>Total (EUR billions)</b>		<b>1,546.0</b>		<b>568.0</b>		<b>36.0</b>	<b>4,839.0</b>

Note: "As a % of national loans" is to be understood as the percentage share of each item in the total loans of each country. "As a % of the euro area total" is to be understood as the percentage share of each country in the euro area total for each item.

**Table 7****MFI loans to non-financial corporations and households by maturity at issue***(March 1999)*

	Non-financial corporations (as a percentage of total)			Households					
				Consumer credit (as a percentage of total)			Lending for house purchase (as a percentage of total)		
	up to one year	over one and up to five years	over five years	up to one year	over one and up to five years	over five years	up to one year	over one and up to five years	over five years
Belgium	35	20	45	4	77	18	0	1	99
Germany	29	10	61	20	20	59	1	6	93
Spain	38	22	40	18	42	40	1	3	97
France	29	16	55	12	66	22	0	4	96
Ireland	44	22	34	78	18	4	0	10	90
Italy	51	23	25	31	49	20	2	4	94
Luxembourg	67	11	22	13	83	5	4	2	94
Netherlands	34	8	58	52	28	20	1	5	94
Austria	37	13	50	18	16	66	2	5	93
Portugal	63	18	19	35	53	12	1	2	97
Finland	20	22	58	38	21	41	1	3	96
<i>Euro area</i>	<i>36</i>	<i>15</i>	<i>49</i>	<i>20</i>	<i>36</i>	<i>44</i>	<i>1</i>	<i>5</i>	<i>94</i>

non-financial private sector, while the share of loans classified as consumer credit stood at 8.7%. Other loans to households (mainly for business, educational purposes or to consolidate debt) accounted for 11.7% of total loans to non-financial corporations and households.

There are some significant differences across euro area countries in respect of the relative importance of each type of loan at the national level. The share of MFIs resident in Germany in total euro area loans to households is relatively high, at around 50% for loans of all types, whereas the share of MFIs resident in Germany in loans to non-financial corporations is consequently relatively low. Loans for house purchase are the most important type of loan to households in all euro area countries, with the exception of Italy and Luxembourg, where other loans are more important. Consumer credit is well below the euro area average in Italy, Luxembourg and the Netherlands, while the largest shares of the national total for this type of credit are seen in Germany, France and Ireland.

The breakdown of loans by maturity at issue is also relevant for the transmission mechanism of

monetary policy. The timing of the impact of monetary policy on the economy will depend on the speed with which changes in central bank interest rates are transmitted to bank lending rates. This depends, in turn, on the relative importance of loans with a short-term maturity compared with a long-term maturity as shown in the quarterly MFI data (see Table 7). It also depends on the relative share of fixed rate loans compared with variable rate loans.

As shown in Table 7, at the euro area level almost half of the loans to non-financial corporations have a maturity of over five years. The share of longer-term loans to non-financial corporations is the highest in Germany (61%), followed by the Netherlands (58%), Finland (58%) and France (55%). By contrast, in some countries non-financial corporations largely finance themselves with loans with a maturity at issue of up to one year (Italy, Luxembourg and Portugal).

With regard to households, the share of consumer credit with a maturity of more than five years is 44% (see Table 7), whereas 94% of the outstanding amount of MFI loans

granted for house purchase (which include loans for building and home improvement) falls within the same maturity band. While there are some differences in the pattern of consumer credit across euro area countries, structures for lending for house purchase are

relatively uniform, as in all cases at least 90% of lending for house purchase has an initial maturity of more than five years. However, as noted above, there may be cross-country differences in the share of lending for house purchase linked to variable interest rates.

## 5 Concluding remarks

This article has provided a description of both the aggregated and the consolidated balance sheets of the MFI sector in early 1999. The analysis has shown that these balance sheets are a rich source of information for monetary analyses at the euro area level. In addition, this article has demonstrated that there were important similarities, but also a number of differences, with regard to some key features of the financial structure of the 11 euro area Member States at the start of Stage Three of Economic and Monetary Union.

The main items of the assets and liabilities as seen in the aggregated balance sheet of the euro area MFIs are loans and deposits. Data for March 1999 show that the shares of each country for these two items (including inter-MFI positions) are similar to those of each country in the total assets/liabilities of the euro area MFIs, excluding the Eurosystem.

As regards other assets and liabilities, some cross-country differences are noticeable. Debt securities issued by MFIs are particularly relevant in the case of German MFIs and of relatively low importance for MFIs resident in France and Spain. Money market securities are mostly concentrated in France, but MFIs resident in Luxembourg also issue and hold a significant amount, especially when seen in the light of the small size of the country's economy.

Looking more closely at the maturity structure of the deposits of the money-holding sector, deposits with an agreed maturity are the most common at the euro area level. Overnight deposits and deposits redeemable at notice also account for significant shares of the euro area total. More

than half of all deposits with an agreed maturity are of a longer-term nature (i.e. with a maturity of over two years). By contrast, deposits redeemable at notice are mostly of a short-term nature.

The maturity structure of the deposits of the money-holding sector shows some cross-country differences which are more marked for specific deposit maturities. For example, this is the case for deposits redeemable at notice, the use of which is not widespread across the euro area. Deposits redeemable at a period of notice of over three months are held almost exclusively in Germany, but these represent only a relatively small share of the total amount of deposits of the euro area money-holding sector. In addition, deposits with an agreed maturity of over two years are mostly concentrated in Germany and France and repurchase agreements are important mainly in Spain, France and Italy.

If one considers a breakdown of data on loans by sector, type and maturity at issue, it is noticeable that loans to households represent the largest component of loans to the non-financial private sector in the euro area. With regard to loans to households, lending for house purchase has the largest share in all euro area countries, with the exception of Italy and Luxembourg. Finally, around half of all loans to non-financial corporations and 44% of consumer credit are characterised by a maturity at issue of over five years. However, these shares differ considerably across countries. By contrast, in all euro area countries a very large proportion of loans for house purchase have a maturity at issue of over five years.