

# Economic and Finance statistics

## Macro-level statistics on banks

Antonio Colangelo

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EUROPEAN CENTRAL BANK

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# Macro-level statistics on banks

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22/06/2022

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# Overview

- 1 The transmission mechanism of monetary policy
- 2 Banks' balance sheet statistics
- 3 Banks' interest rate statistics





# 1.

## The transmission mechanism of monetary policy

# Price stability is the primary objective of the ESCB

- Quantitative definition of the Governing Council in 1998  
“Price stability shall be defined as a year-on-year increase in the **Harmonised Index of Consumer Prices** (HICP) for the euro area of **below 2%**. Price stability is to be maintained over the medium term”
- Following an evaluation of its monetary policy strategy in 2003, the Governing Council clarified that, within the definition above, it aims to maintain inflation rates “**below, but close, 2% over the medium term**”

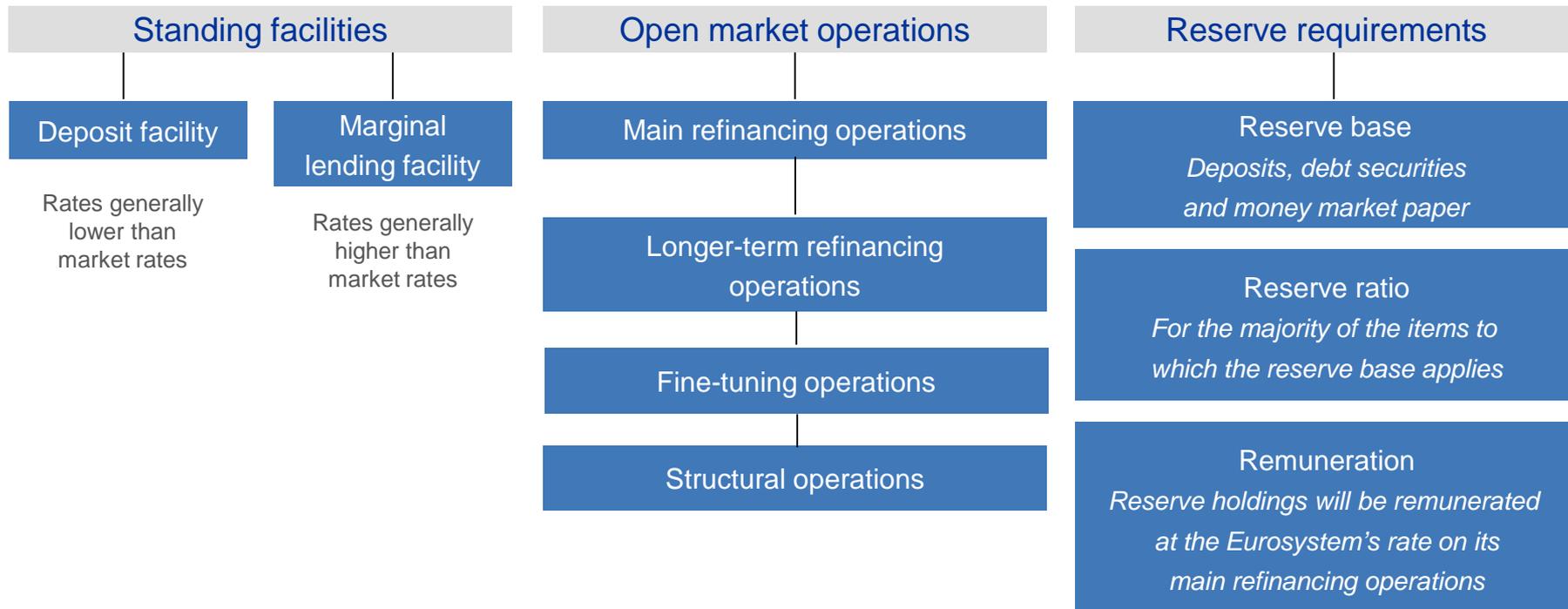


# The Eurosystem is the monopoly supplier of the monetary base

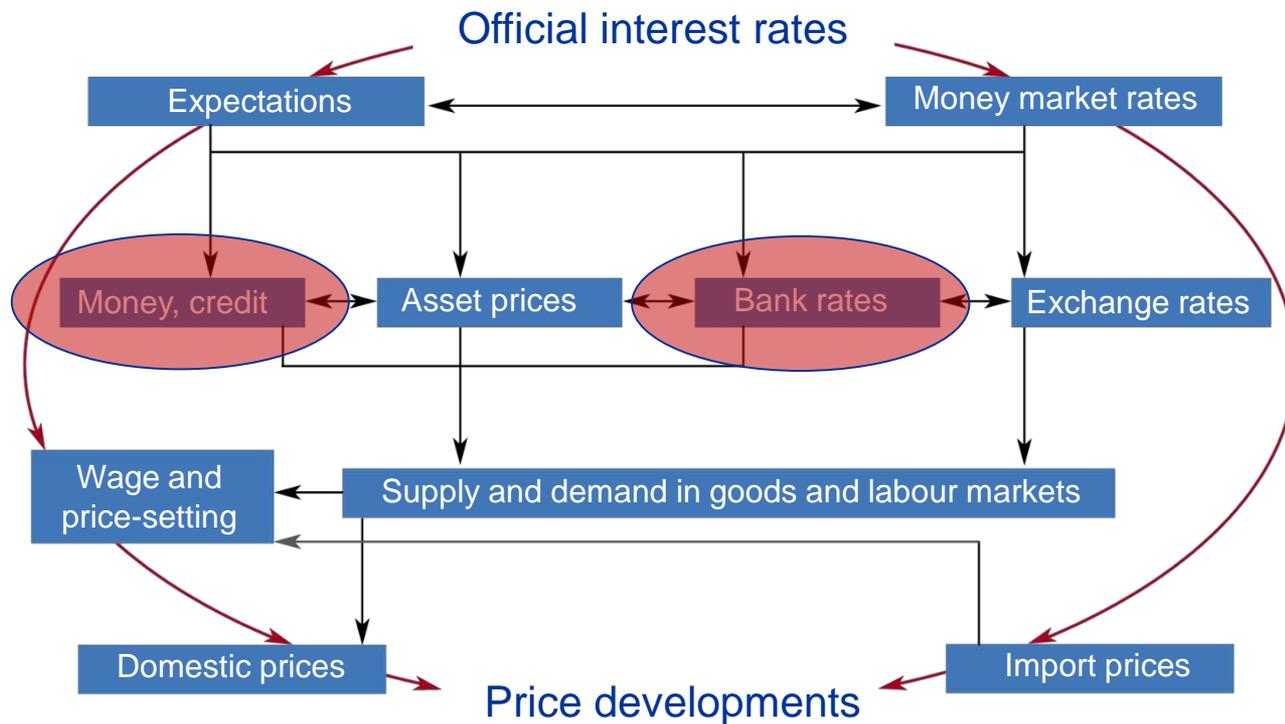
- The monetary base refers to the issuance of banknotes and bank reserves
- By virtue of this monopoly, it can influence money market conditions and thus economic developments in the short run
  - This process is known as the **transmission mechanism of monetary policy**
- However, in the long run *money* is neutral
  - After all adjustments have worked through, a change in the quantity of money will only be reflected in a change in prices
    - ⇒ *inflation is a monetary phenomenon*



# The monetary policy instruments



# The transmission mechanism: How interest rates affect prices



# The statistical basis of monetary analysis

*Nothing is more important for monetary policy than good statistics*

Lamfalussy, 1996

- Monetary and financial statistics
  - banks' balance sheet and interest rate statistics
  - balance sheet statistics of other financial intermediaries
  - financial markets data
- Surveys
  - bank lending survey
