



RELEASE OF MONETARY STATISTICS

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JULY 2013

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

Deposits held by Maltese residents

In July, deposits held by residents of Malta with resident Monetary Financial Institutions (MFIs) expanded by €70.4 million, or 0.8% (see Table 1). Nonetheless, the annual growth rate decelerated to 5.2%, from 5.7% one month earlier (see Chart 1).

Overnight deposits expanded by €49.6 million, or 0.9%, during the month driven by balances belonging to private non-financial corporations (NFCs) and, to a lesser extent, households. The annual growth rate of these deposits stood at 10.4%.

Deposits with an agreed maturity of up to two years rose by €21.3 million, or 0.6%, mostly due to an increase in balances belonging to private NFCs and households which offset a decline in deposits held by public NFCs. On an annual basis the growth rate of these deposits remained negative at -1.0%.

Meanwhile, deposits redeemable at a notice of up to three months, which account for a very small proportion of resident deposits, fell by €0.6 million, or 0.5%, as balances belonging to households and private NFCs declined.

Credit extended to Maltese residents

In July, credit granted by resident MFIs to residents of Malta fell by €51.5 million, or 0.5%. As a result, the annual rate of credit growth turned negative reaching -0.4% (see Chart 2). The decline stemmed from a fall in credit to both general government and other residents.

Credit to general government contracted by €19.0 million, or 0.8%, during the month as a drop in banks' Treasury bill holdings was only partly offset by a rise in their portfolios of Malta Government Stocks. Reflecting these movements, the annual growth rate of credit to general government fell from 2.3% in June to -0.6% in July.

Meanwhile, credit to other residents dropped by €32.4 million, or 0.4%, following a drop in loans granted to private NFCs operating in the wholesale & retail trade sector and in the construction sector. Together these offset a rise in mortgages granted to

households. On an annual basis, growth in credit to other residents also went into negative territory in July, falling to -0.3% from 0.2% in June.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €24.1 million, or 0.2%, as a rise in foreign liabilities exceeded an increase in the corresponding claims (see Table 1).¹ The increase in the former mainly reflected a higher level of foreign deposits held with resident banks. Similarly, the rise in claims predominantly reflected higher banks' deposit balances held abroad. Cross-border transactions of international banks that operate from Malta often account for large movements in both foreign assets and liabilities. Net foreign assets contracted by 3.6% in the year to July, following a fall of 1.2% in the twelve months to June.

Bank lending and deposit rates²

In July, the weighted average interest rate paid by MFIs on all outstanding deposits belonging to Maltese households and NFCs declined by 1 basis point to 1.42%. Meanwhile, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs dropped by 3 basis points to 4.30%.

Compared with a year earlier, the weighted average deposit rate was 2 basis points higher 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 €236.9 million, or 2.2%, in July reaching €11.0 billion (see Table 2). As a result, the annual growth rate accelerated to 7.4% from 7.2% one month earlier.

Developments in M3 during the month mainly reflected movements in the intermediate money (M2) component, which added €216.2 million, or 2.1%. In July, the annual growth rate of M2 rose to 7.6% from 7.5% in June.

Narrow money (M1), which forms part of M2, grew by €85.5 million, or 1.4%, in July mainly due to an increase in overnight deposits. The latter expanded by €66.6 million, or 1.2%, driven mainly by balances belonging to private NFCs and households. Concurrently, currency issued – the remaining component of M1 – rose by €19.0 million.

Deposits with an agreed maturity of up to two years, which form part of M2, rose by €131.3 million, or 3.2%, as private NFCs' balances increased significantly. Conversely, deposits redeemable at a notice of up to three months contracted by €0.6 million, or 0.5%, as balances belonging to households and private NFCs fell.

Turning to the counterparts of M3, credit to euro area residents fell by €109.9 million, or 0.7%, in July reflecting a broad-based drop in credit granted to most economic

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.

sectors. As a result, the annual rate of credit growth contracted by 6.1% on an annual basis, in July.

