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Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary Financial Institutions (MFIs) to the broad money stock (M3) in the euro area contracted by EUR71.5 million, or 0.7%, on a month-on-month basis in February, to EUR10.3 billion (see Table 1). Nonetheless, the annual growth rate rose to 12.7% from 12.4% in January.

The drop in broad money during February was mostly fuelled by the narrow money component (M1), which declined by EUR48.1 million, or 0.9% in February. This in turn was driven primarily by lower overnight deposits, which fell by EUR44.8 million, mainly because of a considerable decline in balances belonging to private non-financial companies (NFCs). Meanwhile, currency issued also recorded a slight decline. As a result, the annual growth rate in M1 eased to 10.9% in February, from 11.0% one month earlier.

During February, deposits with agreed maturity of up to two years, the second largest component of intermediate money (M2) after M1, contracted by EUR19.1 million, or 0.5%. This principally reflected lower holdings belonging to insurance companies and households. Meanwhile, deposits redeemable at notice of up to three months rose slightly during the period. The annual growth rate of intermediate money edged up to 7.1% in February, from 6.9% in January.

Movements in M3 continued to be influenced by MFI holdings of marketable instruments. While debt securities with an initial maturity of up to two years rose slightly, borrowing by means of repurchase agreements registered a significant drop of EUR11.0 million in February.

Turning to the counterparts of M3, credit to euro area residents expanded by EUR222.5 million in February, as credit to general government and to the remaining sectors both rose. The increase in credit to general government of EUR98.5 million, or 2.2%, stemmed predominantly from a rise in bank holdings of Malta Government Stocks (MGS), following a primary issue which took place during the month under review. Meanwhile, credit to residents outside general government went up by EUR123.9 million, or 1.1%, reflecting a higher volume of loans to the private sector. Consequently, on an annual basis, growth in total credit accelerated to 11.4% in February, from 10.0% one month earlier.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, contracted by EUR693.9 million, or 8.0%, in February. This reflected a considerable drop in assets and a rise in liabilities. The fall in assets was principally attributable to a substantial sale by a resident bank of government securities issued outside the euro area. Meanwhile, the rise in liabilities mainly stemmed from higher time deposit balances belonging to non-euro area credit institutions.

The other counterparts of M3 fell by EUR399.9 million, or 2.8%, in February, driven by a drop in other liabilities (net), which mainly reflect interbank transactions within the euro area.

Transactions with Maltese residents: deposits and credit

Deposits belonging to residents of Malta and held with resident MFIs contracted by EUR70.9 million, or 0.8% in February (see Table 2). This decline coincided with the issue of government securities on the primary market and was mainly driven by the overnight deposits component, which went down by EUR57.0 million, or 1.2%. In contrast, deposits redeemable at notice up to three months edged up by EUR3.8 million, while those with an agreed maturity of up to two years fell by EUR17.7 million.

The annual growth rate of total deposits rose further, reaching 5.7% from 5.4% in January. By comparison, the growth rate of total deposits included in M3 belonging to all euro area residents held with all euro area MFIs stood at 2.5%.

February's drop in overnight deposits was mainly attributable to lower balances held by private NFCs. The increase in deposits redeemable at notice of up to three months was similarly fuelled by private NFCs, while the decline in deposits with an agreed maturity of up to two years was driven by insurance companies and households.

Credit issued by resident MFIs to residents of Malta (including government) increased by EUR151.8 million, or 1.4%, in February. Consequently, on an annual basis credit growth picked up to 6.8% from 5.4% in the previous month.

Credit to the general government went up by EUR89.5 million, or 3.8%, driven mainly by higher bank holdings of MGS following the primary market issue mentioned above. On an annual basis, growth accelerated to 13.9% from 9.4% recorded in January.

Similarly, credit to residents outside the general government rose by EUR62.4 million, or 0.7%, spurred by higher loans extended to private NFCs, particularly in the wholesale & retail trade sector, and to households – mainly to finance house purchases. As a result, the annual growth rate of credit to other residents rose to 4.9% in February from 4.3% in January, while that of loans increased by 0.6 percentage points to 4.7%. By comparison, the growth rate of loans made by all euro area MFIs to residents of the euro area excluding general government was 0.5%.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs increased by EUR65.7 million, or 0.6%, in February, as a drop in foreign liabilities outpaced the decline in foreign assets (see

Table 2).¹ While the fall in liabilities stemmed mainly from lower outstanding loans by resident banks, the decline in assets reflected the previously mentioned sale, by a resident bank, of government securities that had been issued by non-residents. In annual terms, net foreign assets expanded by 6.8%, up from 5.9% in January.

