



BANK ĊENTRALI TA' MALTA

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RELEASE OF MONETARY STATISTICS

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The Central Bank of Malta has just issued its commentary on the release of monetary statistics for February 2013.

Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) contracted by €95.6 million, or 0.9%, in February to €10.4 billion (see Table 1). As a result, the annual growth rate eased to 6.2%, from 6.5% one month earlier.

The decrease in M3 mainly reflected a drop in intermediate money (M2) coupled with a smaller fall in the remaining component of M3, which consists of marketable instruments.

Intermediate money fell by €89.0 million, or 0.9%, during the month driven by a contraction in narrow money (M1) together with a decline in deposits redeemable at notice of up to three months. Consequently, the annual rate of growth of M2 slowed down to 6.6%, from 6.8% in the previous month.

Narrow money (M1) contracted by €43.3 million, or 0.7%, during the month mainly due to a decline in overnight deposits. In turn, the latter fell by €41.1 million, or 0.8%, driven by a decline in balances belonging to non-bank financial intermediaries and households, which offset an increase in balances belonging to non-financial corporations (NFCs). Nevertheless, the annual growth rate of M1 accelerated to 8.9% from 8.7% one month earlier.

Among the other components of M2, deposits redeemable at up to three months' notice dropped by €43.9 million, or 27.8%, fuelled by lower balances held by private NFCs.¹

Deposits with an agreed maturity of up to two years – the remaining component of M2 – fell marginally by €1.7 million during the month. A decline in balances belonging to residents of Malta offset an increase in balances belonging to private NFCs and households resident elsewhere in the euro area.

Turning to the counterparts of M3, credit to euro area residents expanded by €62.3

¹ In absolute terms, deposits redeemable with notice of up to 3 months account only for a small share of deposits, and tend to be volatile.

million, or 0.4%, despite a decline in credit to general government, as credit granted to other residents increased. Nonetheless, credit contracted at a faster pace during the twelve months to February, with its annual growth rate falling to -3.7%, from -2.7% in the previous month.

The increase of €129.0 million, or 1.1%, in credit to other residents stemmed mainly from an increase in the amount of credit granted to residents elsewhere in the euro area. Credit to NFCs rose substantially during the month, increasing by €112.4 million, or 2.0%.

Conversely, credit to general government contracted by €66.7 million, or 1.8%, mainly because resident MFIs' holdings of securities issued by other euro area governments decreased.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, grew by €778.9 million, or 8.4%. A substantial increase in MFIs' claims on non-residents outweighed a rise in the corresponding liabilities.

The "other counterparts" category, which is negatively related to M3, rose by €936.8 million, or 6.5%, in February driven by an increase in other liabilities (net). In turn, the latter stemmed from higher deposits belonging to euro area banks and held with resident banks. Furthermore, resident banks' deposits with other banks in the euro area declined. During the month longer-term financial liabilities also decreased, reflecting mainly a drop in retained earnings. In contrast, liabilities to central government rose.

Transactions with Maltese residents: deposits and credit

In February, deposits belonging to residents of Malta and held with resident MFIs contracted by €99.6 million, or 1.1%, reversing the increase seen in the previous month (see Table 2). This contraction coincided with the issue of Malta Government Stocks on the primary market. Consequently, the annual growth rate slowed down to 5.2%, from 5.5% one month earlier (see Chart 1).

During the month, all deposit categories within M3 decreased. Overnight deposits fell by €28.5 million, or 0.6%, as a drop in deposits belonging to non-bank financial intermediaries and households outweighed an increase in balances belonging to NFCs. Despite this decline, the annual growth rate in overnight deposits rose to 9.8% in February from 9.1% one month earlier, as an even greater decline was registered twelve months earlier.

Deposits redeemable at notice of up to three months fell by €43.9 million, or 28.0%, due to a decline in balances belonging to private NFCs.

Meanwhile, lower balances belonging to insurance companies and pension funds led to a reduction in deposits with an agreed maturity of up to two years, which contracted by €27.2 million, or 0.7%, during the month. As a result, the annual growth rate of these deposits turned negative during the month to -0.1%, down from 0.2% in the previous month.

Credit granted by resident MFIs to residents of Malta expanded by €26.2 million, or 0.2%, in February. Nonetheless, the annual growth rate of credit slowed to 0.9% from 2.1% one month earlier (see Chart 2).

Credit to general government fell slightly by €0.5 million. This small change masked a reduction in banks' holdings of MGS during the month that slightly outweighed an increase in their Treasury bill portfolios. The annual growth rate of credit to general government turned negative in February, falling to -0.9% from 2.9% in January.

