



RELEASE OF MONETARY STATISTICS

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AUGUST 2013

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

Deposits of Maltese residents

In August, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) expanded by €142.4 million, or 1.6% (see Table 1). As a result, the annual growth rate accelerated to 6.0%, from 4.7% in the previous month (see Chart 1).

The increase in deposits stemmed mainly from a rise in overnight deposits. Their annual growth rate continued to accelerate, from 9.6% in July to 11.4% in August. Overnight deposits grew by €117.6 million, or 2.2% on the previous month, driven mainly by higher balances belonging to households and non-financial corporations (NFCs).

Deposits with an agreed maturity of up to two years rose by €25.6 million, or 0.7%, on the previous month, mostly due to higher balances held by insurance companies and pension funds. Nonetheless, these deposits continued to contract on an annual basis, but at a slower pace, with their rate of change reaching -0.3% from -0.9% in July. At the same time, deposits redeemable at a notice of up to three months fell by €0.8 million, or 0.7%, as private NFCs' balances declined.

Credit extended to Maltese residents

In August, credit granted by resident MFIs to residents of Malta rose by €116.3 million, or 1.0%, following an increase in credit to both general government and other residents. Consequently, the annual rate of credit growth turned positive, reaching 0.5% from -0.4% in July (see Chart 2).

Credit to general government rose by €92.8 million, or 3.7%, following an increase in banks' Treasury bill holdings that offset a fall in their portfolios of Malta Government Stocks. As a result, the annual growth rate of credit to general government rose to 2.2% from -0.6% in the previous month.

Meanwhile, credit provided to resident sectors other than general government, which mainly consists of private sector entities, rose by €23.5 million, or 0.3%, following four consecutive monthly declines. The increase in credit stemmed mainly from a rise in loans granted to public NFCs and to households for house purchases. Together

these offset a monthly decline of €14.6 million, or 0.4%, in credit to private NFCs. This stemmed mainly from lower lending to NFCs operating in the accommodation & food service activities, offsetting a rise in loans to NFCs operating in the wholesale & retail trade sector. Compared with a year earlier, overall credit advanced to resident sectors other than general government was unchanged in August, following a drop of 0.3% in July.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €92.0 million, or 0.8%, as a substantial expansion in foreign liabilities exceeded a rise in corresponding claims (see Table 1).¹ The increase in the former mainly reflected a higher level of foreign deposits held with resident banks. On the other hand, the rise in claims predominantly reflected growth in resident banks' deposit balances held abroad. Large movements in foreign assets and liabilities often reflect cross-border transactions of international banks that operate from Malta. Net foreign assets contracted more sharply on an annual basis, falling by 5.2% in the year to August, as opposed to a fall of 4.1% in the twelve months to July.

Bank lending and deposit rates²

In August, the weighted average interest rate paid by resident MFIs on all outstanding deposits belonging to Maltese households and NFCs declined by 1 basis point to 1.41%. Meanwhile, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs remained unchanged at 4.30%.

The weighted average deposit rate remained unchanged when compared to a year earlier, while that charged on loans was 3 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 €175.5 million, or 1.6%, in August, reaching €11.0 billion (see Table 2). Consequently, the annual growth rate accelerated to 8.9% from 7.0% one month earlier.

Developments in M3 stemmed primarily from a rise in the intermediate money (M2) component. The latter increased by €163.8 million, or 1.5%, on the previous month, while its annual growth rate accelerated to 8.9% from 7.1% in July.

Narrow money (M1), which forms part of M2, grew by €134.2 million, or 2.1%, during the month because of increases in overnight deposits and currency issued. Overnight deposits expanded by €130.1 million, or 2.3%, driven mainly by higher balances belonging to NFCs and households. At the same time, currency issued rose by €4.1 million, or 0.5%. Consequently, the annual growth rate of M1 rose to 10.5% in August, from 8.6% in the previous month.

¹ 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 resident 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.

Deposits with an agreed maturity of up to two years, which also form part of M2, went up by €30.3 million, or 0.7%, following increased holdings by insurance companies and pension funds. On the other hand, deposits redeemable at up to three months' notice, the remaining component of M2, fell by €0.8 million, or 0.7%.

Turning to the counterparts of M3, credit to euro area residents contracted by €85.6 million, or 0.6% in August. The decline stemmed entirely from a fall in credit granted to residents in euro area countries other than Malta. Consequently, credit contracted at a faster pace, falling by 7.1% on a year-on-year basis in August, following a 6.1% drop in July.

