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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 EUR216.1 million, or 2.1%, in April, reaching EUR10.5 billion (see Table 1). Consequently, the annual growth rate gained momentum, reaching 12.6% from 10.4% in the previous month.

The monthly increase in broad money predominantly reflected a EUR183.0 million rise in repurchase agreements between a resident bank and non-bank financial intermediaries resident in other euro area countries. This reversed the drop observed in March. The month-on-month expansion in M3 also stemmed from a rise in the intermediate money component (M2).

Growth in M2 was entirely driven by the narrow money component (M1), which expanded by EUR38.4 million, or 0.7%, fuelled by overnight deposits. The latter increased by EUR34.2 million, or 0.7%, driven mostly by an increase in balances belonging to private non-financial companies (NFCs). Meanwhile, currency issued went up by EUR4.2 million, or 0.6%. Overall, the annual growth rate in M1 declined marginally, reaching 7.6% in April, from 7.8% one month earlier.

During April, deposits with agreed maturity up to two years, which also form part of intermediate money (M2), contracted by EUR11.8 million, or 0.3%. This principally reflected lower holdings belonging to private NFCs. Conversely, deposits redeemable at notice up to three months, the remaining component of M2, increased by EUR5.3 million, or 4.2%. The year-on-year growth in intermediate money edged up to 5.6%, from 5.4% in March.

With respect to the counterparts of M3, credit to euro area residents contracted over the period reviewed. It decreased by EUR190.2 million, or 1.2%, largely due to a fall in credit to the private sector. Credit to general government also contracted during the period, though to a lesser extent. Consequently, the annual growth rate of credit decelerated to 8.0% in April, from 8.9% in March.

The decrease in credit to general government of EUR15.2 million, or 0.4%, stemmed from a decline in bank holdings of securities issued by euro-area sovereigns apart from Malta. Credit to euro area residents outside general government fell even more

strongly. The latter dropped by EUR175.0 million, or 1.5%, fuelled principally by lower holdings of securities issued by non-bank financial intermediaries.

In contrast, the external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, expanded by EUR545.5 million, or 6.2%, in April. This reflected a considerable increase in assets, which outpaced a rise in liabilities. The former stemmed mostly from higher loans granted by resident banks to credit institutions residing outside the euro area. Meanwhile, the rise in liabilities was brought about by increased borrowing, partly in the form of repos, by resident banks from non-euro area credit institutions.

The other counterparts of M3 rose by EUR139.2 million, or 1.0%, in April driven principally by an increase in other liabilities (net). In turn, this mainly reflected transactions with other euro area banks. However, a rise in longer-term financial liabilities, fuelled principally by an increase in debt securities issued by resident credit institutions, also contributed.

Transactions with Maltese residents: deposit and credit

Deposits belonging to residents of Malta and held with resident MFIs increased by EUR21.0 million, or 0.2%, in April (see Table 2). This stemmed mostly from an increase in overnight deposits, which went up by EUR34.5 million, or 0.7%, coupled with an increase in deposits redeemable at up to three months' notice amounting to EUR7.2 million, or 5.8%. Conversely, deposits with an agreed maturity of up to two years fell by EUR20.8 million, or 0.6%. The annual growth rate of total deposits edged up to 4.2% in April, from 4.1% in the previous month.

The increase in overnight deposits in April was mainly driven by higher balances belonging to private NFCs, which contemporaneously reduced their deposits with agreed maturity up to two years. At the same time, the rise in deposits redeemable at notice up to three months also stemmed mainly from higher balances belonging to private NFCs. These developments revealed a shift towards more liquid monetary assets in April, fuelled by private NFCs. In contrast, household deposits forming part of M3 declined, driven by reductions in both overnight and short-term fixed deposits. Instead, households added to their holdings of longer-term deposits outside M3.

Credit issued by resident MFIs to residents of Malta (including government) increased by EUR25.7 million, or 0.2%, in April. Consequently, annual credit growth increased to 6.8%, from 6.4% in March.

Credit to general government rose by EUR7.2 million, or 0.3%, as banks increased their Treasury bill portfolios in April. On a year-on-year basis, growth accelerated to 13.7% from 12.9% in March. Credit to residents outside the general government expanded by EUR18.5 million, or 0.2%, driven by an increase in the amount of loans granted to public NFCs and to households, the latter mainly for house purchases. The year-on-year growth rate of credit to other residents stood at 5.0%, up from 4.6% in the previous month.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs contracted by EUR67.5 million, or 0.6%, in April, as foreign liabilities outpaced foreign assets (see Table 2).¹ Growth in foreign liabilities was primarily driven by an increase in the amount of foreign loans taken up by resident banks that outweighed a decrease in non-residents' deposits held with them. On the other hand, the expansion in foreign assets came about mainly from additional holdings of foreign securities, an increase in loans granted to non-residents and higher MFI deposits held abroad. Overall, the annual growth rate of net foreign assets lost momentum reaching 2.6%, from 3.8% one month earlier.

