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Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) increased by EUR176.0 million, or 1.9%, in March, to EUR9.3 billion (see Table 1). The year-on-year growth rate rose from 3.0% to 4.8% in March.

The narrow money component (M1) expanded by EUR191.9 million in March, as a result of an increase of EUR195.9 million in overnight deposits. On an annual basis, the growth rate in M1 accelerated to 17.0% in March from 12.9% one month earlier.

The intermediate money stock (M2) went up by EUR177.1 million, or 2.0%. This reflected the increase in the M1 component, which was dampened by a contraction of EUR20.7 million in deposits with an agreed maturity of up to two years. The year-on-year growth of M2 went up to 4.7% in March from 2.8% in February.

Turning to the counterparts of M3, credit expanded by EUR33.5 million, or 0.2%, during the month reviewed. This was propelled entirely by an increase in credit to general government, which outweighed a drop in credit to other residents. On an annual basis, credit growth continued to decelerate to 5.6% from 7.4% in February.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, declined by EUR282.4 million, or 3.7% in March. This was driven by a contraction in claims on extra-euro area residents, and, in particular, by a reduction in holdings of securities issued by governments outside the euro area and by a fall in deposits held with foreign MFIs. This contraction outweighed a drop in liabilities to non-euro area residents, which in turn reflected a decline in time deposits held with resident MFIs.

The other counterparts of M3 fell by EUR424.9 million, or 3.3%, in March. This stemmed mainly from a reduction in other liabilities (net), which reflected interbank transactions within the euro area. Moreover, a drop in demand deposits belonging to the central government also contributed.

Deposits held by and credit issued to Maltese residents

Total deposits held by residents of Malta with resident MFIs rose by EUR187.5 million, or 2.3%, during March, reversing the declines recorded in the previous two months. An increase in overnight deposits exceeded the decline in deposits with an agreed maturity of up to two years. The year-on-year growth rate increased to 4.4% from 2.5% one month earlier.

A rise of EUR194.3 million, or 4.6%, in overnight deposits during March stemmed from higher holdings by private non-financial companies (NFCs) and households. Conversely, deposits with an agreed maturity of up to two years dropped by EUR12.7 million, or 0.3%, mainly due to lower holdings by non-bank financial intermediaries.

Meanwhile, credit issued by resident MFIs to residents of Malta (including government) increased by EUR20.5 million, or 0.2%. This was driven mainly by an expansion in credit to residents outside general government, while a rise in credit to general government also contributed. On an annual basis, credit growth continued to slow down to 4.3% from 5.1% in February.

Credit to the Maltese general government went up by EUR2.8 million, or 0.1%, in March. This increase was fuelled by a rise in loans to general government, while changes in MFI holdings of Treasury bills and government bonds broadly offset each other. The annual growth rate accelerated to 6.3% from 5.8% in February.

Credit to residents apart from general government rose by EUR17.7 million, or 0.2%, during the month under review, as an increase in lending to households and private NFCs exceeded the drop in lending to public corporations. While the rise in lending to households mainly reflected an increase in credit for house purchases, that to private NFCs stemmed from an expansion in loans to the wholesale and retail sector. The annual rate of growth of credit to other residents declined to 3.8% from 5.0% in February.

Net foreign assets of Maltese MFIs

Net holdings of foreign assets by resident MFIs expanded by EUR185.0 million, or 1.7%, in March (see Table 2). The increase reflected a drop in external liabilities that outweighed a fall in banks' foreign assets. On an annual basis, net foreign assets rose by 12.4% during the month under review.

Bank lending and deposit rates

The weighted average interest rate paid on deposits included in M3 declined to 1.12% from 1.14% in February, while that charged on loans edged up to 4.79% from 4.73%. Compared to a year earlier, the interest paid on deposits included in M3 went down by 14 basis points, while that charged on loans rose by 32 basis points.

