



RELEASE OF MONETARY STATISTICS

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AUGUST 2014

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

Monetary data for August are based on the new ESA 2010 methodology. In this regard all past data going back to June 2010 have been revised to take into account the changeover to this methodology. The major impact of the change to the new methodology is the reclassification of special purpose entities (SPEs) which are now mainly included within the Other Financial Corporations sector. These are legal entities which are set up to fulfil specific objectives. They are characterised by a limited physical presence in their country of operation, the low number of staff they employ and the absence on their balance sheet of non-financial assets. SPEs have been reclassified from residents of the rest of the world to residents of Malta. Consequently, residents' deposits, as well as loans to residents, were revised upwards. These revisions also affect the dynamics of these variables.

Deposits of Maltese residents

Deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) continued on their upward path, growing in August by €285.2 million, or 2.5% (see Table 1). As a result, the annual growth rate rose to 13.2% from 12.5% in July.

Overnight deposits contributed significantly to deposit growth, expanding by €118.8 million, or 1.7%. This principally reflected higher balances belonging to non-financial corporations (NFCs) and, to a lesser extent, households. However, given that an even larger increase was recorded twelve months earlier, the annual growth rate slowed down to 15.5% from 17.2% a month earlier (see Chart 1).

At the same time, deposits with an agreed maturity of up to two years put on €158.5 million, or 3.9%, driven mainly by balances belonging to NFCs in both the private and public sectors. Consequently, the annual growth rate of these deposits rose to 9.4% from 5.3% in July. Meanwhile, deposits redeemable at a notice of up to three months rose by €7.9 million, or 6.9%.

Credit to Maltese residents

In August, credit to Maltese residents expanded marginally by €8.1 million, or 0.1%. However, on an annual basis, credit continued to contract, falling by 2.8% following a 2.0% drop in the previous month (see Chart 2). The year-on-year contraction is influenced significantly by reductions in credit to SPEs earlier in the year.

Credit to general government rose marginally by €4.7 million, or 0.2%, during the month as a result of loans granted to government. Nevertheless, the annual growth rate slowed down to 5.2% from 9.0% in July.

Meanwhile, credit to other residents, mainly private sector residents, expanded marginally by €3.4 million, as higher loans to NFCs and households were largely offset by lower lending to non-bank financial intermediaries, the sector in which SPEs have been reclassified. The annual rate of contraction in credit to other residents accelerated from -4.8% in July to -5.0% in August.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to Maltese MFIs expanded by €389.6 million, or 5.0%, in August (see Table 1).¹ Higher foreign claims reflected mainly increases in deposits placed with banks abroad and in MFIs' holdings of securities issued by non-residents. At the same time, foreign liabilities rose but by a smaller amount than foreign assets, mostly because of an increase in non-residents' deposits with resident MFIs. However, net foreign assets continued to contract during the year to August, shedding 27.6% following a 31.1% drop in the year to July. This year-on-year reduction is heavily influenced by transactions carried out by a number of international banks operating from Malta, which have scaled back their operations according to their restructuring strategy.

Bank lending and deposit rates²

In August, the weighted average interest rate paid by MFIs on all euro-denominated deposits belonging to resident households and NFCs fell by 7 basis points to 1.19%. Similarly, the weighted average interest rate paid by MFIs on outstanding loans to resident households and NFCs declined to 4.09%, from 4.11% in the previous month.

The weighted average deposit rate was 22 basis points below its level a year earlier, while that charged on loans was 21 basis points lower.

Contribution to euro area monetary aggregates

In August, the contribution of resident MFIs to the euro area broad money stock (M3) expanded by €308.0 million, or 2.3%, to €13.5 billion (see Table 2). As a result, the annual growth rate rose to 11.8%, from 11.3% in the previous month.

Intermediate money (M2) grew by €314.3 million, or 2.4%. Narrow money (M1) went up by €134.8 million, or 1.6%, with an increase in both its components - overnight deposits and currency issued. The former grew by €130.4 million, or 1.8%, mainly because of a rise in holdings belonging to households and NFCs. At the same time, deposits with an agreed maturity of up to two years rose by €171.7 million, or 3.6%, driven mainly by deposits belonging to NFCs. Meanwhile, deposits redeemable at a notice of up to three months put on €7.9 million, or 6.9%, on the back of higher households' deposits. Marketable instruments, the remaining component of M3, fell by €6.4 million, or 5.0%.

