



RELEASE OF MONETARY STATISTICS

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

Deposits of Maltese residents

In July, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) grew by €215.7 million, or 2.1% (see Table 1). Given that this increase was larger than that recorded twelve months earlier, the annual growth rate picked up from 11.3% in June to 12.6%.

As in previous months, deposit growth in July stemmed mainly from higher overnight deposits, which expanded by €163.0 million, or 2.7%. This mainly reflected higher balances belonging to non-financial corporations (NFCs) and non-bank financial intermediaries. The annual growth rate of overnight deposits rose to 17.6% from 16.0% a month earlier (see Chart 1).

At the same time, deposits with an agreed maturity of up to two years put on €51.7 million, or 1.4%, following a rise in deposits belonging to NFCs and non-bank financial intermediaries. The annual growth rate of these deposits rose to 5.5% from 4.7% in June.

Meanwhile, deposits redeemable at a notice of up to three months rose marginally by €0.9 million, or 0.8%.

Credit to Maltese residents

In July, credit to Maltese residents expanded by €43.1 million, reflecting an increase in borrowing by residents other than general government. The annual growth rate rose from 3.3% in June to 4.2% (see Chart 2).

Credit to general government fell by €24.8 million, or 0.9%, following a decline in MFIs' holdings of government securities after the redemption of Malta Government Stocks during the month. As a result, the annual growth rate slowed down marginally to 9.0% from 9.1% in June.

Meanwhile, credit to other residents expanded by €68.0 million, or 0.8%, mainly reflecting a rise in loans to NFCs, particularly to the energy sector. Moreover, credit to households expanded, driven by a rise in loans for house purchases. The annual

rate of change of credit to other residents went up from 1.7% in June to 2.8% as a result.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to Maltese MFIs contracted by €238.5 million, or 3.3%, in July (see Table 1).¹ Foreign claims declined, mainly reflecting a fall in deposits placed with banks abroad. In contrast, foreign liabilities, mainly non-residents' deposits held with internationally-oriented banks, increased. As a result, net foreign assets contracted by 38.4% during the twelve months to July, following a 36.2% drop in the year to June. This year-on-year contraction, in evidence since October 2013, largely reflects developments in the international banking sector, where a number of institutions have scaled back their operations in line with their restructuring strategy.

Bank lending and deposit rates²

In July, the weighted average interest rate paid by MFIs on all euro-denominated deposits belonging to resident households and NFCs fell by 5 basis points to 1.31%. Similarly, the weighted average interest charged by MFIs on outstanding loans to resident households and NFCs declined to 4.11%, from 4.16% in the previous month.

The weighted average deposit rate was 11 basis points below its level a year earlier, while that charged on loans was 19 basis points lower.

Contribution to euro area monetary aggregates

The contribution of resident MFIs to the euro area broad money stock (M3) expanded by €192.9 million, or 1.6%, in July to €12.1 billion (see Table 2). Nevertheless, the annual growth rate fell to 11.3%, from 12.2% in the previous month.

Intermediate money (M2) grew by €189.7 million, or 1.6%, driven by narrow money (M1). The latter rose by €192.8 million as both overnight deposits and currency issued increased. The former expanded by €189.1 million, or 3.0%, following a rise in NFCs' and households' deposits, while currency issued rose by €3.7 million, or 0.5%. As a result, the annual growth rate of M1 rose to 16.3% in July from 15.1% in June.

Conversely, deposits with an agreed maturity of up to two years contracted by €4.0 million, or 0.1%, driven by lower deposits belonging to private NFCs resident in other euro area countries. Meanwhile, deposits redeemable at a notice of up to three months rose by €0.9 million, or 0.8%.

Turning to the counterparts of M3, credit to euro area residents expanded by €74.2 million, or 0.5%. Hence, the negative annual rate of change declined in absolute terms to -0.7% from -1.8% in June.

Credit to general government contracted by €49.1 million, or 1.2%, following a drop in credit to the Maltese government and other euro area sovereigns. At the same time,

¹ Net foreign assets are composed mainly of claims held by resident MFIs 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.

credit granted to other sectors rose by €123.3 million, or 1.1%, mainly because of an increase in loans to NFCs and a rise in holdings of securities and shares.

