



BANK ĊENTRALI TA' MALTA

EUROSISTEMA

CENTRAL BANK OF MALTA

RELEASE OF MONETARY STATISTICS

Issue No. 3/2013

Date of publication: 28 June 2013

March 2013

The Central Bank of Malta has just issued its commentary on the release of monetary statistics for March 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) expanded by €313.4 million, or 3.0%, to €10.7 billion (see Table 1). As a result, the annual growth rate accelerated to 9.0% in March, from 6.2% one month earlier. Overall, NFCs deposits were the main contributors to M3 growth in March.

The month-on-month increase stemmed mainly from a rise in narrow money (M1), which went up by €227.1 million, or 3.8%, following an increase in overnight deposits as well as in currency issued. The former rose by €219.8 million, or 4.1%, driven mainly by higher balances belonging to private non-financial corporations (NFCs) and households. Currency issued edged up by €7.3 million, or 1.0%, during the month. Consequently, the annual rate of growth of M1 accelerated further, to 11.9% from 8.9% in February.

M2 is made up of M1 plus two deposit categories. Of these, deposits with an agreed maturity of up to two years rose by €79.4 million, or 1.9%. These were fuelled by higher balances belonging to NFCs, particularly those residing in other euro area countries. Meanwhile, deposits redeemable at a notice of up to three months, which is the remaining component of M2, rose by €0.5 million, or 0.4%. The overall annual rate of growth of M2 accelerated to 9.4% from 6.6% in February.

Turning to the counterparts of M3, credit to euro area residents rose by €110.4 million, or 0.7%, as an increase in credit to general government outweighed a fall in credit extended to other residents. As a result, credit contracted at a slower annual pace, falling by 0.9% in March, following a 3.7% drop in February.

Credit to general government expanded by €182.2 million, or 5.1%, in March as banks increased their holdings of government debt. During the month, resident MFIs increased their holdings of securities issued by governments elsewhere in the euro

area, against the general trend seen since the end of 2011.

Conversely, credit to other residents fell by €71.8 million, or 0.6%, mainly because loans granted to non-bank financial intermediaries residing elsewhere in the euro area decreased.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, expanded by €624.8 million, or 6.2%. This reflected an increase in the amount of claims on non-residents coupled with a decline in corresponding liabilities.

The “other counterparts” category, which is negatively related to M3, rose by €421.8 million, or 2.8%, in March driven by an increase in other liabilities (net). In turn, these were fuelled by transactions between banks resident in Malta and banks resident elsewhere in the euro area. At the same time, liabilities to the central government rose by €71.7 million reflecting an increase in government deposits. Conversely, longer-term financial liabilities contracted by €42.3 million, or 0.3%, following dividend payments.

Transactions with Maltese residents: deposits and credit

In March, deposits belonging to residents of Malta and held with resident MFIs expanded by €220.3 million, or 2.5% (see Table 2). Consequently, the annual growth rate accelerated to 6.9% from 5.2% in the previous month (see Chart 1).

Overnight deposits expanded by €208.6 million, or 4.1%, during the month, driven predominantly by higher balances belonging to NFCs and households. As a result, the annual rate of growth of these deposits picked up to 13.1% from 9.8% in February.

Largely because of a rise in NFCs’ balances, deposits with an agreed maturity of up to two years increased, rising by €11.2 million, or 0.3%. Still, this deposit category contracted by 0.4% during the twelve months to March, following an annual fall of 0.1% in the previous month.

Meanwhile, deposits redeemable at notice of up to three months rose marginally, putting on €0.5 million, or 0.4%.

In March, credit granted by resident MFIs to residents of Malta grew by €116.7 million, or 1.0%. Consequently, the annual rate of credit growth accelerated to 2.1% from 0.9% in February (see Chart 2).

Credit to general government expanded by €44.8 million, or 1.8%, as banks increased their holdings of both Treasury bills and Malta Government Stocks. As a result, the annual growth rate of credit to general government turned positive, reaching 1.7% from -0.9% one month earlier.

