



RELEASE OF MONETARY STATISTICS

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

Deposits of Maltese residents

Over the month of September, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) grew by €132.0 million, or 1.1% (see Table 1). Consequently, the annual growth rate of such deposits picked up to 14.4% from 13.2% in August (see Chart 1).

Deposit growth stemmed entirely from overnight balances, which expanded by €276.6 million, or 3.8%. In turn, most of the increase was in households' deposits, partly reflecting the redemption of a corporate bond during the month, as well as a shift out of longer-term deposits. Consequently, the annual growth rate of overnight deposits accelerated to 20.4% from 15.5% in the previous month.

Conversely, there was a contraction of €136.8 million, or 3.3% in deposits with an agreed maturity of up to two years. Deposits belonging to private non-financial corporations (NFC) decreased, partly reversing the previous month's increase, as did those belonging to non-bank financial intermediaries. These two components accounted for most of the overall drop. As a result, the annual growth rate of these deposits slowed down to 4.9% from 9.4% in August. At the same time, deposits redeemable at a notice of up to three months went down by €7.7 million, or 6.4%, because of a decline in households' balances.

Credit to Maltese residents

In September, credit to Maltese residents contracted marginally by €3.5 million, as a reduction in credit granted to general government outweighed an increase in credit to other residents. As a result, credit contracted by 3.4% year-on-year, following a 2.8% drop in the previous month (see Chart 2).

Credit to general government went down by €23.8 million, or 0.9%, as a drop in MFIs' holdings of Treasury bills outweighed a rise in their holdings of Malta Government bonds. As a result, the annual growth rate slowed down sharply to 0.9%, from 5.2% in the previous month.

Meanwhile, credit to all other residents expanded by €20.3 million, or 0.2%, on the back of higher loans granted to households, mainly for house purchases. Credit

extended to private NFCs also expanded across a number of sectors. Consequently, credit to the other residents category contracted at a slower annual pace, falling by 4.6% in September, following a 5.0% drop in August.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to Maltese MFIs decreased by €46.9 million, or 0.6%, in September as a substantial increase in foreign liabilities exceeded a rise in the corresponding claims (see Table 1).¹ Foreign claims expanded following increases in MFIs' holdings of securities issued by non-residents and in deposits placed with banks abroad. However, foreign liabilities rose to a larger degree mainly because non-residents' deposits placed with resident banks increased. Net foreign assets continued to contract on an annual basis since a number of international banks scaled back their operations earlier in the year, in line with their restructuring strategies.

Bank lending and deposit rates²

In September 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 1.14%. Similarly, the weighted average interest charged by MFIs on outstanding loans to resident households and NFCs declined to 4.06%, from 4.09% in the previous month.

Thus, the weighted average deposit rate was 27 basis points below its level a year earlier, while that charged on loans was 24 basis points lower and this resulted in a slight widening of the spread between the loan and deposit rate.

Contribution to euro area monetary aggregates

The contribution of resident MFIs to the euro area broad money stock (M3) expanded by €170.9 million, or 1.3%, in September to €13.7 billion (see Table 2). As a result, the annual growth rate rose to 13.4% from 12.1% a month earlier.

Growth stemmed entirely from the narrow money component (M1). This grew by €293.4 million, or 3.5%, during the month as both overnight deposits and currency issued rose. Overnight deposits grew by €291.3 million, or 3.9%, on the back of higher balances belonging to households and private NFCs. At the same time, currency issued rose by €2.1 million, or 0.3%. Hence, the annual growth rate of M1 accelerated to 19.1% from 15.1% a month earlier.

On the other hand, deposits with an agreed maturity of up to two years, which together with M1 form part of intermediate money (M2), went down by €114.9 million, or 2.3%. This drop stemmed mainly from a fall in balances held by non-bank financial intermediaries and NFCs. Meanwhile, deposits redeemable at a notice of up to three months, the remaining component of M2, went down by €7.7 million, or 6.4%, in line with a decline in residents' balances as explained above.

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.

Turning to the counterparts of M3, credit to euro area residents expanded by €216.2 million, or 1.4%, resulting from a rise in credit granted to government and to other sectors. Credit to general government expanded by €145.7 million, or 3.7%, reflecting a rise in MFI holdings of securities issued by other euro-area sovereigns. At the same time, credit granted to other sectors went up by €70.4 million, or 0.6%, driven by higher loans granted to private NFCs, especially those resident in other euro area countries, and households.

