



## 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 September 2013.

### **Deposits of Maltese residents**

In September, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) expanded by €41.3 million, or 0.4% (see Table 1).<sup>1</sup> Consequently, the annual growth rate edged up to 6.1% from 6.0% in the previous month (see Chart 1).

Deposit growth stemmed mainly from a rise in deposits that have an agreed maturity of up to two years. The latter expanded by €34.8 million, or 1.0%, with higher balances being reported for most economic sectors, particularly insurance companies and pension funds. As a result, the annual growth rate of these deposits turned positive, following seven months of consecutive annual declines, and reached 1.0%.

Overnight deposits also expanded, putting on €6.9 million, or 0.1%, on the back of higher balances belonging to households and non-bank financial intermediaries. Nonetheless, the annual growth rate of overnight deposits slowed down to 10.7%, from 11.4% in August.

On the other hand, deposits redeemable at a notice period of up to three months fell by €0.4 million, or 0.4%, because of a decline in balances held by private non-financial corporations (NFCs).

### **Credit extended to Maltese residents**

In September, credit granted by resident MFIs to residents of Malta rose by €89.7 million, or 0.8%, predominantly due to an increase in credit to general government. Credit to other sectors also rose, but to a much lesser extent. As a result, the annual rate of credit growth rose to 1.6% in September, from 0.5% in August (see Chart 2).

Credit to general government expanded by €86.0 million, or 3.3%. This was brought about by an increase in banks' portfolios of Malta Government Stocks (MGS), which followed the issue of MGS in the primary market in September, as well as a rise in their Treasury bill holdings. As a result, and also because of a substantial drop in

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<sup>1</sup> Deposits belonging to residents of Malta and held with resident MFIs that form part of broad money (M3).

credit to general government a year earlier, its annual growth rate accelerated strongly to 8.6% from 2.2% in the previous month.

Meanwhile, credit to other sectors was practically unchanged, as an increase in loans granted to households was dampened by a net reduction in loans granted to NFCs. Loans to the construction sector continued to contract, as did those extended to NFCs involved in accommodation & food service activities. Together these offset a rise in lending to the wholesale & retail trade sector. Loans to households, mainly for house purchases, also rose during the month. Overall, credit extended to all sectors other than general government contracted year-on-year with the annual growth rate falling to -0.4% in September, from zero in August.

### **Net foreign assets of Maltese MFIs**

Net foreign assets belonging to resident MFIs expanded by €225.7 million, or 2.0%, as a decline in their foreign liabilities exceeded a drop in their foreign assets (see Table 1).<sup>2</sup> Large movements in foreign assets and liabilities often reflect cross-border transactions of international banks that operate from Malta. The decline in foreign liabilities stemmed mainly from lower borrowings by foreign MFIs together with a reduced level of deposits belonging to non-residents. The contraction in foreign assets stemmed primarily from a drop in deposit balances held abroad by resident banks.

As a result, net foreign assets contracted more moderately on an annual basis, falling by 3.9% in the year to September, as opposed to a fall of 5.2% in the twelve months to August.

### **Bank lending and deposit rates<sup>3</sup>**

In September, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs remained unchanged at 1.41%. Similarly, the interest rate charged by resident MFIs on outstanding loans to Maltese households and NFCs remained unchanged at 4.30%.

The weighted average deposit rate was 1 basis point higher than that offered a year earlier, while that charged on loans was 5 basis points lower.

### **Contribution to euro area monetary aggregates and counterparts**

The contribution of resident MFIs to the euro area broad money stock (M3) expanded by €24.3 million, or 0.2%, in September reaching €11.1 billion (see Table 2). Nonetheless, the annual growth rate slowed down to 8.3%, from 8.9% in August as the increase was smaller than that registered twelve months earlier.

Growth in M3 stemmed mainly from a rise in the intermediate money (M2) component which expanded by €29.4 million, or 0.3%. The annual growth rate of M2 slowed down to 8.3% during September, from 8.9% in August.

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<sup>2</sup> Net foreign assets are composed of claims held by resident 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.

<sup>3</sup> 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 & pension funds and other financial institutions.

