

27 July 2023

## Money and the financing of the economy • June 2023

### Arbitrages inside M3 in favour of highest remunerated deposits and money market funds continue

- In June 2023, domestic resources of monetary financial institutions (MFIs) included in M3 fell by -0.5% year-on-year (down from +0.4% in May - see table 2). **Arbitrages in favour of remunerated deposits (M2-M1) and money market funds (MMFs) continued** (+€13.2 bn, after +€10.3 bn in May for interest-bearing deposits and +€3.5 bn after +€4.8 bn in May for MMF shares – seasonally adjusted data-), at the expense of overnight deposits, albeit for a smaller amount than in the previous month (-€14.9 bn in June, after -€23.1 bn).
- **Annual growth in the highest-yielding deposits (M2 - M1) remained buoyant (+€13.2 bn, i.e. +20.7% in June** after +21.4% in May, see table 2), still driven by strong growth in term deposits with an agreed maturity of up to 2 years (+€10.9 bn in June) and, to a lesser extent, savings accounts (+€2.3 bn).
- After taking into account gross monetary liabilities and assets vis-à-vis the rest of the eurozone, **the growth rate of the French component of the eurozone monetary aggregate M3 stood at +0.4% in June**, after +0.8% in May.
- **MFI lending to the private sector** (see table 3) **continued to grow, but at a more moderate pace** (+2.2% year-on-year, after +3.7% in May), mainly due to a further decline in lending to the financial sector (-19.7% in June). Growth in outstanding loans to households and nonfinancial companies remained significant at +3.2% and +4.4% year-on-year in June.

***Warning:** The flows and outstanding amounts of overnight deposits were exceptionally revised between June 2017 and January 2023 due to a technical reclassification of one entity, from "credit institution" to "financial customer", a sector that belongs to money holders. This change impacts the annual growth rate of the overnight deposits (by -3.5 percentage points in June 2023), of resident resources included in M3 (-2.2 percentage points in June 2023) and of the French component of the euro area monetary aggregate M3 (-2.1 percentage points in June 2023).*

**Table 1 - France : M3 and the financing of the economy**

June 2023 (12-month cumulative flows)			
<b>Total assets</b>	<b>13.3</b>	<b>Total liabilities</b>	<b>13.3</b>
<b>Domestic General Government financing</b>	<b>2.5</b>	<b>Resources included in M3</b>	<b>-14.7</b>
Of which loans	-2.5	M1	-255.2
Of which securities	5.0	M2 - M1	201.9
<b>Domestic private sector financing</b>	<b>79.5</b>	M3 - M2	38.6
Of which loans to households	53.6	<b>Long-term resources (a)</b>	<b>28.0</b>
Of which loans to NFCs	56.4		
<b>Net external assets</b>	<b>-30.5</b>		
<b>Remaining counterparts (b)</b>	<b>-38.1</b>		

(a) Deposits over 2 years, debt securities issued, capital and reserves, central government deposits.

(b) Net of inter-MFI assets and liabilities, net of other balance sheet items (financial derivatives, accounting lags, fixed assets), currency in circulation, gold, SDR.

Source and production: Banque de France – Direction générale de la statistique, des études et de l'international

Table 2 - France : monetary resources of monetary financial institutions

Decomposition of French component of euro-area M3	Outstandings (in € Bn)		Annual growth rate (in %)		Flows (en € Bn) (a)	
	Jun-23	May-23	Jun-23	May-23	Jun-23	May-23
	Overnight deposits	1,362	-14.9	-15.8	-23.1	-14.9
<b>= Domestic resources included in M1</b>	<b>1,362</b>	<b>-14.9</b>	<b>-15.8</b>	<b>-23.1</b>	<b>-14.9</b>	<b>-23.1</b>
Term deposits with agreed maturity of up to 2 years	282	140.1	122.7	7.9	10.9	7.9
+ Saving accounts	898	5.9	5.7	2.5	2.3	2.5
<b>= Domestic resources included in M2-M1</b>	<b>1,180</b>	<b>21.4</b>	<b>20.7</b>	<b>10.3</b>	<b>13.2</b>	<b>10.3</b>
MMF shares	277	15.2	15.4	4.8	3.5	4.8
+ Repurchase agreements	19	-55.2	-54.5	2.0	-0.6	2.0
+ Debt securities issued with a maturity of up to 2 years	48	117.9	68.7	1.2	-2.2	1.2
<b>= Domestic resources included in M3-M2</b>	<b>343</b>	<b>15.7</b>	<b>12.7</b>	<b>8.0</b>	<b>0.7</b>	<b>8.0</b>
<b>Sum of domestic resources included in M3</b>	<b>2,885</b>	<b>0.4</b>	<b>-0.5</b>	<b>-4.7</b>	<b>-0.9</b>	<b>-4.7</b>
+ Monetary external liabilities vis-à-vis other monetary union members	360	10.4	19.0	4.4	16.1	4.4
- Monetary external assets vis-à-vis other monetary union members	89	22.9	43.8	1.8	4.6	1.8
<b>= French component of euro area monetary aggregate M3 (b)</b>	<b>3,156</b>	<b>0.8</b>	<b>0.4</b>	<b>-2.2</b>	<b>10.6</b>	<b>-2.2</b>

(a) Seasonally-adjusted data.

