



RELEASE OF MONETARY STATISTICS

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The Central Bank of Malta has just issued its commentary on monetary developments in June 2014.

Deposits of Maltese residents

In June, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) contracted by €165.3 million, or 1.6% (see Table 1) due mainly to a reclassification exercise as explained below. The annual growth rate of deposits thus slowed down to 11.3%, from 13.8% a month earlier.

The fall in deposits stemmed predominantly from a decline in overnight deposits, which contracted by €132.3 million, or 2.1%, as a substantial volume of balances belonging to private Non-Financial Corporations (NFCs) were reclassified into the non-resident category and were thus excluded from the aggregate amount of resident deposits. On the other hand, households' overnight deposits continued to rise offsetting to a large extent the impact of the fall in NFC deposits. As a result, the annual growth rate of overnight deposits fell to 16.0%, from 19.5% in May (see Chart 1).

Similarly, deposits with an agreed maturity of up to two years contracted by €32.6 million, or 0.9%, following a drop in private NFCs' holdings. The annual rate of change of these deposits fell from 5.9% in May to 4.7%.

At the same time, deposits redeemable at a notice of up to three months fell by €0.4 million, or 0.3%.

Credit to Maltese residents

In June, credit to Maltese residents expanded by €116.6 million, or 1.0%, as credit to both general government and other residents increased. Consequently, the annual rate of credit growth rose from 2.3% in May to 3.3% (see Chart 2).

Credit to general government went up by €75.0 million, or 2.8%, as MFIs expanded their holdings of Malta Government Stocks (MGS) and Treasury bills, in particular following a new issue of MGS on the primary market. As a result, the annual growth rate accelerated to 9.1% from 6.3% a month earlier.

Meanwhile, credit to other residents, mainly private sector borrowers, expanded by €41.6 million, or 0.5%, mainly on the back of higher loans granted to households for

home purchases. Conversely, loans granted to NFCs contracted during the month, with several sectors reporting a fall, in particular construction and accommodation & food services. Consequently, the annual rate of change of credit to other residents rose from 1.1% in May to 1.7%.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to residents MFIs went down by €1.3 billion, or 15.4%, in June as a substantial rise in foreign liabilities outweighed an increase in foreign assets (see Table 1).¹ The rise in foreign liabilities stemmed mainly from increased borrowing from banks abroad by internationally-oriented MFIs operating in Malta. On the other hand, the increase in foreign assets reflected mainly a rise in holdings of securities issued by non-euro area sovereigns. As a result, net foreign assets contracted by 36.2% during the year to June, following a drop of 28.4% during the twelve months to May.

Bank lending and deposit rates²

In June, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs fell by 1 basis point to 1.29%. In contrast, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs fell by 2 basis points to 4.16%.

The weighted average deposit rate was 14 basis points lower when compared to a year earlier, while that charged on loans was 17 basis points lower.

Contribution to euro area monetary aggregates

The contribution of resident MFIs to the euro area broad money stock (M3) contracted by €182.2 million, or 1.5%, in June to €11.9 billion (see Table 2). Consequently, the annual growth rate slowed down to 12.2%, from 14.7% in the previous month.

The decline in M3 stemmed primarily from a drop in the narrow money (M1) component, which went down by €158.3 million, or 2.2%. This mainly resulted from the reclassification exercise referred to earlier. On the other hand, currency issued rose by €9.8 million, or 1.2%, during the month. The annual growth rate of M1 fell to 15.1% from 18.2% in the previous month.

Turning to the other components of intermediate money (M2), deposits with an agreed maturity of up to two years fell by €2.7 million, or 0.1%, driven by lower holdings belonging to residents of Malta. Deposits redeemable at a notice of up to three months, the remaining component of M2, fell by €0.4 million, or 0.3%.

Meanwhile, marketable instruments, the remaining component of M3, contracted by €20.8 million, or 14.0%.

¹ Net foreign assets are composed mainly of claims held by MFIs residing in Malta on residents of rest of the world, less liabilities to them. Residents of rest of the world include non-euro area residents and residents of euro area countries other than Malta.

² Data on interest rates on outstanding amounts cover MFI euro-denominated deposits belonging to, and loans extended to, households and non-financial corporations resident in Malta. Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions.

Turning to the counterparts of M3, credit to euro area residents expanded by €65.5 million, or 0.4%. Thus, credit contracted at a slower pace during the year to June, with the annual rate of change rising to -1.8% in June from -4.6% in May.

Credit to general government put on €27.4 million, as the increase in credit granted to the general government sector in Malta – as referred to earlier – was partly offset by a reduction in credit granted to other euro-area governments. Meanwhile, credit granted to other sectors went up by €38.0 million, or 0.3%, driven entirely by higher credit granted to residents of Malta as explained above.

