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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 October 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 EUR540.7 million, or 5.6%, in October, to EUR10.2 billion (see Table 1). Meanwhile, the annual growth rate rose to 8.2% from 5.7% in September.

The narrow money component (M1) increased by EUR144.6 million, or 2.7%. The rise was largely propelled by overnight deposits, although currency issued was also higher on a month earlier. The annual growth rate of M1 rose to 9.6% from 9.2% in the previous month.

The intermediate money component (M2) also rose, by EUR145.8 million, or 1.5%, in October reflecting mainly the increase in M1. Deposits with an agreed maturity of up to two years recorded a marginal gain of EUR2.7 million, whereas those redeemable at notice of up to three months fell by EUR1.4 million. The annual growth rate of M2 fell to 4.4% from 5.9% in September.

In October, resident MFIs began making use of repurchase agreements to raise short-term funds from other euro area residents, boosting M3. Thus, the gap between M3 and M2 widened.

Turning to the uses of monetary growth, the credit counterpart declined by EUR69.8 million, or 0.4%, in October. This fall was spurred by a contraction of EUR73.4 million in credit to general government, while credit to other residents increased slightly. The annual rate of credit growth fell to 11.6% from 12.8%.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, expanded by EUR595.5 million, or 7.7%, in October. This was mainly propelled by a decline in loans extended by non-euro area banks to resident banks. In addition, holdings of securities issued by governments outside the euro area increased markedly, outweighing a substantial fall in deposits held abroad.

Other liabilities classified within M3 held on MFI balance sheets fell in October by EUR14.9 million, or 0.1%. This mostly reflected a decrease in MFI's liabilities to the central government and a contraction in other liabilities (net), which mainly reflect interbank transactions with other euro area residents. These declines outweighed a rise in MFIs' longer-term financial liabilities in the form of long-term deposits and equity.

Transactions with Maltese residents: deposits and credit

Deposits forming part of M3 and belonging to residents of Malta, held with resident MFIs, were up by EUR60.3 million, or 0.7%, in October (see Table 2). The rise reflected a higher volume of overnight deposits, which went up by EUR142.3 million, or 3.2%. On the other hand, deposits with an agreed maturity of up to two years fell by EUR80.7 million, as did those redeemable at notice up to three months, which decreased by EUR1.4 million. The year-on-year growth rate of total residents' deposits forming part of M3 fell from 4.2% in September to 3.3% in October. The corresponding growth rate of deposits held by residents of the euro area with euro area MFIs in October stood at 1.8%.

The rise in overnight deposits was broad-based and was fuelled especially by growth in balances held by private non-financial companies (NFCs), insurance companies and households. The drop in deposits with an agreed maturity of up to two years was driven by households and insurance companies, whereas there was a rise in those belonging to private and public NFCs and other financial intermediaries. The decline in deposits redeemable at notice up to three months reflected movements in deposits of private NFCs, other financial intermediaries, households and insurance companies.

Credit to residents of Malta (including general government) rose by EUR25.2 million, or 0.2%, with its annual growth rate picking up to 5.3% in October from 5.1% in the previous month.

Credit expansion was driven by a EUR30.1 million increase in credit to the general government. In turn, this was propelled by an increase in holdings of Maltese Government Stocks and Treasury bills. The annual growth rate of this counterpart rose to 6.5% from 5.6% in September.

In contrast, credit to residents of Malta other than the general government decreased by EUR4.9 million, or 0.1%. Within this component, MFI holdings of securities other than shares declined. Meanwhile, loans also fell marginally, as an increase in lending to public NFCs and to households was offset by a contraction in credit extended to private NFCs. In October, the annual growth rate of total credit to residents other than government remained stable at 4.9%, whereas that of loans fell to 4.6%. By comparison, the growth rate of loans made by all euro area MFIs to residents of the euro area excluding general government stood at 2.8%.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs were up by EUR95.6 million, or 0.9%, in October (see Table 2).¹ This reflected a rise in their external claims that exceeded

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.

the increase in the corresponding foreign liabilities. The annual growth rate of net foreign assets rose to 2.2% from 2.0% in the preceding month.

