



**BANK ĊENTRALI TA' MALTA**

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**CENTRAL BANK OF MALTA**

RELEASE OF MONETARY STATISTICS

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The Central Bank of Malta has just issued its commentary on the release of monetary statistics for January 2011.

### **Contribution to euro area monetary aggregates and counterparts**

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) decreased by EUR114.3 million, or 1.2%, in January, to EUR9.3 billion (see Table 1). The year-on-year growth rate went down from 5.5% in December to 2.1%.

The narrow money component (M1) increased by EUR23.4 million, in January, driven by a rise of EUR33.9 million in overnight deposits. Meanwhile, the annual growth rate continued to decelerate, falling to 14.5% from 14.7% in December.

Notwithstanding the month's increase in M1, the intermediate money component (M2) went down by EUR103.6 million, or 1.1%, because of a drop of EUR127.3 million in deposits with an agreed maturity of up to two years. At the same time, the annual growth rate of M2 decelerated to 2.0% in January from 5.3% one month earlier.

Meanwhile, the credit counterpart expanded by EUR110.7 million, or 0.8%, in January, as a rise in credit to general government outweighed a fall in credit to other residents. On an annual basis credit growth decelerated further to 9.0% in January from 9.3% in December.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, declined by EUR371.1 million, or 4.5%, in January. This was mainly driven by a fall in lending to non-residents and lower holdings of deposits with MFIs outside the euro area, which outweighed a decline in loans extended by non-euro area banks to resident banks.

The other counterparts of M3 fell by EUR146.1 million, or 1.1%, in January. This in part reflected a drop in demand deposits belonging to general government, and a reduction in other liabilities (net). The latter captures interbank transactions between banks in Malta and those elsewhere in the euro area. In addition, longer-term financial liabilities declined due to a fall in reserves that outweighed a rise in deposits excluded from the definition of broad money.

### **Transactions with Maltese residents: deposits and credit**

Total deposits held by residents of Malta with Maltese MFIs decreased by EUR66.4 million, or 0.8%, during January, leading to a deceleration in the year-on-year growth rate to 2.8% from 5.1% in December. During January a fall in deposits with an agreed maturity of up to two years outweighed a rise in overnight deposits.

The latter expanded by EUR10.4 million, or 0.2%, during the month reviewed. This increase was mainly driven by higher deposits belonging to households and private firms which offset

lower holdings of non-bank financial intermediaries. Conversely, deposits with an agreed maturity of up to two years fell by EUR77.2 million, or 2.0%, driven mostly by a drop in household deposits.

Meanwhile, credit issued by resident MFIs to residents of Malta (including government) increased by EUR51.1 million, or 0.5%, during January as a rise in credit to general government exceeded a fall in credit to other resident borrowers. Nonetheless, the annual growth rate of total credit decelerated to 5.7% from 5.8% in December.

Credit to the Maltese general government rose by EUR61.9 million, or 3.0%, in January. This increase was driven by a rise in banks' holdings of Treasury bills, which outweighed a slight fall in their holdings of Malta Government Stocks. As a result, the annual growth rate accelerated to 10.2% from 8.5% in December.

Conversely, credit to residents other than general government declined by EUR10.8 million, or 0.1%, during the month reviewed, mainly because of a fall in lending to private non-financial companies, particularly in the transport & storage sector. Consequently, the year-on-year growth rate declined to 4.6% in January, from 5.1% one month earlier, extending the downward trend observed since the beginning of 2009.

### **Net foreign assets of Maltese MFIs**

Net holdings of foreign assets by resident MFIs fell by EUR234.4 million, or 2.1%, during the month under review (see Table 2).<sup>1</sup> The decline reflected a reduction in foreign assets coupled with a rise in banks' external liabilities. On the other hand, the substantial increase in net foreign assets on a year earlier was heavily influenced by the operations of a newly-licensed credit institution in March 2010.

### **Bank lending and deposit rates**

The weighted average interest rate paid on deposits included in M3 decreased from 1.17% in December to 1.14% in January, while that charged on loans rose from 4.72% to 4.74% during the same period. Compared to a year earlier, the interest rate paid on deposits included in M3 declined by 12 basis points, while that charged on loans rose by 28 basis points.

*Further economic and monetary information can be obtained from the website of the Central Bank of Malta [www.centralbankmalta.org](http://www.centralbankmalta.org)*

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<sup>1</sup> Net foreign assets are composed of claims held by MFIs residing in Malta on residents of the rest of the world, less liabilities to them. Residents of the rest of the world include non-euro area residents and residents of euro area countries other than Malta.

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**TABLE 1: THE CONTRIBUTION OF RESIDENT MFIs TO  
THE EURO AREA MONETARY AGGREGATES AND SELECTED COUNTERPARTS<sup>(1)</sup>**