Meanwhile, credit to residents other than general government rose by €72.0 million, or 0.8%, on the back of an increase in outstanding loans that partly reflected accrued interest. Loans granted to private NFCs expanded, particularly to those operating in the

manufacturing sector. At the same time loans to households also rose, although to a lesser extent, driven by loans for house purchase. Consequently, the annual growth rate of credit to other residents rose to 2.3% in March from 1.4% in the previous month.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs expanded by €157.4 million, or 1.3%, during the month as foreign claims increased more than the corresponding liabilities (see Table 2).¹ The former stemmed mainly from higher deposits held with non-resident MFIs, while the latter arose from higher borrowing by resident banks from foreign credit institutions. As a result, the annual rate of growth of net foreign assets accelerated to 7.4% from 4.4% in February.

Bank lending and deposit rates²

In March, the weighted average interest rate paid by resident MFIs on all outstanding deposits belonging to Maltese households and NFCs edged down by 1 basis point, reaching 1.43%. Meanwhile, the weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs remained unchanged at 4.33%.

The weighted average deposit rate was 2 basis points higher than in March 2012, while that charged on loans was 4 basis points lower.

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

¹ 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.

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. 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

	Mar-13	Feb-13	Monthly Change	Monthly Percentage Change	Mar-12	Annual Percentage Change	
						Mar-13	Feb-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,245.2	6,018.1	227.1	3.8	5,581.6	11.9	8.9
Currency issued ⁽⁴⁾	721.9	714.6	7.3	1.0	701.9	2.9	1.7
Overnight deposits ⁽⁵⁾	5,523.3	5,303.5	219.8	4.1	4,879.8	13.2	9.9
INTERMEDIATE MONEY (M2)	10,526.9	10,219.9	307.0	3.0	9,618.8	9.4	6.6
Narrow money (M1)	6,245.2	6,018.1	227.1	3.8	5,581.6	11.9	8.9
Deposits redeemable at notice up to 3 months ⁽⁵⁾	114.9	114.4	0.5	0.4	126.6	-9.2	-12.5
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,166.8	4,087.4	79.4	1.9	3,910.6	6.6	4.1
BROAD MONEY (M3)	10,722.4	10,409.0	313.4	3.0	9,832.6	9.0	6.2
Intermediate money (M2)	10,526.9	10,219.9	307.0	3.0	9,618.8	9.4	6.6
Marketable instruments ⁽⁶⁾	195.5	189.1	6.4	3.4	213.7	-8.5	-11.1
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,768.8	15,658.4	110.4	0.7	15,911.7	-0.9	-3.7
Credit to general government	3,751.2	3,569.0	182.2	5.1	4,259.4	-11.9	-23.1
Credit to other sectors	12,017.5	12,089.3	-71.8	-0.6	11,652.3	3.1	4.1
EXTERNAL COUNTERPART	10,700.7	10,075.9	624.8	6.2	8,833.4	21.1	26.5
Claims on non-residents of the euro area	34,114.8	33,814.6	300.2	0.9	30,542.9	11.7	13.3
Liabilities to non-residents of the euro area (-)	23,414.1	23,738.7	-324.6	-1.4	21,709.5	7.9	8.5
OTHER COUNTERPARTS (-)	15,747.1	15,325.3	421.8	2.8	14,912.6	5.6	6.3
Liabilities to the central government	624.9	553.2	71.7	13.0	740.4	-15.6	-33.2
Longer term financial liabilities	12,530.2	12,572.5	-42.3	-0.3	11,952.2	4.8	3.6
Other liabilities (net)	2,592.0	2,199.7	392.4	17.8	2,220.1	16.8	50.2

⁽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

	Mar-13	Feb-13	Monthly Change	Monthly Percentage Change	Mar-12	Annual Percentage Change	
						Mar-13	Feb-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,159.0	8,938.7	220.3	2.5	8,566.9	6.9	5.2
Overnight deposits	5,333.1	5,124.6	208.6	4.1	4,715.8	13.1	9.8
Deposits redeemable at notice up to 3 months	113.3	112.9	0.5	0.4	124.0	-8.6	-11.9
Deposits with agreed maturity up to 2 years	3,712.5	3,701.3	11.2	0.3	3,727.1	-0.4	-0.1
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,252.4	11,135.7	116.7	1.0	11,016.8	2.1	0.9
Credit to general government	2,466.8	2,422.0	44.8	1.8	2,426.7	1.7	-0.9
Credit to other sectors	8,785.7	8,713.7	72.0	0.8	8,590.1	2.3	1.4
NET FOREIGN ASSETS	12,328.9	12,171.4	157.4	1.3	11,475.5	7.4	4.4
Claims on non-residents of Malta	44,688.2	44,374.2	314.1	0.7	41,663.7	7.3	6.4
Liabilities to non-residents of Malta (-)	32,359.4	32,202.7	156.7	0.5	30,188.2	7.2	7.2

