



# BANK ĊENTRALI TA' MALTA

EUROSISTEMA

# CENTRAL BANK OF MALTA

## RELEASE OF MONETARY STATISTICS

**Issue No. 05/2010**

**August 2010**

The Central Bank of Malta has just issued its commentary on the release of monetary statistics for August 2010.

### **Contribution to euro area monetary aggregates and counterparts**

The contribution of resident Monetary Financial Institutions (MFIs) to the broad money stock (M3) of the euro area decreased by 0.9%, or EUR82.7 million, in August, reaching EUR9.1 billion (see Table 1). As a result, its year-on-year growth rate slowed down from 3.2% in July to 2.1%.

The decrease in the M3 contribution during the month was mainly attributable to a decline of EUR134.3 million in the narrow money (M1) component, which was almost entirely driven by a contraction of EUR132.2 million in overnight deposits. Consequently, the annual rate of growth of M1 decelerated to 14.3% in August from 18.7% in July.

The intermediate money component, M2, decreased by 0.9%, or EUR84.1 million, as the drop in M1 was only partly offset by a rise in deposits with an agreed maturity of up to two years and deposits redeemable after three months.

Turning to the counterparts of M3, during August the credit counterpart increased by EUR89.9 million, or 0.6%. Credit to general government and to other residents both rose. Overall, however, year-on-year credit growth eased slightly from 15.5% in July to 15.0% in August.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, decreased by EUR268.9 million, or 2.9%, in August. This mostly reflected additional borrowing by resident MFIs from non-euro area residents. At the same time, a significant drop in deposits held outside the euro area by resident MFIs was only partly outweighed by a rise in their holdings of loans and debt securities, so that their claims on non-euro area residents fell.

In August, the other counterparts of M3 contracted by EUR96.3 million, or 0.7%. This was attributable to a significant fall in 'other net liabilities', which captures interbank transactions across the euro area. The latter mainly reflected a drop in interbank loans granted to resident MFIs, coupled with a decline in net liabilities vis-à-vis the Eurosystem.

### **Residents of Malta: deposits and credit developments**

Deposits held by residents of Malta with Maltese MFIs went down by EUR131.1 million, or 1.6%, in August. As a result, their annual growth rate slowed down to 2.5% in August from 3.8% in July (see Table 2).

Overnight deposits belonging to residents of Malta contracted by EUR133.3 million, or 3.2%, during the month reviewed, though this was mainly due to a reclassification exercise. At the

same time, deposits redeemable up to three months increased by EUR2.5 million, while deposits with an agreed maturity of up to two years declined marginally.

The expansion of deposits redeemable at up to three months' notice was entirely attributable to households. In contrast, household deposits with an agreed maturity of up to two years contracted by EUR40.4 million, influenced by shifts towards assets outside M3, including newly-issued Malta Government Stocks. Meanwhile, private non-financial companies increased their holdings of deposits with an agreed maturity of up to two years by EUR45.0 million.

After having contracted in the previous two months, credit to residents of Malta expanded by EUR93.6 million, or 0.9%. Hence, the annual rate of credit growth accelerated to 7.4% in August from 7.2% in July.

Credit to the Maltese general government expanded by EUR32.1 million, or 1.5%, during the month reviewed. This was attributable to a substantial rise in banks' holdings of Malta Government Stocks, which offset a drop in their Treasury bill portfolios. Nevertheless, the annual growth rate of credit to general government decelerated to 9.7% in August from 12.4% in the previous month.

Similarly, credit to local residents other than general government increased by EUR61.5 million, or 0.8%. This was mainly driven by a rise in loans extended to the transport, storage and communications sector and to households – to finance house purchases. The annual growth rate accelerated from 5.8% in July to 6.8% in August.

The weighted average interest rate paid by resident credit institutions on customer deposits increased marginally to 1.38% in August from 1.37% in the previous month, while that charged on loans declined from 4.75% in July to 4.72%.

***Further economic and monetary information can be obtained from the website of the Central Bank of Malta [www.centralbankmalta.org](http://www.centralbankmalta.org)***

# CENTRAL BANK OF MALTA

**TABLE 1: THE CONTRIBUTION OF RESIDENT MFIs TO THE EURO AREA MONETARY AGGREGATES AND SELECTED COUNTERPARTS<sup>(1)</sup>**