The external counterpart of M3, which captures transactions between MFIs residing in Malta and non-euro area residents, contracted by €369.5 million, or 4.3%. This resulted from a drop in external claims coupled with a rise in external liabilities. The former stemmed mainly from a drop in deposits held with non-euro area banks. On the other hand, the rise in liabilities resulted primarily from an increase in deposits belonging to residents of non-euro area countries with resident MFIs.

The “other counterparts” category, which is negatively related to M3, fell by €488.2 million, or 4.2%, partly driven by lower liabilities of resident MFIs to the central government. The latter dropped by €402.8 million as government deposits fell, reversing the previous month’s increase. Meanwhile, other liabilities (net) also contracted, shedding €178.0 million. In contrast, longer-term financial liabilities rose by €92.6 million following a rise in MFIs’ capital and reserves.

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

	Jul-14	Jun-14	Monthly Change	Monthly Percentage Change	Jul-13	Annual Percentage Change	
						Jul-14	Jun-14
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	10,252.0	10,036.3	215.7	2.1	9,106.8	12.6	11.3
Overnight deposits	6,300.3	6,137.2	163.0	2.7	5,357.2	17.6	16.0
Deposits redeemable at notice up to 3 months	113.3	112.4	0.9	0.8	112.4	0.8	-0.6
Deposits with agreed maturity up to 2 years	3,838.4	3,786.7	51.7	1.4	3,637.2	5.5	4.7
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,589.1	11,546.0	43.1	0.4	11,120.0	4.2	3.3
Credit to general government	2,710.5	2,735.3	-24.8	-0.9	2,486.8	9.0	9.1
Credit to other sectors	8,878.6	8,810.7	68.0	0.8	8,633.2	2.8	1.7
NET FOREIGN ASSETS	7,017.8	7,256.3	-238.5	-3.3	11,387.3	-38.4	-36.2
Claims on non-residents of Malta	39,477.4	39,604.6	-127.2	-0.3	44,876.3	-12.0	-10.5
Liabilities to non-residents of Malta (-)	32,459.6	32,348.3	111.3	0.3	33,489.1	-3.1	-1.6

⁽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

	Jul-14	Jun-14	Monthly Change	Monthly Percentage Change	Jul-13	Annual Percentage Change	
						Jul-14	Jun-14
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	7,312.7	7,120.0	192.8	2.7	6,289.7	16.3	15.1
Currency issued ⁽⁴⁾	804.2	800.5	3.7	0.5	751.4	7.0	9.3
Overnight deposits ⁽⁵⁾	6,508.5	6,319.4	189.1	3.0	5,538.3	17.5	15.8
INTERMEDIATE MONEY (M2)	11,952.5	11,762.7	189.7	1.6	10,638.7	12.3	13.0
Narrow money (M1)	7,312.7	7,120.0	192.8	2.7	6,289.7	16.3	15.1
Deposits redeemable at notice up to 3 months ⁽⁵⁾	113.3	112.4	0.9	0.8	112.5	0.8	-0.5
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,526.4	4,530.3	-4.0	-0.1	4,236.5	6.8	10.4
BROAD MONEY (M3)	12,083.0	11,890.2	192.9	1.6	10,854.0	11.3	12.2
Intermediate money (M2)	11,952.5	11,762.7	189.7	1.6	10,638.7	12.3	13.0
Marketable instruments ⁽⁶⁾	130.6	127.4	3.1	2.5	215.3	-39.4	-34.5
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,033.3	14,959.1	74.2	0.5	15,144.8	-0.7	-1.8
Credit to general government	3,964.7	4,013.8	-49.1	-1.2	3,958.8	0.1	0.6
Credit to other sectors	11,068.6	10,945.4	123.3	1.1	11,185.9	-1.0	-2.6
EXTERNAL COUNTERPART	8,255.2	8,624.7	-369.5	-4.3	10,915.4	-24.4	-17.1
Claims on non-residents of the euro area	30,616.2	30,767.4	-151.1	-0.5	34,674.4	-11.7	-9.6
Liabilities to non-residents of the euro area (-)	22,361.1	22,142.7	218.4	1.0	23,759.0	-5.9	-6.3
OTHER COUNTERPARTS (-)	11,205.5	11,693.7	-488.2	-4.2	15,206.1	-26.3	-22.2
Liabilities to the central government	529.8	932.6	-402.8	-43.2	549.6	-3.6	35.5
Longer term financial liabilities	6,901.4	6,808.7	92.6	1.4	11,967.2	-42.3	-43.0
Other liabilities (net)	3,774.3	3,952.3	-178.0	-4.5	2,689.2	40.3	64.9

⁽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.

