



BANK ĊENTRALI TA' MALTA

EUROSISTEMA

CENTRAL BANK OF MALTA

RELEASE OF MONETARY STATISTICS

Issue No. 08/2011

August 2011

The Central Bank of Malta has just issued its commentary on the release of monetary statistics for August 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) rose by EUR145.6 million, or 1.5%, in August, to EUR9.6 billion (see Table 1). Meanwhile, the annual growth rate rose to 5.1% from 2.6% in July.

The narrow money component (M1) fell by EUR9.5 million, or 0.2%. The decline was mainly spurred by a fall in overnight deposits, although currency issued was also down on a month earlier. The annual rate of growth of M1 rose to 9.7% in August from 6.9% a month earlier.

Notwithstanding the month's fall in M1, the intermediate money component (M2) rose by EUR142.7 million, or 1.5%, in August. This was almost entirely attributable to an increase of EUR132.7 million in deposits with an agreed maturity of up to two years. A rise in deposits redeemable at notice up to three months also contributed positively. As a result, the annual growth rate of M2 accelerated to 5.1% as against 2.5% in July.

Turning to the counterparts of M3, credit increased by EUR246.8 million, or 1.7%, in August. The expansion was mainly propelled by a rise in credit to general government, as credit to other residents increased only marginally. The annual rate of credit growth rose to 6.6% from 5.5% in the preceding month.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, decreased by EUR246.9 million, or 2.9%. This was spurred by a decline in claims on non-euro area residents, which was in turn caused by a fall in loans to non-residents and a reduction in holdings of securities issued by governments outside the euro area. This outweighed a drop in liabilities to non-euro area residents that, in turn, reflected a decline in repurchase agreements together with a fall in time deposits held with resident MFIs.

The other counterparts of M3 also fell in August, by EUR145.6 million, or 1.1%. This was driven by a decline in other liabilities (net), which mainly reflect interbank transactions with other euro area residents. This fall outweighed an increase in MFI's liabilities to the central government as well as in their longer-term financial liabilities.

Transactions with Maltese residents: deposits and credit

Deposits belonging to residents of Malta and held with resident MFIs rose by EUR63.7 million, or 0.8%, in August (see Table 2). This was mainly a result of an increase in deposits with an agreed maturity of up to two years, as deposits redeemable at notice up to three months rose more moderately whereas overnight deposits declined.

Deposits with an agreed maturity up to two years expanded by EUR53.7 million, or 1.5%, with insurance companies, private non-financial corporations (NFCs) and households accounting for the entire increase. Meanwhile, those redeemable at up to three months' notice rose by EUR17.4 million, or 15.1%. In contrast, overnight deposits decreased by EUR7.4 million, or 0.2%, in August, as a fall in deposits held by private NFCs outweighed a rise in deposits held by households, public NFCs and other financial institutions. The year-on-year growth in total deposits rose to 4.0% from 1.6% in July.

Credit to residents of Malta (including government) increased by EUR66.9 million, or 0.6%, driven by a EUR67.0 million rise in credit to the general government. This stemmed from an increase in holdings of Maltese government bonds and additional loans extended to the general government sector, which outweighed the fall in MFIs' Treasury bill portfolios. The annual growth rate of this counterpart rose to 4.8% from 3.3% a month earlier. Credit to residents other than general government decreased marginally, by EUR0.2 million, as declines in loans to NFCs and other financial institutions were only partly offset by a higher volume of credit to other sectors, primarily households.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs were up by EUR48.8million, or 0.4%, in August (see Table 2).¹ The net position improved as a drop in the banks' external liabilities exceeded a fall in their external assets. The year-on-year growth rate fell from 2.9% in July to 2.6%.

Bank lending and deposit rates

The weighted average interest rate paid on deposits included in M3 remained unchanged at its July level of 1.14%. The interest rate charged on loans was also unchanged at 4.75%. However, compared to a year earlier, the deposit rate fell by four basis points, while that charged on loans was up by three 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.