€ millions

	Jan-11	Dec-10	Monthly Change	Monthly Percentage Change	Jan-10	Annual Change	Annual Percentage Change
<b>MONETARY AGGREGATES<sup>(2)</sup></b>							
<b>NARROW MONEY (M1)</b>	<b>5,022.4</b>	<b>4,999.0</b>	<b>23.4</b>	<b>0.5</b>	<b>4,386.6</b>	<b>635.8</b>	<b>14.5</b>
Currency issued <sup>(3)</sup>	663.9	674.4	-10.5	-1.6	636.7	27.1	4.3
Overnight deposits <sup>(4)</sup>	4,358.5	4,324.6	33.9	0.8	3,749.9	608.6	16.2
<b>INTERMEDIATE MONEY (M2)</b>	<b>9,025.3</b>	<b>9,128.9</b>	<b>-103.6</b>	<b>-1.1</b>	<b>8,846.7</b>	<b>178.6</b>	<b>2.0</b>
Narrow money (M1)	5,022.4	4,999.0	23.4	0.5	4,386.6	635.8	14.5
Deposits redeemable at notice up to 3 months <sup>(4)</sup>	124.6	124.3	0.4	0.3	111.6	13.1	11.7
Deposits with agreed maturity up to 2 years <sup>(4)</sup>	3,878.3	4,005.6	-127.3	-3.2	4,348.5	-470.2	-10.8
<b>BROAD MONEY (M3)</b>	<b>9,256.2</b>	<b>9,370.5</b>	<b>-114.3</b>	<b>-1.2</b>	<b>9,065.5</b>	<b>190.7</b>	<b>2.1</b>
Intermediate money (M2)	9,025.3	9,128.9	-103.6	-1.1	8,846.7	178.6	2.0
Repurchase agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities issued up to 2 years' initial maturity <sup>(5)</sup>	230.8	241.6	-10.8	-4.5	218.8	12.0	5.5
<b>SELECTED COUNTERPARTS OF M3</b>							
<b>CREDIT COUNTERPART</b>	<b>14,577.4</b>	<b>14,466.7</b>	<b>110.7</b>	<b>0.8</b>	<b>13,378.2</b>	<b>1,199.2</b>	<b>9.0</b>
Credit to general government	4,045.8	3,885.8	160.0	4.1	3,204.8	841.1	26.2
Credit to other sectors	10,531.5	10,580.8	-49.3	-0.5	10,173.4	358.1	3.5
<b>EXTERNAL COUNTERPART</b>	<b>7,812.2</b>	<b>8,183.3</b>	<b>-371.1</b>	<b>-4.5</b>	<b>6,098.1</b>	<b>1,714.1</b>	<b>28.1</b>
Claims on non-residents of the euro area	29,500.2	29,948.7	-448.6	-1.5	25,103.7	4,396.4	17.5
Liabilities to non-residents of the euro area (-)	21,688.0	21,765.5	-77.4	-0.4	19,005.7	2,682.3	14.1
<b>OTHER COUNTERPARTS</b>	<b>13,133.4</b>	<b>13,279.4</b>	<b>-146.1</b>	<b>-1.1</b>	<b>10,410.7</b>	<b>2,722.6</b>	<b>26.2</b>
Liabilities to the central government	631.3	675.7	-44.4	-6.6	496.2	135.1	27.2
Longer term financial liabilities	11,480.6	11,527.7	-47.0	-0.4	5,536.3	5,944.3	107.4
Other liabilities (net)	1,021.5	1,076.1	-54.6	-5.1	4,378.2	-3,356.7	-76.7

(1) Figures show the contribution of Maltese monetary financial institutions (MFIs) to the euro area totals.

(2) Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.

(3) This is not a measure of currency in circulation in Malta. It comprises the Central Bank of Malta's share of euro banknotes issued by the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury, less holdings of issued euro banknotes and coins held by the MFI sector. For 2008, remaining outstanding Maltese lira banknotes and coins are included. This represents the residual amount after deducting holdings of euro banknotes and coins (and, temporarily, of Maltese lira currency) reported by MFIs in Malta from the currency issued figure.

(4) Deposits with MFIs exclude interbank deposits and deposits held by central government.

(5) Debt securities up to 2 years' issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money Market Funds (MMF) shares/units.

Source: Central Bank of Malta.

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**TABLE 2: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS**

€ millions

	Jan-11	Dec-10	Monthly Change	Monthly Percentage Change	Jan-10	Annual Change	Annual Percentage Change
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS</b>	<b>8,130.4</b>	<b>8,196.8</b>	<b>-66.4</b>	<b>-0.8</b>	<b>7,910.5</b>	<b>219.9</b>	<b>2.8</b>
Overnight deposits	4,235.5	4,225.1	10.4	0.2	3,650.2	585.3	16.0
Deposits redeemable at notice up to 3 months <sup>(1)</sup>	123.9	123.5	0.4	0.3	111.5	12.5	11.2
Deposits with agreed maturity up to 2 years <sup>(1)</sup>	3,770.9	3,848.1	-77.2	-2.0	4,148.8	-377.9	-9.1
<b>SELECTED COUNTERPARTS</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>10,330.1</b>	<b>10,279.1</b>	<b>51.1</b>	<b>0.5</b>	<b>9,770.8</b>	<b>559.3</b>	<b>5.7</b>
Credit to general government	2,152.8	2,091.0	61.9	3.0	1,953.3	199.5	10.2
Credit to other sectors	8,177.3	8,188.1	-10.8	-0.1	7,817.5	359.8	4.6
<b>NET FOREIGN ASSETS</b>	<b>10,953.5</b>	<b>11,188.0</b>	<b>-234.5</b>	<b>-2.1</b>	<b>5,213.6</b>	<b>5,739.9</b>	<b>110.1</b>
Claims on non-residents of Malta	40,786.1	40,921.1	-134.9	-0.3	32,486.5	8,299.7	25.5
Liabilities to non-residents of Malta (-)	29,832.6	29,733.1	99.5	0.3	27,272.8	2,559.8	9.4

(1) Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.