Meanwhile, credit to general government rose by €62.0 million, or 1.6%, reflecting an increase in credit granted to Malta's general government. On the other hand, credit to other sectors fell by €147.6 million, or 1.3%, following a substantial decrease in MFI holdings of securities issued by non-bank financial institutions resident in other euro area countries. Loans granted to NFCs resident elsewhere in the euro area also declined during the month.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, fell by €424.7 million, or 3.9%. This reflected a significant increase in MFIs' deposit liabilities. Foreign claims also expanded, although to a lesser extent, reflecting higher MFI deposits placed with banks outside the euro area together with increased holdings of securities issued by non-euro area governments. Overall, the annual growth rate of the external counterpart slowed down to 4.1%, from 12.8% in July.

The "other counterparts" category, which is negatively related to M3, decreased by €685.8 million, or 4.6%, during the month following a decline in other liabilities (net). In turn, this mainly reflected transactions between banks resident in Malta and banks resident elsewhere in the euro area. Similarly, longer-term financial liabilities dropped by €218.7 million, or 1.9%, due to a drop in the value of reserves arising from fluctuations in market valuations. At the same time, liabilities to the central government rose by €146.7 million, or 26.7%, due to an increase in government deposits that offset the previous month's decline.

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

	Aug-13	Jul-13	Monthly Change	Monthly Percentage Change	Aug-12	Annual Percentage Change	
						Aug-13	Jul-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,249.2	9,106.8	142.4	1.6	8,724.6	6.0	4.7
Overnight deposits	5,474.8	5,357.2	117.6	2.2	4,913.4	11.4	9.6
Deposits redeemable at notice up to 3 months	111.7	112.4	-0.8	-0.7	138.5	-19.4	-20.4
Deposits with agreed maturity up to 2 years	3,662.8	3,637.2	25.6	0.7	3,672.7	-0.3	-0.9
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,236.3	11,120.0	116.3	1.0	11,182.4	0.5	-0.4
Credit to general government	2,579.6	2,486.8	92.8	3.7	2,523.2	2.2	-0.6
Credit to other sectors	8,656.7	8,633.2	23.5	0.3	8,659.2	0.0	-0.3
NET FOREIGN ASSETS	11,379.2	11,471.2	-92.0	-0.8	12,006.2	-5.2	-4.1
Claims on non-residents of Malta	45,793.0	44,690.3	1,102.7	2.5	44,226.0	3.5	-1.7
Liabilities to non-residents of Malta (-)	34,413.9	33,219.0	1,194.9	3.6	32,219.8	6.8	-0.9

⁽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

	Aug-13	Jul-13	Monthly Change	Monthly Percentage Change	Aug-12	Annual Percentage Change	
						Aug-13	Jul-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,423.9	6,289.7	134.2	2.1	5,813.1	10.5	8.6
Currency issued ⁽⁴⁾	755.5	751.4	4.1	0.5	719.7	5.0	3.8
Overnight deposits ⁽⁵⁾	5,668.4	5,538.3	130.1	2.3	5,093.4	11.3	9.3
INTERMEDIATE MONEY (M2)	10,802.4	10,638.7	163.8	1.5	9,921.7	8.9	7.1
Narrow money (M1)	6,423.9	6,289.7	134.2	2.1	5,813.1	10.5	8.6
Deposits redeemable at notice up to 3 months ⁽⁵⁾	111.7	112.5	-0.8	-0.7	140.6	-20.6	-21.5
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,266.8	4,236.5	30.3	0.7	3,968.0	7.5	6.1
BROAD MONEY (M3)	11,029.4	10,854.0	175.5	1.6	10,124.4	8.9	7.0
Intermediate money (M2)	10,802.4	10,638.7	163.8	1.5	9,921.7	8.9	7.1
Marketable instruments ⁽⁶⁾	227.0	215.3	11.7	5.4	202.7	12.0	1.8
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,873.8	14,959.5	-85.6	-0.6	16,005.5	-7.1	-6.1
Credit to general government	4,020.8	3,958.8	62.0	1.6	3,915.1	2.7	1.3
Credit to other sectors	10,853.0	11,000.6	-147.6	-1.3	12,090.4	-10.2	-8.5
EXTERNAL COUNTERPART	10,489.9	10,914.6	-424.7	-3.9	10,080.4	4.1	12.8
Claims on non-residents of the euro area	35,409.3	34,673.7	735.6	2.1	33,866.2	4.6	0.0
Liabilities to non-residents of the euro area (-)	24,919.4	23,759.0	1,160.4	4.9	23,785.7	4.8	-5.0
OTHER COUNTERPARTS (-)	14,334.2	15,020.0	-685.8	-4.6	15,961.5	-10.2	-2.9
Liabilities to the central government	696.4	549.6	146.7	26.7	805.6	-13.6	-23.9
Longer term financial liabilities	11,562.4	11,781.2	-218.7	-1.9	12,543.4	-7.8	-5.9
Other liabilities (net)	2,075.4	2,689.2	-613.8	-22.8	2,612.6	-20.6	20.8

