



EUROPEAN CENTRAL BANK

28 August 2006

**TRANSMISSION EMBARGO UNTIL
10.00 a.m. ECB time (CET) on Monday 28 August 2006**

PRESS RELEASE

**MONETARY DEVELOPMENTS IN THE EURO AREA:
JULY 2006**

The annual rate of growth of M3 decreased to 7.8% in July 2006, from 8.5% in June 2006.¹ The three-month average of the annual growth rates of M3 over the period May 2006 - July 2006 declined to 8.3%, from 8.7% in the period April 2006 - June 2006.

12-month percentage changes; adjusted for seasonal and end-of-month calendar effects	MAY 2006	JUNE 2006	JULY 2006	MAY 2006 - JULY 2006 AVERAGE
M3	8.8	8.5	7.8	8.3
M1	10.2	9.3	7.4	9.0
Loans to private sector	11.4	11.0	11.1	11.2

Regarding the main components of M3, the annual rate of growth of M1 decreased to 7.4% in July 2006, from 9.3% in June. The annual rate of growth of short-term deposits other than overnight deposits increased to 9.3% in July, compared with 8.8% in the previous month. The annual rate of growth of marketable instruments increased to 5.0% in July, from 4.8% in June.

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 July 2006, after 9.1% in June. The annual rate of growth of credit extended to general government decreased to -0.9% in July, from 0.1% in June, while the annual growth of credit extended to the private sector increased to 11.8% in July, from 11.5% in June. Among the components of the latter, the annual rate of growth of loans to the private sector stood at 11.1% in July, compared with 11.0% in the previous month. The annual growth rate

¹ 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.

of loans to non-financial corporations increased to 11.8% in July, from 11.4% in June.² The annual growth rate of loans to households decreased to 9.4% in July, from 9.6% in the previous month. The annual rate of growth of lending for house purchase decreased to 11.4% in July, from 11.8% in June. The annual rate of growth of consumer credit increased to 8.6% in July, from 8.3% in June, while the annual growth rate of other lending to households increased to 2.3% in July, from 2.1% in the previous month. Finally, the annual rate of growth of loans to non-monetary financial intermediaries (except insurance corporations and pension funds) decreased to 15.6% in July, from 16.2% in the previous month.

Over the 12 months up to July 2006, the net external asset position of the euro area MFI sector rose by EUR 5 billion, compared with a rise of EUR 10 billion over the 12 months up to June. The annual rate of growth of longer-term financial liabilities of the MFI sector increased to 8.7% in July, from 8.1% in June.

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 August, September, October and November 2006 is scheduled to take place at 10 am on 27 September, 27 October, 28 November and 29 December 2006 respectively.*
- *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.int/>) in the "Statistics" section under "Data services" and then "Latest monetary, financial markets and balance of payments statistics". In addition, data on a number of breakdowns of deposits, loans and holdings of securities, together with longer time series for principal monetary aggregates (start date: January 1970) and methodological notes on the monetary statistics concepts and seasonal adjustment procedures can be found in the same section under "Money, banking and financial markets" and then "Monetary statistics".*

² 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.

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