



**BANK ĊENTRALI TA' MALTA**

EUROSISTEMA

**CENTRAL BANK OF MALTA**

RELEASE OF MONETARY STATISTICS

**Issue No. 08/2010**

**November 2010**

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

### **Malta's contribution to euro area monetary aggregates and counterparts**

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) decreased by EUR28.7 million, or 0.3%, in November to EUR9.4 billion (see Table 1). Nevertheless, the annual or year-on-year growth rate picked up from 5.3% in October to 6.4%.

The narrow money component (M1) increased marginally by EUR0.7 million, driven by a rise in currency issued, which outweighed a decline in overnight deposits. As a result, the year-on-year growth rate accelerated to 18.2% from 17.8% in October.

The decline in M3, as well as in M2, the intermediate money component, was brought about by a fall of EUR46.4 million in deposits with an agreed maturity of up to two years. This outweighed an increase of EUR12.0 million in deposits redeemable at up to three months' notice. Still, given that M2 had fallen sharply a year earlier, its growth rate accelerated on an annual basis, rising to 6.0% from 4.9% in October.

Meanwhile, the credit counterpart of M3 expanded by EUR83.9 million, or 0.6%. This was driven by roughly equal increases in credit to general government and credit to other residents. The annual rate of credit growth picked up marginally from 10.3% in October to 10.4% in November.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, increased by EUR206.9 million, or 2.5%, in November. An increase in securities and deposits held by resident MFIs outweighed a rise in non-euro area residents' deposits held with them.

These developments were partly offset by an increase in the other counterparts of M3, which went up by EUR319.5 million, or 2.4%, in November. This was primarily attributable to a rise in banks' longer-term financial liabilities, mostly in the form of equity.

### **Deposits held by and credit issued to Maltese residents**

Deposits held by residents of Malta with resident MFIs grew by EUR19.2 million, or 0.2%, in November. Increases in overnight deposits and deposits redeemable at up to three months' notice outweighed a drop in deposits with an agreed maturity of up to two years. Consequently, the annual growth rate of total residents' deposits accelerated to 4.1% in November from 3.4% one month earlier (see Table 2).

Overnight deposits belonging to Maltese residents expanded by EUR13.3 million, or 0.3%, during the month reviewed, as an increase in deposits held by non-financial companies (NFCs) offset a reduction in those held by households and insurance companies. Deposits redeemable at notice went up by EUR10.2 million, similarly reflecting an increase in balances belonging to NFCs. On the other hand, lower deposits belonging to households and NFCs were the main factors behind the EUR4.4 million fall in deposits with agreed maturity of up to two years.

Meanwhile, credit issued by resident MFIs to residents of Malta increased marginally by EUR8.8 million, or 0.1%, while its annual growth rate decelerated to 6.7% from 7.1% a month earlier.

Credit to the Maltese general government declined by EUR58.8 million, or 2.7%, in November. Lower holdings of government debt by the banking sector coincided with the redemption during the month of maturing government bonds. Consequently, the annual growth rate decelerated from 11.4% in October to 8.3% in November.

Conversely, credit to residents other than general government rose by EUR67.5 million, or 0.8%, mostly because of a rise in lending extended to companies and households. Hence, the annual growth rate in this aggregate accelerated to 6.3% from 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 EUR232.4 million, or 2.1%, during the month under review. The increase stemmed from a rise in foreign assets, which was driven by an increase in securities and deposits held with non-resident banks. This outweighed a rise in foreign liabilities. The substantial increase in net foreign assets on a year earlier was heavily influenced by the operations of a credit institution licensed earlier in 2010.

#### **Bank lending and deposit rates**

The weighted average interest rate paid in November by resident credit institutions on all customer deposits remained unchanged at the previous month's level of 1.37%, while that charged on all loans declined from 4.74% to 4.73%.

