



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 May 2013.

Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) expanded by €25.7 million, or 0.2%, in May to €10.6 billion (see Table 1). Nonetheless, the annual growth rate slowed down to 6.7% from 7.7% one month earlier, as the increase registered during the month was smaller than that registered a year earlier.

Developments in M3 during the month reflected movements in the intermediate money (M2) component, which increased by €25.7 million, or 0.2%. Overall, the annual growth rate of M2 decelerated to 7.3% from 8.0% in the previous month.

Growth in narrow money (M1) drove the month-on-month rise in M2. M1 expanded by €102.4 million, or 1.7%, following increases in overnight deposits as well as in currency issued. The former rose by €96.8 million, or 1.8%, on the back of higher balances belonging to non-financial companies (NFCs). Currency issued edged up by €5.6 million, or 0.8%, in May. Nevertheless, the annual growth rate of M1 fell to 9.3% in May from 9.9% in April.

In contrast, deposits with an agreed maturity of up to two years, which also form part of M2, contracted by €76.8 million, or 1.9%. This was mainly due to lower balances belonging to NFCs, non-bank financial intermediaries and insurance companies. Deposits redeemable at a notice of up to three months, the remaining component of M2, rose marginally by €0.2 million, or 0.1%.

Turning to the counterparts of M3, credit to euro area residents rose by €61.9 million, or 0.4%, as an increase in credit to general government outweighed a decline in credit to other residents. As a result, credit contracted at a slower annual pace, falling by 0.8% in May, following a 1.1% drop in April.

Credit to general government expanded by €197.5 million, or 5.2%, as banks increased their holdings of government debt. The increase in resident MFIs' holdings of securities issued by governments elsewhere in the euro area was the strongest since the beginning of the year. On the other hand, credit to other residents contracted by €135.6 million, or 1.2%, mainly due to a fall in MFIs' holdings of securities issued by non-bank

financial intermediaries 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, expanded by €181.9 million, or 1.6%. This reflected an increase in the amount of claims on non-residents, which outweighed a smaller rise in corresponding liabilities.

The “other counterparts” category rose by €218.1 million, or 1.3%, during the month driven by an increase 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 the central government rose by €123.3 million, or 19.4%, reflecting an increase in government deposits that in turn partly reflected funds raised from the issue of Malta Government Stocks (MGS) during the month. Conversely, longer-term financial liabilities fell by €268.9 million, or 2.1%. This was due to a drop in reserves, which form part of shares and other equity, as a result of changes in financial market valuations and exchange rates.

Transactions with Maltese residents: deposits and credit

In May, deposits belonging to residents of Malta and held with resident MFIs expanded by €62.1 million, or 0.7% (see Table 2). Meanwhile, the annual growth rate slowed down to 4.4%, from 5.1% in April (see Chart 1). The rise observed during the month of May partly reversed the drop recorded in April, and was driven mainly by deposits belonging to NFCs and households. In contrast, deposits belonging to non-bank financial intermediaries declined.

After having dropped in April, overnight deposits rebounded, expanding by €101.9 million, or 1.9%, during the month, driven by an increase in balances belonging to NFCs and, to a lesser extent, to households. At 10.6% the annual growth rate of these deposits was slightly below that of 10.8% in April.

Deposits redeemable at notice of up to three months rose marginally by €0.2 million, or 0.1%. Conversely, deposits with an agreed maturity of up to two years fell further, contracting by €39.9 million, or 1.1%, resulting from a decline in balances belonging to NFCs, non-bank financial intermediaries and insurance companies. As a result, deposits with an agreed maturity of up to two years contracted at an annual rate of 2.8% in May, following an annual fall of 1.6% in the previous month.

In May, credit granted by resident MFIs to residents of Malta grew marginally by €4.1 million. In annual terms the credit growth rate edged down marginally to 1.0% from 1.1% in April (see Chart 2).

Credit to general government expanded by €25.6 million, or 1.0%, as banks increased their holdings of Treasury bills, which outweighed a fall in their MGS portfolio. As a result, the annual growth rate rose to 2.8%, from 1.8% one month earlier.

