



BANK ĊENTRALI TA' MALTA

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Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary and Financial Institutions (MFIs) to the euro area broad money stock (M3) rose by EUR44.8 million, or 0.5%, in May, to EUR9.4 billion (see Table 1). The annual growth rate increased to 3.9% from 2.5% in April.

The narrow money component (M1) fell by EUR69.8 million, on account of a decrease of EUR74.3 million in overnight deposits. At the same time, the annual growth rate fell to 10.0% in May from 13.2% in April.

Notwithstanding the month's fall in M1, the intermediate money component (M2) went up by EUR45.1 million, or 0.5%. This expansion was propelled by a rise of EUR114.8 million in deposits with an agreed maturity of up to two years, while deposits redeemable at notice up to three months remained stable around their April level. Meanwhile, the year-on-year growth rate of M2 increased to 4.0% from 2.6% a month earlier.

Turning to the counterparts of M3, credit expanded by EUR158.7 million, or 1.1%, during the month under review. This increase was spurred by credit to residents outside the general government sector, although credit to the latter also rose. On an annual basis, credit growth decelerated further, in line with the trend observed since the beginning of 2009, dropping to 2.9% from 4.3% in April.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, declined by EUR309.8 million, or 4.1% in May. An increase in liabilities to non-euro area residents, which reflected a significant rise in repurchase agreements, exceeded the rise in claims on residents of countries outside the euro area, mainly in the form of higher MFI deposits held abroad.

The other counterparts of M3 fell by EUR195.9 million, or 1.5%, in May. This was propelled by a reduction in other liabilities (net), which mainly involve transactions with other euro area banks. Other liabilities (net) dropped mainly due to a fall in interbank time deposits held with banks in Malta that outweighed a contraction in Maltese banks' deposits held with other euro area banks and in loans extended to them.

Transactions with Maltese residents: deposits and credit

Total deposits held by residents of Malta with Maltese MFIs fell by EUR91.8 million, or 1.1% in May. This was mainly attributable to a decrease in overnight deposits. Deposits with an agreed maturity up to two years also contributed, albeit to a much lesser extent. Meanwhile, the year-on-year growth rate of total deposits remained unchanged at 2.2%.

Overnight deposits decreased by EUR87.8 million, or 2.0%, in May. The month's drop was mainly driven by a fall in deposits held by private and public non-financial companies (NFCs), although deposits belonging to households were also lower. At the same time, deposits with an agreed maturity of up to two years dropped by EUR4.1 million, or 0.1%.

Credit issued by resident MFIs to residents of Malta (including government) rose by EUR121.9 million, or 1.2%, in May. An expansion in credit to general government explains most of this increase, as credit to other residents increased moderately. On a year earlier, total credit growth continued to decelerate, easing to 3.5% in May from 3.8% in April.

Credit provided to the Maltese general government went up by EUR83.9 million, or 3.9%, in May. This increase stemmed primarily from a rise in banks' holdings of Maltese government bonds which completely outweighed the fall in their holdings of Treasury bills. The annual growth rate decelerated to 2.5% from 4.4% in April.

Credit to residents other than general government increased by EUR38.0 million, or 0.5%, during May. This mainly reflected a rise in lending to private NFCs, particularly firms in the wholesale and retail trade sector, and to households for house purchases; there was also a partially offsetting fall in lending to public NFCs. The annual growth rate rose by 0.1 percentage points on a month earlier, to 3.8%.

Net foreign assets of Maltese MFIs

Net holdings of foreign assets by resident MFIs were down by EUR114.6 million, or 1.0% during the month reviewed (see Table 2).¹ The fall reflected an increase in the banks' external liabilities which outweighed the rise in their foreign assets. The annual growth of net foreign assets fell to 9.8% in May from 10.1% in April.

