



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) rose by EUR90.2 million, or 1.0%, in June, to EUR9.5 billion (see Table 1). Meanwhile, the year-on-year growth rate remained unchanged from that recorded in the previous month, at 3.9%.

The narrow money component (M1) went up by EUR6.9 million, or 0.1%. The increase was driven by a rise in overnight deposits, although currency issued was also up on a month earlier. On an annual basis, the growth rate of M1 fell further to 5.5% in June from 10.0% in May.

In June, intermediate money (M2) rose by EUR95.9 million, or 1.0%, mainly because of a EUR102.2 million increase in deposits with an agreed maturity of up to two years. At the same time, the annual growth rate of M2 fell to 3.7% as against 4.0% in May.

Turning to the counterparts of M3, credit increased by EUR20.5 million, or 0.1%, in June. The expansion was propelled by a rise in credit to general government, as credit to other residents fell. On an annual basis, total credit growth rose to 3.8% from 2.9% a month earlier.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, increased substantially by EUR1.5 billion, or 21.4%. This was spurred by a decrease in liabilities to non-euro area residents, which mainly reflected a fall in borrowing from MFIs outside the euro area. This decrease was only partly offset by a drop in claims on non-euro area residents that in turn mainly reflected lower holdings of securities issued by governments outside the euro area.

The other counterparts of M3 also rose significantly in June, by EUR1.5 billion or 11.8%. This was driven by an increase in other liabilities (net), which mainly reflect interbank transactions with other euro area residents. In June, these rose mainly as a result of higher interbank deposits held with local banks and a rise in net liabilities vis-à-vis the Eurosystem. These increases outweighed a rise in deposits held by resident MFIs with banks in other euro area countries.

Transactions with Maltese residents: deposits and credit

Total deposits belonging to residents of Malta and held with resident MFIs, rose by EUR6.2 million, or 0.1% in June. This was a result of an increase in overnight deposits which outweighed the decline in deposits redeemable at notice up to three months and in deposits with an agreed maturity of up to two years. The year-on-year growth rate of total deposits fell to 0.8% from 2.2% a month earlier.

Overnight deposits expanded by EUR29.1 million, or 0.7% in June. This stemmed from a rise in deposits held by households and public and private non-financial companies (NFCs). On the other hand, deposits redeemable at notice up to three months dropped by EUR12.5 million, or 9.7%, while those with an agreed maturity up to two years were down by EUR10.3 million, or 0.3%.

Credit issued by resident MFIs to residents of Malta (including government) increased by EUR15.0 million, or 0.1%, driven by a rise in credit to residents outside general government. In contrast, credit to general government decreased. The latter dropped by EUR11.3 million, or 0.5%, in June. This fall was propelled by lower banks' holdings of Treasury bills and Maltese government bonds.

Credit to residents other than the general government increased by EUR26.4 million, or 0.3%, during the month under review. This primarily reflected a rise in lending to households for house purchases, as lending to private and public NFCs increased more moderately. The annual growth rate rose by 0.1 percentage points to 3.9%.

On an annual basis, total credit growth rose to 3.9% from 3.5% in May, reflecting the acceleration in the government component but also, though to a lesser extent, in the non-government component. The increase in the annual rate of growth was the first since August 2010 and marked a break from the recent deceleration in this aggregate.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs decreased by EUR14.9 million, or 0.1% in June (see Table 2).¹ The fall reflected an increase in the banks' external liabilities which outweighed the rise in their external assets. The year-on-year growth rate fell considerably from 9.8% in May to 2.4%, on account of a smaller annual drop in the banks' external liabilities.

Bank lending and deposit rates

The weighted average interest rate paid on deposits included in M3 remained unchanged at 1.12%, as observed in the preceding month, while that charged on loans edged up to 4.76% from 4.75% in May. Compared to a year earlier, the deposit rate fell by seven basis points, while that charged on loans rose by seven 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

	Jun-11	May-11	Monthly Change	Monthly Percentage Change	Jun-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,160.5	5,153.6	6.9	0.1	4,889.2	271.3	5.5
Currency issued ⁽⁴⁾	681.1	676.5	4.6	0.7	654.5	26.6	4.1
Overnight deposits ⁽⁵⁾	4,479.4	4,477.1	2.3	0.1	4,234.7	244.6	5.8
INTERMEDIATE MONEY (M2)	9,279.6	9,183.7	95.9	1.0	8,946.9	332.7	3.7
Narrow money (M1)	5,160.5	5,153.6	6.9	0.1	4,889.2	271.3	5.5
Deposits redeemable at notice up to 3 months ⁽⁵⁾	116.0	129.2	-13.2	-10.2	111.9	4.1	3.6
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,003.2	3,901.0	102.2	2.6	3,945.8	57.3	1.5
BROAD MONEY (M3)	9,486.2	9,396.0	90.2	1.0	9,126.9	359.3	3.9
Intermediate money (M2)	9,279.6	9,183.7	95.9	1.0	8,946.9	332.7	3.7
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⁾	206.6	212.3	-5.7	-2.7	180.0	26.6	14.8
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,735.3	14,714.8	20.5	0.1	14,193.8	541.5	3.8
Credit to general government	4,230.7	4,165.8	65.0	1.6	3,701.1	529.6	14.3
Credit to other sectors	10,504.6	10,549.1	-44.5	-0.4	10,492.7	11.9	0.1
EXTERNAL COUNTERPART	8,792.7	7,244.0	1,548.7	21.4	8,825.3	-32.7	-0.4
Claims on non-residents of the euro area	29,589.0	29,738.5	-149.4	-0.5	30,481.9	-892.9	-2.9
Liabilities to non-residents of the euro area (-)	20,796.4	22,494.5	-1,698.1	-7.5	21,656.6	-860.2	-4.0
OTHER COUNTERPARTS (-)	14,041.8	12,562.8	1,479.0	11.8	13,892.3	149.5	1.1
Liabilities to the central government	750.3	768.9	-18.5	-2.4	597.3	153.0	25.6
Longer term financial liabilities	11,492.5	11,472.7	19.8	0.2	11,018.2	474.4	4.3
Other liabilities (net)	1,798.9	321.2	1,477.8	460.1	2,276.7	-477.8	-21.0

(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⁽¹⁾

€ millions

	Jun-11	May-11	Monthly Change	Monthly Percentage Change	Jun-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS	8,153.7	8,147.5	6.2	0.1	8,085.7	68.0	0.8
Overnight deposits	4,359.5	4,330.4	29.1	0.7	4,127.9	231.5	5.6
Deposits redeemable at notice up to 3 months ⁽²⁾	115.9	128.4	-12.5	-9.7	111.9	4.1	3.6
Deposits with agreed maturity up to 2 years ⁽²⁾	3,678.3	3,688.6	-10.3	-0.3	3,845.9	-167.6	-4.4
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,474.9	10,459.8	15.0	0.1	10,083.9	390.9	3.9
Credit to general government	2,212.8	2,224.1	-11.3	-0.5	2,132.3	80.4	3.8
Credit to other sectors	8,262.1	8,235.8	26.4	0.3	7,951.6	310.5	3.9
NET FOREIGN ASSETS	10,993.8	11,008.6	-14.9	-0.1	10,736.0	257.7	2.4
Claims on non-residents of Malta	41,224.8	41,147.6	77.2	0.2	41,791.2	-566.4	-1.4
Liabilities to non-residents of Malta (-)	30,231.0	30,138.9	92.1	0.3	31,055.2	-824.1	-2.7

(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.