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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 November 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) fell by EUR82.4 million, or 0.8%, in November, to EUR10.1 billion (see Table 1). The annual growth rate decreased to 7.7% from 8.2% in October.

The monthly drop was to a large extent driven by the narrow money component (M1) and by deposits with agreed maturity up to two years. The former fell by EUR118.8 million, or 2.2%, driven by changes in overnight deposits. On the other hand, currency in circulation rose marginally. As a result, the annual growth rate of M1 fell to 7.2% in November from 9.6% in October.

Deposits with agreed maturity up to two years, which together with M1 form part of intermediate money (M2), also fell, losing EUR60.1 million during the month. The drop in this category of deposits and in M1 more than offset a small increase in the remaining component of M2, deposits redeemable at notice up to three months. As a result, intermediate money declined by EUR175.4 million, and its annual growth rate fell from 4.4% in October to 2.9% in November.

Repurchase agreements, which are excluded from M2 but included in M3, increased by EUR123.0 million in November. The increase in these instruments arose as resident MFIs continued to use this instrument to raise short-term funds from other euro area residents. The rise in repos was counterbalanced by a drop in M2 and in debt securities with an initial maturity of up to two years, for an overall decline of 0.8% in M3.

Turning to the counterparts of M3, credit to euro area residents expanded by EUR49.2 million, or 0.3%, in November. This was propelled by higher volume of credit to residents outside general government, which rose by EUR165.6 million. On the other hand, credit to the general government decreased by EUR116.4 million. The year-on-year growth rate of credit fell to 11.2% from 11.5% in October.

On the contrary, the external counterpart of M3, or resident MFIs' net foreign assets in respect of countries outside the euro area, fell by EUR559.6 million, or 6.7%, reflecting a strong increase in liabilities relative to assets. The increase in liabilities was mainly attributable to an increase in resident banks' borrowings from non-euro area banks, including repurchase agreements. The accumulation of assets this month mainly reflected increased holdings of securities issued by governments outside the euro area, although the volume of loans to non-euro area residents and deposits held outside the euro area also increased substantially.

At the same time, resident MFIs reduced their other liabilities. These fell by EUR428.0 million, or 3.0%, in November, mainly on account of a decline in other liabilities (net), which mainly reflect interbank transactions with other euro area residents.

Transactions with Maltese residents: deposits and credit

Deposits belonging to residents of Malta that form part of M3 and are held with resident MFIs decreased by EUR123.4 million, or 1.5% (see Table 2). This fall was propelled by a lower volume of overnight deposits, which fell by EUR128.7 million, or 2.8%. In contrast, deposits redeemable at notice up to three months rose by EUR3.8 million, while those with an agreed maturity of up to two years went up by EUR1.7 million. The annual growth rate of total deposits eased to 1.6% from 3.3%, in October. The corresponding growth rate of deposits held by residents of the euro area with euro area MFIs in November stood at 1.8%.

November's fall in overnight deposits was broad-based across sectors, but was primarily spurred by a decline in balances held by households, insurance companies and public non-financial companies (NFCs). The rise in deposits redeemable at notice of up to three months was fuelled by higher balances held by private NFCs, while the increase in deposits with an agreed maturity of up to two years was driven by private NFCs and other financial intermediaries.

Credit issued by resident MFIs to residents of Malta (including government) rose by EUR108.5 million, or 1.0%, in November, with its annual growth rate rising to 6.2% from 5.3% in October. Credit to the general government also rose by EUR42.5 million, or 1.8%, reflecting higher banks' holdings of Maltese government bonds. Credit to residents outside the general government expanded by EUR66.0 million, or 0.8%, spurred by higher loans extended to private NFCs and the household sector. The annual growth rate of credit to sectors outside general government remained stable at 4.9%, while that of loans rose marginally to 4.7%. By comparison, the growth rate of loans made by all euro area MFIs to residents of the euro area excluding general government was 1.7%.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs fell by EUR59.3 million, or 0.5%, in November, as an expansion in their foreign liabilities outweighed a concurrent

rise in external assets (see Table 2).¹ In annual terms, net foreign assets contracted by 0.5%, after expanding by 2.2%, in October.