Meanwhile, credit to residents other than general government contracted by €21.5 million, or 0.2%, on the back of lower loans granted to NFCs particularly those operating in the wholesale & retail, manufacturing and construction sectors. These outweighed a substantial rise in loans granted to firms operating in the accommodation and food services industry. Credit to households rose during the month, driven by loans for house purchase.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €96.7 million, or 0.8%, during the month as foreign liabilities increased more than foreign claims (see Table 2).¹ The former stemmed from higher deposits held by non-residents with resident MFIs coupled with higher foreign borrowing by resident banks. The increase in claims was due to additional deposits held with non-resident MFIs coupled with an increase in holdings of securities issued by non-residents. Consequently, the annual rate of growth of net foreign assets decelerated to 7.0% from 7.8% in April.

Bank lending and deposit rates²

In May, the weighted average interest rate paid by MFIs on all outstanding deposits belonging to Maltese households and NFCs remained unchanged from the previous month, at 1.43%. The weighted average interest rate charged by resident MFIs on outstanding loans to resident households and NFCs also remained constant, at 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 cover MFI euro-denominated deposits belonging to, and loans extended to, households and non-financial corporations resident in Malta. The household sector includes non-profit institutions serving households. Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions.

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

EUR millions

	May-13	Apr-13	Monthly Change	Monthly Percentage Change	May-12	Annual Percentage Change	
						May-13	Apr-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,277.2	6,174.8	102.4	1.7	5,742.5	9.3	9.9
Currency issued ⁽⁴⁾	732.8	727.2	5.6	0.8	719.1	1.9	3.0
Overnight deposits ⁽⁵⁾	5,544.4	5,447.6	96.8	1.8	5,023.5	10.4	10.9
INTERMEDIATE MONEY (M2)	10,452.5	10,426.8	25.7	0.2	9,741.2	7.3	8.0
Narrow money (M1)	6,277.2	6,174.8	102.4	1.7	5,742.5	9.3	9.9
Deposits redeemable at notice up to 3 months ⁽⁵⁾	113.5	113.3	0.2	0.1	137.9	-17.7	-14.1
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,061.8	4,138.7	-76.8	-1.9	3,860.8	5.2	6.2
BROAD MONEY (M3)	10,646.2	10,620.5	25.7	0.2	9,976.4	6.7	7.7
Intermediate money (M2)	10,452.5	10,426.8	25.7	0.2	9,741.2	7.3	8.0
Marketable instruments ⁽⁶⁾	193.7	193.7	0.0	0.0	235.3	-17.7	-9.9
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,615.2	15,553.3	61.9	0.4	15,737.8	-0.8	-1.1
Credit to general government	3,988.0	3,790.5	197.5	5.2	4,265.3	-6.5	-10.7
Credit to other sectors	11,627.1	11,762.8	-135.6	-1.2	11,472.4	1.3	2.5
EXTERNAL COUNTERPART	11,588.0	11,406.1	181.9	1.6	10,293.8	12.6	21.5
Claims on non-residents of the euro area	34,358.4	32,821.4	1,537.1	4.7	33,606.9	2.2	3.2
Liabilities to non-residents of the euro area (-)	22,770.4	21,415.2	1,355.2	6.3	23,313.1	-2.3	-4.5
OTHER COUNTERPARTS (-)	16,557.0	16,338.9	218.1	1.3	16,055.2	3.1	7.2
Liabilities to the central government	759.8	636.5	123.3	19.4	606.8	25.2	-6.6
Longer term financial liabilities	12,338.6	12,607.4	-268.9	-2.1	11,950.5	3.2	4.8
Other liabilities (net)	3,458.6	3,094.9	363.7	11.8	3,497.9	-1.1	22.4

⁽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.

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TABLE 2: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS⁽¹⁾

EUR millions

	May-13	Apr-13	Monthly Change	Monthly Percentage Change	May-12	Annual Percentage Change	
						May-13	Apr-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,088.2	9,026.1	62.1	0.7	8,701.6	4.4	5.1
Overnight deposits	5,367.5	5,265.6	101.9	1.9	4,851.9	10.6	10.8
Deposits redeemable at notice up to 3 months	113.4	113.3	0.2	0.1	137.6	-17.6	-13.7
Deposits with agreed maturity up to 2 years	3,607.3	3,647.2	-39.9	-1.1	3,712.1	-2.8	-1.6
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,173.1	11,168.9	4.1	0.0	11,061.9	1.0	1.1
Credit to general government	2,502.3	2,476.7	25.6	1.0	2,433.1	2.8	1.8
Credit to other sectors	8,670.8	8,692.3	-21.5	-0.2	8,628.7	0.5	1.0
NET FOREIGN ASSETS	12,203.0	12,299.7	-96.7	-0.8	11,400.1	7.0	7.8
Claims on non-residents of Malta	44,805.2	42,941.5	1,863.7	4.3	43,587.8	2.8	2.1
Liabilities to non-residents of Malta (-)	32,602.2	30,641.8	1,960.4	6.4	32,187.7	1.3	0.0

