



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 February 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 EUR92.1 million, or 1.0%, in February, to EUR9.2 billion (see Table 1). The year-on-year growth rate rose from 2.1% in January to 3.0%.

The narrow money component (M1) fell by EUR36.1 million in February, driven by a drop of EUR38.0 million in overnight deposits. On an annual basis, the growth rate in M1 continued to decelerate, falling to 12.9% from 14.5% in January.

The intermediate money component (M2) went down by EUR75.6 million, or 0.8%. Apart from the fall in M1, this also reflected a contraction of EUR41.0 million in deposits with an agreed maturity of up to two years. The year-on-year growth rate of M2 increased to 2.8% in February from 2.0% one month earlier.

The credit counterpart expanded by EUR8.4 million, or 0.1%, during the month reviewed, fuelled mainly by a rise in credit to general government, although growth in credit to other residents also contributed. On an annual basis, credit growth slowed down further, falling to 7.4% in February from 9.0% in January.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, declined by EUR229.9 million, or 2.9%, in February. This was driven by a reduction in claims on non-residents of the euro area and, in particular, in holdings of deposits with foreign MFIs and in loans. This outweighed a concurrent fall in liabilities to non-euro area residents, notably a decline in time deposits held by private non-financial companies.

The other counterparts of M3 fell by EUR129.3 million, or 1.0%, in February. This reflected a drop in other liabilities (net), which stemmed mainly from a fall in resident banks' net liabilities vis-à-vis banks elsewhere in the euro area. At the same time, however, liabilities to central government increased significantly.

Deposits held by and credit issued to Maltese residents

Total deposits held with resident MFIs by residents of Malta decreased by EUR90.4 million, or 1.1%, during February. A reduction in both overnight deposits and deposits with an agreed maturity of up to two years coincided with the issue of almost EUR200 million worth of Malta Government Stocks on the primary market during the month. The year-on-year growth rate decelerated to 2.5% from 2.8% in January.

Overnight deposits contracted by EUR52.7 million, or 1.2%, during the month reviewed. This reflected significant reductions in holdings by households and insurance companies. Moreover, deposits with an agreed maturity of up to two years dropped by EUR39.3 million, or 1.0%, also driven by a reduction in households' balances.

Meanwhile, credit issued by resident MFIs to residents of Malta (including government) increased by EUR7.3 million, or 0.1%, as a rise in credit to other residents outweighed a drop in credit to general government. On an annual basis, credit growth decelerated to 5.1% in February from 5.7% one month earlier.

Credit to the Maltese general government declined by EUR6.3 million, or 0.3%, in February. This was driven by a reduction in banks' holdings of Treasury bills, which outweighed a rise in their holdings of Malta Government Stocks. The annual growth rate slowed down from 10.2% in January to 5.8% in February.

Conversely, credit to residents apart from general government rose by EUR13.6 million, or 0.2%, during the month reviewed. This stemmed predominantly from a rise in lending to private NFCs, particularly to the distribution and accommodation sectors, and households. The year-on-year growth rate of credit to residents other than general government rose to 5.0% in February, from 4.6% one month earlier.

Net foreign assets of Maltese MFIs

Net holdings of foreign assets by resident MFIs fell by EUR81.1 million, or 0.7%, during the month under review (see Table 2).¹ The decline reflected a fall in banks' foreign assets which outweighed a drop in their external liabilities. 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 remained unchanged at 1.14% in February, while that charged on loans dropped marginally from 4.74% in January to 4.73%. Compared to a year earlier, the interest rate paid on deposits included in M3 declined by 11 basis points, while that charged on loans rose by 26 basis points.

Further economic and monetary information can be obtained from the website of the Central Bank of Malta www.centralbankmalta.org

¹ 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⁽¹⁾**

€ millions

	Feb-11	Jan-11	Monthly Change	Monthly Percentage Change	Feb-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽²⁾							
NARROW MONEY (M1)	4,986.3	5,022.4	-36.1	-0.7	4,415.5	570.8	12.9
Currency issued ⁽³⁾	665.7	663.9	1.8	0.3	635.9	29.8	4.7
Overnight deposits ⁽⁴⁾	4,320.5	4,358.5	-38.0	-0.9	3,779.6	540.9	14.3
INTERMEDIATE MONEY (M2)	8,949.7	9,025.3	-75.6	-0.8	8,702.0	247.7	2.8
Narrow money (M1)	4,986.3	5,022.4	-36.1	-0.7	4,415.5	570.8	12.9
Deposits redeemable at notice up to 3 months ⁽⁴⁾	126.2	124.6	1.6	1.3	111.6	14.6	13.0
Deposits with agreed maturity up to 2 years ⁽⁴⁾	3,837.2	3,878.3	-41.0	-1.1	4,174.9	-337.6	-8.1
BROAD MONEY (M3)	9,164.1	9,256.2	-92.1	-1.0	8,900.9	263.2	3.0
Intermediate money (M2)	8,949.7	9,025.3	-75.6	-0.8	8,702.0	247.7	2.8
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 ⁽⁵⁾	214.4	230.8	-16.5	-7.1	198.9	15.5	7.8
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,585.8	14,577.4	8.4	0.1	13,577.7	1,008.1	7.4
Credit to general government	4,052.0	4,045.8	6.2	0.2	3,350.7	701.3	20.9
Credit to other sectors	10,533.8	10,531.5	2.3	0.0	10,227.0	306.9	3.0
EXTERNAL COUNTERPART	7,582.3	7,812.2	-229.9	-2.9	5,600.5	1,981.8	35.4
Claims on non-residents of the euro area	28,668.0	29,500.2	-832.2	-2.8	25,297.1	3,370.8	13.3
Liabilities to non-residents of the euro area (-)	21,085.7	21,688.0	-602.3	-2.8	19,696.6	1,389.1	7.1
OTHER COUNTERPARTS	13,004.0	13,133.4	-129.3	-1.0	10,277.3	2,726.7	26.5
Liabilities to the central government	787.2	631.3	155.9	24.7	526.7	260.5	49.5
Longer term financial liabilities	11,417.8	11,480.6	-62.9	-0.5	5,301.7	6,116.0	115.4
Other liabilities (net)	799.1	1,021.5	-222.4	-21.8	4,448.9	-3,649.8	-82.0

(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

	Feb-11	Jan-11	Monthly Change	Monthly Percentage Change	Feb-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS	8,040.0	8,130.4	-90.4	-1.1	7,841.4	198.5	2.5
Overnight deposits	4,182.8	4,235.5	-52.7	-1.2	3,678.6	504.2	13.7
Deposits redeemable at notice up to 3 months ⁽¹⁾	125.5	123.9	1.6	1.3	111.6	13.9	12.5
Deposits with agreed maturity up to 2 years ⁽¹⁾	3,731.7	3,770.9	-39.3	-1.0	4,051.2	-319.6	-7.9
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,337.4	10,330.1	7.3	0.1	9,831.9	505.6	5.1
Credit to general government	2,146.6	2,152.8	-6.3	-0.3	2,028.5	118.1	5.8
Credit to other sectors	8,190.9	8,177.3	13.6	0.2	7,803.4	387.5	5.0
NET FOREIGN ASSETS	10,872.4	10,953.5	-81.1	-0.7	4,898.9	5,739.9	110.1
Claims on non-residents of Malta	39,931.0	40,786.1	-855.2	-2.1	33,230.7	8,299.7	25.5
Liabilities to non-residents of Malta (-)	29,058.6	29,832.6	-774.0	-2.6	28,331.8	2,559.8	9.4

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

Source: Central Bank of Malta.