Turning to the counterparts of M3, credit to euro area residents fell marginally by €7.2 million. Year-on-year, credit contracted by 4.6%, following a 5.1% drop in the previous month.

Credit to general government contracted by €4.2 million, or 0.1%, following a drop in holdings of securities issued by other euro area sovereigns. At the same time, credit granted to other sectors contracted slightly by €3.0 million, following a drop in loans to NFCs resident in other euro area countries.

¹ Net foreign assets are composed mainly of claims held by resident MFIs in Malta on residents 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.

The external counterpart of M3, which captures transactions between MFIs residing in Malta and non-euro area residents, contracted by €160.3 million, or 1.8%. This resulted from a rise in external liabilities which stemmed mainly from deposits belonging to residents of non-euro area countries. To a lesser extent, foreign claims also rose primarily in the form of deposits held with non-euro area banks.

The “other counterparts” category, which is negatively related to M3, fell by €475.5 million, or 4.2%. This was driven by a drop in other liabilities (net), which contracted by €767.1 million. In turn, the latter reflected a reduction in liabilities to other euro-area MFIs coupled with an increase in claims on them. Conversely, liabilities to the central government rose by €195.8 million, or 37.0%, as the issuance of MGS in August boosted government deposits. Meanwhile, longer-term financial liabilities rose by €95.8 million on the back of higher retained earnings.

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

	Aug-14	Jul-14	Monthly Change	Monthly Percentage Change	Aug-13	Annual Percentage Change	
						Aug-14	Jul-14
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	11,631.7	11,346.5	285.2	2.5	10,279.0	13.2	12.5
Overnight deposits	7,313.5	7,194.7	118.8	1.7	6,330.0	15.5	17.2
Deposits redeemable at notice up to 3 months	121.2	113.3	7.9	6.9	112.4	7.8	0.3
Deposits with agreed maturity up to 2 years	4,197.0	4,038.5	158.5	3.9	3,836.6	9.4	5.3
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,852.3	11,844.3	8.1	0.1	12,194.6	-2.8	-2.0
Credit to general government	2,714.7	2,710.0	4.7	0.2	2,579.6	5.2	9.0
Credit to other sectors	9,137.7	9,134.3	3.4	0.0	9,615.1	-5.0	-4.8
NET FOREIGN ASSETS	8,245.7	7,856.1	389.6	5.0	11,387.3	-27.6	-31.1
Claims on non-residents of Malta	40,230.8	39,218.7	1,012.1	2.6	45,021.1	-10.6	-10.7
Liabilities to non-residents of Malta (-)	31,985.1	31,362.5	622.6	2.0	33,633.8	-4.9	-3.5

⁽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

	Aug-14	Jul-14	Monthly Change	Monthly Percentage Change	Aug-13	Annual Percentage Change	
						Aug-14	Jul-14
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	8,341.9	8,207.2	134.8	1.6	7,279.2	14.6	16.1
Currency issued ⁽⁴⁾	808.6	804.2	4.4	0.5	755.5	7.0	7.0
Overnight deposits ⁽⁵⁾	7,533.3	7,402.9	130.4	1.8	6,523.7	15.5	17.2
INTERMEDIATE MONEY (M2)	13,361.3	13,047.0	314.3	2.4	11,832.2	12.9	12.3
Narrow money (M1)	8,341.9	8,207.2	134.8	1.6	7,279.2	14.6	16.1
Deposits redeemable at notice up to 3 months ⁽⁵⁾	121.2	113.4	7.9	6.9	112.5	7.8	0.3
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,898.1	4,726.4	171.7	3.6	4,440.6	10.3	6.5
BROAD MONEY (M3)	13,482.8	13,174.9	308.0	2.3	12,059.2	11.8	11.3
Intermediate money (M2)	13,361.3	13,047.0	314.3	2.4	11,832.2	12.9	12.3
Marketable instruments ⁽⁶⁾	121.5	127.9	-6.4	-5.0	227.0	-46.5	-40.6
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,281.3	15,288.5	-7.2	0.0	16,017.6	-4.6	-5.1
Credit to general government	3,960.0	3,964.2	-4.2	-0.1	4,020.8	-1.5	0.1
Credit to other sectors	11,321.3	11,324.3	-3.0	0.0	11,996.7	-5.6	-6.8
EXTERNAL COUNTERPART	8,938.5	9,098.8	-160.3	-1.8	10,563.8	-15.4	-16.8
Claims on non-residents of the euro area	31,104.9	30,362.9	742.0	2.4	34,452.0	-9.7	-9.9
Liabilities to non-residents of the euro area (-)	22,166.4	21,264.1	902.3	4.2	23,888.3	-7.2	-6.6
OTHER COUNTERPARTS (-)	10,736.9	11,212.4	-475.5	-4.2	14,522.0	-26.1	-26.3
Liabilities to the central government	725.7	529.8	195.8	37.0	696.4	4.2	-3.6
Longer term financial liabilities	6,998.8	6,903.0	95.8	1.4	11,750.2	-40.4	-42.3
Other liabilities (net)	3,012.4	3,779.5	-767.1	-20.3	2,075.4	45.1	40.5