  - households finance and consumption





# 2.

## Banks' balance sheet statistics

# ECB President Lagarde at press conference of 22 April 2021

*“Turning to the **monetary analysis**, the annual growth rate of **broad money (M3)** stood at 12.3 per cent in February 2021, after 12.5 per cent in January. Strong money growth continued to be supported by the ongoing **asset purchases by the Eurosystem**, as the largest source of money creation. The **narrow monetary aggregate M1** has remained the main contributor to broad money growth, consistent with a still heightened **preference for liquidity** in the money-holding sector and a low opportunity cost of holding the most liquid forms of money.”*

*“The monthly **lending flow to non-financial corporations** showed a modest pick-up in February compared with the previous month. This was also reflected in a slightly higher annual growth rate of 7.1 per cent, after 6.9 per cent in January. Monthly **lending flows to households** continued to be solid with the annual growth rate of loans to households remaining unchanged at 3.0 per cent in February.”*



# What is money? (1/2)

Any definition of money is based on three crucial aspects

- **Identification of monetary instruments**
  - Financial assets that for their characteristics are – to a certain degree – **substitutes of currency**
  - The nature and characteristics of financial assets as **means of payment** change over time and differ across economic areas, hence the different definition of monetary instruments across central banks
  - Financial instruments also differ by **their degree of “liquidity”**, i.e. their degree of substitutability to banknotes in circulation, hence the definition (and monitoring) of several monetary aggregates by central banks



# What is money? (2/2)

- Definition of the money-issuing sector
  - Financial institutions that issue financial assets that are included in the set of monetary instruments
    - ⇒ **Monetary Financial Institutions** (MFIs, mainly banks)
- Definition of the money-holding sector
  - Resident entities that hold monetary instruments and whose money disposal is of interest for the transmission mechanism from interest rates to prices

