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CENTRAL BANK OF MALTA

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 2010.

Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) increased by 3.1%, or EUR283.7 million, in October, reaching EUR9.4 billion (see Table 1). As a result, its year-on-year growth rate picked up from 3.3% in September to 5.3%.

The increase in the M3 contribution during the month was partly attributable to a rise of EUR117.6 million in the narrow money (M1) component. As a result, on a year-on-year basis M1 growth accelerated to 17.8% in October, from 16.6% one month earlier.

Partly as a result of the rise in M1, the intermediate money component (M2) went up by 3.1%, or EUR273.2 million. M2 growth also reflected an increase of EUR155.9 million in deposits held by euro area residents with an agreed maturity of up to two years. As a result, its year-on-year growth rate increased from 3.1% in September to 4.9% in October.

Turning to the counterparts of M3, in October credit expanded by EUR97.3 million, or 0.7%. This was mainly driven by a rise in credit to euro area residents other than general government. Nevertheless, on an annual basis credit growth decelerated from 13.5% in September to 10.3% in October.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, declined by EUR1.0 billion, or 11.1%, in October. This was in part brought about by a decline in lending to non-euro area residents. In addition, time deposits belonging to non-euro area residents increased.

Similarly, the other counterparts of M3 fell by EUR1.2 billion, or 8.4%, in October. This was primarily attributable to a fall in 'other net liabilities', which captures interbank transactions within the euro area.

Deposits held by and credit issued to Maltese residents

Total deposits held by residents of Malta with Maltese MFIs increased by EUR126.2 million, or 1.6%, in October, driven by a rise in overnight deposits and, to a lesser extent, deposits with an agreed maturity of up to two years. Nevertheless, their annual growth rate decelerated from 3.8% in September to 3.4% in October (see Table 2).

Overnight deposits belonging to Maltese residents expanded by EUR97.8 million, or 2.4%, during the month reviewed. This mainly reflected increases in deposits held by households and private non-financial corporations. Similarly, deposits belonging to such corporations

were the main factor behind the rise of EUR28.7 million in deposits with agreed maturity of up to two years.

Meanwhile, credit issued by Maltese MFIs to residents of Malta increased by EUR6.7 million, or 0.1%, with its annual growth rate decelerating marginally to 7.1% in October from 7.3% a month earlier.

Credit to the Maltese general government accounted for the entire increase, going up by EUR9.6 million, or 0.4%, as an increase in bank holdings of Malta Government Stocks outweighed a drop in their Treasury bill portfolio. Consequently, the year-on-year growth rate accelerated to 11.4% in October from 10.6% in September.

Conversely, credit to residents other than general government declined by EUR2.9 million. This was mainly driven by a fall in banks' holdings of corporate debt securities and by a drop in credit to private non-financial corporations. However, this was partly offset by higher loans extended to public non-financial companies and households, the latter taken up predominantly to finance house purchases. Hence, the annual growth rate of credit to residents other than general government decelerated from 6.4% in September to 6.0% in October.

Net foreign assets of Maltese MFIs

Net foreign assets, defined as the volume of net claims held by resident MFIs on counterparties outside Malta, rose by EUR75.4 million, or 0.7%, during the month under review (see Table 2).¹ The increase stemmed from a reduction in the banks' external liabilities, mainly in the form of borrowings from non-residents of Malta. This outweighed a decline in their foreign assets, which was driven mainly by a drop in loans extended to non-residents.

The weighted average interest rate paid in October by resident credit institutions on customer deposits remained unchanged at the previous month's level of 1.37%, while that charged on loans declined from 4.75% to 4.74%.