Credit to general government declined by €30.9 million, or 0.8%, while credit to other economic sectors contracted by €78.9 million, or 0.7% during the month. The latter's decline was mainly evident in credit granted to residents of euro area countries other than Malta, particularly private NFCs and non-bank financial intermediaries.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and resident of countries outside the euro area, rose by €488.9 million, or 4.6%. This reflected an increase in foreign claims, stemming mainly from higher MFI deposits placed with banks outside the euro area. To a lesser extent, foreign liabilities also expanded, due to growth in time deposits belonging to private NFCs held with resident banks.

The "other counterparts" category, which is negatively related to M3, increased by €142.1 million, or 1.0%, during the month reflecting a rise in other liabilities (net). In turn, this mainly reflected transactions between banks resident in Malta and banks resident elsewhere in the euro area. At the same time, liabilities to central government contracted by €137.7 million, or 20.0%, reflecting a decline in government deposits. Longer-term financial liabilities dropped by €7.7 million, or 0.1%, due to a drop in shares and other equity.

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

	Jul-13	Jun-13	Monthly Change	Monthly Percentage Change	Jul-12	Annual Percentage Change	
						Jul-13	Jun-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,221.7	9,151.3	70.4	0.8	8,769.3	5.2	5.7
Overnight deposits	5,472.1	5,422.5	49.6	0.9	4,954.5	10.4	11.0
Deposits redeemable at notice up to 3 months	112.4	113.0	-0.6	-0.5	141.1	-20.4	-21.6
Deposits with agreed maturity up to 2 years	3,637.2	3,615.8	21.3	0.6	3,673.7	-1.0	-0.5
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,120.0	11,171.5	-51.5	-0.5	11,162.3	-0.4	0.7
Credit to general government	2,486.8	2,505.8	-19.0	-0.8	2,502.2	-0.6	2.3
Credit to other sectors	8,633.2	8,665.7	-32.4	-0.4	8,660.1	-0.3	0.2
NET FOREIGN ASSETS	11,587.6	11,611.7	-24.1	-0.2	12,026.1	-3.6	-1.2
Claims on non-residents of Malta	44,702.1	44,087.9	614.2	1.4	45,482.2	-1.7	1.4
Liabilities to non-residents of Malta (-)	33,114.4	32,476.2	638.2	2.0	33,456.1	-1.0	2.4

⁽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

	Jul-13	Jun-13	Monthly Change	Monthly Percentage Change	Jul-12	Annual Percentage Change	
						Jul-13	Jun-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,404.6	6,319.0	85.5	1.4	5,859.8	9.3	9.4
Currency issued ⁽⁴⁾	751.4	732.4	19.0	2.6	723.7	3.8	2.1
Overnight deposits ⁽⁵⁾	5,653.2	5,586.6	66.6	1.2	5,136.1	10.1	10.4
INTERMEDIATE MONEY (M2)	10,753.6	10,537.3	216.2	2.1	9,997.6	7.6	7.5
Narrow money (M1)	6,404.6	6,319.0	85.5	1.4	5,859.8	9.3	9.4
Deposits redeemable at notice up to 3 months ⁽⁵⁾	112.5	113.0	-0.6	-0.5	143.3	-21.5	-22.7
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,236.5	4,105.2	131.3	3.2	3,994.5	6.1	5.8
BROAD MONEY (M3)	10,968.9	10,732.0	236.9	2.2	10,209.0	7.4	7.2
Intermediate money (M2)	10,753.6	10,537.3	216.2	2.1	9,997.6	7.6	7.5
Marketable instruments ⁽⁶⁾	215.3	194.7	20.6	10.6	211.4	1.8	-7.1
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,959.5	15,069.3	-109.9	-0.7	15,926.3	-6.1	-3.7
Credit to general government	3,958.8	3,989.8	-30.9	-0.8	3,906.8	1.3	-4.5
Credit to other sectors	11,000.6	11,079.6	-78.9	-0.7	12,019.5	-8.5	-3.4
EXTERNAL COUNTERPART	11,025.6	10,536.7	488.9	4.6	9,744.9	13.1	-2.6
Claims on non-residents of the euro area	34,680.6	34,047.4	633.2	1.9	34,673.6	0.0	1.0
Liabilities to non-residents of the euro area (-)	23,654.9	23,510.7	144.3	0.6	24,928.7	-5.1	2.7
OTHER COUNTERPARTS (-)	15,016.1	14,874.0	142.1	1.0	15,462.2	-2.9	-9.6
Liabilities to the central government	550.6	688.4	-137.7	-20.0	722.3	-23.8	-13.0
Longer term financial liabilities	11,781.2	11,788.9	-7.7	-0.1	12,513.3	-5.9	-3.1
Other liabilities (net)	2,684.3	2,396.8	287.5	12.0	2,226.6	20.6	-31.4

⁽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.