€ millions

		Aug-10	Jul-10	Monthly Change	Monthly Percentage Change	Aug-09	Annual Change	Annual Percentage Change
<b>MONETARY AGGREGATES<sup>(2)</sup></b>								
<b>NARROW MONEY (M1)</b>	<b>1</b>	<b>4,805.5</b>	<b>4,939.8</b>	<b>-134.3</b>	<b>-2.7</b>	<b>4,204.1</b>	<b>601.3</b>	<b>14.3</b>
Currency issued <sup>(3)</sup>	1.1	659.5	661.6	-2.1	-0.3	622.0	37.5	6.0
Overnight deposits <sup>(4)</sup>	1.2	4,146.0	4,278.2	-132.2	-3.1	3,582.1	563.8	15.7
<b>INTERMEDIATE MONEY (M2)</b>	<b>2</b>	<b>8,942.2</b>	<b>9,026.3</b>	<b>-84.1</b>	<b>-0.9</b>	<b>8,713.3</b>	<b>228.9</b>	<b>2.6</b>
Narrow money (M1)	2.1	4,805.5	4,939.8	-134.3	-2.7	4,204.1	601.3	14.3
Deposits redeemable at notice up to 3 months <sup>(4)</sup>	2.2	113.8	111.3	2.5	2.2	110.8	3.0	2.7
Deposits with agreed maturity up to 2 years <sup>(4)</sup>	2.3	4,022.9	3,975.2	47.7	1.2	4,398.3	-375.4	-8.5
<b>BROAD MONEY (M3)</b>	<b>3</b>	<b>9,138.5</b>	<b>9,221.1</b>	<b>-82.7</b>	<b>-0.9</b>	<b>8,954.3</b>	<b>184.1</b>	<b>2.1</b>
Intermediate money (M2)	3.1	8,942.2	9,026.3	-84.1	-0.9	8,713.3	228.9	2.6
Repurchase agreements	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities issued up to 2 years' initial maturity <sup>(5)</sup>	3.3	196.3	194.8	1.5	0.7	241.0	-44.8	-18.6
<b>SELECTED COUNTERPARTS OF M3</b>								
<b>CREDIT COUNTERPART</b>	<b>4</b>	<b>14,139.8</b>	<b>14,049.9</b>	<b>89.9</b>	<b>0.6</b>	<b>12,295.7</b>	<b>1,844.1</b>	<b>15.0</b>
Credit to general government	4.1	3,783.9	3,737.3	46.5	1.2	2,753.0	1,030.9	37.4
Credit to other sectors	4.2	10,355.9	10,312.5	43.4	0.4	9,542.7	813.2	8.5
<b>EXTERNAL COUNTERPART</b>	<b>5</b>	<b>9,117.2</b>	<b>9,386.1</b>	<b>-268.9</b>	<b>-2.9</b>	<b>6,959.1</b>	<b>2,158.2</b>	<b>31.0</b>
Claims on non-residents of the euro area	5.1	30,207.4	30,270.2	-62.8	-0.2	25,756.4	4,451.0	17.3
Liabilities to non-residents of the euro area (-)	5.2	21,090.2	20,884.1	206.1	1.0	18,797.4	2,292.8	12.2
<b>OTHER COUNTERPARTS</b>	<b>6</b>	<b>14,118.6</b>	<b>14,214.8</b>	<b>-96.3</b>	<b>-0.7</b>	<b>10,300.4</b>	<b>3,818.1</b>	<b>37.1</b>
Liabilities to the central government	6.1	834.9	600.6	234.3	39.0	541.5	293.4	54.2
Longer term financial liabilities	6.2	11,170.7	11,030.8	139.9	1.3	5,185.7	5,985.0	115.4
Other liabilities (net)	6.3	2,113.0	2,583.5	-470.5	-18.2	4,573.2	-2,460.2	-53.8

(1) Figures show the contribution of Maltese monetary financial institutions (MFIs) to the euro area totals.

(2) Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.

(3) 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.

(4) Deposits with MFIs exclude interbank deposits and deposits held by central government.

(5) 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.

## Notes:

Latest data should be considered as provisional. A '+' sign indicates a percentage change that exceeds +/- 100.

Source: Central Bank of Malta.

# CENTRAL BANK OF MALTA

## TABLE 2: RESIDENTS OF MALTA - DEPOSITS AND CREDIT DEVELOPMENTS

€ millions

	Aug-10	Jul-10	Monthly Change	Monthly Percentage Change	Aug-09	Annual Change	Annual Percentage Change
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS</b>	<b>8,020.3</b>	<b>8,151.4</b>	<b>-131.1</b>	<b>-1.6</b>	<b>7,826.6</b>	<b>193.7</b>	<b>2.5</b>
Overnight deposits	4,038.3	4,171.5	-133.3	-3.2	3,497.4	540.8	15.5
Deposits redeemable at notice up to 3 months <sup>(1)</sup>	113.7	111.2	2.5	2.2	110.8	2.9	2.7
Deposits with agreed maturity up to 2 years <sup>(1)</sup>	3,868.3	3,868.6	-0.3	0.0	4,218.4	-350.1	-8.3
<b>CREDIT</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>10,172.9</b>	<b>10,079.3</b>	<b>93.6</b>	<b>0.9</b>	<b>9,471.4</b>	<b>701.5</b>	<b>7.4</b>
Credit to general government	2,204.7	2,172.6	32.1	1.5	2,010.1	194.6	9.7
Credit to other sectors	7,968.2	7,906.7	61.5	0.8	7,461.3	506.9	6.8

(1) Deposits with MFIs exclude interbank deposits and deposits held by central government.

### Notes:

Latest data should be considered as provisional. A '+' sign indicates a percentage change that exceeds +/- 100.

Source: Central Bank of Malta.