⁽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.

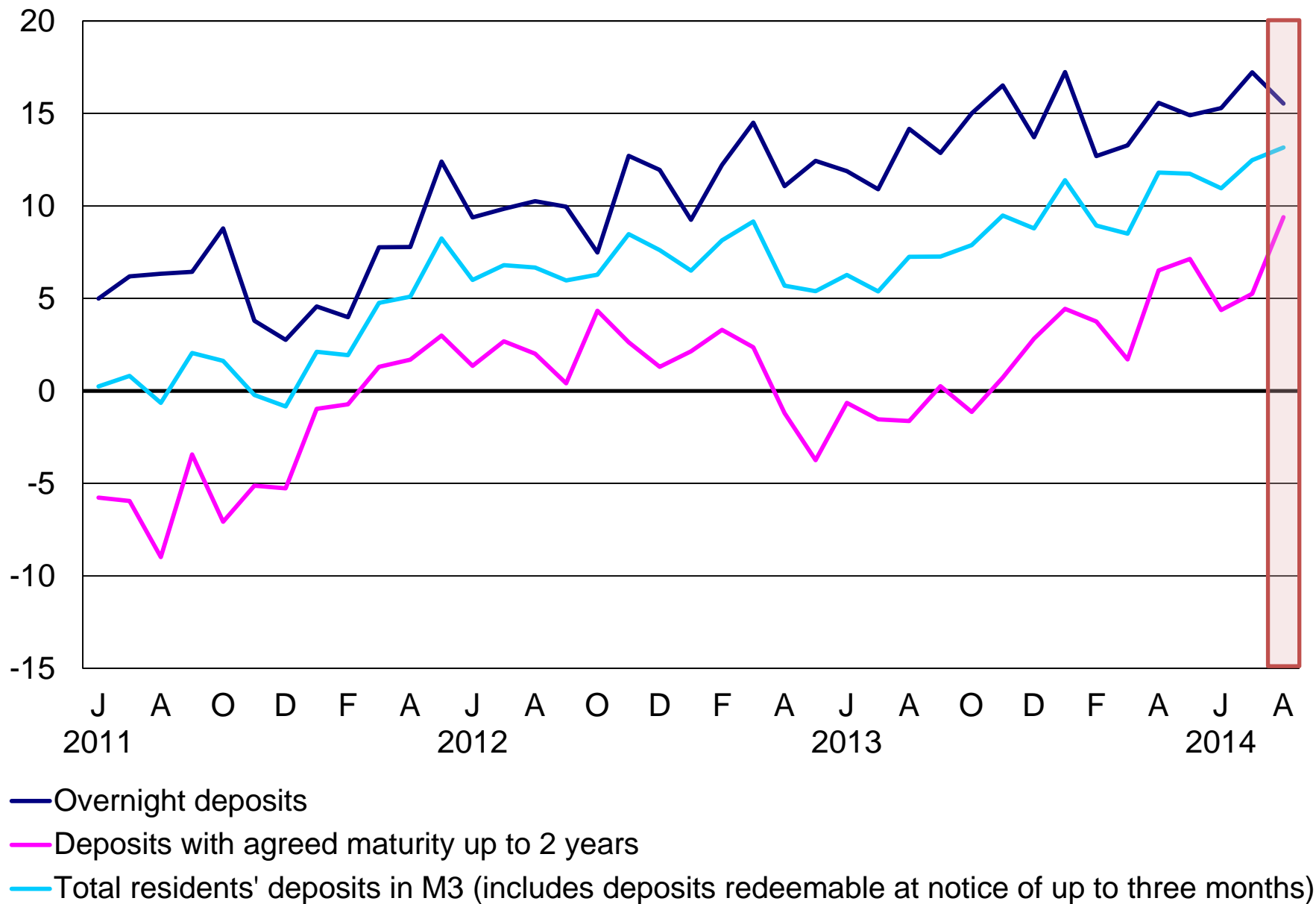
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