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

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**TABLE 1: THE CONTRIBUTION OF RESIDENT MFIs TO
THE EURO AREA MONETARY AGGREGATES AND SELECTED COUNTERPARTS⁽¹⁾⁽²⁾**

€ millions

	Mar-11	Feb-11	Monthly Change	Monthly Percentage Change	Mar-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,178.2	4,986.3	191.9	3.8	4,425.8	752.4	17.0
Currency issued ⁽⁴⁾	661.7	665.7	-4.0	-0.6	637.8	24.0	3.8
Overnight deposits ⁽⁵⁾	4,516.4	4,320.5	195.9	4.5	3,788.0	728.4	19.2
INTERMEDIATE MONEY (M2)	9,126.8	8,949.7	177.1	2.0	8,720.7	406.0	4.7
Narrow money (M1)	5,178.2	4,986.3	191.9	3.8	4,425.8	752.4	17.0
Deposits redeemable at notice up to 3 months ⁽⁵⁾	132.0	126.2	5.8	4.6	110.4	21.7	19.6
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,816.6	3,837.2	-20.7	-0.5	4,184.6	-368.0	-8.8
BROAD MONEY (M3)	9,340.1	9,164.1	176.0	1.9	8,911.1	429.0	4.8
Intermediate money (M2)	9,126.8	8,949.7	177.1	2.0	8,720.7	406.0	4.7
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 ⁽⁶⁾	213.3	214.4	-1.1	-0.5	190.3	23.0	12.1
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,619.3	14,585.8	33.5	0.2	13,840.9	778.4	5.6
Credit to general government	4,090.8	4,052.0	38.8	1.0	3,405.7	685.0	20.1
Credit to other sectors	10,528.6	10,533.8	-5.2	0.0	10,435.2	93.4	0.9
EXTERNAL COUNTERPART	7,299.9	7,582.3	-282.4	-3.7	9,056.4	-1,756.6	-19.4
Claims on non-residents of the euro area	27,791.3	28,668.0	-876.7	-3.1	30,175.4	-2,384.1	-7.9
Liabilities to non-residents of the euro area (-)	20,491.4	21,085.7	-594.3	-2.8	21,119.0	-627.6	-3.0
OTHER COUNTERPARTS	12,579.1	13,004.0	-424.9	-3.3	13,986.3	-1,407.2	-10.1
Liabilities to the central government	684.0	787.2	-103.2	-13.1	526.0	157.9	30.0
Longer term financial liabilities	11,413.9	11,417.4	-3.5	0.0	10,207.4	1,206.6	11.8
Other liabilities (net)	481.2	799.4	-318.2	-39.8	3,252.9	-2,771.7	-85.2

(1) Figures may not add up due to rounding.

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

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

(4) 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.

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

(6) 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⁽¹⁾

€ millions

	Mar-11	Feb-11	Monthly Change	Monthly Percentage Change	Mar-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS	8,227.4	8,040.0	187.5	2.3	7,879.9	347.5	4.4
Overnight deposits	4,377.1	4,182.8	194.3	4.6	3,688.4	688.7	18.7
Deposits redeemable at notice up to 3 months ⁽²⁾	131.3	125.5	5.8	4.6	110.3	21.0	19.1
Deposits with agreed maturity up to 2 years ⁽²⁾	3,719.0	3,731.7	-12.7	-0.3	4,081.2	-362.2	-8.9
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,357.9	10,337.4	20.5	0.2	9,931.0	426.9	4.3
Credit to general government	2,149.3	2,146.6	2.8	0.1	2,021.7	127.7	6.3
Credit to other sectors	8,208.6	8,190.9	17.7	0.2	7,909.4	299.2	3.8
NET FOREIGN ASSETS	11,057.4	10,872.4	185.0	1.7	9,841.3	1,216.2	12.4
Claims on non-residents of Malta	38,985.7	39,931.0	-945.3	-2.4	39,783.7	-798.0	-2.0
Liabilities to non-residents of Malta (-)	27,928.2	29,058.6	-1,130.3	-3.9	29,942.4	-2,014.1	-6.7

(1) Figures may not add up due to rounding

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

Source: Central Bank of Malta.