The external counterpart of M3, which captures transactions between MFIs residing in Malta and non-euro area residents, contracted by €531.7 million, or 5.8%. This resulted from a substantial increase in external liabilities, which reflected an increase in borrowings through repurchase agreements with other MFIs outside the euro area. Meanwhile, external claims went down slightly, falling by €11.4 million, mainly because of a reduction in loans granted to other MFIs resident outside the euro area. These movements are heavily influenced by transactions carried out by international banks operating from Malta.

The “other counterparts” category, which is negatively related to M3, fell by €284.0 million, or 2.4%. This resulted from a drop in longer-term financial liabilities, which contracted by €1.4 billion, or 17.3%, following a reduction in shares and other equity of internationally-oriented banks. In contrast, other liabilities (net) went up by €763.6 million, or 23.9% following a rise in liabilities to other euro area MFIs, coupled with a drop in claims on them. At the same time, liabilities to the central government went up €379.9 million, or 68.7%, following a rise in government deposits that was partly funded by the issuance of new Malta Government Stocks.

Further economic and monetary information can be obtained from the website of the Central Bank of Malta www.centralbankmalta.org

CENTRAL BANK OF MALTA

TABLE 1: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS⁽¹⁾

EUR millions

	Jun-14	May-14	Monthly Change	Monthly Percentage Change	Jun-13	Annual Percentage Change	
						Jun-14	May-14
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	10,036.3	10,201.7	-165.3	-1.6	9,020.8	11.3	13.8
Overnight deposits	6,137.2	6,269.6	-132.3	-2.1	5,291.9	16.0	19.5
Deposits redeemable at notice up to 3 months	112.4	112.8	-0.4	-0.3	113.0	-0.6	-0.6
Deposits with agreed maturity up to 2 years	3,786.7	3,819.3	-32.6	-0.9	3,615.8	4.7	5.9
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,546.0	11,429.4	116.6	1.0	11,171.8	3.3	2.3
Credit to general government	2,735.3	2,660.3	75.0	2.8	2,506.1	9.1	6.3
Credit to other sectors	8,810.7	8,769.1	41.6	0.5	8,665.6	1.7	1.1
NET FOREIGN ASSETS	7,249.0	8,572.4	-1,323.4	-15.4	11,365.6	-36.2	-28.4
Claims on non-residents of Malta	39,597.3	39,313.6	283.7	0.7	44,251.3	-10.5	-12.3
Liabilities to non-residents of Malta (-)	32,348.3	30,741.1	1,607.1	5.2	32,885.7	-1.6	-6.4

⁽¹⁾ Figures may not add up due to rounding.

⁽²⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.

CENTRAL BANK OF MALTA

**TABLE 2: THE CONTRIBUTION OF RESIDENT MFIs TO
THE EURO AREA MONETARY AGGREGATES AND SELECTED COUNTERPARTS⁽¹⁾⁽²⁾**

EUR millions

	Jun-14	May-14	Monthly Change	Monthly Percentage Change	Jun-13	Annual Percentage Change	
						Jun-14	May-14
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	7,120.0	7,278.2	-158.3	-2.2	6,188.5	15.1	18.2
Currency issued ⁽⁴⁾	800.5	790.7	9.8	1.2	732.4	9.3	7.9
Overnight deposits ⁽⁵⁾	6,319.4	6,487.6	-168.1	-2.6	5,456.1	15.8	19.6
INTERMEDIATE MONEY (M2)	11,762.7	11,924.1	-161.4	-1.4	10,406.8	13.0	15.4
Narrow money (M1)	7,120.0	7,278.2	-158.3	-2.2	6,188.5	15.1	18.2
Deposits redeemable at notice up to 3 months ⁽⁵⁾	112.4	112.8	-0.4	-0.3	113.0	-0.5	-0.6
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,530.3	4,533.1	-2.7	-0.1	4,105.2	10.4	11.6
BROAD MONEY (M3)	11,890.2	12,072.4	-182.2	-1.5	10,601.5	12.2	14.7
Intermediate money (M2)	11,762.7	11,924.1	-161.4	-1.4	10,406.8	13.0	15.4
Marketable instruments ⁽⁶⁾	127.4	148.3	-20.8	-14.0	194.7	-34.5	-24.0
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,959.1	14,893.6	65.5	0.4	15,233.0	-1.8	-4.6
Credit to general government	4,013.8	3,986.3	27.4	0.7	3,990.1	0.6	0.0
Credit to other sectors	10,945.4	10,907.3	38.0	0.3	11,242.9	-2.6	-6.2
EXTERNAL COUNTERPART	8,624.7	9,156.4	-531.7	-5.8	10,406.5	-17.1	-20.2
Claims on non-residents of the euro area	30,767.4	30,778.8	-11.4	0.0	34,047.7	-9.6	-10.4
Liabilities to non-residents of the euro area (-)	22,142.7	21,622.4	520.3	2.4	23,641.2	-6.3	-5.5
OTHER COUNTERPARTS (-)	11,693.7	11,977.7	-284.0	-2.4	15,038.0	-22.2	-27.7
Liabilities to the central government	932.6	552.7	379.9	68.7	688.4	35.5	-27.3
Longer term financial liabilities	6,808.7	8,236.3	-1,427.5	-17.3	11,953.4	-43.0	-33.2
Other liabilities (net)	3,952.3	3,188.7	763.6	23.9	2,396.3	64.9	-7.8