The external counterpart of M3, which captures transactions between MFIs residing in Malta and non-euro area residents, expanded by €565.4 million, or 6.3%, as the rise in claims exceeded that in liabilities. The former stemmed primarily from higher holdings of securities, particularly those issued by other MFIs. Conversely, the increase in external liabilities stemmed mainly from deposits belonging to non-euro area residents.

The “other counterparts” category, which is negatively related to M3, expanded by €610.7 million, or 5.7%, because of a rise in other liabilities (net). The latter grew by €786.5 million, or 26.1%, following a rise in liabilities to other euro-area MFIs, including liabilities to the Eurosystem. Conversely, liabilities to the central government contracted by €105.0 million, partly reversing the previous month’s increase, while longer-term financial liabilities went down by €70.8 million following a drop in longer-term deposits, particularly those of households, coupled with a drop in 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

	Sep-14	Aug-14	Monthly Change	Monthly Percentage Change	Sep-13	Annual Percentage Change	
						Sep-14	Aug-14
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	11,763.7	11,631.7	132.0	1.1	10,282.3	14.4	13.2
Overnight deposits	7,590.0	7,313.5	276.6	3.8	6,301.7	20.4	15.5
Deposits redeemable at notice up to 3 months	113.5	121.2	-7.7	-6.4	111.9	1.4	7.8
Deposits with agreed maturity up to 2 years	4,060.2	4,197.0	-136.8	-3.3	3,868.8	4.9	9.4
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,848.8	11,852.3	-3.5	0.0	12,267.6	-3.4	-2.8
Credit to general government	2,690.8	2,714.7	-23.8	-0.9	2,665.5	0.9	5.2
Credit to other sectors	9,158.0	9,137.7	20.3	0.2	9,602.1	-4.6	-5.0
NET FOREIGN ASSETS	8,198.8	8,245.7	-46.9	-0.6	11,638.4	-29.6	-27.6
Claims on non-residents of Malta	41,625.5	40,230.8	1,394.7	3.5	44,379.8	-6.2	-10.6
Liabilities to non-residents of Malta (-)	33,426.7	31,985.1	1,441.6	4.5	32,741.3	2.1	-4.9

⁽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

	Sep-14	Aug-14	Monthly Change	Monthly Percentage Change	Sep-13	Annual Percentage Change	
						Sep-14	Aug-14
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	8,635.3	8,341.9	293.4	3.5	7,248.5	19.1	15.1
Currency issued ⁽⁴⁾	810.7	808.6	2.1	0.3	761.2	6.5	7.0
Overnight deposits ⁽⁵⁾	7,824.6	7,533.3	291.3	3.9	6,487.3	20.6	16.0
INTERMEDIATE MONEY (M2)	13,532.1	13,361.3	170.8	1.3	11,823.6	14.4	13.2
Narrow money (M1)	8,635.3	8,341.9	293.4	3.5	7,248.5	19.1	15.1
Deposits redeemable at notice up to 3 months ⁽⁵⁾	113.5	121.2	-7.7	-6.4	111.9	1.4	7.8
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,783.2	4,898.1	-114.9	-2.3	4,463.2	7.2	10.4
BROAD MONEY (M3)	13,653.7	13,482.8	170.9	1.3	12,045.6	13.4	12.1
Intermediate money (M2)	13,532.1	13,361.3	170.8	1.3	11,823.6	14.4	13.2
Marketable instruments ⁽⁶⁾	121.7	121.5	0.1	0.1	222.0	-45.2	-46.5
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,497.4	15,281.3	216.2	1.4	16,054.3	-3.5	-4.6
Credit to general government	4,105.7	3,960.0	145.7	3.7	4,103.6	0.1	-1.6
Credit to other sectors	11,391.7	11,321.3	70.4	0.6	11,950.7	-4.7	-5.6
EXTERNAL COUNTERPART	9,503.9	8,938.5	565.4	6.3	12,158.7	-21.8	-15.4
Claims on non-residents of the euro area	32,086.2	31,104.9	981.3	3.2	34,716.4	-7.6	-9.7
Liabilities to non-residents of the euro area (-)	22,582.3	22,166.4	415.9	1.9	22,557.7	0.1	-7.2
OTHER COUNTERPARTS (-)	11,347.7	10,736.9	610.7	5.7	16,167.5	-29.8	-26.3
Liabilities to the central government	620.6	725.7	-105.0	-14.5	691.5	-10.2	-1.1
Longer term financial liabilities	6,928.0	6,998.8	-70.8	-1.0	11,951.5	-42.0	-40.4
Other liabilities (net)	3,799.0	3,012.4	786.5	26.1	3,524.5	7.8	45.1

