



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 April 2013.

Contribution to euro area monetary aggregates and counterparts

Between March and April 2013, the contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) fell by €101.9 million, or 1.0%, and amounted to €10.6 billion (see Table 1). Consequently, the annual growth rate slowed down to 7.7% from 9.0% one month earlier.

The month-on-month decline stemmed almost entirely from a fall in the intermediate money (M2) component, which went down by €100.1 million, or 1.0%. As a result, annual growth in M2 decelerated to 8.0% from 9.4% in the previous month.

In turn, the fall in M2 resulted mainly from a smaller contribution from the narrow money component (M1). Overnight deposits contracted by €75.8 million, or 1.4%, in April, reversing part of the sharp rise seen in the previous month. This drop was fuelled primarily by lower balances belonging to non-financial corporations (NFCs). Conversely, currency issued rose by €5.4 million, or 0.7%. Overall, M1 dropped by €70.4 million, with the annual growth rate declining as a result, to 9.9%.

As regards the other components of M2, deposits with an agreed maturity of up to two years contracted by €28.1 million, or 0.7%, mainly driven by a reduction in households' deposits. At the same time, the remaining component - deposits redeemable at up to three months' notice - declined by €1.6 million, or 1.4%, reflecting lower balances belonging to private NFCs resident in other euro area countries.

Turning to the counterparts of M3, credit to euro area residents contracted by €215.5 million, or 1.4%, as an increase in credit to general government was outweighed by a decline in credit to the other sectors of the economy. Consequently, credit contracted at a faster annual pace, falling by 1.1% in April, following a 0.9% drop in March.

More specifically, credit to general government rose by €39.3 million, or 1.0%, as

resident MFIs increased their holdings of debt securities issued by governments elsewhere in the euro area for the second consecutive month. Conversely, credit to other residents contracted by €254.8 million, or 2.1%, mainly due to a lower amount of loans granted to NFCs.

The external counterpart of M3, which reflects transactions between MFIs resident in Malta and residents of countries outside the euro area, grew by €705.4 million, or 6.6%. This reflected a considerable decline in liabilities which offset a smaller, though still substantial, drop in claims. In turn, the decline in liabilities stemmed mainly from a lower amount of foreign-owned deposits with resident banks. Meanwhile, the drop in claims resulted principally from a contraction in resident MFI deposits held with banks outside the euro area.

The “other counterparts” category, which is negatively related to M3, rose by €591.8 million, or 3.8%, in April, driven by an increase in other liabilities (net). In turn, this mainly reflected interbank transactions across the euro area. Longer-term financial liabilities increased by €77.3 million, or 0.6%, on the back of an increase in shares and other equity. At the same time, an increase in government deposits added to liabilities to central government, which went up by €11.6 million, or 1.9%.

Transactions with Maltese residents: deposits and credit

In April, deposits belonging to residents of Malta and held with resident MFIs went down by €132.9 million, or 1.5% (see Table 2). Consequently, their annual growth rate declined to 5.1% from 6.9% one month earlier (see Chart 1).

Overnight deposits contracted by €67.5 million, or 1.3%, as lower balances belonging to NFCs and insurance companies & pension funds outweighed an increase in households' deposits. Consequently, the annual growth rate of overnight deposits slowed down to 10.8% in April from 13.1% one month earlier.

At the same time, deposits with an agreed maturity of up to two years fell by €65.3 million, or 1.8%, reflecting a drop in balances held by various economic sectors, particularly private NFCs. As a result, these deposits contracted at a faster pace than in March, with their annual rate of change declining to -1.6% from -0.4% in the previous month.

Deposits redeemable at up to three months' notice remained unchanged during the month. The annual rate of change declined to -13.7%, from -8.6% in the previous month.

In April, credit granted by resident MFIs to Maltese residents fell by €83.5 million, or 0.7%, as a rise in credit to general government was offset by a decline in credit to other residents. As a result, the annual rate of credit growth slowed down to 1.1% from 2.1% in March (see Chart 2).

Credit to general government expanded by €9.9 million, or 0.4%, as banks increased

their holdings of Malta Government Stocks. As a result, the annual growth rate of credit to general government edged up to 1.8% from 1.7% in March.