⁽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.

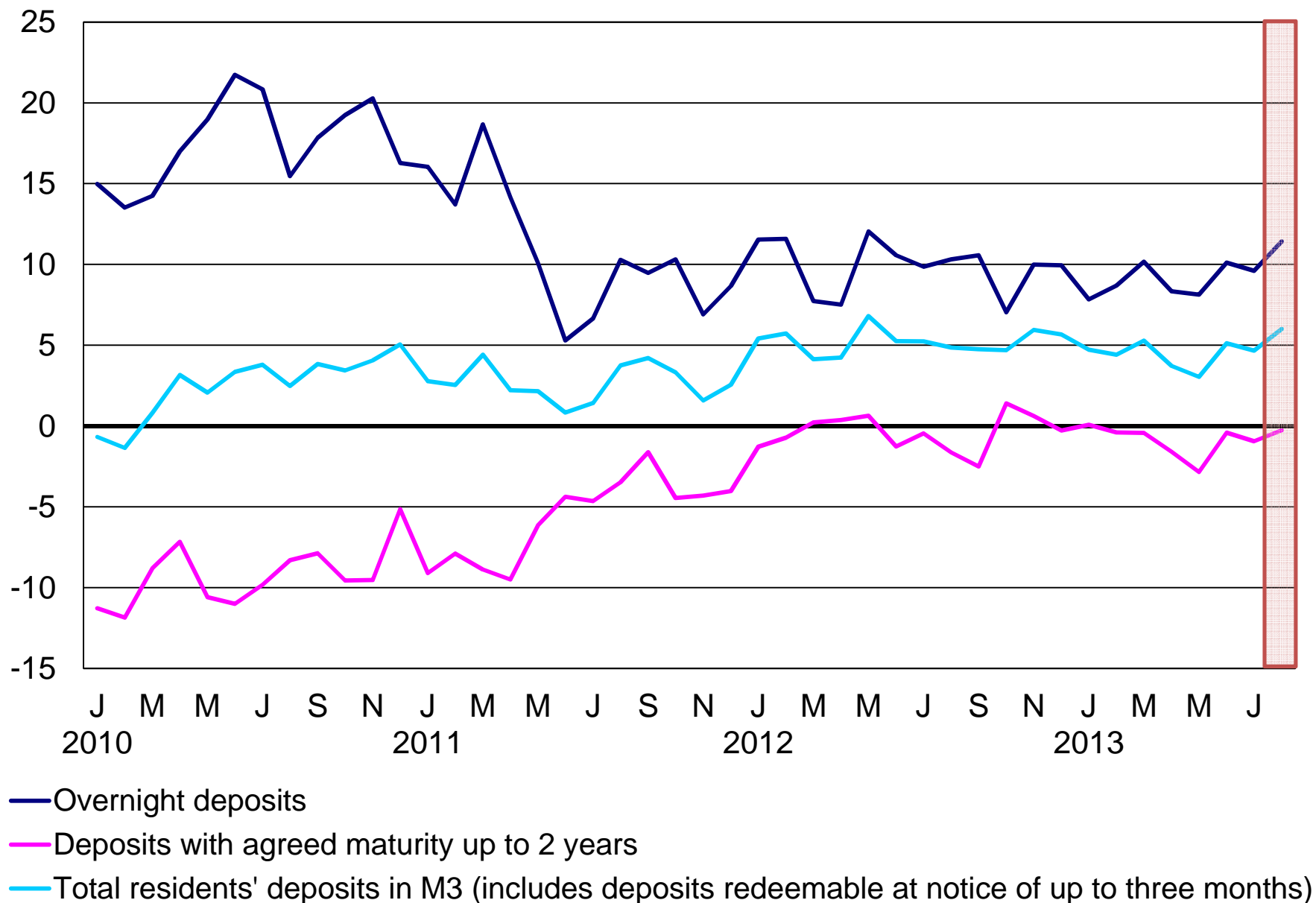
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