Credit to other residents rose by €26.6 million, or 0.3%, driven by higher loans granted to several sectors of the economy, particularly to the real estate sector and to the wholesale and retail trades. Together these outweighed a decline in credit granted to the construction industry. Loans to households expanded slightly during the month, driven by higher lending for house purchase. The annual growth rate of credit to other residents slowed down to 1.4%, from 1.8% one month earlier.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €111.4 million, or 0.9%, during the month as foreign liabilities increased more than the corresponding claims (see Table 2).² The former stemmed predominantly from higher borrowing by the domestic banking sector from foreign credit institutions. Meanwhile, the rise in claims arose mainly from increased holdings of securities issued by non-euro area sovereigns. As a result, the annual rate of growth of net foreign assets slowed down to 4.4% from 5.9% in January.

Bank lending and deposit rates³

In February, the weighted average interest rate paid by resident MFIs on all outstanding deposits belonging to Maltese households and NFCs edged up by 1 basis point, reaching 1.44%. Conversely, the corresponding rate charged on outstanding loans fell by 1 basis point to 4.34%.

The weighted average deposit rate was 1 basis point higher than in February 2012, while that charged on loans was 3 basis points lower than a year earlier.

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

² Net foreign assets are composed of claims held by MFIs residing in Malta on residents of the rest of the world, less liabilities to them. Residents of the rest of the world include non-euro area residents and residents of euro area countries other than Malta.

³ 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. The household sector also includes non-profit institutions serving households. Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions.

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

EUR millions

	Feb-13	Jan-13	Monthly Change	Monthly Percentage Change	Feb-12	Annual Percentage Change	
						Feb-13	Jan-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,018.1	6,061.5	-43.3	-0.7	5,528.0	8.9	8.7
Currency issued ⁽⁴⁾	714.6	716.8	-2.2	-0.3	702.9	1.7	1.5
Overnight deposits ⁽⁵⁾	5,303.5	5,344.6	-41.1	-0.8	4,825.1	9.9	9.7
INTERMEDIATE MONEY (M2)	10,219.9	10,308.8	-89.0	-0.9	9,586.2	6.6	6.8
Narrow money (M1)	6,018.1	6,061.5	-43.3	-0.7	5,528.0	8.9	8.7
Deposits redeemable at notice up to 3 months ⁽⁵⁾	114.4	158.3	-43.9	-27.8	130.7	-12.5	24.8
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,087.4	4,089.0	-1.7	0.0	3,927.5	4.1	3.6
BROAD MONEY (M3)	10,408.9	10,504.6	-95.6	-0.9	9,798.8	6.2	6.5
Intermediate money (M2)	10,219.9	10,308.8	-89.0	-0.9	9,586.2	6.6	6.8
Marketable instruments ⁽⁶⁾	189.1	195.7	-6.7	-3.4	212.6	-11.1	-6.6
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,657.0	15,594.7	62.3	0.4	16,254.0	-3.7	-2.7
Credit to general government	3,569.0	3,635.7	-66.7	-1.8	4,639.6	-23.1	-19.9
Credit to other sectors	12,088.0	11,958.9	129.0	1.1	11,614.4	4.1	4.1
EXTERNAL COUNTERPART	10,076.0	9,297.1	778.9	8.4	7,967.0	26.5	7.4
Claims on non-residents of the euro area	33,814.7	32,707.0	1,107.7	3.4	29,845.5	13.3	7.7
Liabilities to non-residents of the euro area (-)	23,738.7	23,409.9	328.8	1.4	21,878.5	8.5	7.8
OTHER COUNTERPARTS (-)	15,324.0	14,387.2	936.8	6.5	14,422.2	6.3	-3.0
Liabilities to the central government	553.2	519.0	34.1	6.6	828.2	-33.2	-5.3
Longer term financial liabilities	12,572.4	12,652.8	-80.3	-0.6	12,130.7	3.6	4.2
Other liabilities (net)	2,198.4	1,215.4	983.0	80.9	1,463.3	50.2	-43.2

⁽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.

