



RELEASE OF MONETARY STATISTICS

9 October 2013

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JUNE 2013

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

Deposits of Maltese residents

In June, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) expanded by €63.1 million, or 0.7% (see Table 1). Consequently, the annual growth rate accelerated to 5.7%, from 4.4% one month earlier (see Chart 1).

Overnight deposits expanded by €55.0 million, or 1.0%, during the month driven by an increase in balances belonging to households and, to a lesser extent, public non-financial corporations (NFCs). As a result, the annual growth rate of these deposits accelerated to 11.0%, from 10.6% in May.

Deposits with an agreed maturity of up to two years rose by €8.6 million, or 0.2%. This resulted from an increase in balances belonging to private NFCs and households, which offset a decline in those belonging to public NFCs. Consequently, deposits with an agreed maturity of up to two years contracted at an annual rate of 0.5% in June, as against an annual fall of 2.8% in the previous month. Conversely, deposits redeemable at up to three months' notice fell by €0.4 million, or 0.4%, as households' balances declined.

Credit extended to Maltese residents

In June, credit granted by resident MFIs to residents of Malta fell by a marginal €1.5 million compared with the month before. In annual terms credit growth edged down to 0.7% from 1.0% in May (see Chart 2).

The decline between May and June stemmed from a fall of €5.1 million in credit to residents other than general government. In particular, there was a drop in loans granted to NFCs operating in the accommodation & food services industry and in the electricity, gas, steam & air-conditioning supply industry. Together these offset a rise in loans to households, particularly to finance house purchases. Consequently, the annual growth rate of credit to residents other than general government decelerated to 0.2% from 0.5% in May.

In contrast, credit to general government rose by €3.6 million, or 0.1%, during the month as a rise in the banks' portfolio of Malta Government Stocks offset a decline in

their Treasury bill holdings. The annual growth rate of credit to general government slowed down to 2.3% from 2.8% one month earlier.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €592.5 million, or 4.9%, in June reflecting a drop in foreign claims which substantially exceeded a fall in foreign liabilities (see Table 1).¹ The decline in the former mainly reflected a lower level of credit granted to non-residents. The contraction in liabilities stemmed from a decline in foreign borrowing by resident banks. Large movements in foreign assets and liabilities often stem from cross-border transactions of international banks that operate from Malta. Consequently, the annual rate of growth of net foreign assets turned negative, falling to -1.2%, from 7.1% in May.

Bank lending and deposit rates²

In June, the weighted average interest rate paid by MFIs on all outstanding deposits belonging to Maltese households and NFCs remained unchanged at 1.43% for the fourth consecutive month. Meanwhile, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs rose by 1 basis point to 4.33%.

Compared with a year earlier, the weighted average deposit rate was 2 basis points higher while that charged on loans was 2 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 €84.6 million, or 0.8%, in June to €10.7 billion (see Table 2). Consequently, the annual growth rate accelerated to 7.2% from 6.7% one month earlier.

Developments in M3 during the month were driven by movements in the intermediate money (M2) component, which increased by €84.9 million, or 0.8%. In June, the annual growth rate of M2 rose to 7.5% from 7.3% in the previous month.

Narrow money (M1), which forms part of M2, grew by €41.9 million, or 0.7%, reflecting an increase in overnight deposits. The latter expanded by €42.3 million, or 0.8%, on the back of higher balances held mainly by households and public NFCs. Conversely, currency issued, the other component of M1, fell by €0.4 million. The annual rate of growth of M1 edged up to 9.4% in June, from 9.3% in May.

Deposits with an agreed maturity of up to two years, which also form part of M2, rose by €43.4 million, or 1.1%, as private NFCs' balances increased significantly. Conversely, deposits redeemable at a notice of up to three months contracted by €0.4 million, or 0.4%. This was mainly due to lower balances belonging to households.

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.

Turning to the counterparts of M3, credit to euro area residents fell by €545.6 million, or 3.5%, during the month reflecting a drop in credit granted to residents other than general government. As a result, credit contracted at a faster annual pace, falling by 3.7% in June, following a 0.8% drop in May.