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

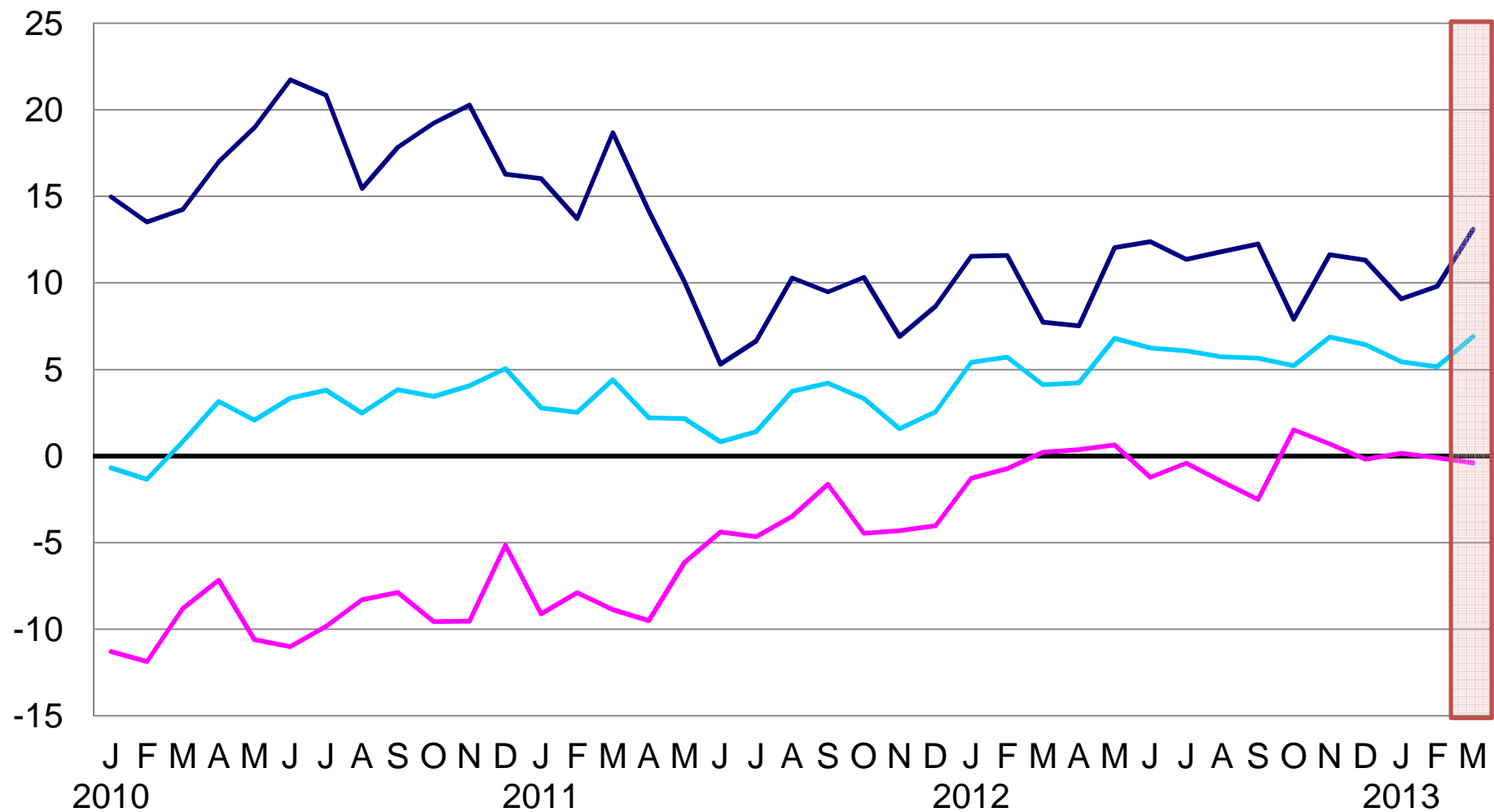
⁽²⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.