In turn, the increase in M2 reflected a rise in deposits with an agreed maturity of up to two years. The latter grew by €25.2 million, or 0.6%, mainly due to an increase in balances belonging to resident insurance companies and pension funds.

At the same time, narrow money (M1), which also forms part of M2, expanded by €4.6 million, or 0.1%, following an increase in currency issued. In contrast, overnight deposits, which form the other part of M1, contracted by €1.1 million as a reduction in NFCs' deposits exceeded an increase in household balances. Consequently, the annual growth rate of M1 fell to 9.8% in September, from 10.5% in the previous month.

Deposits redeemable at up to three months' notice, the remaining component of M2, fell by €0.4 million, or 0.4%.

Turning to the counterparts of M3, credit to euro area residents rose by €53.4 million, or 0.4%, as an increase in credit to general government offset a decline in credit to other residents. Consequently, in annual terms, credit contracted at a slower pace, with the negative growth rate going to -6.5% in September from -7.1% in August.

Credit to general government rose by €82.8 million, or 2.1%, with an increase in credit granted to the Maltese general government sector offsetting a decline in credit extended to other euro area government entities, the latter through a reduction in holdings of government securities. On the other hand, credit to other sectors fell by €29.4 million, or 0.3%, mainly on the back of a reduction in loans granted to firms resident in other euro area countries.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, rose by €1.6 billion, or 15.6%, driven by the transactions of a number of internationally-oriented banks. Claims on non-residents of the euro area increased, reflecting a rise in MFI holdings of securities issued by governments outside the euro area as well as additional lending to non-euro area MFIs. On the other hand, a drop in liabilities to non-residents of the euro area mainly reflected a decline in deposits held by non-euro area MFIs with resident banks. Overall, the annual growth rate of the external counterpart accelerated sharply to 39.1%, from 4.1% in August.

The "other counterparts" category, which is negatively related to M3, went up by €1.7 billion, or 11.6%, during the month on account of an increase of €1.5 billion in other liabilities (net). In turn, the latter was caused by a rise in resident MFIs' liabilities to other euro area banks as well as a reduction in their claims on them. MFIs' portfolio adjustments often involve offsetting transactions that affect both the external counterpart and the "other counterparts" category.

Meanwhile, among the remaining components of the "other counterparts" category, longer-term financial liabilities expanded by €200.5 million, or 1.7%, due to an increase in reserves arising from changes in market prices. However, liabilities to the central government fell by €4.9 million, or 0.7%, during the month as government deposits decreased.

***Further economic and monetary information can be obtained from the website of the Central Bank of Malta [www.centralbankmalta.org](http://www.centralbankmalta.org)***

# CENTRAL BANK OF MALTA

TABLE 1: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS<sup>(1)</sup>

EUR millions

	Sep-13	Aug-13	Monthly Change	Monthly Percentage Change	Sep-12	Annual Percentage Change	
						Sep-13	Aug-13
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS<sup>(2)</sup></b>	<b>9,290.5</b>	<b>9,249.2</b>	<b>41.3</b>	<b>0.4</b>	<b>8,755.0</b>	<b>6.1</b>	<b>6.0</b>
Overnight deposits	5,481.7	5,474.8	6.9	0.1	4,950.8	10.7	11.4
Deposits redeemable at notice up to 3 months	111.2	111.7	-0.4	-0.4	144.0	-22.7	-19.4
Deposits with agreed maturity up to 2 years	3,697.6	3,662.8	34.8	1.0	3,660.3	1.0	-0.3
<b>SELECTED COUNTERPARTS</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>11,326.0</b>	<b>11,236.3</b>	<b>89.7</b>	<b>0.8</b>	<b>11,150.2</b>	<b>1.6</b>	<b>0.5</b>
Credit to general government	2,665.5	2,579.6	86.0	3.3	2,453.6	8.6	2.2
Credit to other sectors	8,660.4	8,656.7	3.7	0.0	8,696.6	-0.4	0.0
<b>NET FOREIGN ASSETS</b>	<b>11,604.8</b>	<b>11,379.2</b>	<b>225.7</b>	<b>2.0</b>	<b>12,070.1</b>	<b>-3.9</b>	<b>-5.2</b>
Claims on non-residents of Malta	45,128.3	45,793.0	-664.8	-1.5	43,876.0	2.9	3.5
Liabilities to non-residents of Malta (-)	33,523.5	34,413.9	-890.4	-2.6	31,805.9	5.4	6.8

<sup>(1)</sup> Figures may not add up due to rounding.