Credit to general government rose marginally by €1.9 million. On the other hand, credit to other residents contracted by €547.4 million, or 4.7%. The decline was mainly evident in credit granted to residents elsewhere in the euro area, particularly in resident MFIs' holdings of securities issued by non-bank financial intermediaries.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, declined by €1.1 billion, or 9.1%. This reflected an increase in foreign liabilities, in the form of deposits belonging to non-residents of the euro area, coupled with a decline in foreign claims, predominantly in the form of loans granted by resident MFIs to borrowers outside the euro area.

The "other counterparts" category, which is negatively related to M3, fell by €1.7 billion, or 10.2%, during the month driven principally by a decline in other liabilities (net), mainly reflecting transactions between banks residing in Malta and those residing elsewhere in the euro area. At the same time, longer-term financial liabilities fell by €549.7 million, or 4.5%, due to a drop in shares and other equity. Similarly, a contraction in government deposits reduced liabilities to central government by €71.5 million, or 9.4%.

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

	Jun-13	May-13	Monthly Change	Monthly Percentage Change	Jun-12	Annual Percentage Change	
						Jun-13	May-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,151.3	9,088.2	63.1	0.7	8,661.9	5.7	4.4
Overnight deposits	5,422.5	5,367.5	55.0	1.0	4,885.0	11.0	10.6
Deposits redeemable at notice up to 3 months	113.0	113.4	-0.4	-0.4	144.2	-21.6	-17.6
Deposits with agreed maturity up to 2 years	3,615.8	3,607.3	8.6	0.2	3,632.6	-0.5	-2.8
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,171.5	11,173.0	-1.5	0.0	11,097.3	0.7	1.0
Credit to general government	2,505.8	2,502.2	3.6	0.1	2,450.4	2.3	2.8
Credit to other sectors	8,665.7	8,670.8	-5.1	-0.1	8,646.9	0.2	0.5
NET FOREIGN ASSETS	11,611.7	12,204.2	-592.5	-4.9	11,755.7	-1.2	7.1
Claims on non-residents of Malta	44,087.9	44,805.0	-717.0	-1.6	43,483.4	1.4	2.8
Liabilities to non-residents of Malta (-)	32,476.2	32,600.7	-124.5	-0.4	31,727.7	2.4	1.3

⁽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

	Jun-13	May-13	Monthly Change	Monthly Percentage Change	Jun-12	Annual Percentage Change	
						Jun-13	May-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,319.0	6,277.2	41.9	0.7	5,778.4	9.4	9.3
Currency issued ⁽⁴⁾	732.4	732.8	-0.4	0.0	717.4	2.1	1.9
Overnight deposits ⁽⁵⁾	5,586.6	5,544.4	42.3	0.8	5,061.1	10.4	10.4
INTERMEDIATE MONEY (M2)	10,537.3	10,452.5	84.9	0.8	9,804.4	7.5	7.3
Narrow money (M1)	6,319.0	6,277.2	41.9	0.7	5,778.4	9.4	9.3
Deposits redeemable at notice up to 3 months ⁽⁵⁾	113.0	113.5	-0.4	-0.4	146.3	-22.7	-17.7
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,105.2	4,061.8	43.4	1.1	3,879.6	5.8	5.1
BROAD MONEY (M3)	10,732.0	10,647.4	84.6	0.8	10,014.0	7.2	6.7
Intermediate money (M2)	10,537.3	10,452.5	84.9	0.8	9,804.4	7.5	7.3
Marketable instruments ⁽⁶⁾	194.7	195.0	-0.3	-0.1	209.6	-7.1	-17.1
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,069.3	15,614.9	-545.6	-3.5	15,644.6	-3.7	-0.8
Credit to general government	3,989.8	3,987.9	1.9	0.0	4,177.0	-4.5	-6.5
Credit to other sectors	11,079.6	11,627.0	-547.4	-4.7	11,467.6	-3.4	1.3
EXTERNAL COUNTERPART	10,536.7	11,589.3	-1,052.6	-9.1	10,819.2	-2.6	12.6
Claims on non-residents of the euro area	34,047.4	34,358.4	-311.0	-0.9	33,711.7	1.0	2.2
Liabilities to non-residents of the euro area (-)	23,510.7	22,769.1	741.6	3.3	22,892.4	2.7	-2.3
OTHER COUNTERPARTS (-)	14,874.0	16,556.8	-1,682.8	-10.2	16,449.8	-9.6	3.1
Liabilities to the central government	688.4	759.8	-71.5	-9.4	791.2	-13.0	25.2
Longer term financial liabilities	11,788.9	12,338.5	-549.7	-4.5	12,162.4	-3.1	3.2
Other liabilities (net)	2,396.8	3,458.4	-1,061.7	-30.7	3,496.3	-31.4	-1.1

⁽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.