Bank lending and deposit rates

In April, the weighted average interest paid on deposits included in M3 remained unchanged at 1.11% while the corresponding rate on loans dipped by one basis point to 4.70%. Compared with a year earlier, the deposit rate decreased by one basis point while that charged on loans fell by seven 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

	Apr-12	Mar-12	Monthly Change	Monthly Percentage Change	Apr-11	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,620.1	5,581.6	38.4	0.7	5,223.4	396.6	7.6
Currency issued ⁽⁴⁾	706.1	701.9	4.2	0.6	672.0	34.1	5.1
Overnight deposits ⁽⁵⁾	4,914.0	4,879.8	34.2	0.7	4,551.4	362.6	8.0
INTERMEDIATE MONEY (M2)	9,650.7	9,618.8	31.9	0.3	9,138.6	512.1	5.6
Narrow money (M1)	5,620.1	5,581.6	38.4	0.7	5,223.4	396.6	7.6
Deposits redeemable at notice up to 3 months ⁽⁵⁾	131.9	126.6	5.3	4.2	129.1	2.8	2.2
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,898.8	3,910.6	-11.8	-0.3	3,786.1	112.7	3.0
BROAD MONEY (M3)	10,526.7	10,310.6	216.1	2.1	9,351.2	1,175.4	12.6
Intermediate money (M2)	9,650.7	9,618.8	31.9	0.3	9,138.6	512.1	5.6
Repurchase agreements	661.0	478.0	183.0	38.3	0.0	661.0	0.0
Debt securities issued up to 2 years' initial maturity ⁽⁶⁾	214.9	213.7	1.2	0.5	212.6	2.3	1.1
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,721.5	15,911.7	-190.2	-1.2	14,556.1	1,165.4	8.0
Credit to general government	4,244.2	4,259.4	-15.2	-0.4	4,094.7	149.5	3.7
Credit to other sectors	11,477.3	11,652.3	-175.0	-1.5	10,461.5	1,015.9	9.7
EXTERNAL COUNTERPART	9,383.9	8,838.4	545.5	6.2	7,553.8	1,830.1	24.2
Claims on non-residents of the euro area	31,812.3	30,542.6	1,269.7	4.2	28,435.8	3,376.5	11.9
Liabilities to non-residents of the euro area (-)	22,428.4	21,704.2	724.2	3.3	20,882.0	1,546.4	7.4
OTHER COUNTERPARTS (-)	14,578.8	14,439.6	139.2	1.0	12,758.7	1,820.1	14.3
Liabilities to the central government	681.7	740.4	-58.7	-7.9	705.5	-23.8	-3.4
Longer term financial liabilities	12,030.5	11,952.2	78.4	0.7	11,425.8	604.7	5.3
Other liabilities (net)	1,866.6	1,747.1	119.5	6.8	627.4	1,239.2	197.5

(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

	Apr-12	Mar-12	Monthly Change	Monthly Percentage Change	Apr-11	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,587.8	8,566.9	21.0	0.2	8,239.3	348.5	4.2
Overnight deposits	4,750.3	4,715.8	34.5	0.7	4,418.2	332.1	7.5
Deposits redeemable at notice up to 3 months	131.2	124.0	7.2	5.8	128.3	2.9	2.2
Deposits with agreed maturity up to 2 years	3,706.3	3,727.1	-20.8	-0.6	3,692.8	13.5	0.4
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,042.5	11,016.8	25.7	0.2	10,337.9	704.6	6.8
Credit to general government	2,433.9	2,426.7	7.2	0.3	2,140.2	293.7	13.7
Credit to other sectors	8,608.6	8,590.1	18.5	0.2	8,197.7	410.9	5.0
NET FOREIGN ASSETS	11,408.2	11,475.7	-67.5	-0.6	11,123.3	284.9	2.6
Claims on non-residents of Malta	42,048.2	41,663.7	384.5	0.9	39,755.5	2,292.7	5.8
Liabilities to non-residents of Malta (-)	30,640.0	30,188.0	452.0	1.5	28,632.2	2,007.8	7.0

(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.