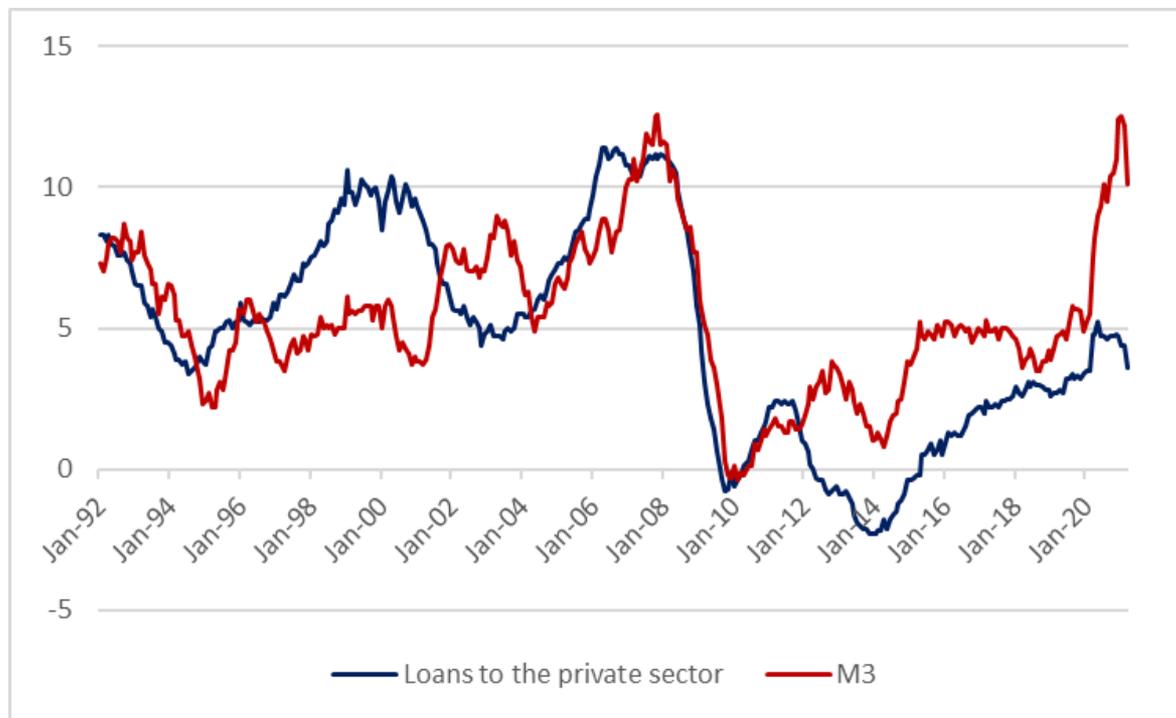


# How and why to collect these statistics?

- Collect **balance sheet reports** from individual MFIs
  - Detailed information by instrument of assets and liabilities (with corresponding maturity), and by sector and residency of the counterparties
- Core output statistics:
  - (Euro area) **monetary aggregates** and **counterparts to money**
  - (Euro area) **bank lending** to (euro area) resident non-financial corporations and households / families



# Annual growth rates of M3 and loans to the private sector



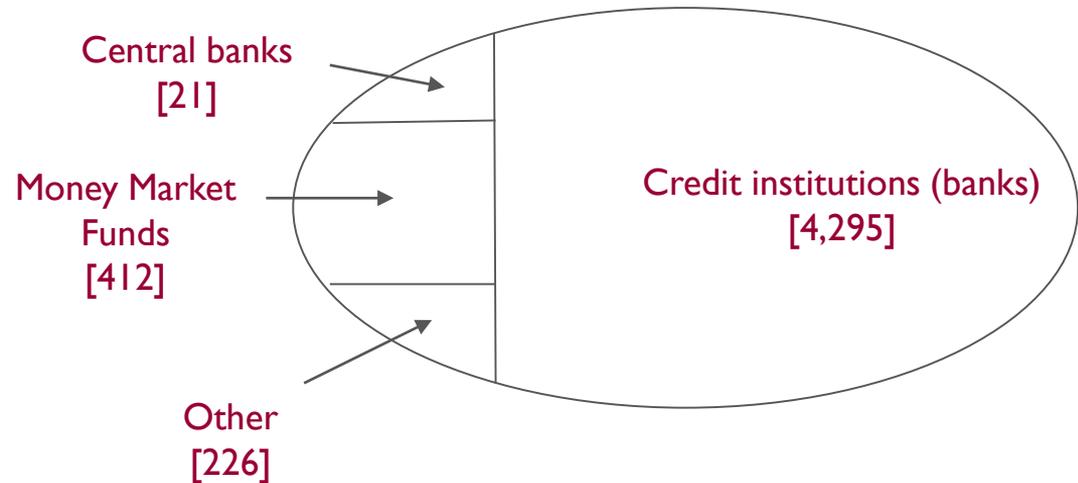
# Monetary financial institutions (1/2)

- Central banks
- Resident **credit institutions** as defined in EU law
  - *an undertaking the business of which is to receive deposits or other repayable funds from the public and to grant credits for its own account*
- **Deposit-taking corporations other than credit institutions**, a small group of institutions whose business is
  - i. to receive deposits and/or close substitutes for deposits from entities other than MFIs
  - ii. for their own account to grant credits and/or make investments in securities
- **Money market funds**