Bank lending and deposit rates

In May, the weighted average interest rate paid on deposits included in M3 remained unchanged compared to a month earlier, at 1.12%, while that charged on loans edged down to 4.75% from 4.77%, in April. Compared to a year earlier, the deposit rate fell by eight basis points, while that charged on loans rose by 29 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⁾⁽²⁾**

€ millions

	May-11	Apr-11	Monthly Change	Monthly Percentage Change	May-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,153.6	5,223.4	-69.8	-1.3	4,683.9	469.8	10.0
Currency issued ⁽⁴⁾	676.5	672.0	4.5	0.7	653.4	23.2	3.5
Overnight deposits ⁽⁵⁾	4,477.1	4,551.4	-74.3	-1.6	4,030.5	446.6	11.1
INTERMEDIATE MONEY (M2)	9,183.7	9,138.6	45.1	0.5	8,831.9	351.8	4.0
Narrow money (M1)	5,153.6	5,223.4	-69.8	-1.3	4,683.9	469.8	10.0
Deposits redeemable at notice up to 3 months ⁽⁵⁾	129.2	129.1	0.1	0.1	110.9	18.3	16.5
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,901.0	3,786.1	114.8	3.0	4,037.2	-136.2	-3.4
BROAD MONEY (M3)	9,396.0	9,351.2	44.8	0.5	9,041.2	354.8	3.9
Intermediate money (M2)	9,183.7	9,138.6	45.1	0.5	8,831.9	351.8	4.0
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 ⁽⁶⁾	212.3	212.6	-0.3	-0.2	209.3	3.0	1.4
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,714.8	14,556.1	158.7	1.1	14,294.8	420.0	2.9
Credit to general government	4,165.8	4,094.7	71.1	1.7	3,749.9	415.8	11.1
Credit to other sectors	10,549.1	10,461.5	87.6	0.8	10,544.8	4.2	0.0
EXTERNAL COUNTERPART	7,244.0	7,553.8	-309.8	-4.1	7,719.7	-475.7	-6.2
Claims on non-residents of the euro area	29,738.5	28,435.8	1,302.7	4.6	30,575.9	-837.4	-2.7
Liabilities to non-residents of the euro area (-)	22,494.5	20,882.0	1,612.5	7.7	22,856.2	-361.7	-1.6
OTHER COUNTERPARTS (-)	12,562.8	12,758.7	-195.9	-1.5	12,973.2	-410.5	-3.2
Liabilities to the central government	768.9	705.5	63.4	9.0	699.0	69.9	10.0
Longer term financial liabilities	11,472.7	11,425.8	47.0	0.4	10,323.6	1,149.1	11.1
Other liabilities (net)	321.2	627.4	-306.2	-48.8	1,950.6	-1,629.5	-83.5

(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

	May-11	Apr-11	Monthly Change	Monthly Percentage Change	May-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS	8,147.5	8,239.3	-91.8	-1.1	7,975.1	172.3	2.2
Overnight deposits	4,330.4	4,418.2	-87.8	-2.0	3,934.1	396.3	10.1
Deposits redeemable at notice up to 3 months ⁽²⁾	128.4	128.3	0.1	0.1	110.8	17.6	15.9
Deposits with agreed maturity up to 2 years ⁽²⁾	3,688.6	3,692.8	-4.1	-0.1	3,930.2	-241.6	-6.1
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,459.8	10,337.9	121.9	1.2	10,107.9	352.0	3.5
Credit to general government	2,224.1	2,140.2	83.9	3.9	2,170.2	53.9	2.5
Credit to other sectors	8,235.8	8,197.7	38.0	0.5	7,937.6	298.1	3.8
NET FOREIGN ASSETS	11,008.6	11,123.3	-114.6	-1.0	10,028.4	980.3	9.8
Claims on non-residents of Malta	41,147.6	39,755.5	1,392.1	3.5	41,835.0	-687.4	-1.6
Liabilities to non-residents of Malta (-)	30,138.9	28,632.2	1,506.7	5.3	31,806.6	-1,667.7	-5.2

(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.