Bank lending and deposit rates

The weighted average interest rate paid on deposits included in M3 fell to 1.11% in October, from 1.13% a month earlier. The interest rate charged on loans fell marginally by one basis point to 4.75%. Compared to a year earlier, the deposit rate fell by seven 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

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

€ millions

	Oct-11	Sep-11	Monthly Change	Monthly Percentage Change	Oct-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,455.4	5,310.8	144.6	2.7	4,979.0	476.5	9.6
Currency issued ⁽⁴⁾	701.6	690.1	11.5	1.7	663.0	38.6	5.8
Overnight deposits ⁽⁵⁾	4,753.8	4,620.7	133.1	2.9	4,316.0	437.8	10.1
INTERMEDIATE MONEY (M2)	9,602.3	9,456.4	145.8	1.5	9,198.9	403.3	4.4
Narrow money (M1)	5,455.4	5,310.8	144.6	2.7	4,979.0	476.5	9.6
Deposits redeemable at notice up to 3 months ⁽⁵⁾	125.9	127.3	-1.4	-1.1	113.5	12.4	10.9
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,020.9	4,018.3	2.7	0.1	4,106.5	-85.5	-2.1
BROAD MONEY (M3)	10,213.6	9,672.9	540.7	5.6	9,437.9	775.7	8.2
Intermediate money (M2)	9,602.3	9,456.4	145.8	1.5	9,198.9	403.3	4.4
Repurchase agreements	393.0	0.0	393.0	0.0	0.0	393.0	0.0
Debt securities issued up to 2 years' initial maturity ⁽⁶⁾	218.3	216.5	1.8	0.8	238.9	-20.6	-8.6
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	16,036.0	16,105.7	-69.8	-0.4	14,371.7	1,664.2	11.6
Credit to general government	4,762.3	4,835.7	-73.4	-1.5	3,835.8	926.5	24.2
Credit to other sectors	11,273.7	11,270.1	3.6	0.0	10,535.9	737.8	7.0
EXTERNAL COUNTERPART	8,330.7	7,735.1	595.5	7.7	8,140.3	190.4	2.3
Claims on non-residents of the euro area	28,935.4	28,865.7	69.7	0.2	29,186.4	-251.0	-0.9
Liabilities to non-residents of the euro area (-)	20,604.7	21,130.6	-525.9	-2.5	21,046.0	-441.4	-2.1
OTHER COUNTERPARTS (-)	14,153.1	14,168.0	-14.9	-0.1	13,074.2	1,078.9	8.3
Liabilities to the central government	626.9	712.9	-86.0	-12.1	688.1	-61.2	-8.9
Longer term financial liabilities	11,787.4	11,649.1	138.4	1.2	11,264.9	522.6	4.6
Other liabilities (net)	1,738.8	1,806.1	-67.3	-3.7	1,121.2	617.5	55.1

(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⁽¹⁾

€ millions

	Oct-11	Sep-11	Monthly Change	Monthly Percentage Change	Oct-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,417.7	8,357.4	60.3	0.7	8,146.5	271.2	3.3
Overnight deposits	4,620.0	4,477.6	142.3	3.2	4,187.8	432.2	10.3
Deposits redeemable at notice up to 3 months	123.9	125.3	-1.4	-1.2	113.4	10.4	9.2
Deposits with agreed maturity up to 2 years	3,673.8	3,754.5	-80.7	-2.1	3,845.3	-171.5	-4.5
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,768.0	10,742.8	25.2	0.2	10,229.2	538.8	5.3
Credit to general government	2,335.9	2,305.8	30.1	1.3	2,192.6	143.3	6.5
Credit to other sectors	8,432.1	8,437.0	-4.9	-0.1	8,036.6	395.5	4.9
NET FOREIGN ASSETS	11,182.8	11,087.1	95.6	0.9	10,946.4	236.3	2.2
Claims on non-residents of Malta	41,488.2	41,318.8	169.5	0.4	40,090.8	1,397.4	3.5
Liabilities to non-residents of Malta (-)	30,305.5	30,231.6	73.8	0.2	29,144.4	1,161.1	4.0

(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.