⁽¹⁾ Figures may not add up due to rounding.

⁽²⁾ Figures show the contribution of Maltese monetary financial institutions (MFIs) to the euro area totals.

⁽³⁾ Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.

⁽⁴⁾ 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.

⁽⁵⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

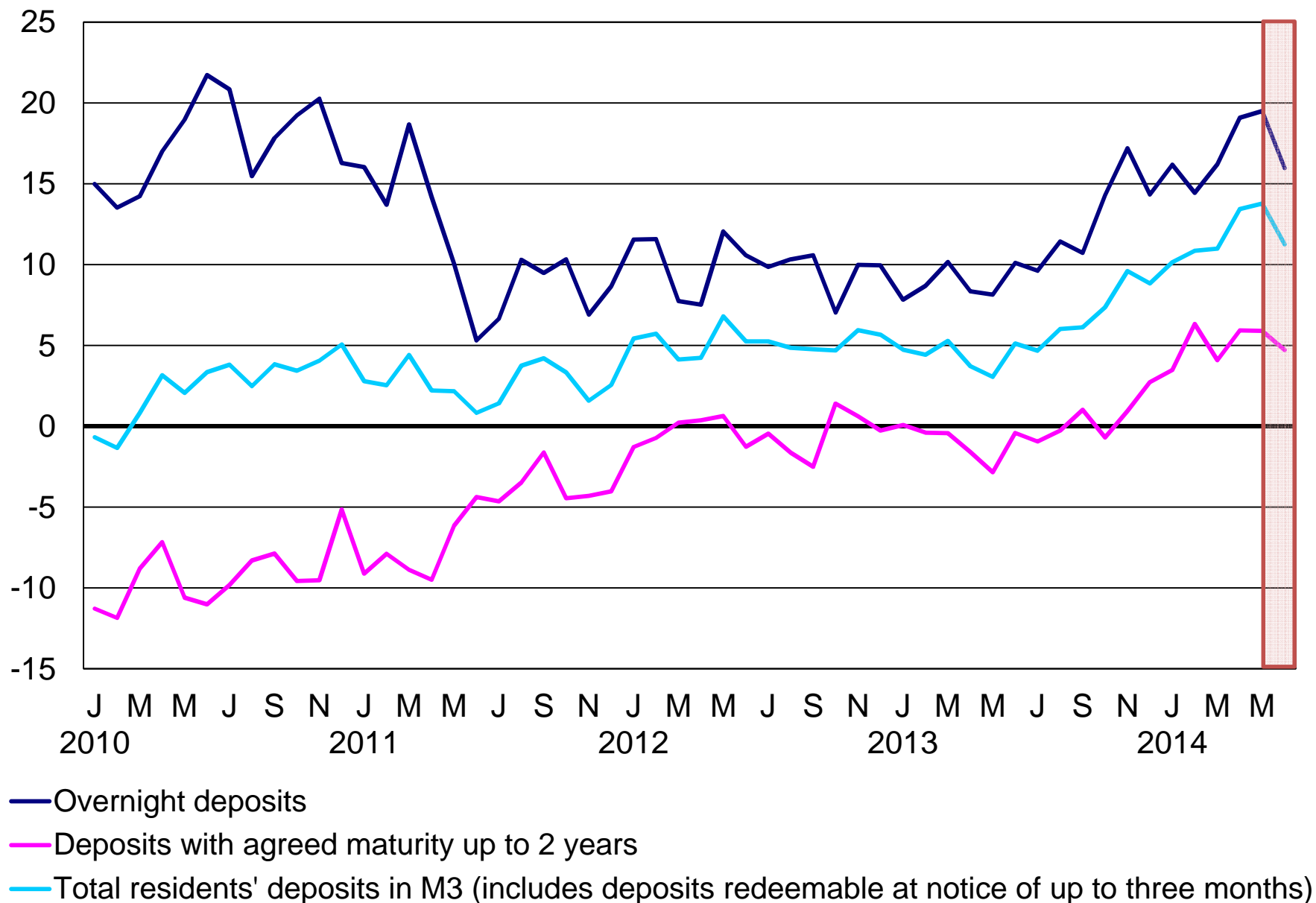
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money Market Funds (MMF) shares/units and repurchase agreements that are not conducted through central counterparties.