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

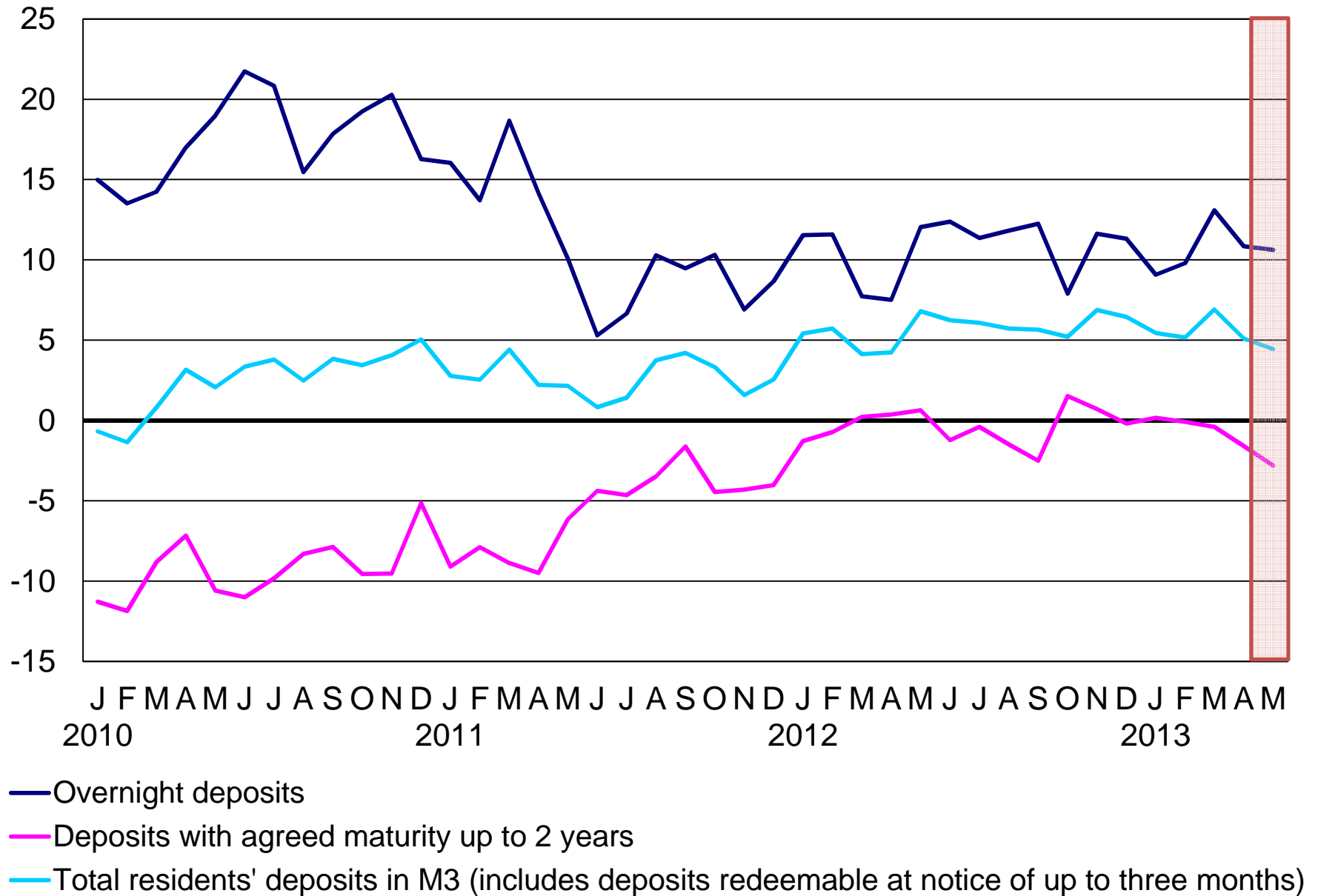
⁽²⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.

