



**BANK ĊENTRALI TA' MALTA**

EUROSISTEMA

**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 July 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 EUR21.5 million, or 0.2%, in July, to EUR9.5 billion (see Table 1). On an annual basis, the growth rate fell to 2.6% from 3.9% in June.

The narrow money component (M1) rose by EUR133.0 million, or 2.6%. The increase was mainly brought about by a rise in overnight deposits, although currency issued was also up on a month earlier. The annual growth rate of M1 rose from 5.5% in June to 6.9% in July.

Notwithstanding the month's rise in M1, the intermediate money component (M2) fell by EUR25.7 million, or 0.3%. This was almost entirely spurred by a decrease in deposits with an agreed maturity of up to two years, which contracted by EUR144.1 million in July. Meanwhile, the annual growth rate of M2 eased to 2.5% as against 3.7% in June.

Turning to the counterparts of M3, credit increased by EUR91.3 million, or 0.6%, in July. The rise reflected an expansion in credit to the general government sector and to other residents of the euro area. On an annual basis, total credit growth rose to 5.5% from 3.8% in the previous month.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, decreased by EUR373.8 million, or 4.2%. This was brought about by an increase in liabilities to residents of non-euro area countries, particularly repurchase agreements. This outweighed the increase in MFI claims on residents of countries outside the euro area, which in turn mainly reflected higher deposits held abroad.

The other counterparts of M3 also fell during the month under review, losing EUR261.1 million, or 1.9%. A rise in longer-term financial liabilities was outweighed by decreases in both liabilities to the central government and in other liabilities (net). The reduction in liabilities to the central government largely reflected a drop in government deposits held with MFIs in Malta. The drop in other liabilities (net), which

mainly reflect interbank transactions, stemmed largely from a fall in resident banks' net liabilities vis-à-vis banks in other euro area economies.

### **Transactions with Maltese residents: deposits and credit**

Total deposits belonging to residents of Malta and held with resident MFIs rose by EUR128.5 million, or 1.6%, in July. This was mainly attributable to a rise in overnight deposits. Deposits with an agreed maturity up to two years also contributed, albeit to a much lesser extent. The year-on-year growth rate of total deposits rose to 1.6% in the month reviewed, from 0.8% a month earlier.

Overnight deposits expanded by EUR115.7 million, or 2.7%, in July. This was mainly due to a rise in deposits held by households, by private non-financial companies (NFCs) and by other financial intermediaries & financial auxiliaries. At the same time, deposits with an agreed maturity of up to two years rose by EUR25.9 million, or 0.7%.

Credit issued by resident MFIs to residents of Malta (including government) increased by EUR87.9 million, or 0.8%, in July. An expansion in credit to residents other than the general government explains most of the rise in absolute terms. The annual rate of growth of total credit accelerated to 4.8% from 3.9% in June.

Credit to residents outside general government rose by EUR58.7 million, or 0.7%. This reflected a rise in lending to public NFCs, particularly in the transportation & storage sector, and to households for house purchases. This more than offset the fall in lending to private NFCs. The annual growth rate in credit to residents other than general government rose to 5.2% from 3.9% in June.

Credit to the general government expanded by EUR29.2 million, or 1.3%, in July, driven by a rise in banks' holdings of Malta Government Stocks. The annual growth rate decelerated to 3.3% from 3.8% in June.

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

Net foreign assets held by resident MFIs increased by EUR110.1 million, or 1.0%, in July, on account of a fall in banks' external liabilities that outweighed a concurrent decrease in their external assets (see Table 2).<sup>1</sup> The year-on-year growth rate rose to 2.9% in July from 2.4% in June.

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

In July, the weighted average interest rate paid on deposits included in M3 rose to 1.14% from 1.12% in June, while that charged on loans edged down to 4.75% from 4.76% in the previous month. Compared to a year earlier, the deposit rate fell by four basis points, while that charged on loans was unchanged.

