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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 December 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 EUR90.1 million, or 0.9%, in December 2011, to EUR10.2 billion (see Table 1). As a result, the annual growth rate increased to 9.1% from 7.7% in November.

The month-on-month rise in broad money was mostly fuelled by the narrow money component (M1) which grew by EUR89.0 million, or 1.7% in December. Much of this increase in turn reflected a pick-up in the overnight deposits of private non-financial companies (NFCs) and households. At the same time, currency issued recorded a modest increase. The annual growth rate of M1 accelerated to 8.5% in December, from 7.2% one month earlier.

In contrast, deposits with agreed maturity of up to two years, which together with M1 form part of intermediate money (M2), contracted by EUR39.5 million, or 1.0%, in December. This mainly reflected lower holdings belonging to private non-financial companies resident in euro area Member States other than Malta. Deposits redeemable at notice up to three months fell slightly during the period. Consequently, growth in intermediate money was less accentuated than that in M1, and stood at 0.5%. Nonetheless, the annual growth rate rose to 3.8% in December, from 2.9% in November.

Meanwhile, repurchase agreements and debt securities with an initial maturity of up to two years also contributed significantly to the rise in M3, expanding by 5.6% and 8.5%, respectively, during the month and pushing M3 by EUR45 million. The increase in repurchase agreements arose as MFIs in Malta continued to use this instrument to raise short-term funds from other euro area residents.

Turning to the counterparts of M3, credit to euro area residents contracted mildly, by EUR2.1 million in December, reflecting contrasting developments in its two components. Credit to the general government sector of the euro area dropped by EUR42.8 million, or 0.9%, as banks reduced their holdings of government securities. In contrast, credit to residents outside general government rose by EUR40.7 million,

or 0.4%, reflecting higher loans to the private sector. On an annual basis, growth in credit edged down to 11.1% in December, from 11.2% one month earlier.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, rose by EUR62.6 million, or 0.8%, principally because the former significantly reduced their liabilities towards the latter. An increase in resident MFI's assets held outside the euro area also contributed. This increase arose as a considerable contraction in deposits held abroad was counterbalanced by higher loans granted to non-euro area residents and increased holdings of securities issued by governments outside the euro area.

The other liabilities of resident MFIs not included within M3 fell by EUR29.6 million, or 0.2%, in December driven by a drop in other liabilities (net), which mainly reflect interbank transactions between euro area MFIs. In addition, a decline in liabilities to the central government, principally in the form of demand deposits, also contributed substantially.

Transactions with Maltese residents: deposits and credit

Deposits forming part of M3 that belong to residents of Malta and are held with resident MFIs expanded by EUR112.2 million, or 1.4% in December (see Table 2). This rise was propelled by a higher volume of overnight deposits, which went up by EUR99.6 million, or 2.2%. In contrast, deposits redeemable at notice up to three months lost EUR5.1 million, while those with an agreed maturity of up to two years increased by EUR17.7 million. The annual growth rate of total deposits picked up, rising to 2.6% from 1.6% in November. The corresponding growth rate of deposits held by euro area residents with euro area MFIs stood at 2.0% in December.

December's rise in overnight deposits reflected higher balances held by households and private non-financial companies. The decrease in deposits redeemable at notice up to three months was fuelled by private NFCs, while the increase in deposits with an agreed maturity of up to two years was driven by insurance companies.

Credit issued by resident MFIs to residents of Malta (including government) rose by EUR27.4 million, or 0.3%, in December. On a year-on-year basis, however, credit growth edged down to 6.1% from 6.2% in November. Credit to residents outside the general government, mainly private sector residents, expanded by EUR52.4 million, or 0.6%, spurred by higher loans extended to households and private NFCs. Nevertheless, the annual growth rate of credit to other residents slowed down to 4.4% in December from 4.9% in November, while that of loans fell slightly to 4.2%. By comparison, the growth rate of loans made by all euro area MFIs to residents of the euro area excluding general government was 1.1%.

Meanwhile, credit to the general government fell by EUR25.0 million, or 1.1%, reflecting lower banks' holdings of Maltese Treasury bills. On an annual basis, however, growth picked up further, rising to 12.5% from 11.5% one month earlier.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs increased by EUR228.6 million, or 2.1%, in December, as a sizeable fall in their foreign liabilities, mostly in the form of non-residents' deposits, outweighed a concurrent decline in external assets (see Table

2).¹ In annual terms, net foreign assets expanded by 1.5%, after contracting by 0.5% in November.