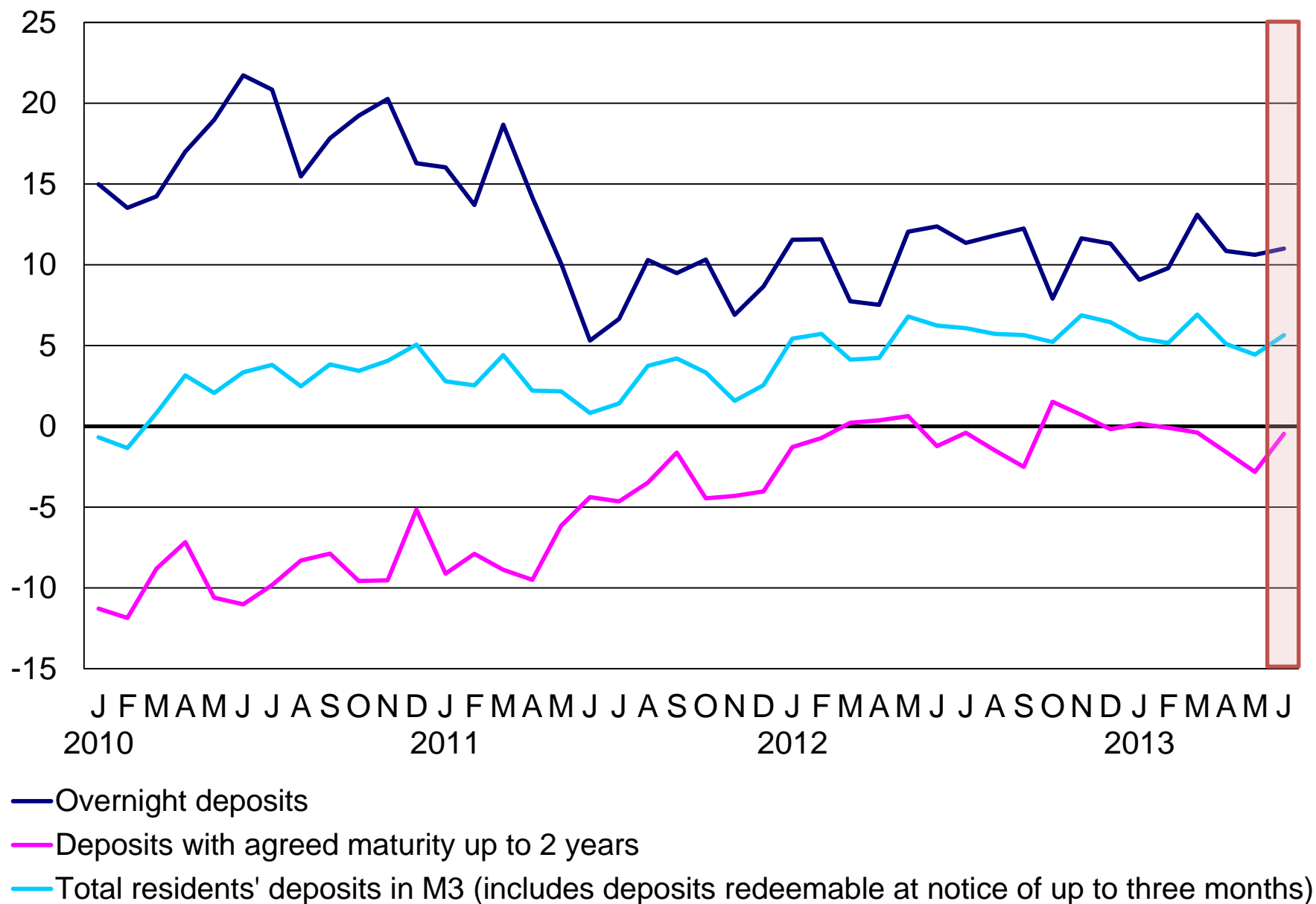
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