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TABLE 2: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS⁽¹⁾

EUR millions

	Feb-13	Jan-13	Monthly Change	Monthly Percentage Change	Feb-12	Annual Percentage Change	
						Feb-13	Jan-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,938.7	9,038.3	-99.6	-1.1	8,500.1	5.2	5.5
Overnight deposits	5,124.6	5,153.1	-28.5	-0.6	4,667.3	9.8	9.1
Deposits redeemable at notice up to 3 months	112.9	156.8	-43.9	-28.0	128.1	-11.9	26.2
Deposits with agreed maturity up to 2 years	3,701.3	3,728.5	-27.2	-0.7	3,704.7	-0.1	0.2
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,135.7	11,109.5	26.2	0.2	11,036.7	0.9	2.1
Credit to general government	2,422.0	2,422.5	-0.5	0.0	2,443.9	-0.9	2.9
Credit to other sectors	8,713.7	8,687.1	26.6	0.3	8,592.8	1.4	1.8
NET FOREIGN ASSETS	12,171.4	12,282.8	-111.4	-0.9	11,663.1	4.4	5.9
Claims on non-residents of Malta	44,374.2	43,441.9	932.3	2.1	41,708.0	6.4	3.2
Liabilities to non-residents of Malta (-)	32,202.7	31,159.0	1,043.7	3.3	30,044.8	7.2	2.1

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

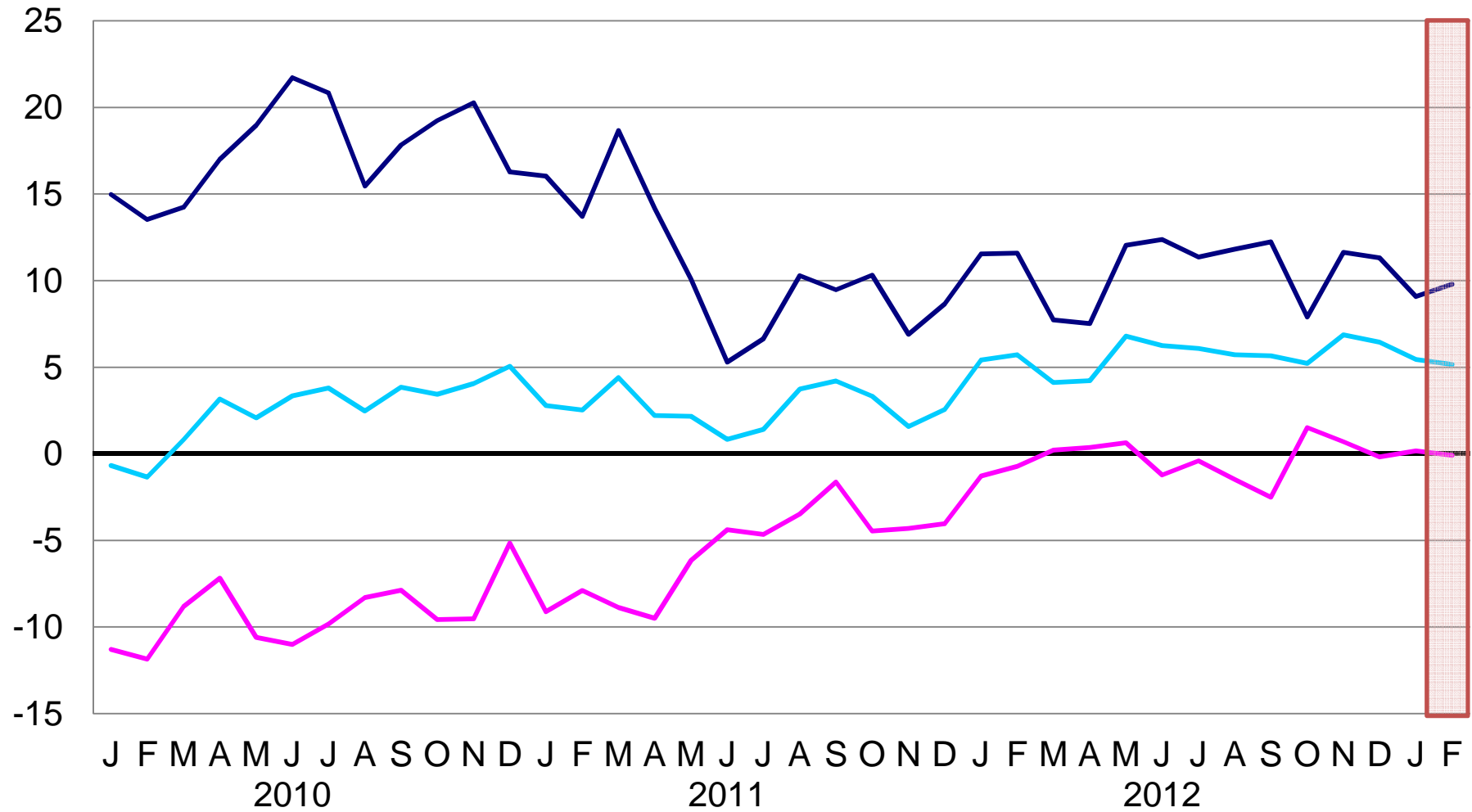
⁽²⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.