<sup>(2)</sup> 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<sup>(1)(2)</sup>**

EUR millions

	Sep-13	Aug-13	Monthly Change	Monthly Percentage Change	Sep-12	Annual Percentage Change	
						Sep-13	Aug-13
<b>MONETARY AGGREGATES<sup>(3)</sup></b>							
<b>NARROW MONEY (M1)</b>	<b>6,428.5</b>	<b>6,423.9</b>	<b>4.6</b>	<b>0.1</b>	<b>5,854.1</b>	<b>9.8</b>	<b>10.5</b>
Currency issued <sup>(4)</sup>	761.2	755.5	5.7	0.8	718.7	5.9	5.0
Overnight deposits <sup>(5)</sup>	5,667.3	5,668.4	-1.1	0.0	5,135.3	10.4	11.3
<b>INTERMEDIATE MONEY (M2)</b>	<b>10,831.8</b>	<b>10,802.4</b>	<b>29.4</b>	<b>0.3</b>	<b>10,000.8</b>	<b>8.3</b>	<b>8.9</b>
Narrow money (M1)	6,428.5	6,423.9	4.6	0.1	5,854.1	9.8	10.5
Deposits redeemable at notice up to 3 months <sup>(5)</sup>	111.3	111.7	-0.4	-0.4	145.7	-23.6	-20.6
Deposits with agreed maturity up to 2 years <sup>(5)</sup>	4,292.0	4,266.8	25.2	0.6	4,001.0	7.3	7.5
<b>BROAD MONEY (M3)</b>	<b>11,053.8</b>	<b>11,029.4</b>	<b>24.3</b>	<b>0.2</b>	<b>10,203.3</b>	<b>8.3</b>	<b>8.9</b>
Intermediate money (M2)	10,831.8	10,802.4	29.4	0.3	10,000.8	8.3	8.9
Marketable instruments <sup>(6)</sup>	222.0	227.0	-5.0	-2.2	202.5	9.6	12.0
<b>SELECTED COUNTERPARTS OF M3</b>							
<b>CREDIT COUNTERPART</b>	<b>14,927.3</b>	<b>14,873.8</b>	<b>53.4</b>	<b>0.4</b>	<b>15,960.6</b>	<b>-6.5</b>	<b>-7.1</b>
Credit to general government	4,103.6	4,020.8	82.8	2.1	3,818.5	7.5	2.7
Credit to other sectors	10,823.6	10,853.0	-29.4	-0.3	12,142.1	-10.9	-10.2
<b>EXTERNAL COUNTERPART</b>	<b>12,127.2</b>	<b>10,489.9</b>	<b>1,637.3</b>	<b>15.6</b>	<b>8,717.6</b>	<b>39.1</b>	<b>4.1</b>
Claims on non-residents of the euro area	35,672.5	35,409.3	263.2	0.7	32,533.9	9.6	4.6
Liabilities to non-residents of the euro area (-)	23,545.3	24,919.4	-1,374.1	-5.5	23,816.3	-1.1	4.8
<b>OTHER COUNTERPARTS (-)</b>	<b>16,000.8</b>	<b>14,334.2</b>	<b>1,666.5</b>	<b>11.6</b>	<b>14,474.9</b>	<b>10.5</b>	<b>-10.2</b>
Liabilities to the central government	691.5	696.4	-4.9	-0.7	945.9	-26.9	-13.6
Longer term financial liabilities	11,763.0	11,562.4	200.5	1.7	12,506.2	-5.9	-7.8
Other liabilities (net)	3,546.4	2,075.4	1,470.9	70.9	1,022.8	246.7	-20.6

<sup>(1)</sup> Figures may not add up due to rounding.

<sup>(2)</sup> Figures show the contribution of Maltese monetary financial institutions (MFIs) to the euro area totals.