Bank lending and deposit rates

In November, the weighted average interest rate paid on deposits included in M3 rose to 1.13% from 1.11% in October. The interest rate charged on loans fell to 4.71% from 4.74% in October. Compared with a year earlier, the deposit rate fell by four basis points, while that charged on loans fell by two 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

	Nov-11	Oct-11	Monthly Change	Monthly Percentage Change	Nov-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,336.6	5,455.4	-118.8	-2.2	4,979.7	356.9	7.2
Currency issued ⁽⁴⁾	702.6	701.6	1.0	0.1	665.7	36.9	5.5
Overnight deposits ⁽⁵⁾	4,634.0	4,753.8	-119.8	-2.5	4,314.0	320.0	7.4
INTERMEDIATE MONEY (M2)	9,426.9	9,602.3	-175.4	-1.8	9,165.2	261.7	2.9
Narrow money (M1)	5,336.6	5,455.4	-118.8	-2.2	4,979.7	356.9	7.2
Deposits redeemable at notice up to 3 months ⁽⁵⁾	129.5	125.9	3.6	2.8	125.5	4.0	3.2
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,960.8	4,020.9	-60.1	-1.5	4,060.0	-99.2	-2.4
BROAD MONEY (M3)	10,131.2	10,213.6	-82.4	-0.8	9,409.2	722.0	7.7
Intermediate money (M2)	9,426.9	9,602.3	-175.4	-1.8	9,165.2	261.7	2.9
Repurchase agreements	516.0	393.0	123.0	31.3	0.0	516.0	0.0
Debt securities issued up to 2 years' initial maturity ⁽⁶⁾	188.3	218.3	-30.0	-13.7	244.0	-55.7	-22.8
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	16,076.3	16,027.1	49.2	0.3	14,455.7	1,620.6	11.2
Credit to general government	4,637.0	4,753.4	-116.4	-2.4	3,877.7	759.3	19.6
Credit to other sectors	11,439.3	11,273.7	165.6	1.5	10,578.0	861.3	8.1
EXTERNAL COUNTERPART	7,780.0	8,339.6	-559.6	-6.7	8,347.2	-567.2	-6.8
Claims on non-residents of the euro area	29,291.8	28,944.2	347.6	1.2	30,383.5	-1,091.7	-3.6
Liabilities to non-residents of the euro area (-)	21,511.8	20,604.7	907.1	4.4	22,036.3	-524.5	-2.4
OTHER COUNTERPARTS (-)	13,725.1	14,153.1	-428.0	-3.0	13,393.7	331.4	2.5
Liabilities to the central government	820.0	626.9	193.1	30.8	774.8	45.1	5.8
Longer term financial liabilities	11,740.7	11,787.4	-46.7	-0.4	11,422.2	318.5	2.8
Other liabilities (net)	1,164.5	1,738.8	-574.3	-33.0	1,196.6	-32.2	-2.7

(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

	Nov-11	Oct-11	Monthly Change	Monthly Percentage Change	Nov-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,294.3	8,417.7	-123.4	-1.5	8,165.6	128.7	1.6
Overnight deposits	4,491.3	4,620.0	-128.7	-2.8	4,201.1	290.2	6.9
Deposits redeemable at notice up to 3 months	127.6	123.9	3.8	3.0	123.6	4.0	3.2
Deposits with agreed maturity up to 2 years	3,675.4	3,673.8	1.7	0.0	3,840.9	-165.5	-4.3
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,876.5	10,768.0	108.5	1.0	10,237.9	638.6	6.2
Credit to general government	2,378.4	2,335.9	42.5	1.8	2,133.8	244.6	11.5
Credit to other sectors	8,498.1	8,432.1	66.0	0.8	8,104.1	394.0	4.9
NET FOREIGN ASSETS	11,123.4	11,182.8	-59.3	-0.5	11,178.8	-55.4	-0.5
Claims on non-residents of Malta	41,642.9	41,488.2	154.7	0.4	41,483.2	159.7	0.4
Liabilities to non-residents of Malta (-)	30,519.5	30,305.5	214.0	0.7	30,304.4	215.1	0.7

(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.