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

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

€ millions

	Nov-10	Oct-10	Monthly Change	Monthly Percentage Change	Nov-09	Annual Change	Annual Percentage Change
<b>MONETARY AGGREGATES<sup>(2)</sup></b>							
<b>NARROW MONEY (M1)</b>	<b>4,979.7</b>	<b>4,979.0</b>	<b>0.7</b>	<b>0.0</b>	<b>4,211.9</b>	<b>767.8</b>	<b>18.2</b>
Currency issued <sup>(3)</sup>	665.7	663.0	2.7	0.4	630.2	35.4	5.6
Overnight deposits <sup>(4)</sup>	4,314.0	4,316.0	-2.0	0.0	3,581.7	732.4	20.4
<b>INTERMEDIATE MONEY (M2)</b>	<b>9,165.2</b>	<b>9,198.9</b>	<b>-33.7</b>	<b>-0.4</b>	<b>8,644.4</b>	<b>520.8</b>	<b>6.0</b>
Narrow money (M1)	4,979.7	4,979.0	0.7	0.0	4,211.9	767.8	18.2
Deposits redeemable at notice up to 3 months <sup>(4)</sup>	125.5	113.5	12.0	10.6	109.1	16.4	15.0
Deposits with agreed maturity up to 2 years <sup>(4)</sup>	4,060.0	4,106.5	-46.4	-1.1	4,323.4	-263.3	-6.1
<b>BROAD MONEY (M3)</b>	<b>9,409.2</b>	<b>9,437.9</b>	<b>-28.7</b>	<b>-0.3</b>	<b>8,839.7</b>	<b>569.5</b>	<b>6.4</b>
Intermediate money (M2)	9,165.2	9,198.9	-33.7	-0.4	8,644.4	520.8	6.0
Repurchase agreements	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>	244.0	238.9	5.0	2.1	195.3	48.7	24.9
<b>SELECTED COUNTERPARTS OF M3</b>							
<b>CREDIT COUNTERPART</b>	<b>14,455.7</b>	<b>14,371.7</b>	<b>83.9</b>	<b>0.6</b>	<b>13,088.4</b>	<b>1,367.3</b>	<b>10.4</b>
Credit to general government	3,877.7	3,835.8	41.9	1.1	3,193.0	684.7	21.4
Credit to other sectors	10,578.0	10,535.9	42.1	0.4	9,895.4	682.6	6.9
<b>EXTERNAL COUNTERPART</b>	<b>8,347.2</b>	<b>8,140.3</b>	<b>206.9</b>	<b>2.5</b>	<b>6,545.3</b>	<b>1,801.9</b>	<b>27.5</b>
Claims on non-residents of the euro area	30,383.5	29,186.4	1,197.2	4.1	24,855.1	5,528.4	22.2
Liabilities to non-residents of the euro area (-)	22,036.3	21,046.0	990.3	4.7	18,309.8	3,726.5	20.4
<b>OTHER COUNTERPARTS</b>	<b>13,393.7</b>	<b>13,074.2</b>	<b>319.5</b>	<b>2.4</b>	<b>10,794.0</b>	<b>2,599.7</b>	<b>24.1</b>
Liabilities to the central government	774.8	688.1	86.8	12.6	558.0	216.8	38.9
Longer term financial liabilities	11,422.2	11,264.9	157.3	1.4	5,489.2	5,933.1	108.1
Other liabilities (net)	1,196.6	1,121.2	75.4	6.7	4,746.8	-3,550.2	-74.8

(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.

Source: Central Bank of Malta.

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

€ millions

	Nov-10	Oct-10	Monthly Change	Monthly Percentage Change	Nov-09	Annual Change	Annual Percentage Change
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS</b>	<b>8,165.7</b>	<b>8,146.5</b>	<b>19.2</b>	<b>0.2</b>	<b>7,847.6</b>	<b>318.1</b>	<b>4.1</b>
Overnight deposits	4,201.1	4,187.8	13.3	0.3	3,493.1	708.0	20.3
Deposits redeemable at notice up to 3 months <sup>(1)</sup>	123.6	113.4	10.2	9.0	109.0	14.7	13.4
Deposits with agreed maturity up to 2 years <sup>(1)</sup>	3,840.9	3,845.3	-4.4	-0.1	4,245.5	-404.6	-9.5
<b>SELECTED COUNTERPARTS</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>10,237.9</b>	<b>10,229.2</b>	<b>8.8</b>	<b>0.1</b>	<b>9,594.8</b>	<b>643.1</b>	<b>6.7</b>
Credit to general government	2,133.8	2,192.6	-58.8	-2.7	1,969.7	164.1	8.3
Credit to other sectors	8,104.1	8,036.6	67.5	0.8	7,625.1	479.0	6.3
<b>NET FOREIGN ASSETS</b>	<b>11,178.8</b>	<b>10,946.4</b>	<b>232.4</b>	<b>2.1</b>	<b>5,288.4</b>	<b>5,890.5</b>	<b>111.4</b>
Claims on non-residents of Malta	41,483.2	40,090.8	1,392.4	3.5	32,038.6	9,444.6	29.5
Liabilities to non-residents of Malta (-)	30,304.4	29,144.4	1,160.0	4.0	26,750.2	3,554.2	13.3

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

Source: Central Bank of Malta.