***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

	Jul-11	Jun-11	Monthly Change	Monthly Percentage Change	Jul-10	Annual Change	Annual Percentage Change
<b>MONETARY AGGREGATES<sup>(3)</sup></b>							
<b>NARROW MONEY (M1)</b>	<b>5,279.4</b>	<b>5,146.4</b>	<b>133.0</b>	<b>2.6</b>	<b>4,939.8</b>	<b>339.6</b>	<b>6.9</b>
Currency issued <sup>(4)</sup>	686.5	681.1	5.4	0.8	661.6	24.9	3.8
Overnight deposits <sup>(5)</sup>	4,592.9	4,465.3	127.6	2.9	4,278.2	314.7	7.4
<b>INTERMEDIATE MONEY (M2)</b>	<b>9,252.6</b>	<b>9,278.3</b>	<b>-25.7</b>	<b>-0.3</b>	<b>9,026.3</b>	<b>226.3</b>	<b>2.5</b>
Narrow money (M1)	5,279.4	5,146.4	133.0	2.6	4,939.8	339.6	6.9
Deposits redeemable at notice up to 3 months <sup>(5)</sup>	115.4	130.0	-14.6	-11.2	111.3	4.1	3.7
Deposits with agreed maturity up to 2 years <sup>(5)</sup>	3,857.8	4,001.9	-144.1	-3.6	3,975.2	-117.4	-3.0
<b>BROAD MONEY (M3)</b>	<b>9,463.4</b>	<b>9,484.9</b>	<b>-21.5</b>	<b>-0.2</b>	<b>9,221.1</b>	<b>242.3</b>	<b>2.6</b>
Intermediate money (M2)	9,252.6	9,278.3	-25.7	-0.3	9,026.3	226.3	2.5
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>	210.8	206.6	4.3	2.1	194.8	16.0	8.2
<b>SELECTED COUNTERPARTS OF M3</b>							
<b>CREDIT COUNTERPART</b>	<b>14,825.9</b>	<b>14,734.6</b>	<b>91.3</b>	<b>0.6</b>	<b>14,049.9</b>	<b>776.0</b>	<b>5.5</b>
Credit to general government	4,262.8	4,232.7	30.0	0.7	3,737.3	525.4	14.1
Credit to other sectors	10,563.1	10,501.9	61.2	0.6	10,312.5	250.6	2.4
<b>EXTERNAL COUNTERPART</b>	<b>8,447.3</b>	<b>8,821.2</b>	<b>-373.8</b>	<b>-4.2</b>	<b>9,389.4</b>	<b>-942.0</b>	<b>-10.0</b>
Claims on non-residents of the euro area	29,768.3	29,555.2	213.1	0.7	30,270.2	-501.9	-1.7
Liabilities to non-residents of the euro area (-)	21,321.0	20,734.1	586.9	2.8	20,880.9	440.1	2.1
<b>OTHER COUNTERPARTS (-)</b>	<b>13,809.8</b>	<b>14,070.9</b>	<b>-261.1</b>	<b>-1.9</b>	<b>14,218.1</b>	<b>-408.4</b>	<b>-2.9</b>
Liabilities to the central government	656.3	750.3	-94.0	-12.5	600.6	55.7	9.3
Longer term financial liabilities	11,621.5	11,486.9	134.7	1.2	11,015.0	606.5	5.5
Other liabilities (net)	1,531.9	1,833.6	-301.7	-16.5	2,602.5	-1,070.6	-41.1

(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

	Jul-11	Jun-11	Monthly Change	Monthly Percentage Change	Jul-10	Annual Change	Annual Percentage Change
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS</b>	<b>8,281.3</b>	<b>8,152.8</b>	<b>128.5</b>	<b>1.6</b>	<b>8,151.4</b>	<b>129.9</b>	<b>1.6</b>
Overnight deposits	4,462.5	4,346.9	115.7	2.7	4,171.5	291.0	7.0
Deposits redeemable at notice up to 3 months <sup>(2)</sup>	115.4	128.5	-13.1	-10.2	111.2	4.1	3.7
Deposits with agreed maturity up to 2 years <sup>(2)</sup>	3,703.4	3,677.4	25.9	0.7	3,868.6	-165.3	-4.3
<b>SELECTED COUNTERPARTS</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>10,565.1</b>	<b>10,477.3</b>	<b>87.9</b>	<b>0.8</b>	<b>10,079.3</b>	<b>485.8</b>	<b>4.8</b>
Credit to general government	2,244.3	2,215.2	29.2	1.3	2,172.6	71.7	3.3
Credit to other sectors	8,320.8	8,262.1	58.7	0.7	7,906.7	414.1	5.2
<b>NET FOREIGN ASSETS</b>	<b>11,103.9</b>	<b>10,993.8</b>	<b>110.1</b>	<b>1.0</b>	<b>10,791.1</b>	<b>312.7</b>	<b>2.9</b>
Claims on non-residents of Malta	41,214.6	41,224.8	-10.2	0.0	40,785.1	429.5	1.1
Liabilities to non-residents of Malta (-)	30,110.8	30,231.0	-120.3	-0.4	29,994.0	116.8	0.4

(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.