Chart 1

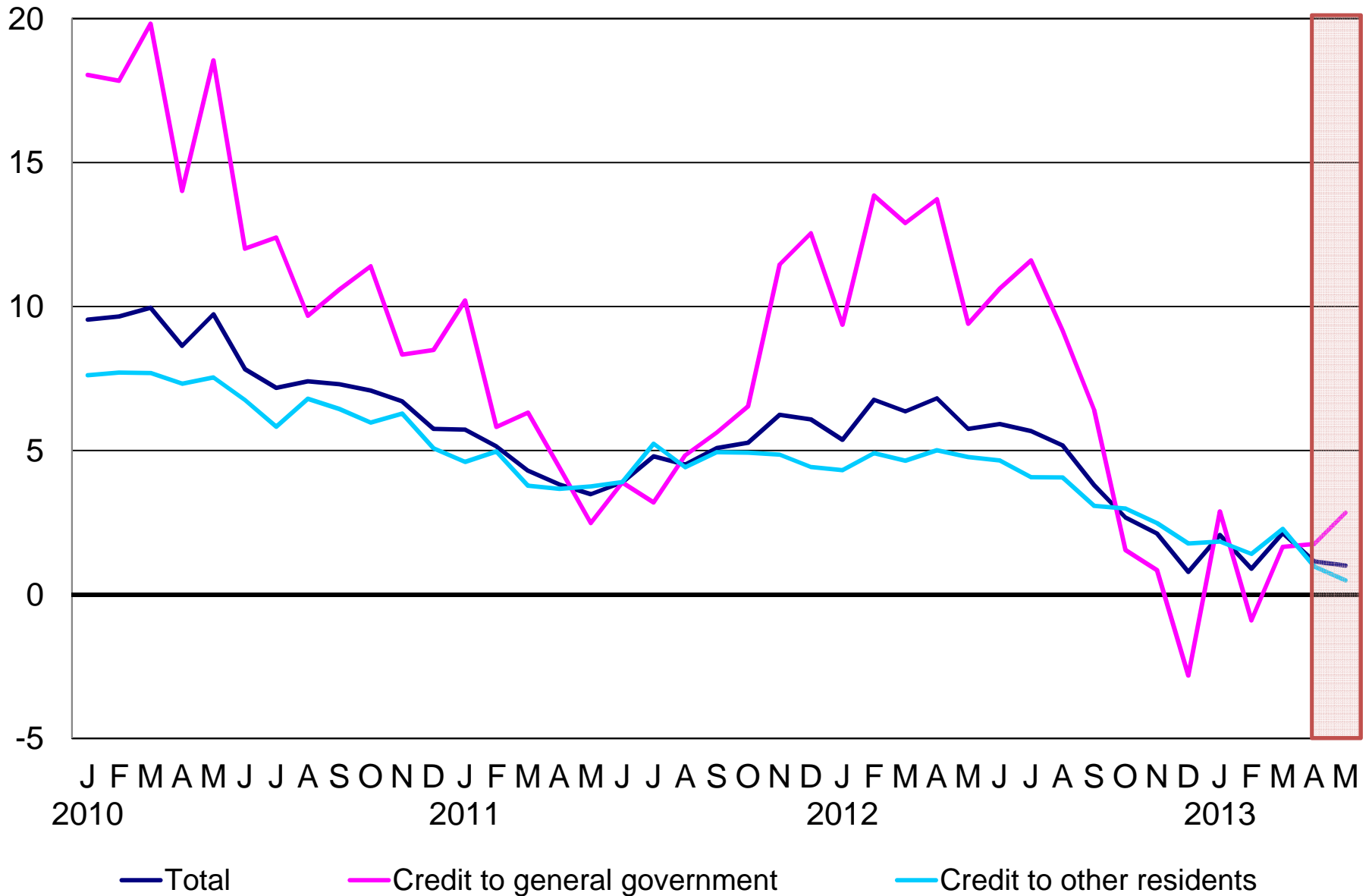
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.