



**BANK ĊENTRALI TA' MALTA**

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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 EUR11.1 million, or 0.1%, in April, to EUR9.4 billion (see Table 1). The corresponding year-on-year growth rate declined from 4.8% in March to 2.5%.

The narrow money aggregate (M1) rose by EUR45.3 million in April, driven mainly by a rise of EUR35.0 million in overnight deposits. The annual rate of growth of M1, which had risen sharply to 17.0% in March, fell back to 13.2%.

The intermediate money stock (M2) went up by EUR11.8 million, or 0.1%. Within M2, the increase in the M1 component was largely dampened by a contraction of EUR30.5 million in deposits with an agreed maturity of up to two years. The year-on-year growth rate of M2 fell to 2.6% from 4.7% in March.

Turning to the counterparts of M3, credit contracted by EUR63.2 million, or 0.4%, during the month reviewed. This was propelled entirely by a significant decline in credit to residents other than the general government, in particular credit to non-bank financial intermediaries resident in euro area Member States other than Malta. Conversely, credit to the general government increased slightly. The annual rate of total credit growth persisted on a downward trajectory, falling to 4.3% from 5.6% in March.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro-area residents, expanded by EUR253.9 million, or 3.5%, in April. This was driven by a rise in claims on non-residents of the euro area, in particular deposits held with foreign MFIs.

The other counterparts of M3 rose by EUR179.6 million, or 1.4%, in April. This increase stemmed mainly from an expansion in other liabilities (net). The latter was driven by a rise in borrowing from foreign banks, which exceeded the increase in time deposits held with banks in other euro area economies.

### **Deposits held by and credit issued to Maltese residents**

Deposits with resident MFIs belonging to residents of Malta rose by EUR11.9 million, or 0.1%, during the month reviewed. This was entirely driven by an increase in overnight deposits that was partly offset by a decline in deposits with an agreed

maturity of up to two years. The year-on-year growth rate of Maltese residents' deposits halved to 2.2% from 4.4% in March.

Overnight deposits expanded by EUR41.1 million, or 0.9%, in April. This stemmed predominantly from a rise in deposits held by private non-financial companies (NFCs) and households. Conversely, deposits with an agreed maturity of up to two years dropped by EUR26.2 million, or 0.7%, mainly due to lower holdings by private non-financial companies.

Meanwhile, credit issued by resident MFIs to residents of Malta (including government) contracted by EUR20.0 million, or 0.2%, due to a reduction in both credit to general government and credit to other residents. On an annual basis, credit growth slowed to 3.8% from 4.3% one month earlier.

Credit to the Maltese general government went down by EUR9.2 million, or 0.4%, driven by a reduction in banks' Treasury bill portfolio that exceeded the rise in their holdings of Maltese government bonds. The corresponding annual growth rate decelerated to 4.4% from 6.3% in March.

At the same time, credit to residents other than general government contracted by EUR10.8 million, or 0.1%. This was predominantly driven by a fall in lending to private non-financial companies, notably those in the construction sector and the transportation & storage sector. This reduction outweighed the rise in loans to households for house purchases. As a result, the year-on-year growth rate of credit to other residents decelerated marginally from 3.8% in March to 3.7% in April.

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

Net holdings of foreign assets belonging to resident MFIs expanded by EUR65.9 million, or 0.6%, in April (see Table 2).<sup>1</sup> The increase reflected a substantial rise in banks' foreign assets that exceeded the increase in external liabilities. During the year to April, net foreign assets rose by 10.1%.

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

The weighted average interest rate paid on deposits included in M3 remained unchanged at 1.12% in April, while that charged on loans declined to 4.77% from 4.79% in March. Compared to a year earlier, the interest rate paid on deposits included in M3 declined by 10 basis points, while that charged on loans increased by 30 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)(2)</sup>**