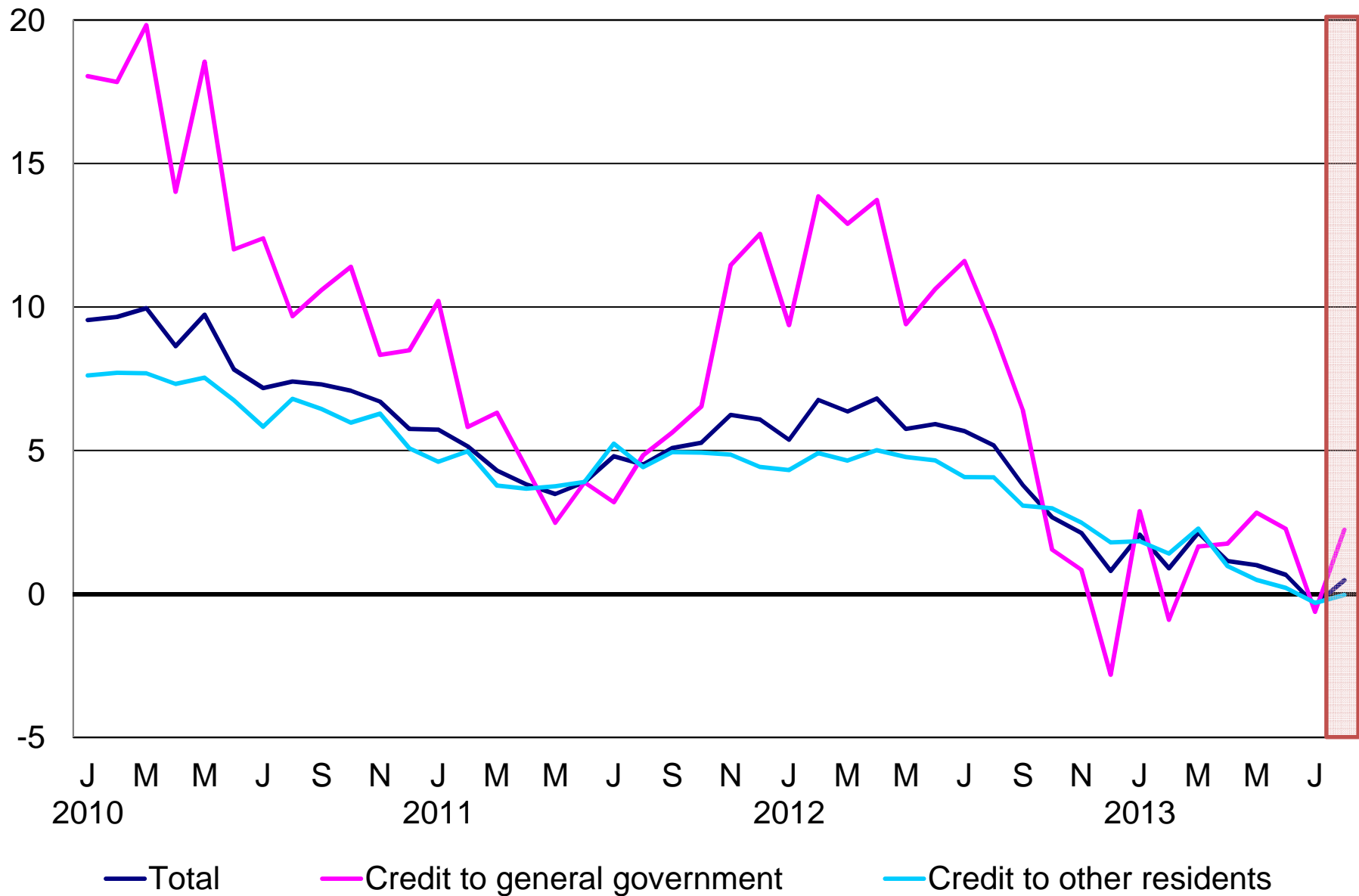
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.