Bank lending and deposit rates

In December, both the weighted average interest rate paid on deposits included in M3 and the interest rate charged on loans remained unchanged, at 1.13% and 4.71%, respectively. Compared with a year earlier, the deposit rate fell by four basis points, while that charged on loans fell by one basis point.

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

	Dec-11	Nov-11	Monthly Change	Monthly Percentage Change	Dec-10	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,425.6	5,336.6	89.0	1.7	4,999.0	426.6	8.5
Currency issued ⁽⁴⁾	710.6	702.6	8.1	1.1	674.4	36.2	5.4
Overnight deposits ⁽⁵⁾	4,715.0	4,634.0	81.0	1.7	4,324.6	390.4	9.0
INTERMEDIATE MONEY (M2)	9,472.0	9,426.9	45.1	0.5	9,128.9	343.1	3.8
Narrow money (M1)	5,425.6	5,336.6	89.0	1.7	4,999.0	426.6	8.5
Deposits redeemable at notice up to 3 months ⁽⁵⁾	125.1	129.5	-4.4	-3.4	124.3	0.8	0.7
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,921.3	3,960.8	-39.5	-1.0	4,005.6	-84.3	-2.1
BROAD MONEY (M3)	10,221.3	10,131.2	90.1	0.9	9,370.5	850.8	9.1
Intermediate money (M2)	9,472.0	9,426.9	45.1	0.5	9,128.9	343.1	3.8
Repurchase agreements	545.0	516.0	29.0	5.6	0.0	545.0	0.0
Debt securities issued up to 2 years' initial maturity ⁽⁶⁾	204.3	188.3	16.0	8.5	241.6	-37.3	-15.5
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	16,074.3	16,076.3	-2.1	0.0	14,466.7	1,607.6	11.1
Credit to general government	4,594.3	4,637.0	-42.8	-0.9	3,885.8	708.4	18.2
Credit to other sectors	11,480.0	11,439.3	40.7	0.4	10,580.8	899.1	8.5
EXTERNAL COUNTERPART	7,842.6	7,780.0	62.6	0.8	8,184.1	-341.6	-4.2
Claims on non-residents of the euro area	29,302.6	29,291.8	10.8	0.0	29,907.6	-605.0	-2.0
Liabilities to non-residents of the euro area (-)	21,460.0	21,511.8	-51.8	-0.2	21,723.5	-263.5	-1.2
OTHER COUNTERPARTS (-)	13,695.5	13,725.1	-29.6	-0.2	13,280.3	415.3	3.1
Liabilities to the central government	725.2	820.0	-94.7	-11.6	675.7	49.5	7.3
Longer term financial liabilities	11,968.5	11,740.7	227.8	1.9	11,541.2	427.4	3.7
Other liabilities (net)	1,001.8	1,164.5	-162.7	-14.0	1,063.4	-61.6	-5.8

(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

	Dec-11	Nov-11	Monthly Change	Monthly Percentage Change	Dec-10	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,406.5	8,294.3	112.2	1.4	8,196.7	209.8	2.6
Overnight deposits	4,590.9	4,491.3	99.6	2.2	4,225.1	365.8	8.7
Deposits redeemable at notice up to 3 months	122.5	127.6	-5.1	-4.0	123.5	-1.0	-0.8
Deposits with agreed maturity up to 2 years	3,693.1	3,675.4	17.7	0.5	3,848.1	-155.0	-4.0
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,903.9	10,876.5	27.4	0.3	10,279.1	624.8	6.1
Credit to general government	2,353.4	2,378.4	-25.0	-1.1	2,091.0	262.4	12.5
Credit to other sectors	8,550.5	8,498.1	52.4	0.6	8,188.1	362.4	4.4
NET FOREIGN ASSETS	11,352.9	11,124.3	228.6	2.1	11,189.0	163.9	1.5
Claims on non-residents of Malta	41,348.3	41,647.6	-299.3	-0.7	40,880.1	468.2	1.1
Liabilities to non-residents of Malta (-)	29,995.4	30,523.3	-527.9	-1.7	29,691.1	304.3	1.0

(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.