(b) The flows and outstanding amounts of overnight deposits were exceptionally revised between June 2017 and January 2023 due to a technical reclassification of one entity, from "credit institution" to "financial customer", a sector that belongs to money holders. This change impacts the annual growth rate of the overnight deposits (by -3.5 percentage points in June 2023), of resident resources included in M3 (-2.2 percentage points in June 2023) and of the French component of the euro area monetary aggregate M3 (-2.1 percentage points in June 2023).

Source and production: Banque de France – Direction générale de la statistique, des études et de l'international

Table 3 – Counterparts of domestic resources included in M3

ASSETS	Outstandings (in € Bn)		Annual growth rate (in %)		Flows (en € Bn) (a)	
	Jun-23	May-23	Jun-23	May-23	Jun-23	May-23
	<b>Domestic General government financing (1)</b>	<b>1,162</b>	<b>-0.2</b>	<b>0.2</b>	<b>-18.4</b>	<b>2.9</b>
Of which loans	209	-1.1	-1.2	0.1	-0.2	0.1
Of which securities	952	0.0	0.5	-18.6	3.2	-18.6
<b>Domestic private sector financing (2)</b>	<b>3,655</b>	<b>3.7</b>	<b>2.2</b>	<b>16.2</b>	<b>-15.5</b>	<b>16.2</b>
Of which loans to households	1,728	3.6	3.2	2.8	1.4	2.8
Of which loans to NFCs	1,336	5.2	4.4	1.7	0.2	1.7
<b>Net external assets (3)</b>	<b>282</b>	<b>-16.0</b>	<b>-15.8</b>	<b>-12.6</b>	<b>5.6</b>	<b>-12.6</b>
<b>Remaining counterparts (b) (4)</b>	<b>308</b>	<b>-16.6</b>	<b>-12.3</b>	<b>8.8</b>	<b>9.3</b>	<b>8.8</b>
LIABILITIES						
<b>Long-term resources (c) (5)</b>	<b>2,522</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>	<b>3.2</b>	<b>1.3</b>
<b>Domestic resources included in M3 (1)+(2)+(3)+(4)-(5)</b>	<b>2,885</b>	<b>0.4</b>	<b>-0.5</b>	<b>-4.7</b>	<b>-0.9</b>	<b>-4.7</b>

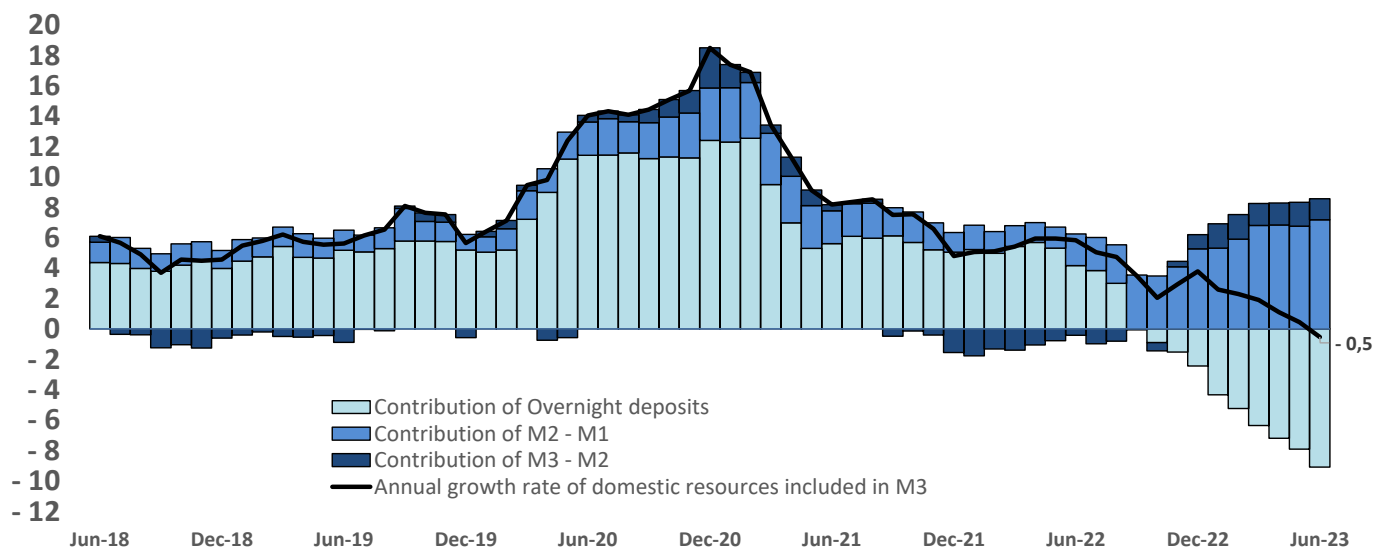
(a) Seasonally-adjusted data.

(b) Net of inter-MFI assets and liabilities, net of other balance sheet items (financial derivatives, accounting lags, fixed assets), currency in circulation, gold, SDR.