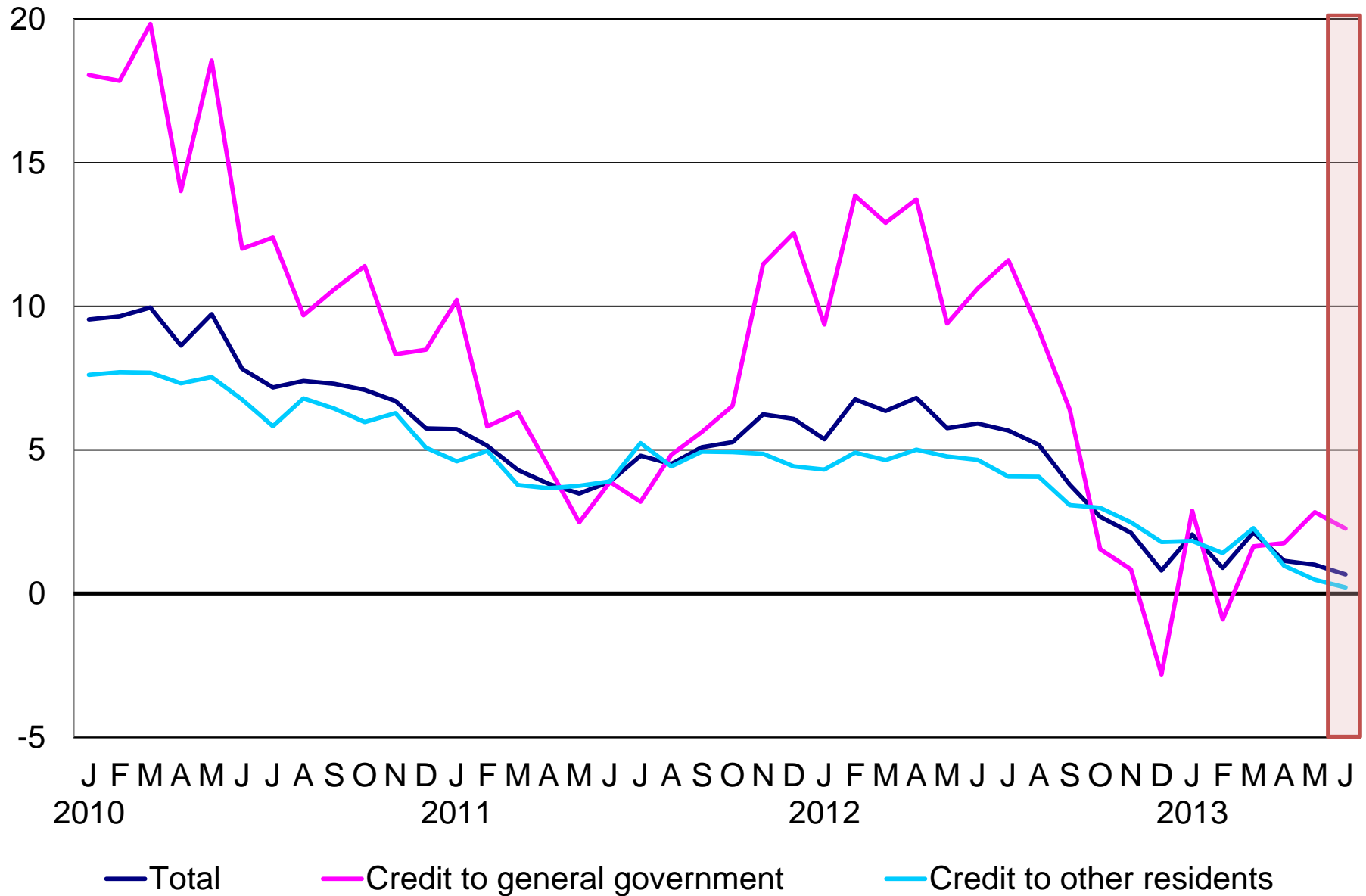
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.