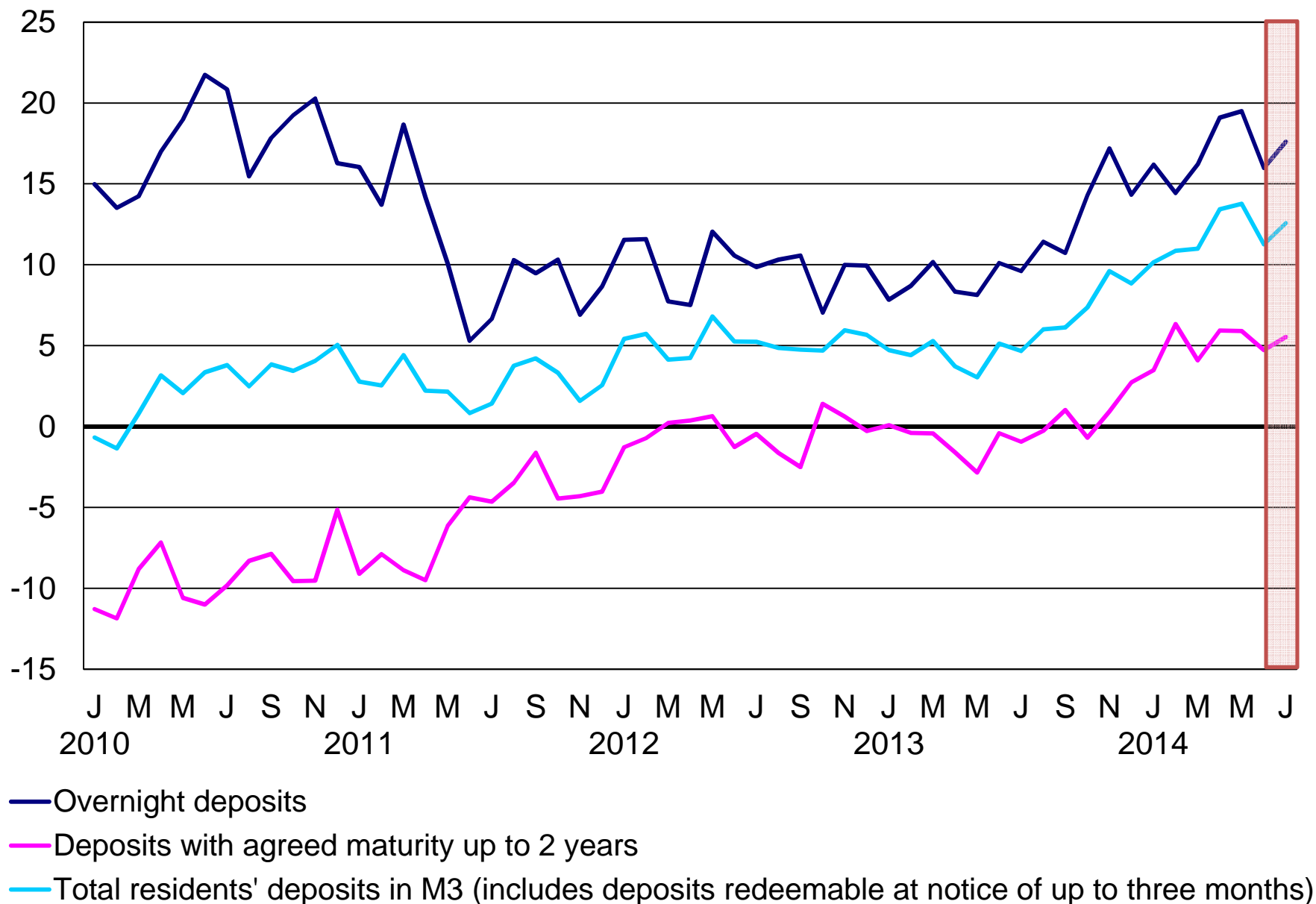
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