# Monetary financial institutions (2/2)

- Credit unions/ cooperatives are normally credit institutions
- The ownership of the MFI (public, non-public, domestic, foreign) is no relevant criterion
- New definition will be adopted from June 2021



*[Data as of April 2021]*

## Why a list of MFIs?

- Ensure that the (potential) statistical reporting population is complete and homogeneous
- Derive a comprehensive and consistent list of institutions subject to – or exempt from – the **Eurosystem's minimum reserve requirements**
- Derive a comprehensive and consistent list of **counterparties eligible for Eurosystem operations**
- Allow MFIs to correctly identify their business with other MFIs as counterparties (classification of interbank business for statistical purposes) ⇒ **see also the dedicated lecture**



# The statistical framework of monetary analysis

- **Type of data:** end-period stocks, transactions and growth rates
- **Frequency:**
  - Monthly for main balance sheet series
  - Quarterly for more detailed breakdowns
- **Timeliness:** data reported by NCBs to ECB on
  - 15th working day after end of reference month
  - 28th working day after end of reference quarter

*At current stage, NCBs collect the data through their national collection frameworks!*



# Main dimensions of interest for the data collection

- **Instrument category:** *cash, deposits, loans, debt securities, equity, derivatives for assets and liabilities*
- **Residency of counterparty:** *domestic / other euro area / rest of the world*
- **Sector of the counterparty:** *MFIs / government / other financial institutions / insurance corporations and pension funds/ non-financial corporations / households*
- **Maturity bands:** *original maturity, period of notice*
- **Currency:** *euro / other currencies*



# Why to collect these breakdowns?

- **Instruments category**
  - Identify M3 components and counterparts to money
- **Residency of counterparty**
  - Euro area monetary aggregates and bank lending to euro area residents
- **Sector of the counterparty**
  - Separately identify the money issuing sector from the money holding sector
- **Maturity bands:**
  - Identify short-term ( $\leq 2$  years) vs long-term ( $>2$  years) instruments



# Residency of the counterparty

## 1. Domestic residency concept

“resident”

Domestic residents

“non-resident”

Residents of other euro area  
member states

Residents of Row  
(outside euro area)

## 2. Euro area residency concept

“resident”

Domestic residents

Residents of other euro area  
member states

“non-resident”

Residents of Row  
(outside euro area)