Bank lending and deposit rates

In February, the weighted average interest rate paid on deposits included in M3 edged up by one basis point to 1.12% while the corresponding rate on loans remained unchanged at 4.69%. Compared with a year earlier, the deposit rate fell by two basis points, while that charged on loans declined by four basis points.

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.

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

€ millions

	Feb-12	Jan-12	Monthly Change	Monthly Percentage Change	Feb-11	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,528.0	5,576.2	-48.1	-0.9	4,986.3	541.8	10.9
Currency issued ⁽⁴⁾	702.9	706.3	-3.4	-0.5	665.7	37.2	5.6
Overnight deposits ⁽⁵⁾	4,825.1	4,869.9	-44.8	-0.9	4,320.5	504.6	11.7
INTERMEDIATE MONEY (M2)	9,586.2	9,649.6	-63.4	-0.7	8,949.7	636.4	7.1
Narrow money (M1)	5,528.0	5,576.2	-48.1	-0.9	4,986.3	541.8	10.9
Deposits redeemable at notice up to 3 months ⁽⁵⁾	130.7	126.9	3.8	3.0	126.2	4.4	3.5
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,927.5	3,946.5	-19.1	-0.5	3,837.2	90.2	2.4
BROAD MONEY (M3)	10,331.8	10,403.2	-71.5	-0.7	9,164.1	1,167.7	12.7
Intermediate money (M2)	9,586.2	9,649.6	-63.4	-0.7	8,949.7	636.4	7.1
Repurchase agreements	533.0	544.0	-11.0	-2.0	0.0	533.0	0.0
Debt securities issued up to 2 years' initial maturity ⁽⁶⁾	212.6	209.7	2.9	1.4	214.4	-1.8	-0.8
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	16,254.0	16,031.5	222.5	1.4	14,585.8	1,668.2	11.4
Credit to general government	4,639.6	4,541.1	98.5	2.2	4,052.0	587.6	14.5
Credit to other sectors	11,614.4	11,490.5	123.9	1.1	10,533.8	1,080.6	10.3
EXTERNAL COUNTERPART	7,965.8	8,659.7	-693.9	-8.0	7,582.3	383.5	5.1
Claims on non-residents of the euro area	29,845.5	30,369.4	-524.0	-1.7	28,668.0	1,177.5	4.1
Liabilities to non-residents of the euro area (-)	21,879.7	21,709.8	169.9	0.8	21,085.7	794.0	3.8
OTHER COUNTERPARTS (-)	13,888.0	14,287.9	-399.9	-2.8	13,004.0	884.0	6.8
Liabilities to the central government	828.2	547.9	280.3	51.2	787.2	41.0	5.2
Longer term financial liabilities	12,130.4	12,144.1	-13.7	-0.1	11,417.5	712.9	6.2
Other liabilities (net)	929.4	1,595.9	-666.5	-41.8	799.4	130.1	16.3

(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. For 2008, remaining outstanding Maltese lira banknotes and coins are included. This represents the residual amount after deducting holdings of euro banknotes and coins (and, temporarily, of Maltese lira currency) reported by MFIs in Malta from the currency issued figure.

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

(6) Debt securities up to 2 years' 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.

Source: Central Bank of Malta.

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

€ millions

	Feb-12	Jan-12	Monthly Change	Monthly Percentage Change	Feb-11	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,500.1	8,571.1	-70.9	-0.8	8,040.0	460.1	5.7
Overnight deposits	4,667.3	4,724.4	-57.0	-1.2	4,182.8	484.5	11.6
Deposits redeemable at notice up to 3 months	128.1	124.3	3.8	3.1	125.5	2.6	2.1
Deposits with agreed maturity up to 2 years	3,704.7	3,722.4	-17.7	-0.5	3,731.7	-27.0	-0.7
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,036.7	10,884.9	151.8	1.4	10,337.4	699.3	6.8
Credit to general government	2,443.9	2,354.5	89.5	3.8	2,146.6	297.4	13.9
Credit to other sectors	8,592.8	8,530.4	62.4	0.7	8,190.9	401.9	4.9
NET FOREIGN ASSETS	11,661.9	11,596.2	65.7	0.6	10,915.4	746.5	6.8
Claims on non-residents of Malta	41,708.0	42,103.5	-395.6	-0.9	39,974.0	1,734.0	4.3
Liabilities to non-residents of Malta (-)	30,046.1	30,507.4	-461.3	-1.5	29,058.6	987.5	3.4

(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.