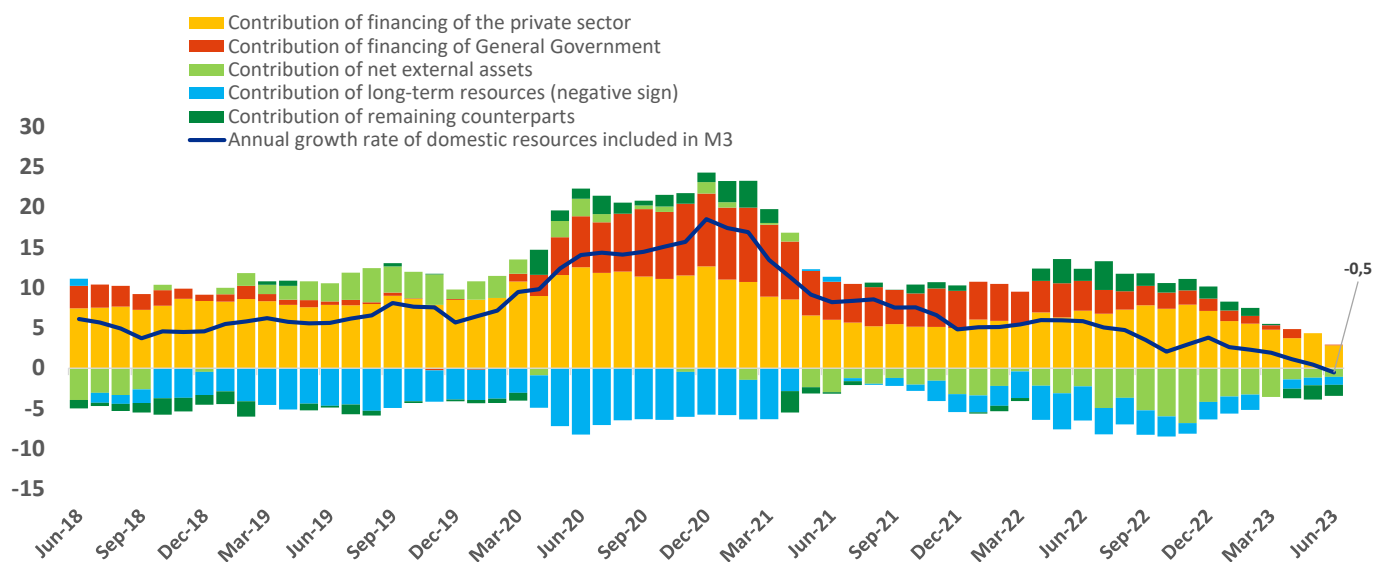
(c) Deposits over 2 years, debt securities issued, capital and reserves, central government deposits.



## Contributions to the growth of the domestic resources included in M3



## Contribution of monetary counterparts to growth of the domestic resources included in M3



Source and production: Banque de France – Direction générale de la statistique, des études et de l'international

## Additional information

**Resources included in M3** (excluding banknotes and coins) consist of investments with a maturity of up to two years held by money-holding agents (households, non-financial corporations, General government excluding central government, insurance companies, pension funds, non-monetary mutual funds, investment firms and special purpose vehicles, for the most part) with monetary financial institutions (MFI).

**Monetary financial institutions** (MFIs) include credit institutions, finance companies, the *Caisse des dépôts et consignations*, money market funds and the *Banque de France*.

**Saving accounts** include *Livret A* and *Livret Bleu* passbooks, sustainable development and solidarity passbooks, home savings accounts, popular savings passbooks, youth passbooks and ordinary passbooks. Regulated savings are partly centralized in the Savings Fund managed by the *Caisse des Dépôts et Consignations* and thus only pass through the banks' balance sheets. Repurchase agreements are temporary purchases of securities by customers (particularly companies, insurance companies and non-money market funds). Debt securities with a maximum maturity of two years mainly comprise Negotiable European Commercial Paper (NEUCP) issued by French banks and subscribed by customers that are not credit institutions or money market funds.

**Funding of the economy** includes all financing provided by MFIs to the domestic public and private sectors, in the form of loans and securities (debt and equity). For **loans to households and nonfinancial companies (NFCs)**, loans transferred (securitisations) with impact on banks' balance sheets are reintegrated.

**Net external assets** correspond to the balance (assets minus liabilities) of MFI operations with the rest of the world.

**Long-term inflows** of MFIs include capital and reserves, debt securities issued by MFIs with a maturity of more than 2 years, deposits with a maturity of more than 2 years and central government deposits.

The item "**Remaining counterparts**" includes the balance of inter-MFI receivables and liabilities, the net of other balance sheet items (financial derivatives, accounting differences, fixed assets) and currency in circulation.

Growth rates for the outstanding amounts are calculated by adjusting changes in stocks for effects not resulting from economic transactions, in particular corrections for classification errors, but not for exchange rate effects.

The data on outstanding amounts, annual growth rates, and 12-month cumulative flows published in this Statinfo are not seasonally adjusted, but the monthly flow data are.

