



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 EUR88.9 million, or 0.9%, in September, to EUR9.7 billion (see Table 1). The annual growth rate increased to 5.7% from 4.9% in August.

The narrow money component (M1) was up by EUR42.2 million, or 0.8%. This rise was to a large extent propelled by an increase in overnight deposits, although currency issued was also up on a month earlier. Meanwhile, the annual growth rate of M1 decreased from 9.6% in August, to 9.2%.

The intermediate money component (M2) expanded by EUR86.1 million, or 0.9%, reflecting the rise in M1 and an increase in deposits with an agreed maturity of up to two years. The latter rose by EUR51.4 million in September. The annual growth rate of M2 increased to 5.9% from 4.8% in August.

Turning to the counterparts of M3, credit expanded by EUR1.0 billion, or 6.9%, in September, as banks converted maturing claims on residents of non-euro area countries into longer-term securities issued within the euro area. The rise was spurred primarily by credit issued to residents outside the general government, which rose by EUR704.0 million on a month earlier. Meanwhile, credit to the general government also expanded, by EUR329.0 million. On an annual basis, total credit rose by 12.8% after having expanded by 6.6% in August.

Conversely, the external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, fell by EUR463.9 million, or 5.7%. This was attributable to a rise in liabilities that reflected mainly an increase in repurchase agreements together with a drop in claims that was principally driven by the repayment of loans by non-euro area residents.

On the other hand, the other liabilities held on MFI balance sheets rose in September by EUR480.3 million, or 3.5%, mainly on account of new financial obligations towards other euro area banks. In contrast, there was a drop in MFIs' liabilities to the central government and longer-term financial liabilities outside M3 dropped.

Transactions with Maltese residents: deposits and credit

Total deposits belonging to residents of Malta and held with resident MFIs went up by EUR37.0 million, or 0.4%, in September (see Table 2). This increase was

attributable to a higher volume of overnight deposits, which rose by EUR23.8 million, or 0.5%, in September. Deposits with an agreed maturity of up to two years also rose by EUR20.7 million. On the other hand, deposits redeemable at notice up to three months declined by EUR7.5 million. The year-on-year growth rate of total deposits rose to 4.2% in the month reviewed, from 3.7% a month earlier.

The increase in overnight deposits reflected growth in balances held by households, as deposits held by public non-financial companies (NFCs), insurance companies and other financial intermediaries fell whereas deposits held by private NFCs were largely stable. The rise in deposits with an agreed maturity of up to two years was driven by private NFCs, insurance companies and other financial intermediaries, whereas those held by households and public NFCs fell. The drop in deposits redeemable at notice up to three months was spurred by movements in those held by households and to a lesser extent by private NFCs.

Credit issued by resident MFIs to residents of Malta (including government) expanded by EUR110.8 million, or 1.0%, in September, on account of an increase in credit to residents other than the general government, which increased by EUR116.3 million, or 1.4%. The annual rate of growth of total credit increased to 5.1% from 4.5% in August.

The increase in credit to residents outside the general government during the month was brought about by a rise in credit to households for house purchases and to private NFCs, particularly those in construction and in the wholesale and retail sector. Meanwhile, lending to public NFCs also rose, albeit at a slower pace.

On the other hand, credit to the general government fell by EUR5.5 million, or 0.2%, spurred by a decrease in banks' holdings of Maltese government bonds, which completely offset a rise in loans to the sector.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs decreased by EUR65.5 million, or 0.6%, in September, as a rise in their external liabilities outweighed a concurrent increase in external assets (see Table 2).¹ The year-on-year growth rate fell to 2.0% in September from 2.6% in August.

Bank lending and deposit rates

In September, the weighted average interest rate paid on deposits included in M3 fell to 1.13% from 1.14% in August, while that charged on loans remained unchanged at 4.75%. Compared to a year earlier, the deposit rate fell by five 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

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

	Sep-11	Aug-11	Monthly Change	Monthly Percentage Change	Sep-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,310.8	5,268.6	42.2	0.8	4,861.4	449.4	9.2
Currency issued ⁽⁴⁾	690.1	685.1	5.0	0.7	660.4	29.7	4.5
Overnight deposits ⁽⁵⁾	4,620.7	4,583.5	37.2	0.8	4,201.0	419.7	10.0
INTERMEDIATE MONEY (M2)	9,456.4	9,370.3	86.1	0.9	8,925.8	530.7	5.9
Narrow money (M1)	5,310.8	5,268.6	42.2	0.8	4,861.4	449.4	9.2
Deposits redeemable at notice up to 3 months ⁽⁵⁾	127.3	134.8	-7.5	-5.6	113.8	13.6	11.9
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,018.3	3,966.9	51.4	1.3	3,950.6	67.7	1.7
BROAD MONEY (M3)	9,672.9	9,584.0	88.9	0.9	9,154.2	518.7	5.7
Intermediate money (M2)	9,456.4	9,370.3	86.1	0.9	8,925.8	530.7	5.9
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⁾	216.5	213.7	2.8	1.3	228.5	-12.0	-5.2
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	16,105.7	15,072.7	1,033.1	6.9	14,274.5	1,831.3	12.8
Credit to general government	4,835.7	4,506.6	329.0	7.3	3,802.7	1,032.9	27.2
Credit to other sectors	11,270.1	10,566.0	704.0	6.7	10,471.7	798.3	7.6
EXTERNAL COUNTERPART	7,735.1	8,199.1	-463.9	-5.7	9,153.7	-1,418.6	-15.5
Claims on non-residents of the euro area	28,865.7	29,076.1	-210.4	-0.7	29,858.2	-992.5	-3.3
Liabilities to non-residents of the euro area (-)	21,130.6	20,877.1	253.5	1.2	20,704.5	426.1	2.1
OTHER COUNTERPARTS (-)	14,168.0	13,687.7	480.3	3.5	14,274.0	-106.0	-0.7
Liabilities to the central government	712.9	758.7	-45.9	-6.0	748.4	-35.6	-4.8
Longer term financial liabilities	11,649.1	11,692.8	-43.7	-0.4	11,226.7	422.4	3.8
Other liabilities (net)	1,806.1	1,236.2	569.9	46.1	2,298.9	-492.8	-21.4

(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

	Sep-11	Aug-11	Monthly Change	Monthly Percentage Change	Sep-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,357.4	8,320.4	37.0	0.4	8,020.3	337.2	4.2
Overnight deposits	4,477.6	4,453.8	23.8	0.5	4,089.9	387.7	9.5
Deposits redeemable at notice up to 3 months	125.3	132.8	-7.5	-5.6	113.7	11.6	10.2
Deposits with agreed maturity up to 2 years	3,754.5	3,733.8	20.7	0.6	3,816.6	-62.1	-1.6
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,742.7	10,632.0	110.8	1.0	10,222.4	520.3	5.1
Credit to general government	2,305.8	2,311.3	-5.5	-0.2	2,183.0	122.8	5.6
Credit to other sectors	8,437.0	8,320.7	116.3	1.4	8,039.4	397.5	4.9
NET FOREIGN ASSETS	11,087.1	11,152.6	-65.5	-0.6	10,871.0	216.1	2.0
Claims on non-residents of Malta	41,318.8	40,571.5	747.3	1.8	40,371.6	947.1	2.3
Liabilities to non-residents of Malta (-)	30,231.6	29,418.9	812.7	2.8	29,500.6	731.0	2.5

(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.