⁽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.

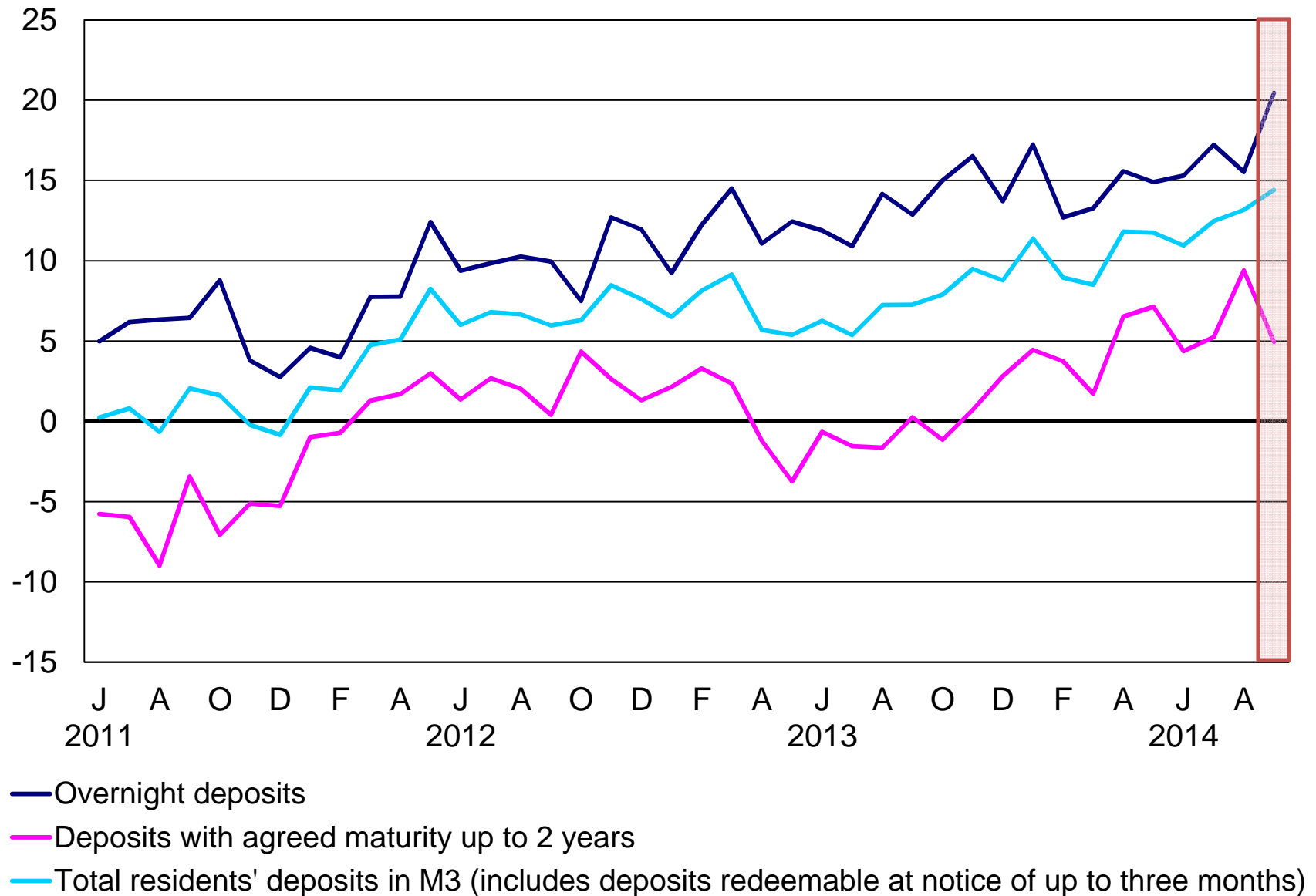
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