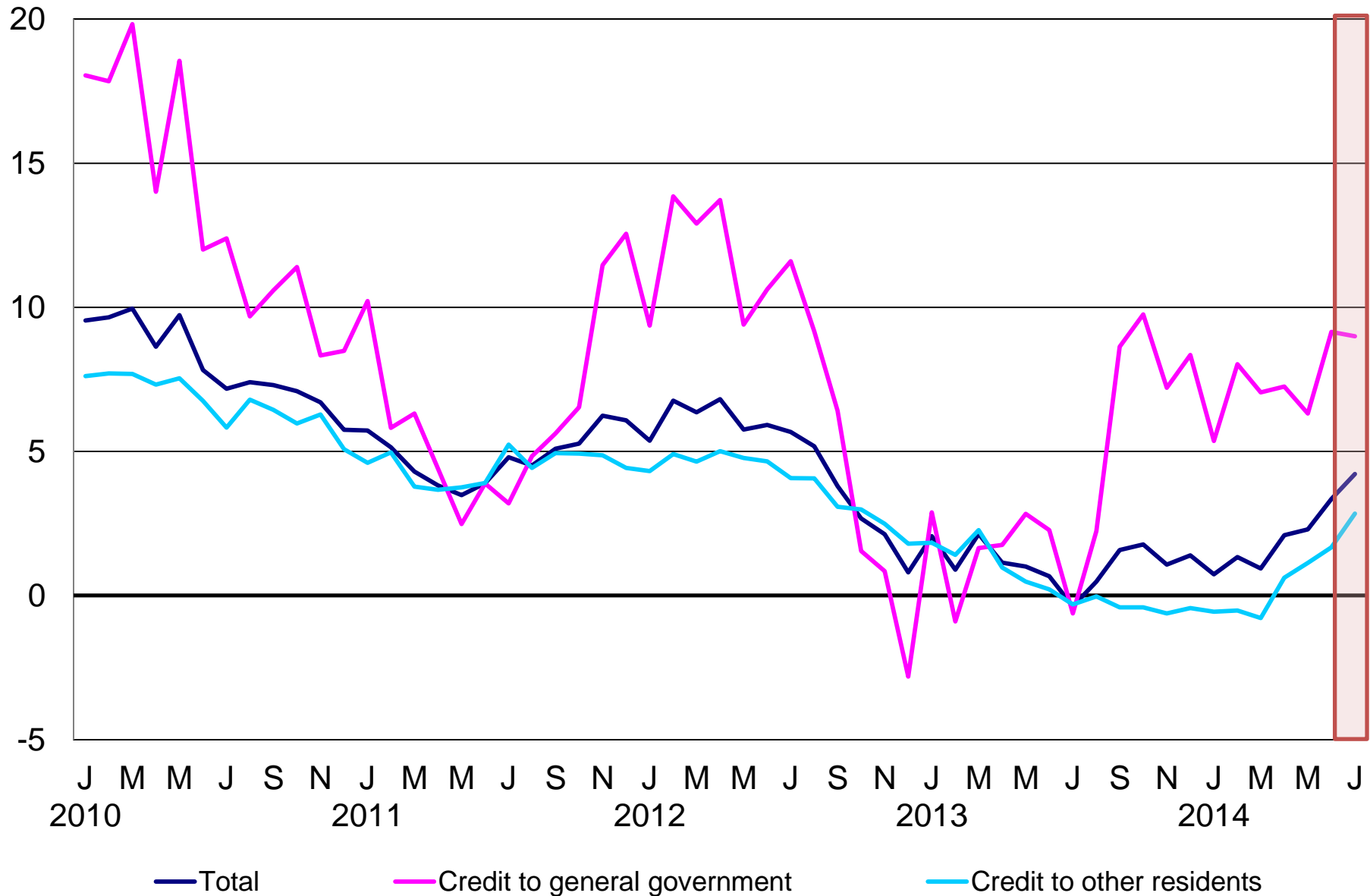
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.