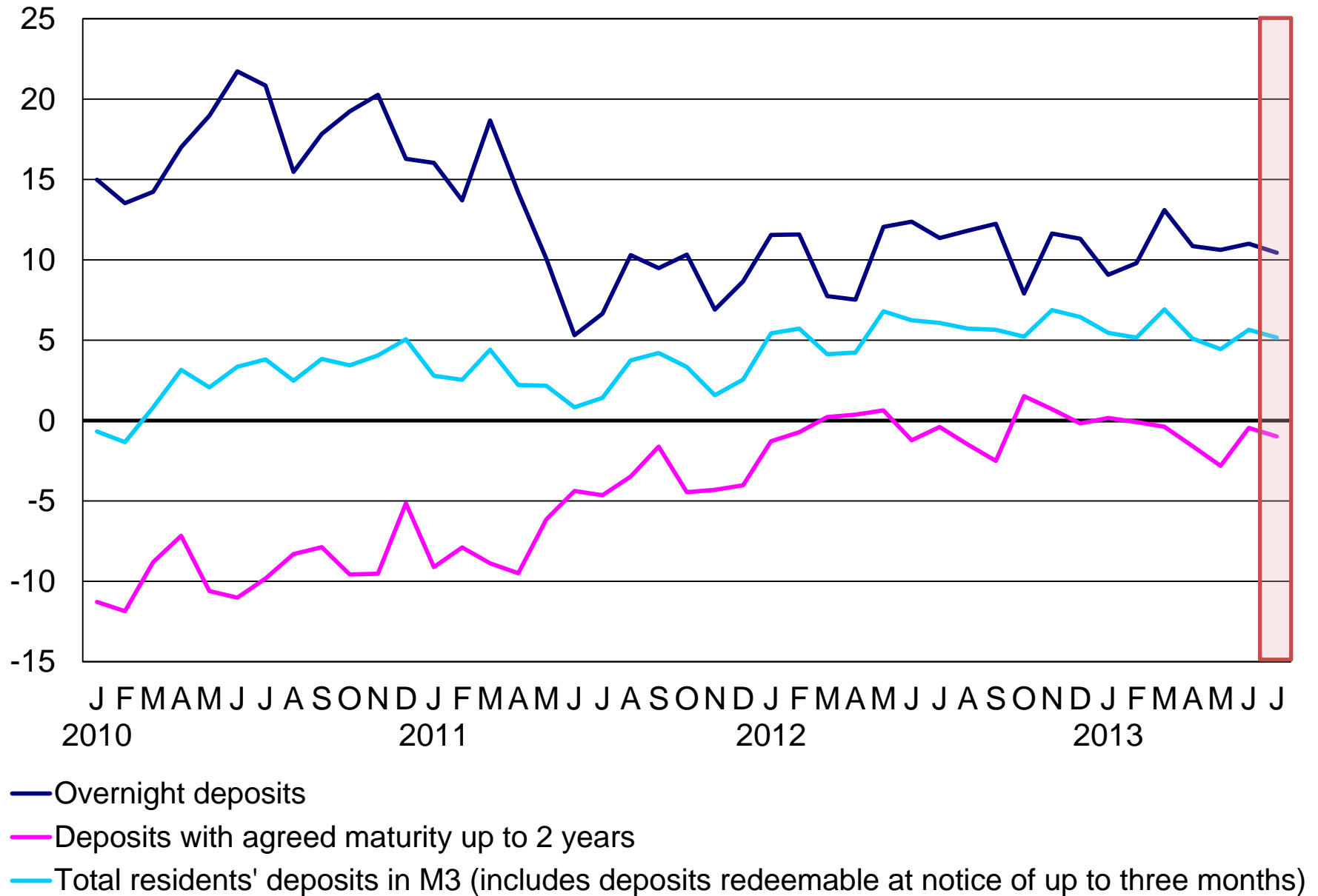
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