Conversely, credit to residents other than general government fell by €93.4 million, or 1.1%, on the back of a lower volume of loans granted to NFCs operating in a number of sectors. These included the wholesale and retail sector; electricity, gas, steam & air-conditioning; and construction. These declines offset a moderate rise in household loans, which continued to be driven by mortgage financing. As a result, the annual growth rate decelerated to 1.0% from 2.3% one month earlier.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €29.1 million, or 0.2%, during the month as foreign claims fell more than the corresponding liabilities (see Table 2).¹ The drop in claims stemmed mainly from lower loans granted to non-residents as well as from a decline in deposits held with non-resident MFIs. On the other hand, the reduction in liabilities mainly reflected a lower amount of deposits held with resident banks. Nonetheless, the annual growth rate of net foreign assets edged up to 7.8% in April from 7.4% one month earlier as the decline observed during the month was smaller than that registered twelve months earlier.

Bank lending and deposit rates²

In April, the weighted average interest rate paid by resident MFIs on all outstanding deposits belonging to Maltese households and NFCs was unchanged at 1.43%. Meanwhile, the weighted average interest rate charged by resident MFIs on outstanding loans to resident households and NFCs fell by 1 basis point to 4.32%.

Compared with a year earlier, the weighted average deposit rate was 2 basis points higher, 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 covers 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 intermediaries.

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

EUR millions

	Apr-13	Mar-13	Monthly Change	Monthly Percentage Change	Apr-12	Annual Percentage Change	
						Apr-13	Mar-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,174.8	6,245.2	-70.4	-1.1	5,620.1	9.9	11.9
Currency issued ⁽⁴⁾	727.2	721.9	5.4	0.7	706.1	3.0	2.9
Overnight deposits ⁽⁵⁾	5,447.6	5,523.3	-75.8	-1.4	4,914.0	10.9	13.2
INTERMEDIATE MONEY (M2)	10,426.8	10,526.9	-100.1	-1.0	9,650.7	8.0	9.4
Narrow money (M1)	6,174.8	6,245.2	-70.4	-1.1	5,620.1	9.9	11.9
Deposits redeemable at notice up to 3 months ⁽⁵⁾	113.3	114.9	-1.6	-1.4	131.9	-14.1	-9.2
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,138.7	4,166.8	-28.1	-0.7	3,898.8	6.2	6.6
BROAD MONEY (M3)	10,620.5	10,722.4	-101.9	-1.0	9,865.7	7.7	9.0
Intermediate money (M2)	10,426.8	10,526.9	-100.1	-1.0	9,650.7	8.0	9.4
Marketable instruments ⁽⁶⁾	193.7	195.5	-1.8	-0.9	214.9	-9.9	-8.5
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,553.3	15,768.8	-215.5	-1.4	15,721.5	-1.1	-0.9
Credit to general government	3,790.5	3,751.2	39.3	1.0	4,244.2	-10.7	-11.9
Credit to other sectors	11,762.8	12,017.5	-254.8	-2.1	11,477.3	2.5	3.1
EXTERNAL COUNTERPART	11,406.1	10,700.7	705.4	6.6	9,383.9	21.5	21.1
Claims on non-residents of the euro area	32,821.4	34,114.8	-1,293.5	-3.8	31,812.3	3.2	11.7
Liabilities to non-residents of the euro area (-)	21,415.2	23,414.1	-1,998.9	-8.5	22,428.4	-4.5	7.9
OTHER COUNTERPARTS (-)	16,338.9	15,747.1	591.8	3.8	15,239.8	7.2	5.6
Liabilities to the central government	636.5	624.9	11.6	1.9	681.7	-6.6	-15.6
Longer term financial liabilities	12,607.4	12,530.2	77.3	0.6	12,030.5	4.8	4.8
Other liabilities (net)	3,094.9	2,592.0	502.9	19.4	2,527.6	22.4	16.8