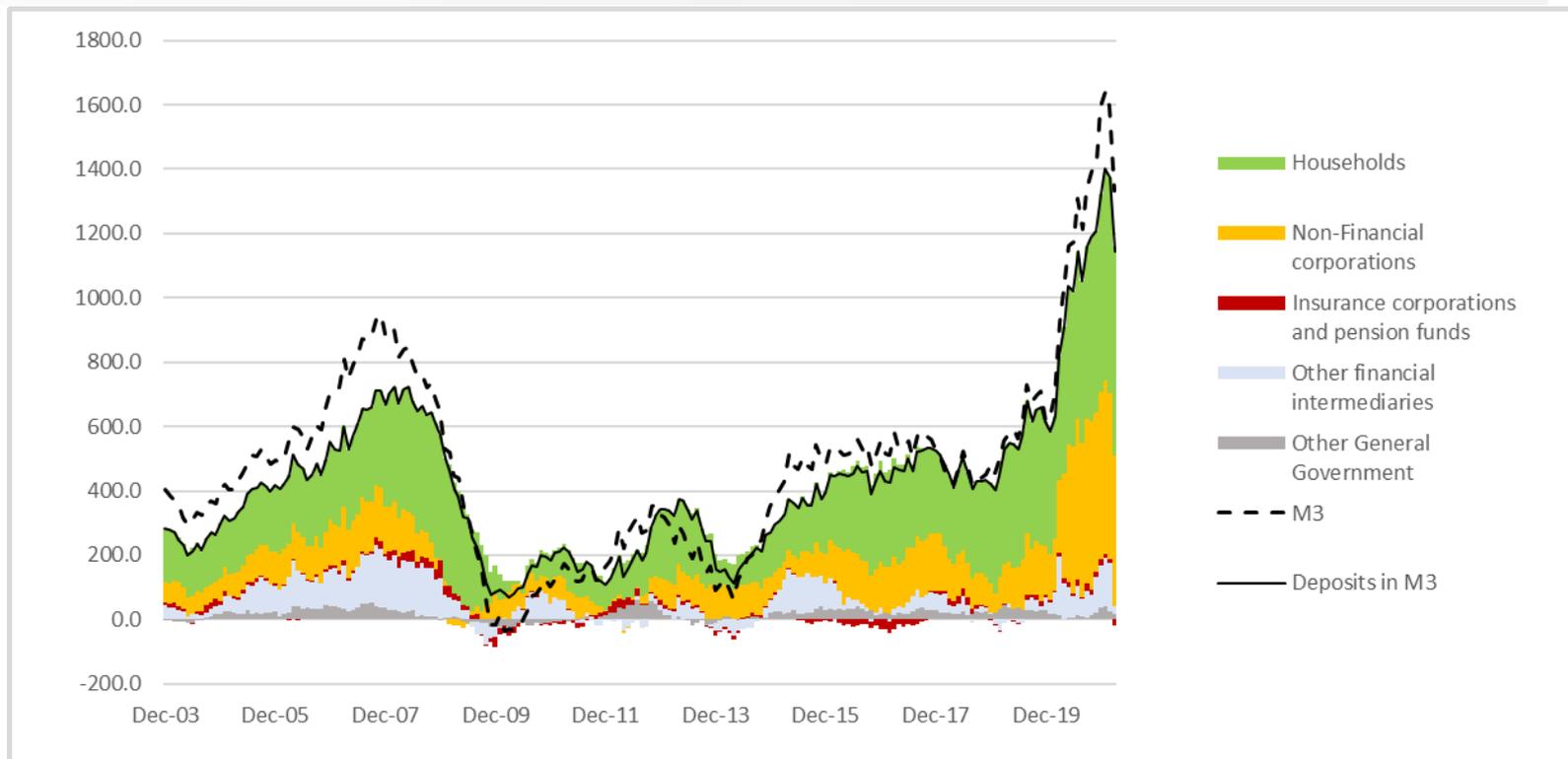


# Breakdowns by area of residency and sector of the counterparty

COUNTERPARTIES	
ASSETS	LIABILITIES
A <b>Domestic residents</b>	A <b>Domestic residents</b>
B <b>Residents of other euro area Member States</b>	B <b>Residents of other euro area Member States</b>
MFIs	MFIs
Central Bank	Central Bank
Other deposit-taking corporations	Other deposit-taking corporations
	<b>Credit institutions</b>
General government	General government
Central government	Central government
Other general government	Other general government
State government	State government
Local government	Local government
Social security funds	Social security funds
Other resident sectors	Other resident sectors
Financial corporations except MFIs and ICPFs	Financial corporations except MFIs and ICPFs
Non-MMF investment funds	Non-MMF investment funds
Other financial intermediaries	Other financial intermediaries
CCPs	CCPs
FVCs	FVCs
Insurance corporations	Insurance corporations
Pension funds	Pension funds
Non-financial corporations	Non-financial corporations
Households	Households
Sole proprietors	
C <b>Rest of the world</b>	C <b>Rest of the world</b>
Banks	Banks
Non-banks	Non-banks
General government	General government
Other resident sectors	Other resident sectors
D <b>Not allocated</b>	D <b>Not allocated</b>



# Decomposition of the annual flows of deposits included in M3 by sector (annual transactions, EUR billion)



# Breakdowns by instrument and maturity

INSTRUMENT AND MATURITY CATEGORIES	
ASSETS	LIABILITIES
1 <b>Cash</b>	8 <b>Currency in circulation</b>
2 <b>Loans</b>	9 <b>Deposits</b>
up to 1 year	Overnight
over 1 and up to 5 years	With agreed maturity
over 5 years	up to 1 year
3 <b>Debt securities held</b>	over 1 and up to 2 years
up to 1 year	over 2 years
over 1 and up to 2 years	Redeemable at notice
over 2 years	up to 3 months
4 <b>Equity</b>	over 3 months
5 <b>Investment fund shares/units</b>	Repos
MMF shares/units	10 <b>MMFs shares/units</b>
Non-MMF investment fund shares/units	11 <b>Debt securities issued</b>
6 <b>Non-financial assets (including fixed assets)</b>	up to 1 year
7 <b>Remaining assets</b>	over 1 and up to 2 years
	over 2 years
	12 <b>Capital and reserves</b>
	13 <b>Remaining liabilities</b>



# Definition of the euro area monetary aggregates

	<b>M1</b>	<b>M2</b>	<b>M3</b>
Currency in circulation	x	x	x
Overnight deposits	x	x	x
Deposits with an agreed maturity of up to 2 years		x	x
Deposits redeemable at notice of up to 3 months		x	x
Repos			x
MMF Share/units			x
Debt securities with a maturity of up to 2 years			x

*An all currency concept is being followed, i.e. instruments in foreign currency are included*