<sup>(3)</sup> Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.

<sup>(4)</sup> 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.

<sup>(5)</sup> Deposits with MFIs exclude interbank deposits and deposits held by central government.

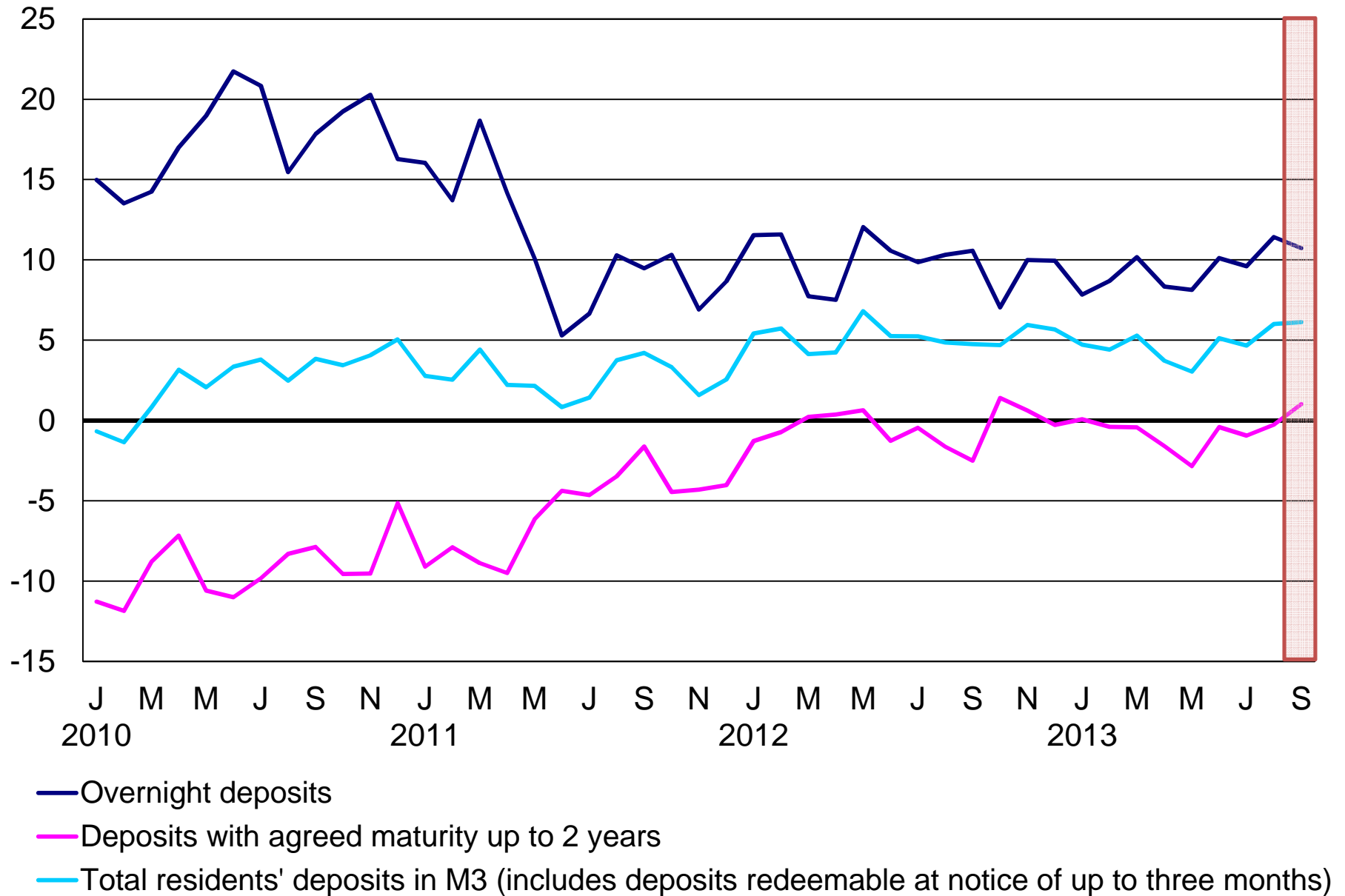
<sup>(6)</sup> Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also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

Source: Central Bank of Malta.