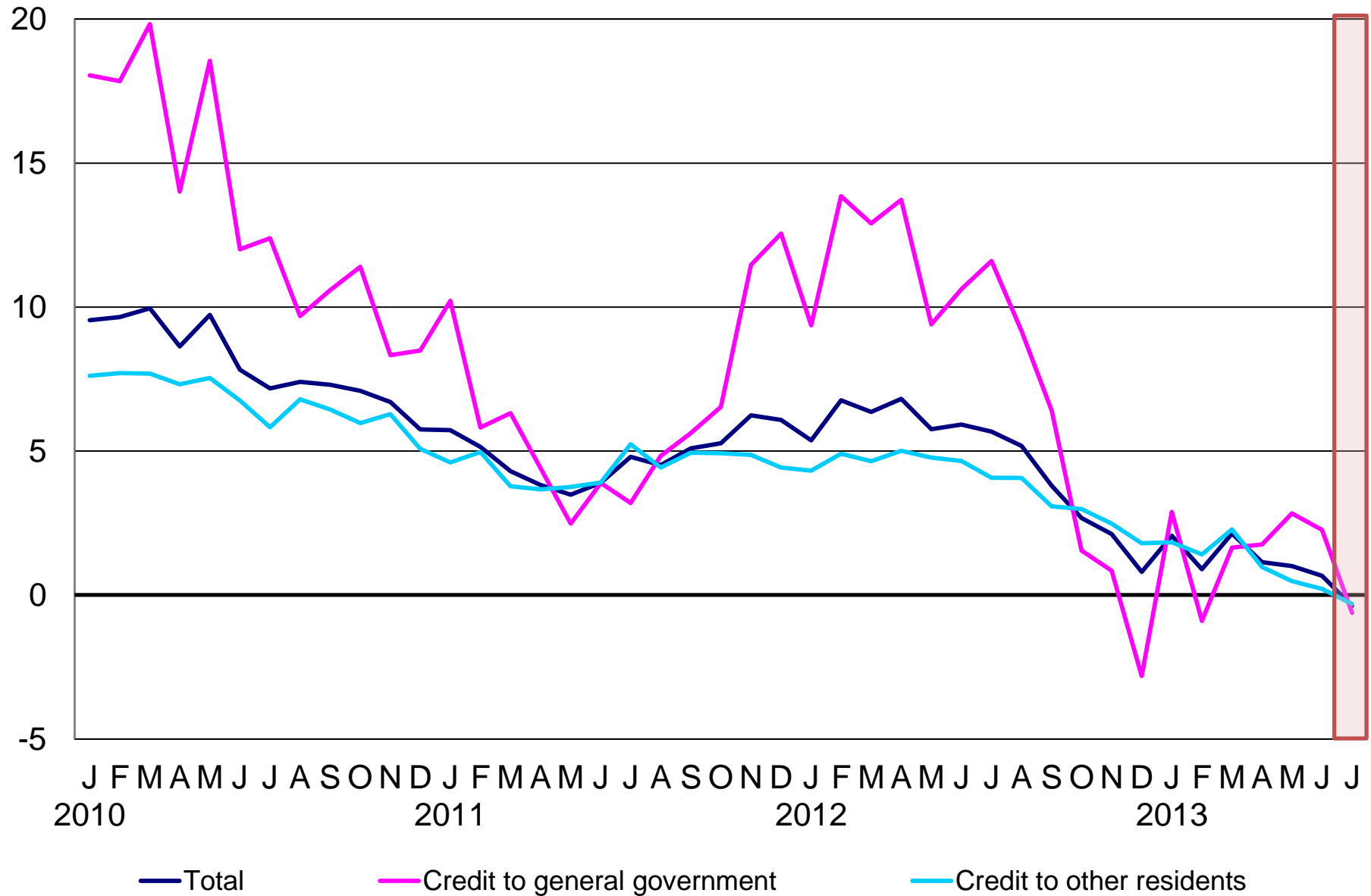
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.