

Box 1

STYLISED FACTS ABOUT THE MFI SECTORS OF CYPRUS AND MALTA AND THEIR IMPACT ON MONETARY DATA FOR THE EURO AREA

On 1 January 2008 Cyprus and Malta adopted the euro as their currency, thus increasing the number of euro area countries from 13 to 15. Monetary data for Cyprus and Malta will be included for the first time in the euro area aggregates for January, which will be published on 27 February 2008 and reported in the March 2008 issue of the Monthly Bulletin.¹ This box highlights some stylised facts about the balance sheet structure of MFIs resident in Cyprus and Malta.²

Key features of the MFI sector in Cyprus

At the end of December 2007 a total of 216 MFIs were resident in Cyprus, comprising 215 credit institutions and the Central Bank of Cyprus.³ There are no money market funds established in Cyprus. The aggregated balance sheet of Cypriot MFIs totalled €99 billion at the end of December 2007, compared with €31,434 billion for total euro area MFIs. Cyprus thus makes up around 0.3% of the MFI balance sheet of the enlarged euro area. According to ECB calculations, the contribution of Cyprus to euro area M3 would have been €31 billion in December 2007. Deposits account for 98% of the Cypriot contribution to M3. Deposits with an agreed maturity of up to two years (i.e. short-term time deposits) make up a relatively large share, accounting for 57% of M3 in December 2007 (see Chart A), while the shares of overnight deposits and deposits redeemable at notice of up to and including three months were 23% and 18% respectively in that

1 For monetary statistics, the euro area series covers those EU Member States that had the euro as their currency at the time to which the statistics relate. This approach, which is also applied for MFI interest rate statistics and the HICP, differs from that applied to all other datasets, such as GDP, for which data relate to the latest composition of the euro area for the entire time series.

2 For details of the statistical methodology adopted concerning the enlargement of the euro area in MFI balance sheet statistics, see Box 1, entitled "Implications of the entry of Slovenia into the euro area for monetary statistics", in the February 2007 issue of the Monthly Bulletin. For further details, see also the "General notes" section of the Monthly Bulletin.

3 For an overview of the development of the MFI sector in the EU, see, for example, <http://www.ecb.int/stats/money/mfi/statrep/html/index.en.html>.

month. This breakdown differs from that of euro area M3, as total deposits accounted for 81% of total euro area M3 in December 2007, with a larger contribution by overnight deposits and a smaller contribution by deposits with an agreed maturity of up to two years (see Chart C). Holdings of MFI short-term debt securities and repurchase agreements, which in the euro area as a whole account for 4% and 3% of M3 holdings respectively, are not significant in Cyprus.

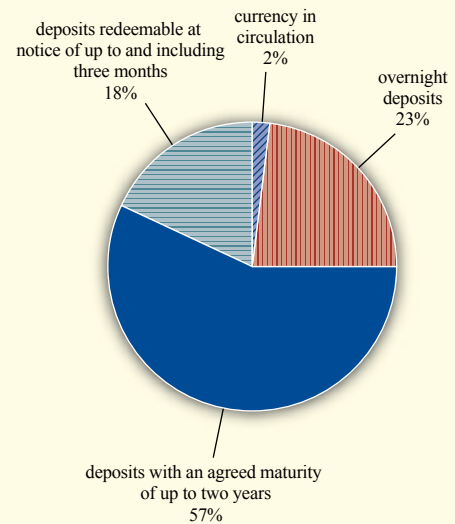
Turning to the counterparts of M3, longer-term liabilities of Cypriot MFIs totalled just over €13 billion in December 2007, while on the asset side of the balance sheet outstanding loans to the private sector totalled €34 billion. From a sectoral point of view, €16 billion of the outstanding loans was granted to households and €16 billion was granted to non-financial corporations.

Key features of the MFI sector in Malta

28 MFIs were resident in Malta in December 2007, comprising 22 credit institutions, five money market funds and the Central Bank of Malta. The aggregated balance sheet of MFIs resident in Malta totalled €41 billion at the end of December 2007, corresponding to around 0.1% of the enlarged euro area MFI balance sheet. The contribution of Malta to euro area M3 in December 2007 would have been approximately €8 billion. As in Cyprus, deposits with an agreed maturity of up to two years play a prominent role in Malta, accounting for 55% of M3 in December 2007 (see Chart B). Together with overnight deposits (which made up 37% of M3), these accounted for 92% of Maltese M3 in December 2007. The contributions of currency in circulation and deposits redeemable at notice of up to and including three months (i.e. short-term savings deposits) stood at 7% and 1% respectively in that month. Repurchase agreements and money market fund shares/units are of very limited importance in Malta. With regard to the counterparts of M3, longer-term liabilities totalled approximately €2 billion in December 2007. On the asset side of the MFI balance sheet, outstanding MFI loans to the

Chart A Composition of M3 in Cyprus

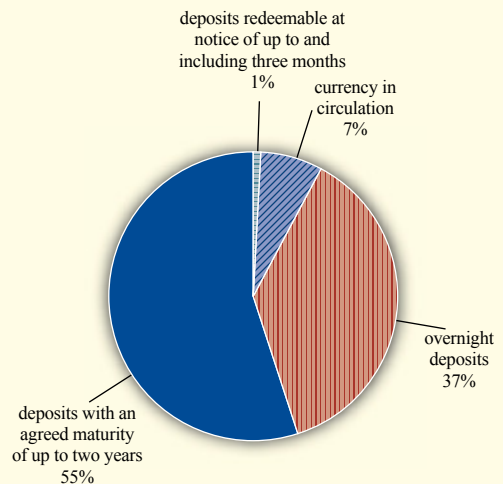
(December 2007)



Source: ECB.

Chart B Composition of M3 in Malta

(December 2007)



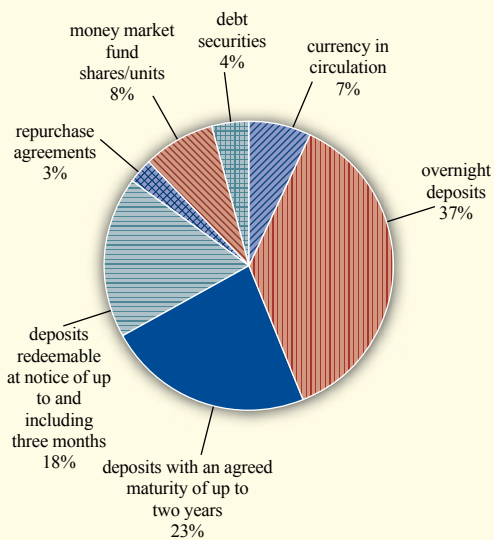
Source: ECB.

private sector in Malta totalled €8 billion in that month, of which €3 billion was granted to households and €4 billion was granted to non-financial corporations.

Euro area MFI balance sheet statistics refer to those EU Member States that had the euro as their currency in the reference month in question. Thus, data on outstanding amounts referring to the year 2007 cover the 13 countries participating in the euro area at that time, while data for the period from January 2008 cover the 15 countries now in the euro area. According to ECB calculations, the combined contribution of Cyprus and Malta to euro area M3 in December 2007 would have been less than €40 billion, out of a euro area total of €8,692 billion. The integration of Cyprus and Malta into euro area monetary statistics in January 2008 will thus not affect the dynamics of euro area M3.

Chart C Composition of euro area M3

(December 2007)



Source: ECB.