Source: Central Bank of Malta.

Chart 1

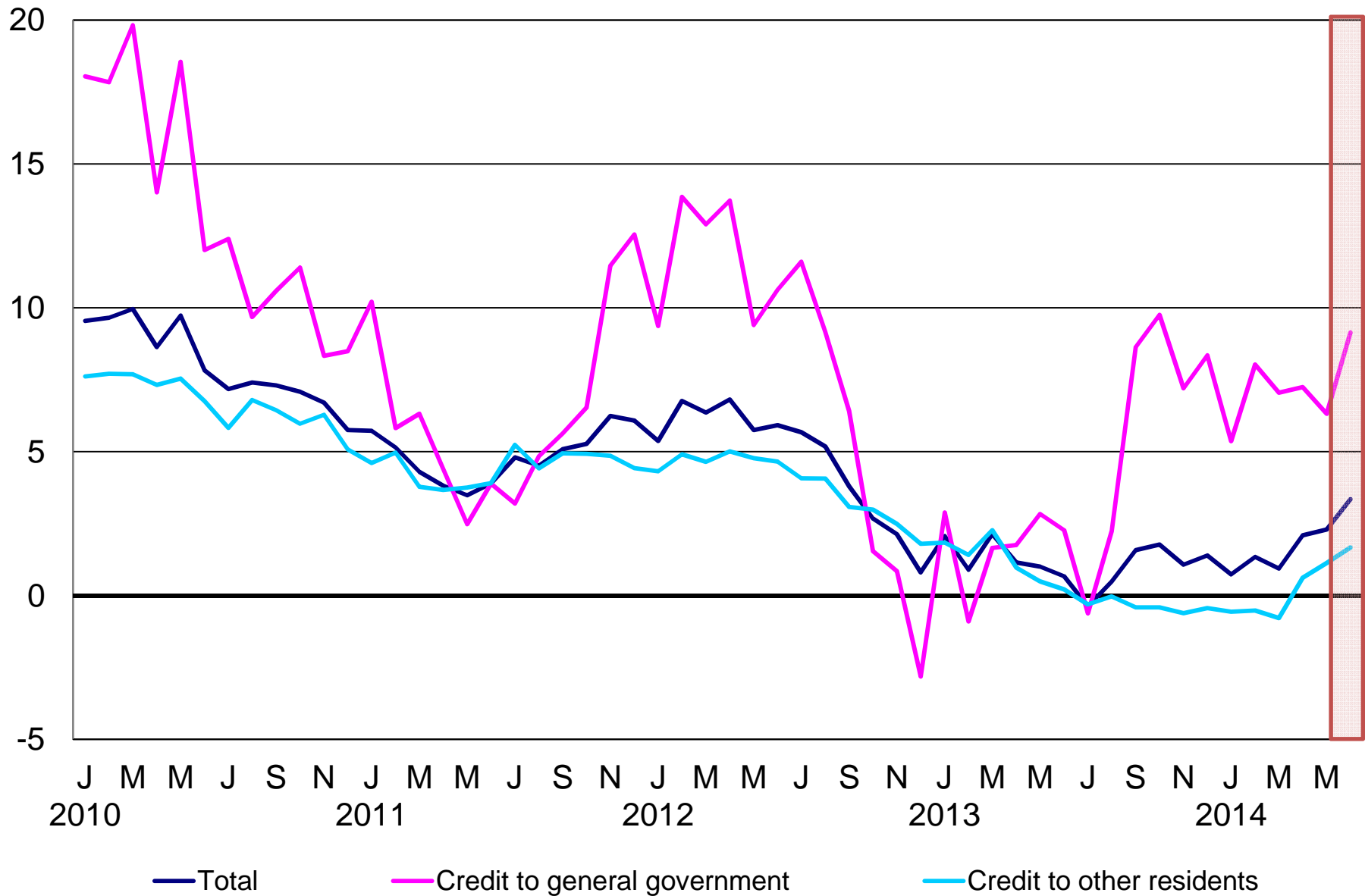
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

Chart 2
Credit to residents of Malta
(annual percentage changes)



Source: Central Bank of Malta.