Chart 1

Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



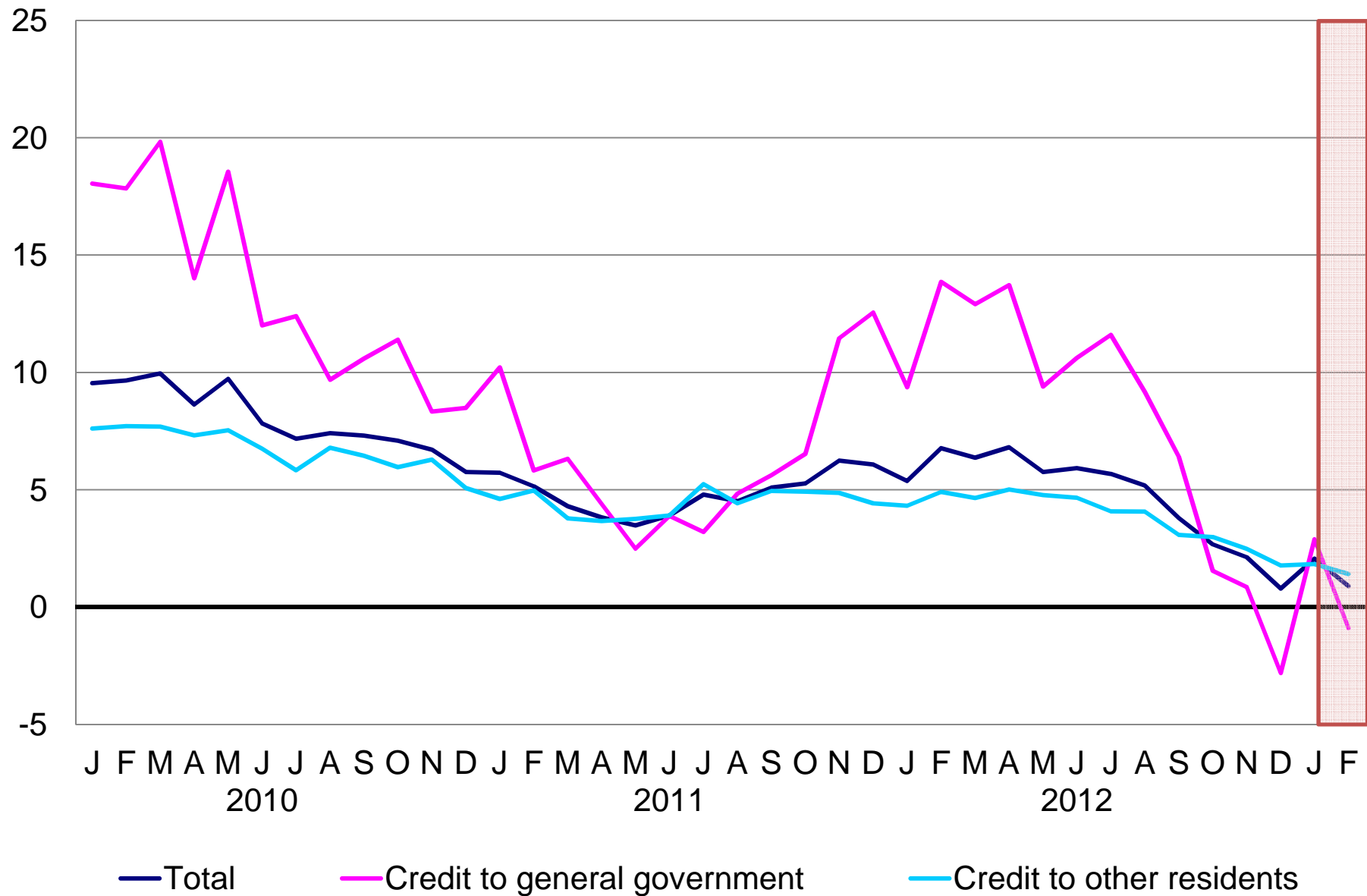
— Overnight deposits

— Deposits with agreed maturity up to 2 years

— Total residents' deposits in M3 (includes deposits redeemable at notice of up to three months)

Source: Central Bank of Malta.

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



Source: Central Bank of Malta.