



BANK ĊENTRALI TA' MALTA

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CENTRAL BANK OF MALTA

RELEASE OF MONETARY STATISTICS

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The Central Bank of Malta has just issued this commentary on the release of monetary statistics for December 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 EUR38.7 million, or 0.4%, in December to EUR9.4 billion (see Table 1). The year-on-year growth rate went down from 6.4% in November to 5.5%.

The narrow money component (M1) increased by EUR19.3 million, in December, driven by a rise in overnight deposits. However, the annual growth rate decelerated to 14.7% from 18.2% in November.

Despite the rise in M1, the intermediate money component (M2) went down by EUR36.3 million, or 0.4%. This was principally brought about by a drop of EUR54.4 million in deposits with an agreed maturity of up to two years, which outweighed the rise in overnight deposits. Hence, the annual growth rate of M2 decelerated to 5.3% in December from 6.0% one month earlier.

Meanwhile, the credit counterpart expanded by EUR11.0 million, or 0.1% in December. This was mainly driven by a rise in credit to general government. Nevertheless, on an annual basis credit growth decelerated from 10.4% in November to 9.3% in December.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and non-euro area residents, declined by EUR163.9 million, or 2.0%, in December. This partly reversed the increase recorded in the previous month. Lower holdings of securities issued by governments outside the euro area contributed substantially to the decline in the external counterpart, and outweighed a fall in time deposits held by non-residents with resident banks.

The other counterparts of M3 fell by EUR114.3 million, or 0.9%, in December. This reflected a drop in demand deposits belonging to general government and a reduction in other liabilities (net). The latter capture interbank transactions across the euro area. In contrast, longer-term financial liabilities increased due to a rise in reserves.

Deposits held by and credit issued to Maltese residents

Total deposits held by residents of Malta with Maltese MFIs increased by EUR31.1 million, or 0.4%, during December, driven by a rise in overnight deposits and in deposits with an agreed maturity of up to two years. Consequently, the year-on-year growth rate accelerated to 5.1% from 4.1% in November.

Overnight deposits belonging to Maltese residents expanded by EUR24.0 million, or 0.6%, during the month reviewed. This is attributable to a rise in households' deposits, which offset

a fall in balances belonging to non-financial corporations (NFCs). Conversely, the increase of EUR7.2 million, or 0.2%, in deposits with an agreed maturity of up to two years was driven by a rise in deposits held by private NFCs, which offset a fall in deposits held by non-bank financial intermediaries.

Meanwhile, credit issued by resident MFIs to residents of Malta (including government) increased during December by EUR41.2 million, or 0.4%, as a fall in credit to general government was exceeded by a rise in credit to other residents. The annual growth rate decelerated to 5.8% from 6.7% in November.

Credit to the Maltese general government declined by EUR42.8 million, or 2.0%, in December. This primarily reflected a significant fall in banks' holdings of Treasury bills and, to a lesser extent, of Malta Government Stocks. However, as there was an even larger drop a year earlier, the annual growth rate accelerated from 8.3% in November to 8.5%.

Conversely, credit to residents other than general government expanded by EUR84.0 million, or 1.0% during the month reviewed. This reflected increases in lending to both private and public NFCs as well as households. Nevertheless, the year-on-year growth rate declined to 5.1% in December, from 6.3% one month earlier, continuing the general decelerating path observed since May 2010.

Net foreign assets of Maltese MFIs

Net foreign assets rose by EUR10.4 million, or 0.1%, during the month under review (see Table 2).¹ The increase stemmed from a reduction in the banks' external liabilities, which outweighed a decline in their foreign assets. The substantial increase in net foreign assets on a year earlier was heavily influenced by the operations of a credit institution licensed early in 2010.

Bank lending and deposit rates

The weighted average interest rate paid in December 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 4.73% to 4.72%.

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

	Dec-10	Nov-10	Monthly Change	Monthly Percentage Change	Dec-09	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽²⁾							
NARROW MONEY (M1)	4,999.0	4,979.7	19.3	0.4	4,359.5	639.5	14.7
Currency issued ⁽³⁾	674.4	665.7	8.7	1.3	639.8	34.6	5.4
Overnight deposits ⁽⁴⁾	4,324.6	4,314.0	10.6	0.2	3,719.8	604.8	16.3
INTERMEDIATE MONEY (M2)	9,128.9	9,165.2	-36.3	-0.4	8,671.1	457.8	5.3
Narrow money (M1)	4,999.0	4,979.7	19.3	0.4	4,359.5	639.5	14.7
Deposits redeemable at notice up to 3 months ⁽⁴⁾	124.3	125.5	-1.2	-1.0	111.7	12.6	11.3
Deposits with agreed maturity up to 2 years ⁽⁴⁾	4,005.6	4,060.0	-54.4	-1.3	4,199.9	-194.3	-4.6
BROAD MONEY (M3)	9,370.5	9,409.2	-38.7	-0.4	8,883.3	487.2	5.5
Intermediate money (M2)	9,128.9	9,165.2	-36.3	-0.4	8,671.1	457.8	5.3
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 ⁽⁵⁾	241.6	244.0	-2.4	-1.0	212.2	29.4	13.9
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,466.7	14,455.7	11.0	0.1	13,232.0	1,234.7	9.3
Credit to general government	3,885.8	3,877.7	8.1	0.2	3,165.6	720.2	22.8
Credit to other sectors	10,580.8	10,578.0	2.9	0.0	10,066.3	514.5	5.1
EXTERNAL COUNTERPART	8,183.3	8,347.2	-163.9	-2.0	6,646.9	1,536.4	23.1
Claims on non-residents of the euro area	29,948.7	30,383.5	-434.8	-1.4	24,843.9	5,104.9	20.5
Liabilities to non-residents of the euro area (-)	21,765.5	22,036.3	-270.9	-1.2	18,197.0	3,568.5	19.6
OTHER COUNTERPARTS	13,279.4	13,393.7	-114.3	-0.9	10,995.6	2,283.9	20.8
Liabilities to the central government	675.7	774.8	-99.1	-12.8	541.9	133.8	24.7
Longer term financial liabilities	11,527.7	11,422.2	105.4	0.9	5,531.8	5,995.8	108.4
Other liabilities (net)	1,076.1	1,196.6	-120.6	-10.1	4,921.8	-3,845.8	-78.1

(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

	Dec-10	Nov-10	Monthly Change	Monthly Percentage Change	Dec-09	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS	8,196.8	8,165.7	31.1	0.4	7,802.4	394.3	5.1
Overnight deposits	4,225.1	4,201.1	24.0	0.6	3,633.6	591.5	16.3
Deposits redeemable at notice up to 3 months ⁽¹⁾	123.5	123.6	-0.1	-0.1	111.6	12.0	10.7
Deposits with agreed maturity up to 2 years ⁽¹⁾	3,848.1	3,840.9	7.2	0.2	4,057.2	-209.1	-5.2
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,279.1	10,237.9	41.2	0.4	9,719.8	559.3	5.8
Credit to general government	2,091.0	2,133.8	-42.8	-2.0	1,927.4	163.6	8.5
Credit to other sectors	8,188.1	8,104.1	84.0	1.0	7,792.4	395.7	5.1
NET FOREIGN ASSETS	11,189.3	11,178.8	10.4	0.1	5,216.2	5,973.1	114.5
Claims on non-residents of Malta	40,922.1	41,483.2	-561.1	-1.4	32,099.9	8,822.3	27.5
Liabilities to non-residents of Malta (-)	29,732.8	30,304.4	-571.6	-1.9	26,883.6	2,849.2	10.6

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

Source: Central Bank of Malta.