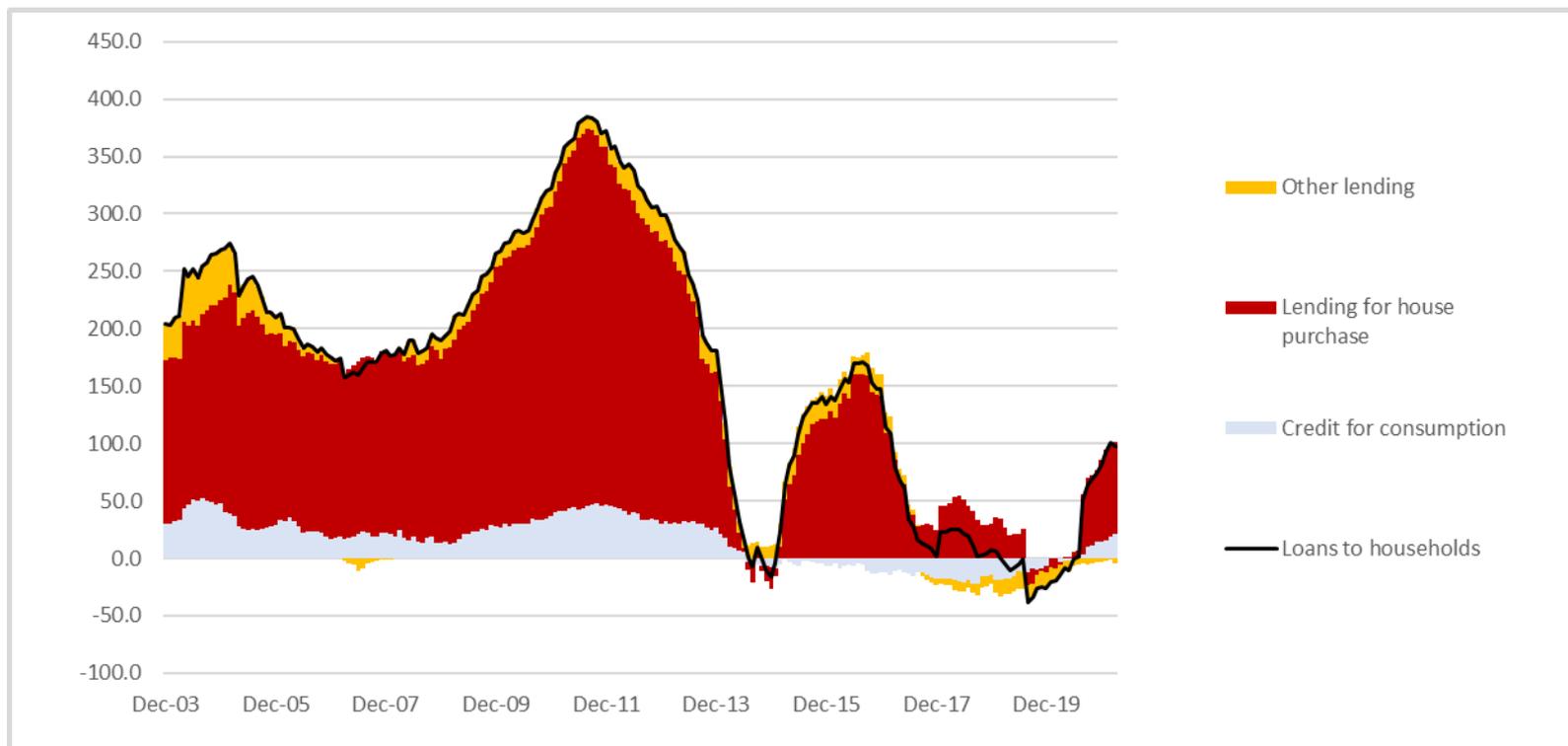


# MFI loans to households

- Breakdown by original maturity and currency
- Breakdown by purpose of the loan
  - Consumer credit
  - Loans for house purchase
  - Other lending
    - ⇒ of which: loans to sole proprietors and unincorporated partnerships



# Decomposition of the annual flows of loans to households (annual transactions, EUR billion)



## Assets:

- Loans to euro area residents
- Holdings of securities other than shares issued by euro area residents
- Holdings of shares/other equity issued by other euro area residents
- External assets
- Fixed assets
- Reverse repos with CCPs
- Remaining assets