⁽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

	Apr-13	Mar-13	Monthly Change	Monthly Percentage Change	Apr-12	Annual Percentage Change	
						Apr-13	Mar-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,026.1	9,159.0	-132.9	-1.5	8,587.8	5.1	6.9
Overnight deposits	5,265.6	5,333.1	-67.5	-1.3	4,750.3	10.8	13.1
Deposits redeemable at notice up to 3 months	113.3	113.3	0.0	0.0	131.2	-13.7	-8.6
Deposits with agreed maturity up to 2 years	3,647.2	3,712.5	-65.3	-1.8	3,706.3	-1.6	-0.4
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,168.9	11,252.4	-83.5	-0.7	11,042.5	1.1	2.1
Credit to general government	2,476.7	2,466.8	9.9	0.4	2,433.9	1.8	1.7
Credit to other sectors	8,692.3	8,785.7	-93.4	-1.1	8,608.6	1.0	2.3
NET FOREIGN ASSETS	12,299.7	12,328.9	-29.1	-0.2	11,408.2	7.8	7.4
Claims on non-residents of Malta	42,941.5	44,688.2	-1,746.7	-3.9	42,048.2	2.1	7.3
Liabilities to non-residents of Malta (-)	30,641.8	32,359.4	-1,717.6	-5.3	30,640.0	0.0	7.2

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

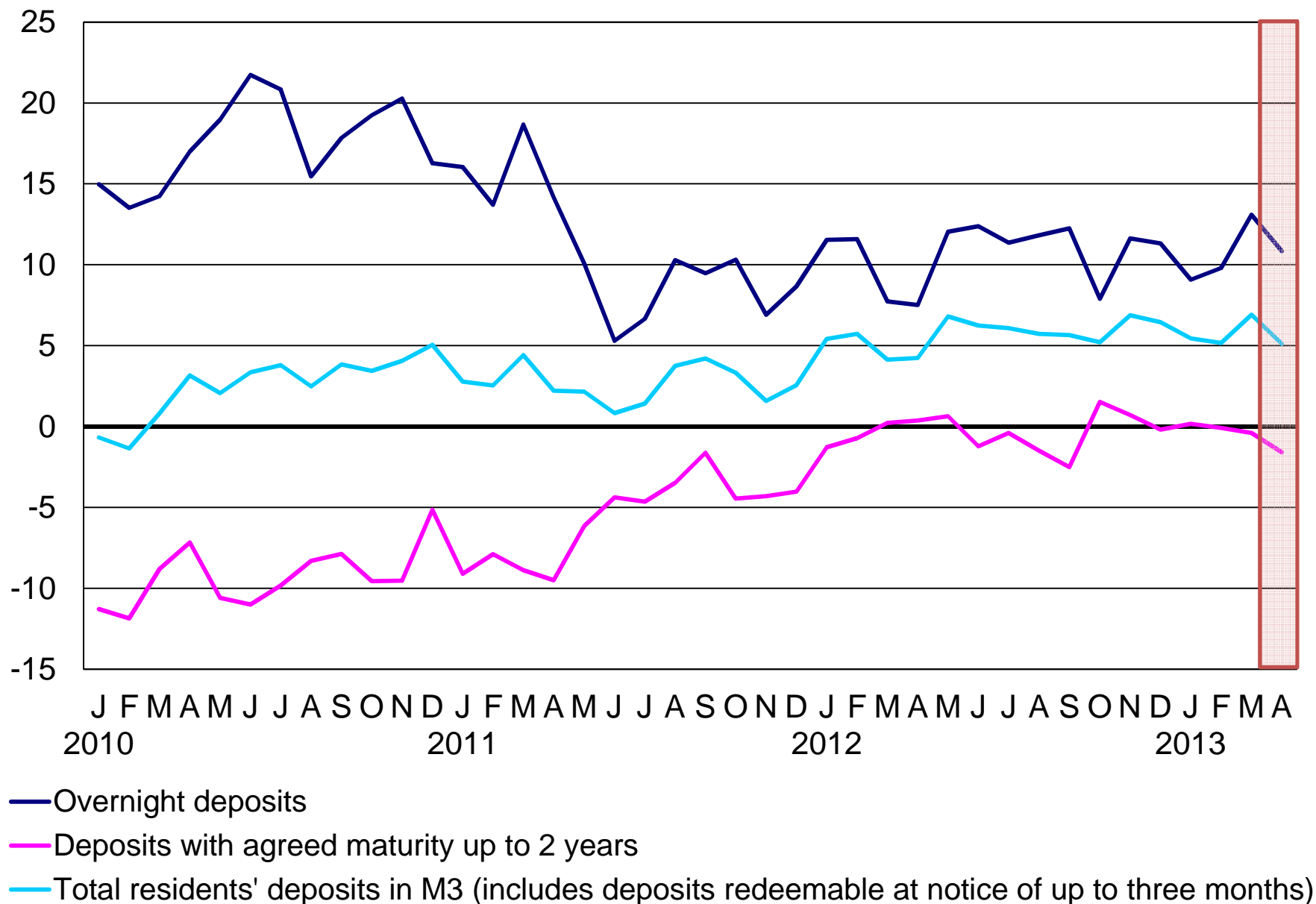
⁽²⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.