Chart 1

Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



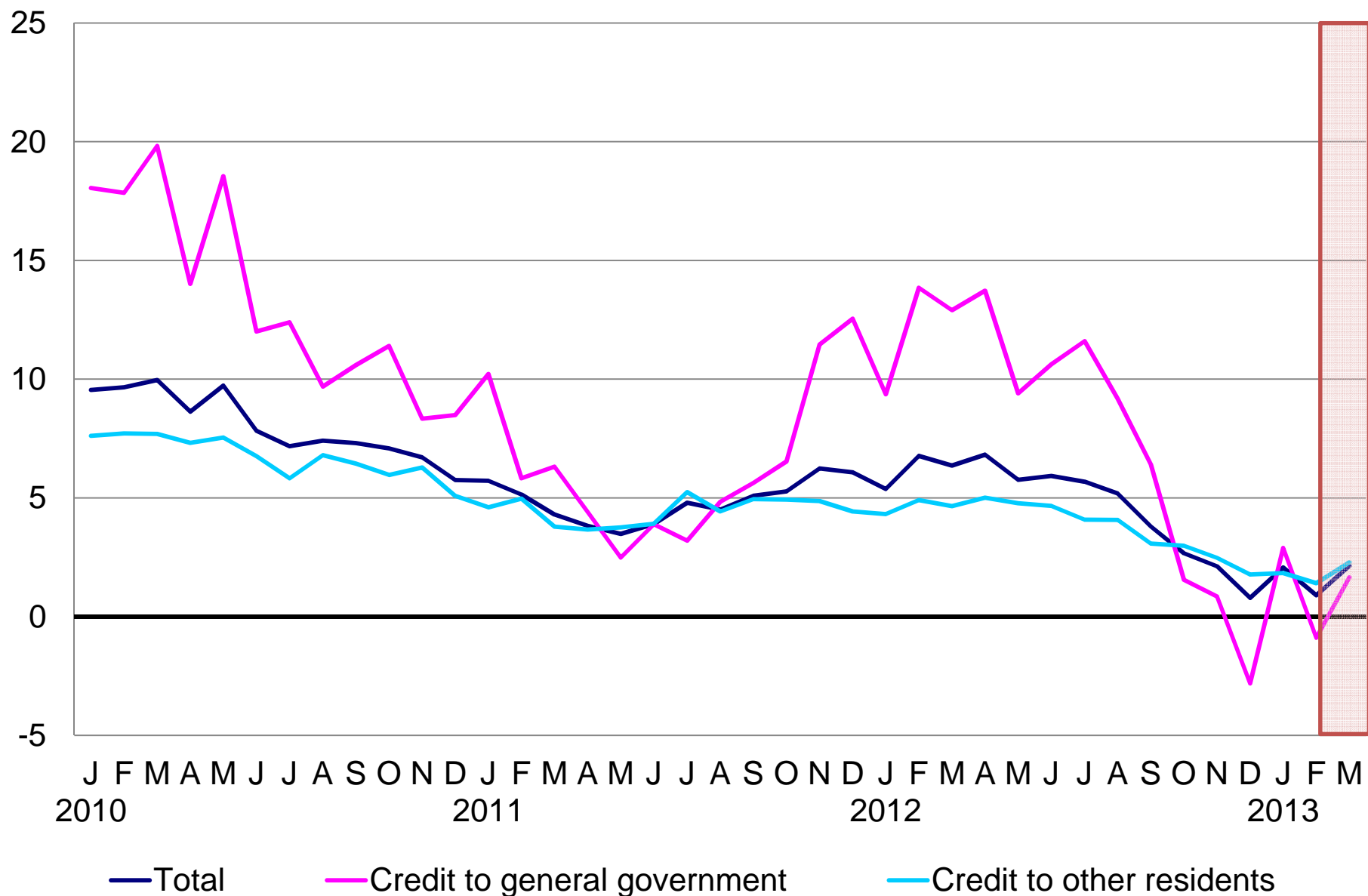
— Overnight deposits

— 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.