€ millions

	Apr-11	Mar-11	Monthly Change	Monthly Percentage Change	Apr-10	Annual Change	Annual Percentage Change
<b>MONETARY AGGREGATES<sup>(3)</sup></b>							
<b>NARROW MONEY (M1)</b>	<b>5,223.4</b>	<b>5,178.2</b>	<b>45.3</b>	<b>0.9</b>	<b>4,613.2</b>	<b>610.2</b>	<b>13.2</b>
Currency issued <sup>(4)</sup>	672.0	661.7	10.2	1.5	644.0	28.0	4.3
Overnight deposits <sup>(5)</sup>	4,551.4	4,516.4	35.0	0.8	3,969.2	582.3	14.7
<b>INTERMEDIATE MONEY (M2)</b>	<b>9,138.6</b>	<b>9,126.8</b>	<b>11.8</b>	<b>0.1</b>	<b>8,908.3</b>	<b>230.3</b>	<b>2.6</b>
Narrow money (M1)	5,223.4	5,178.2	45.3	0.9	4,613.2	610.2	13.2
Deposits redeemable at notice up to 3 months <sup>(5)</sup>	129.1	132.0	-3.0	-2.2	110.7	18.4	16.6
Deposits with agreed maturity up to 2 years <sup>(5)</sup>	3,786.1	3,816.6	-30.5	-0.8	4,184.5	-398.3	-9.5
<b>BROAD MONEY (M3)</b>	<b>9,351.2</b>	<b>9,340.1</b>	<b>11.1</b>	<b>0.1</b>	<b>9,119.5</b>	<b>231.7</b>	<b>2.5</b>
Intermediate money (M2)	9,138.6	9,126.8	11.8	0.1	8,908.3	230.3	2.6
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>(6)</sup>	212.6	213.3	-0.7	-0.3	211.2	1.4	0.7
<b>SELECTED COUNTERPARTS OF M3</b>							
<b>CREDIT COUNTERPART</b>	<b>14,556.1</b>	<b>14,619.3</b>	<b>-63.2</b>	<b>-0.4</b>	<b>13,954.9</b>	<b>601.3</b>	<b>4.3</b>
Credit to general government	4,094.7	4,090.8	3.9	0.1	3,514.8	579.9	16.5
Credit to other sectors	10,461.5	10,528.6	-67.1	-0.6	10,440.1	21.4	0.2
<b>EXTERNAL COUNTERPART</b>	<b>7,553.8</b>	<b>7,299.9</b>	<b>253.9</b>	<b>3.5</b>	<b>7,687.6</b>	<b>-133.8</b>	<b>-1.7</b>
Claims on non-residents of the euro area	28,435.8	27,791.3	644.5	2.3	29,456.7	-1,020.9	-3.5
Liabilities to non-residents of the euro area (-)	20,882.0	20,491.4	390.6	1.9	21,769.1	-887.1	-4.1
<b>OTHER COUNTERPARTS (-)</b>	<b>12,758.7</b>	<b>12,579.1</b>	<b>179.6</b>	<b>1.4</b>	<b>12,522.9</b>	<b>235.8</b>	<b>1.9</b>
Liabilities to the central government	705.5	684.0	21.5	3.1	584.1	121.4	20.8
Longer term financial liabilities	11,425.8	11,413.9	11.9	0.1	10,288.0	1,137.8	11.1
Other liabilities (net)	627.4	481.2	146.2	30.4	1,650.8	-1,023.4	-62.0

(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<sup>(1)</sup>**

€ millions

	Apr-11	Mar-11	Monthly Change	Monthly Percentage Change	Apr-10	Annual Change	Annual Percentage Change
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS</b>	<b>8,239.3</b>	<b>8,227.4</b>	<b>11.9</b>	<b>0.1</b>	<b>8,060.9</b>	<b>178.4</b>	<b>2.2</b>
Overnight deposits	4,418.2	4,377.1	41.1	0.9	3,869.9	548.3	14.2
Deposits redeemable at notice up to 3 months <sup>(2)</sup>	128.3	131.3	-3.0	-2.3	110.6	17.7	16.0
Deposits with agreed maturity up to 2 years <sup>(2)</sup>	3,692.8	3,719.0	-26.2	-0.7	4,080.4	-387.7	-9.5
<b>SELECTED COUNTERPARTS</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>10,337.9</b>	<b>10,357.9</b>	<b>-20.0</b>	<b>-0.2</b>	<b>9,957.7</b>	<b>380.2</b>	<b>3.8</b>
Credit to general government	2,140.2	2,149.3	-9.2	-0.4	2,049.9	90.3	4.4
Credit to other sectors	8,197.7	8,208.6	-10.8	-0.1	7,907.8	289.9	3.7
<b>NET FOREIGN ASSETS</b>	<b>11,123.3</b>	<b>11,057.4</b>	<b>65.9</b>	<b>0.6</b>	<b>10,099.7</b>	<b>1,023.6</b>	<b>10.1</b>
Claims on non-residents of Malta	39,755.5	38,985.7	769.8	2.0	40,388.0	-632.5	-1.6
Liabilities to non-residents of Malta (-)	28,632.2	27,928.2	704.0	2.5	30,288.2	-1,656.0	-5.5

(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.