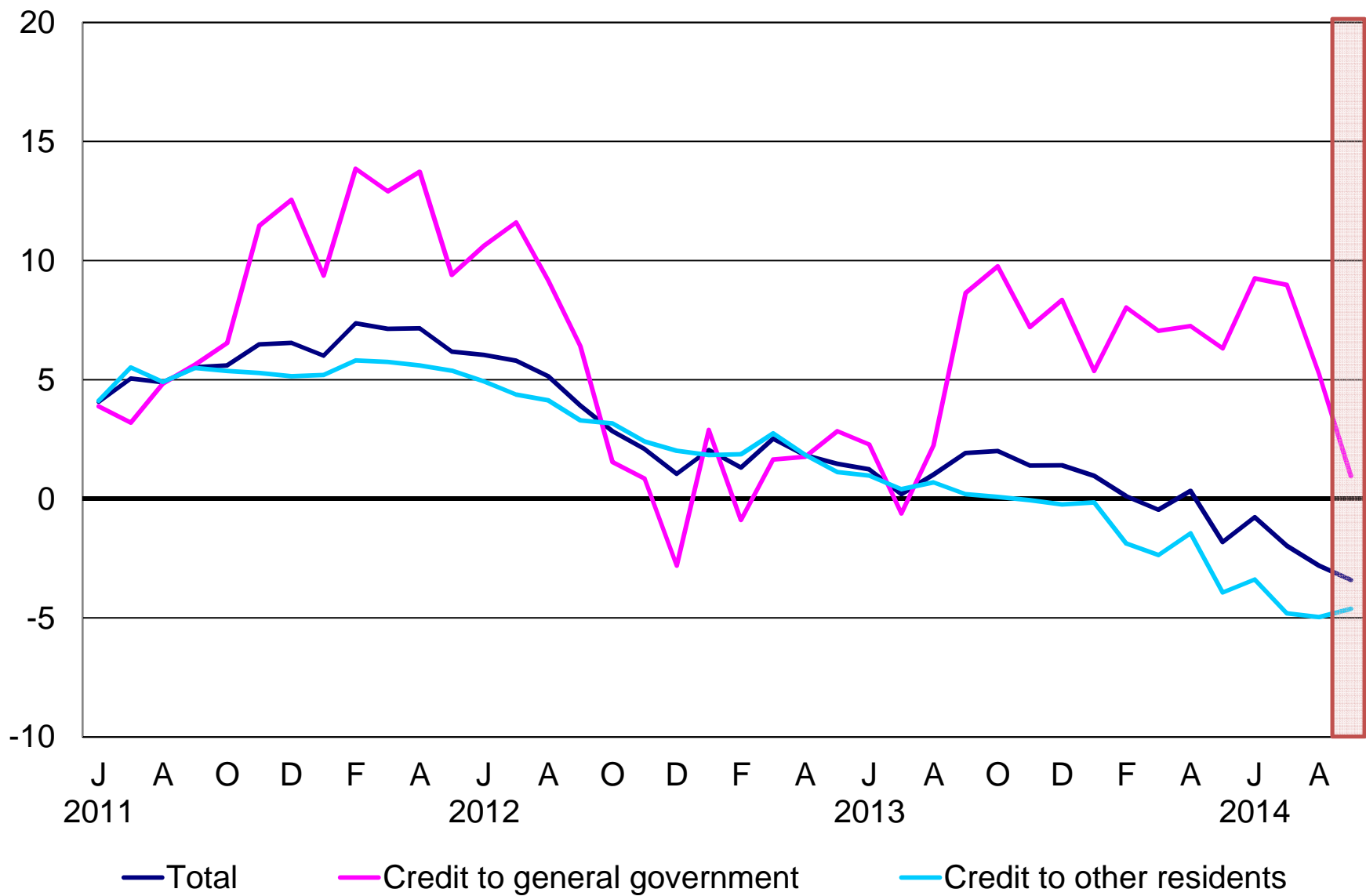
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.