# Chart 1

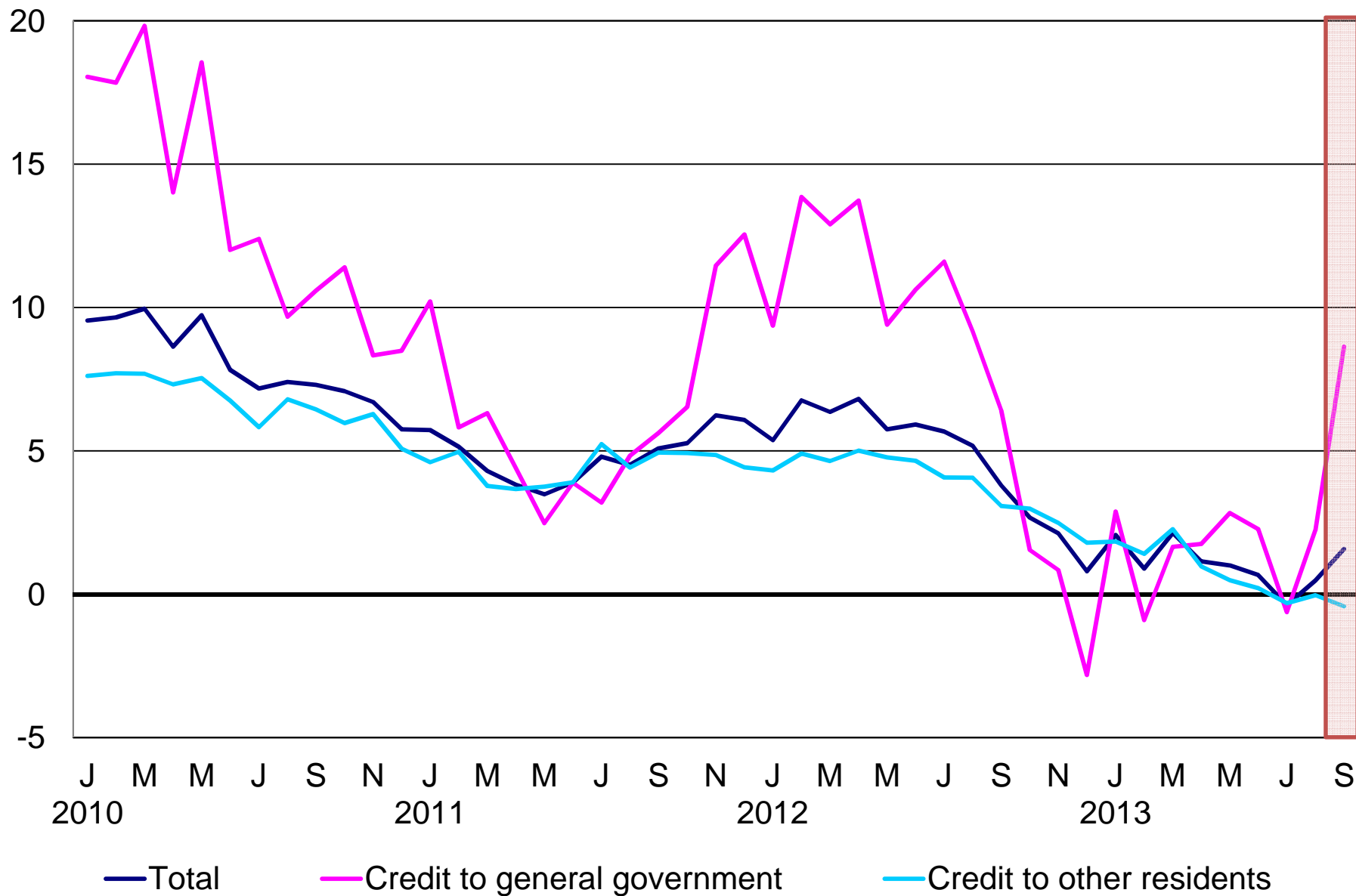
## Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.