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⁾**

€ millions

		Oct-10	Sep-10	Monthly Change	Monthly Percentage Change	Oct-09	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽²⁾								
NARROW MONEY (M1)	1	4,979.0	4,861.4	117.6	2.4	4,225.0	754.0	17.8
Currency issued ⁽³⁾	1.1	663.0	660.4	2.6	0.4	625.5	37.5	6.0
Overnight deposits ⁽⁴⁾	1.2	4,316.0	4,201.0	115.0	2.7	3,599.5	716.4	19.9
INTERMEDIATE MONEY (M2)	2	9,198.9	8,925.8	273.2	3.1	8,769.5	429.5	4.9
Narrow money (M1)	2.1	4,979.0	4,861.4	117.6	2.4	4,225.0	754.0	17.8
Deposits redeemable at notice up to 3 months ⁽⁴⁾	2.2	113.5	113.8	-0.3	-0.2	111.5	2.0	1.8
Deposits with agreed maturity up to 2 years ⁽⁴⁾	2.3	4,106.5	3,950.6	155.9	3.9	4,433.0	-326.5	-7.4
BROAD MONEY (M3)	3	9,437.9	9,154.2	283.7	3.1	8,966.9	471.0	5.3
Intermediate money (M2)	3.1	9,198.9	8,925.8	273.2	3.1	8,769.5	429.5	4.9
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 ⁽⁵⁾	3.3	238.9	228.5	10.5	4.6	197.4	41.5	21.0
SELECTED COUNTERPARTS OF M3								
CREDIT COUNTERPART	4	14,371.7	14,274.5	97.3	0.7	13,031.6	1,340.1	10.3
Credit to general government	4.1	3,835.8	3,802.7	33.1	0.9	3,174.3	661.6	20.8
Credit to other sectors	4.2	10,535.9	10,471.7	64.2	0.6	9,857.4	678.5	6.9
EXTERNAL COUNTERPART	5	8,140.3	9,153.7	-1,013.4	-11.1	6,433.4	1,706.9	26.5
Claims on non-residents of the euro area	5.1	29,186.4	29,858.2	-671.9	-2.3	25,191.7	3,994.7	15.9
Liabilities to non-residents of the euro area (-)	5.2	21,046.0	20,704.5	341.5	1.6	18,758.3	2,287.7	12.2
OTHER COUNTERPARTS	6	13,074.2	14,274.0	-1,199.8	-8.4	10,498.1	2,576.0	24.5
Liabilities to the central government	6.1	688.1	748.4	-60.4	-8.1	533.9	154.2	28.9
Longer term financial liabilities	6.2	11,264.9	11,226.7	38.2	0.3	5,436.3	5,828.6	107.2
Other liabilities (net)	6.3	1,121.2	2,298.9	-1,177.6	-51.2	4,528.0	-3,406.8	-75.2

(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

(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.

Source: Central Bank of Malta.

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TABLE 2: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS

€ millions

	Oct-10	Sep-10	Monthly Change	Monthly Percentage Change	Oct-09	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS	8,146.5	8,020.3	126.2	1.6	7,875.6	270.9	3.4
Overnight deposits	4,187.8	4,089.9	97.8	2.4	3,512.2	675.6	19.2
Deposits redeemable at notice up to 3 months ⁽¹⁾	113.4	113.7	-0.3	-0.2	111.5	1.9	1.7
Deposits with agreed maturity up to 2 years ⁽¹⁾	3,845.3	3,816.6	28.7	0.8	4,252.0	-406.7	-9.6
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,229.2	10,222.4	6.7	0.1	9,552.2	676.9	7.1
Credit to general government	2,192.6	2,183.0	9.6	0.4	1,968.2	224.4	11.4
Credit to other sectors	8,036.6	8,039.4	-2.9	0.0	7,584.0	452.6	6.0
NET FOREIGN ASSETS	10,946.4	10,871.0	75.4	0.7	5,223.7	5,722.8	109.6
Claims on non-residents of Malta	40,090.8	40,371.6	-280.8	-0.7	32,233.2	7,857.6	24.4
Liabilities to non-residents of Malta (-)	29,144.4	29,500.6	-356.2	-1.2	27,009.5	2,134.9	7.9

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

Source: Central Bank of Malta.