Chart 1

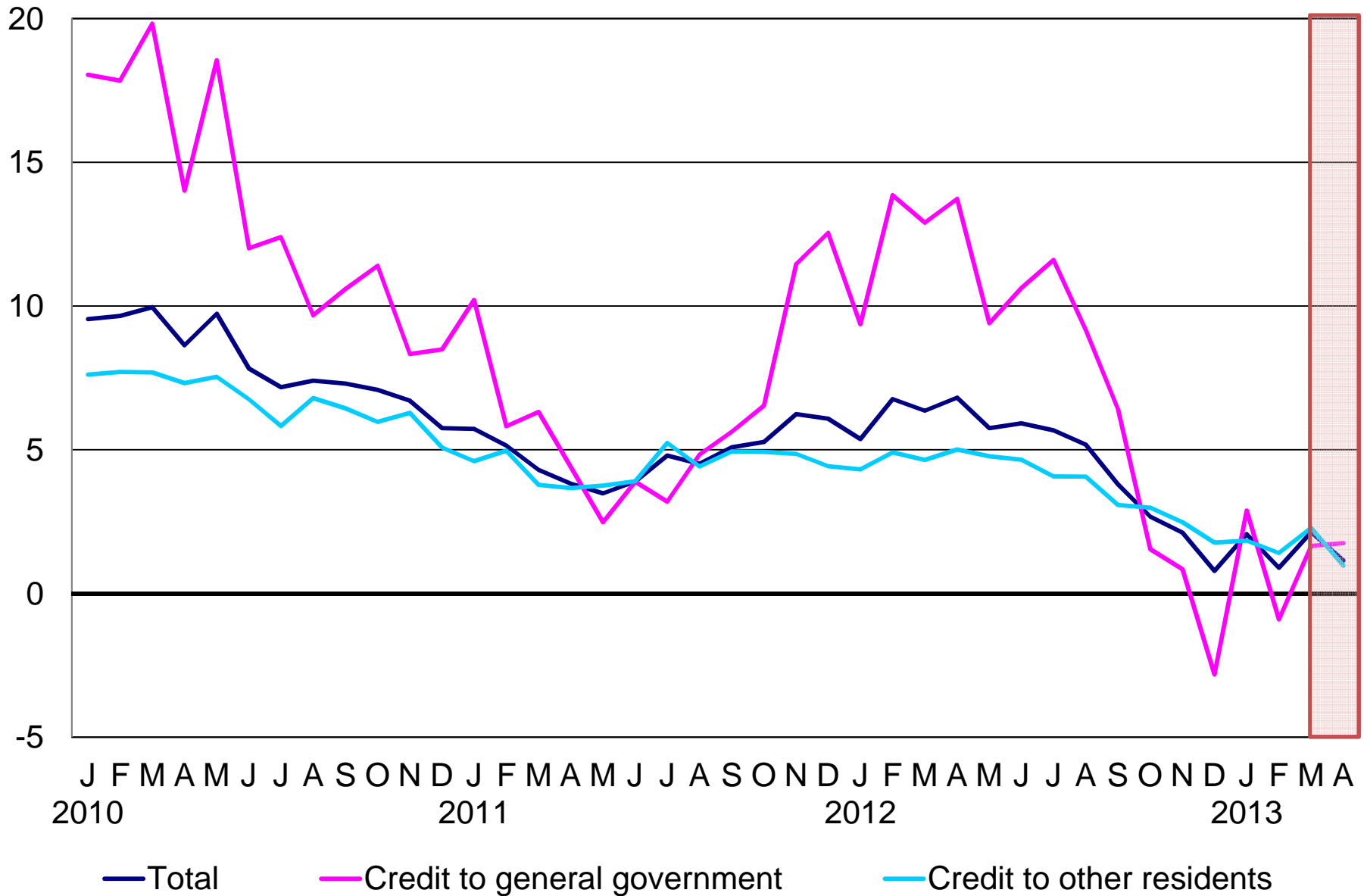
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.