M3 =

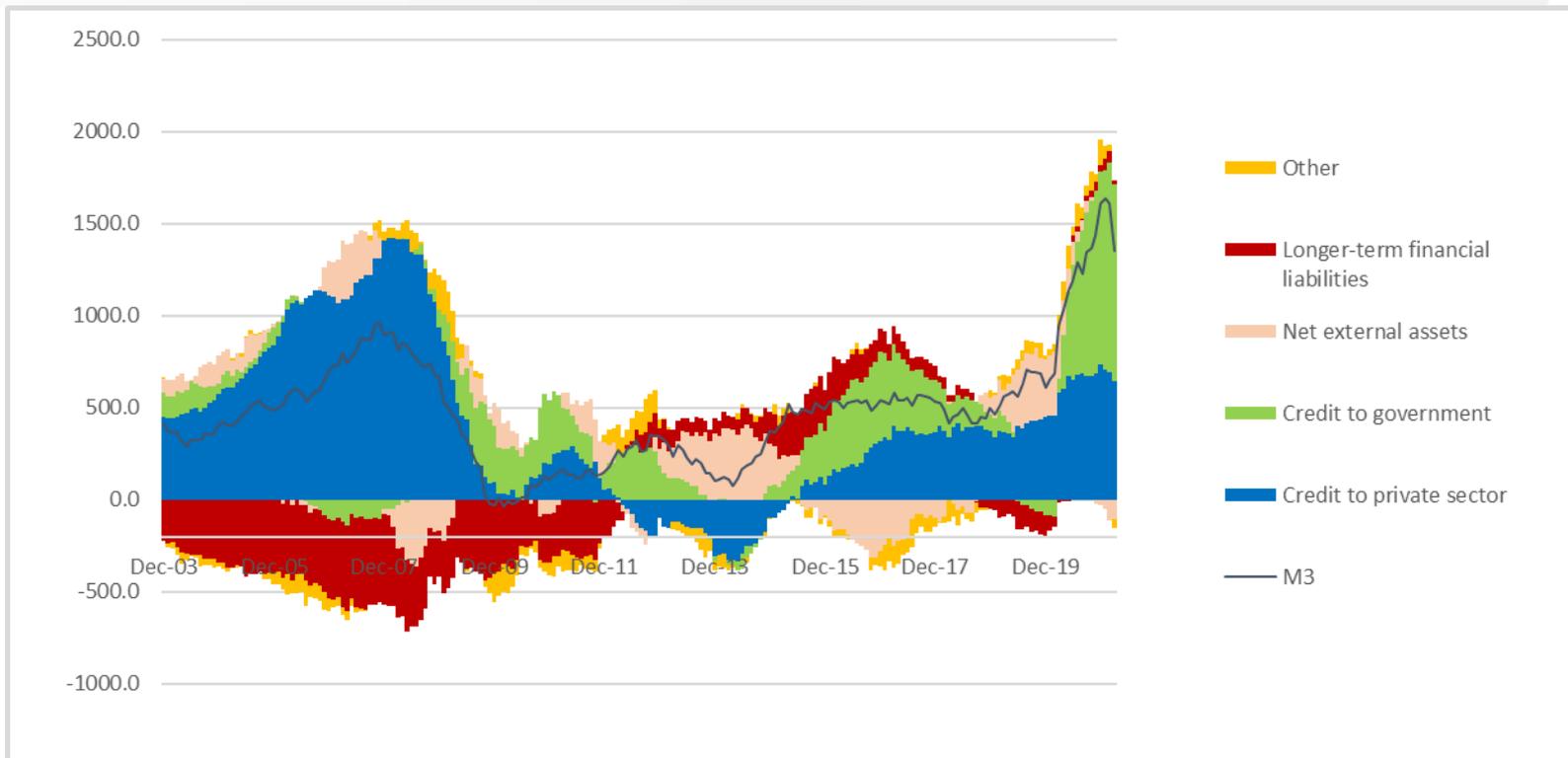
Credit + NEA – CGD – LTFL + OA

## Liabilities:

- Currency in circulation
- Short-term deposits of other general government/ other euro area residents
- Money market fund shares/units
- Short term debt securities issued
- Deposits of central government
- Long-term debt securities
- Long term deposits of other general government/ other euro area residents
- Capital and reserves
- External liabilities
- Remaining liabilities
- Repos with CCPs
- Excess of inter-MFI liabilities



# M3 and counterparts (annual transactions, EUR billion)





# 3.

## Banks' interest rate statistics

# What are MFI interest rate statistics?

- Interest rates and corresponding business volumes
  - New business and outstanding amounts
- Applied by MFIs (except central banks and MMFs) resident in the reporting country
- To euro denominated deposits and loans
- Vis-à-vis households and non-financial corporations resident in the euro area



# What are MFI interest rate statistics?

## Outstanding amounts

Defined as the stock of all deposits placed by HH and NFC with the reporting agent and the stock of all loans granted by the reporting agent to HH and NFC.

## New business:

Defined as any agreement between the HH or the NFC and the reporting agent.

It comprises:

- All financial contracts, that specify for the first time the interest rate of the deposit or loan, and;
- All **new negotiations** of existing deposit and loan contracts, in which there is an **active involvement** of the HH or NFC.



# Annualised agreed rates

- Negotiated individually between the bank and its customer ≠ advertised nominal rates
- Converted to an annual basis and quoted in percentages per annum
- Calculated from the point of view of the reporting agent
  - recorded on a **gross basis before taxes**
  - do not reflect subsidies granted to customers by third parties, but **include favourable rates** that reporting agents may apply to their employees