CENTRAL BANK OF MALTA

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

€ millions

	Aug-11	Jul-11	Monthly Change	Monthly Percentage Change	Aug-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,269.9	5,279.4	-9.5	-0.2	4,805.5	464.5	9.7
Currency issued ⁽⁴⁾	685.1	686.5	-1.4	-0.2	659.5	25.6	3.9
Overnight deposits ⁽⁵⁾	4,584.9	4,592.9	-8.0	-0.2	4,146.0	438.9	10.6
INTERMEDIATE MONEY (M2)	9,395.3	9,252.6	142.7	1.5	8,942.2	453.1	5.1
Narrow money (M1)	5,269.9	5,279.4	-9.5	-0.2	4,805.5	464.5	9.7
Deposits redeemable at notice up to 3 months ⁽⁵⁾	134.8	115.4	19.4	16.8	113.8	21.0	18.5
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,990.5	3,857.8	132.7	3.4	4,022.9	-32.4	-0.8
BROAD MONEY (M3)	9,609.0	9,463.4	145.6	1.5	9,138.5	470.5	5.1
Intermediate money (M2)	9,395.3	9,252.6	142.7	1.5	8,942.2	453.1	5.1
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⁾	213.7	210.8	2.9	1.4	196.3	17.5	8.9
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,072.7	14,825.9	246.8	1.7	14,139.8	932.9	6.6
Credit to general government	4,506.6	4,262.8	243.9	5.7	3,783.9	722.8	19.1
Credit to other sectors	10,566.0	10,563.1	2.9	0.0	10,355.9	210.1	2.0
EXTERNAL COUNTERPART	8,200.5	8,447.3	-246.9	-2.9	9,120.6	-920.1	-10.1
Claims on non-residents of the euro area	29,075.9	29,768.3	-692.4	-2.3	30,207.4	-1,131.6	-3.7
Liabilities to non-residents of the euro area (-)	20,875.4	21,321.0	-445.5	-2.1	21,086.9	-211.4	-1.0
OTHER COUNTERPARTS (-)	13,664.1	13,809.8	-145.6	-1.1	14,121.9	-457.8	-3.2
Liabilities to the central government	758.7	656.3	102.4	15.6	834.9	-76.2	-9.1
Longer term financial liabilities	11,677.9	11,621.5	56.3	0.5	11,154.6	523.2	4.7
Other liabilities (net)	1,227.5	1,531.9	-304.4	-19.9	2,132.4	-904.9	-42.4

(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.

CENTRAL BANK OF MALTA

TABLE 2: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS⁽¹⁾

€ millions

	Aug-11	Jul-11	Monthly Change	Monthly Percentage Change	Aug-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS	8,345.0	8,281.3	63.7	0.8	8,020.3	324.7	4.0
Overnight deposits	4,455.1	4,462.5	-7.4	-0.2	4,038.3	416.9	10.3
Deposits redeemable at notice up to 3 months ⁽²⁾	132.8	115.4	17.4	15.1	113.7	19.1	16.8
Deposits with agreed maturity up to 2 years ⁽²⁾	3,757.1	3,703.4	53.7	1.5	3,868.3	-111.2	-2.9
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,632.0	10,565.1	66.9	0.6	10,172.9	459.1	4.5
Credit to general government	2,311.3	2,244.3	67.0	3.0	2,204.7	106.6	4.8
Credit to other sectors	8,320.7	8,320.8	-0.2	0.0	7,968.2	352.5	4.4
NET FOREIGN ASSETS	11,152.6	11,103.9	48.8	0.4	10,866.3	286.3	2.6
Claims on non-residents of Malta	40,571.5	41,214.6	-643.1	-1.6	40,402.9	168.6	0.4
Liabilities to non-residents of Malta (-)	29,418.9	30,110.8	-691.9	-2.3	29,536.6	-117.7	-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.