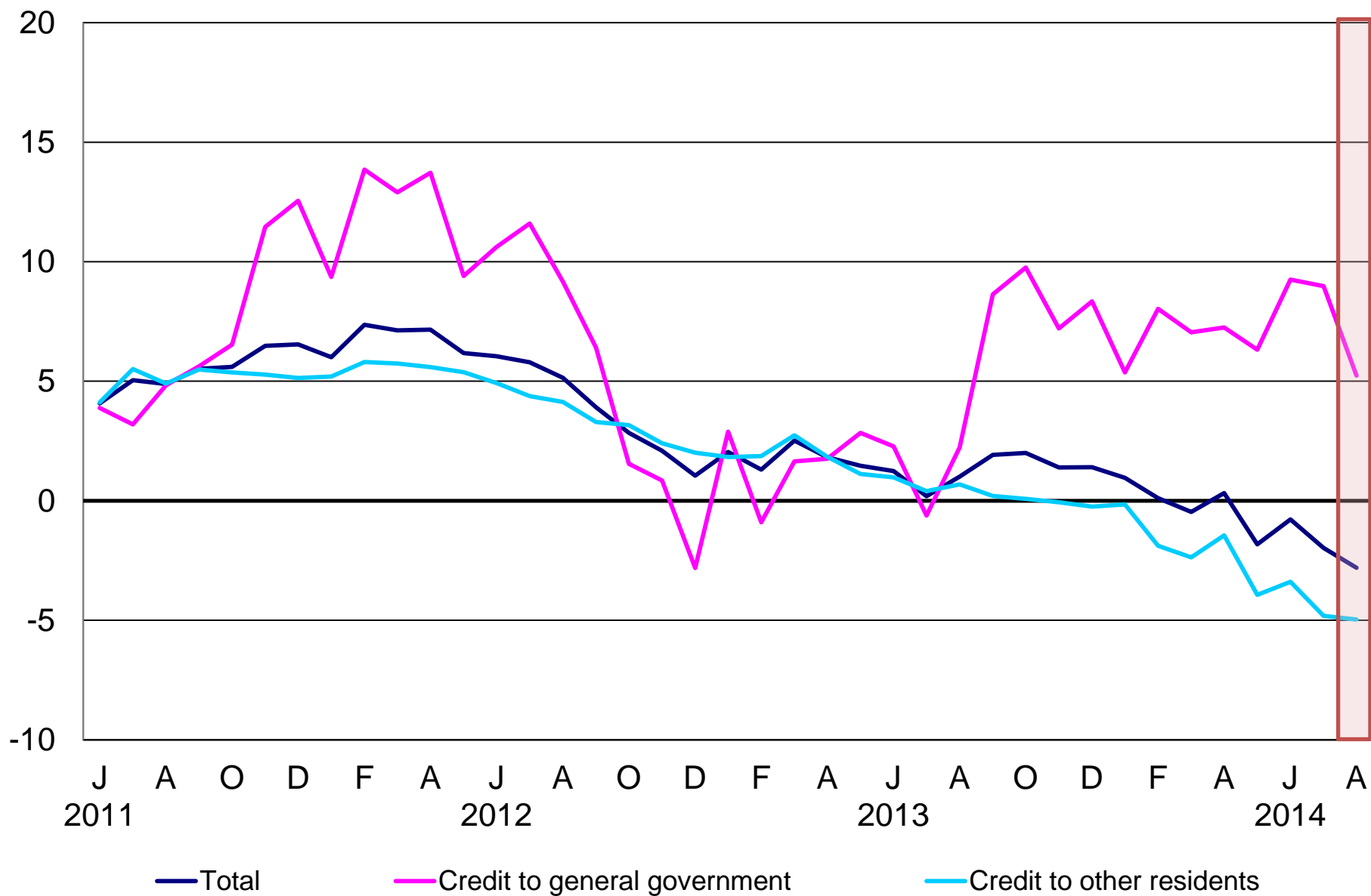
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.