# Main dimensions of interest for the data collection

## Counterpart sectors

- Households
- Non-financial corporations
- Sole proprietors

## Purpose of HH loans

- For consumption
- For house purchase
- For other purposes

## Collateralisation

- Total
- With collateral and/or guarantees

## Business coverage

- Outstanding amounts
- New business
- Renegotiations
- **Pure new loans**

## Size of corporate loans

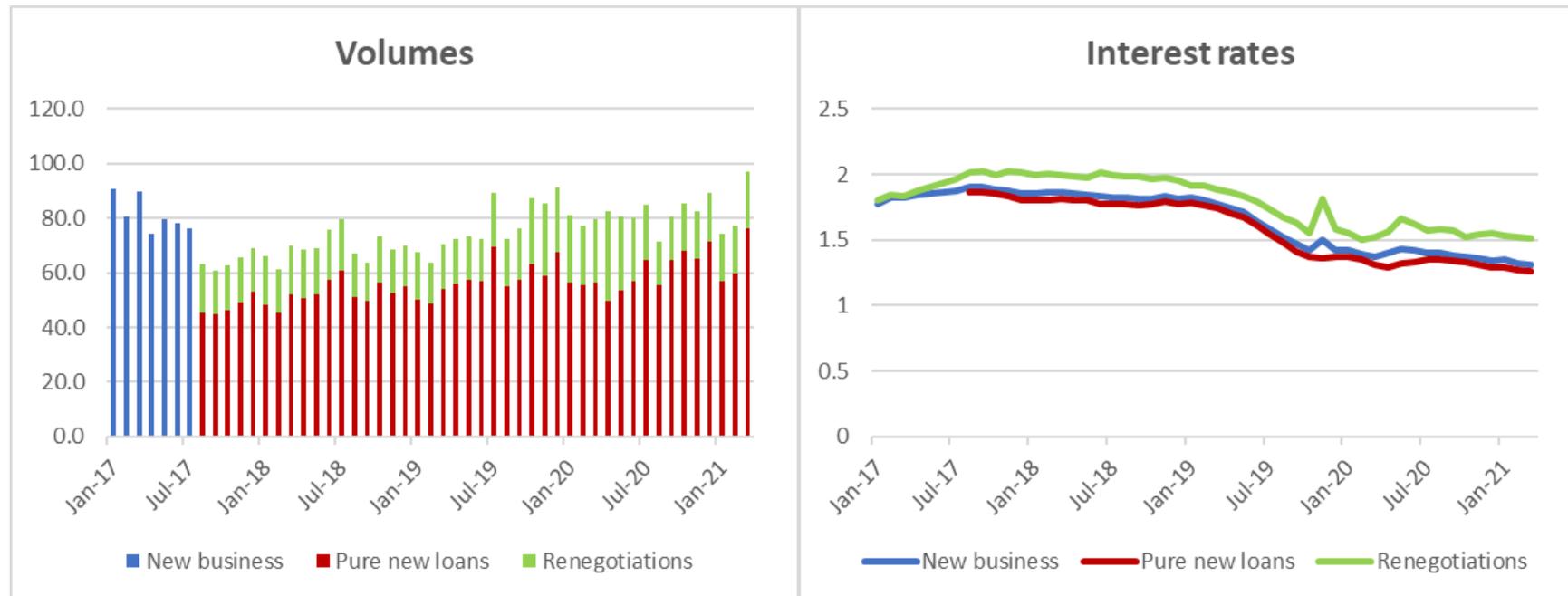
- Up to EUR 0.25 million
- Over EUR 0.25 and up to EUR 1 million
- Over EUR one million

## Maturity

- Original/**residual maturity**
- Initial period of interest rate fixation
- Period of notice



# Euro area MFI loans to households for house purchase – new business



**Thank you for  
your kind  
attention!**



Thank you

# Some background reading (1/2)

The monetary policy of the ECB (Third edition, May 2011)

<http://www.ecb.europa.eu/pub/pdf/other/monetarypolicy2011en.pdf?806851948acaa66136356457a4641a6c>

The European Central Bank - History, role and functions (Second edition, 2006)

<http://www.ecb.europa.eu/pub/pdf/other/ecbhistoryrolefunctions2006en.pdf?b06761d1bdc5f8356cdadd57f5c5135>

The implementation of monetary policy in the euro area: General Documentation on Eurosystem monetary policy instruments and procedures

<http://www.ecb.europa.eu/pub/pdf/other/gendoc201109en.pdf?358de49f8dbf53e9683f43472922c796>

# Some background reading (2/2)

Price stability : Why is it important for you?

[http://www.ecb.europa.eu/pub/pdf/other/price\\_stability\\_web\\_2011en.pdf?56c515d9676ca67f83fa5d85485fc7ce](http://www.ecb.europa.eu/pub/pdf/other/price_stability_web_2011en.pdf?56c515d9676ca67f83fa5d85485fc7ce)

ECB statistics: an overview (April 2010)

[http://www.ecb.europa.eu/pub/pdf/other/Statistics\\_a\\_brief\\_overview\\_2010.pdf??867732e449954993355ba325553336b6](http://www.ecb.europa.eu/pub/pdf/other/Statistics_a_brief_overview_2010.pdf??867732e449954993355ba325553336b6)

Manual on MFI balance sheet statistics (January 2019)

<https://www.ecb.europa.eu/pub/pdf/other/ecb.manualmfibalancesheetstatistics201901~d2ebf72987.en.pdf?7387f911ffbc48fa536a5e61bbd2ce49>

Manual on MFI interest rate statistics (January 2017)

[https://www.ecb.europa.eu/pub/pdf/other/manualonmfiinterestratestatistics\\_201701.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/manualonmfiinterestratestatistics_201701.en.pdf)