



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 January 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) fell by €15.8 million, or 0.2%, in January, to €10.5 billion (see Table 1). Consequently, the annual growth rate slowed down to 6.5%, from 8.7% one month earlier.

The month-on-month decline stemmed from a fall in intermediate money (M2), which went down by €20.1 million, or 0.2%, offsetting a small increase in the remaining component of M3, marketable instruments. Overall, intermediate money grew by 6.8% on a year-on-year basis, down from 9.0% one month earlier.

In turn, the fall in M2 resulted from a drop in deposits with an agreed maturity of up to two years. The latter decreased by €81.0 million, or 1.9%, driven by lower balances belonging to private non-financial corporations (NFCs) resident in other euro area countries.

Conversely, narrow money (M1), which is another component of M2, put on €55.8 million, or 0.9%, as overnight deposits continued to increase. These were fuelled primarily by higher balances belonging to private NFCs and households. The rise in overnight deposits offset a month-on-month drop in currency issued. At the same time, deposits redeemable at up to three months' notice – the remaining component of M2 – rose by €5.1 million, or 3.3%, following an increase in balances belonging to private NFCs.

Overall, private NFCs contributed negatively to the change in M3 in January, reversing the significant increase experienced in the previous month. In contrast, the household sector increased its deposit balances in January, thereby making a positive contribution to the change in M3.

Turning to the counterparts of M3, credit to euro area residents fell marginally, contracting by €4.4 million as an increase in credit to general government was outweighed by a decline in credit to other sectors. Overall, credit contracted at a slower annual pace, falling by 2.7% in January, following a 3.0% drop in December.

Turning to the composition of credit granted to euro area residents, credit to general government expanded by €87.5 million, or 2.5%, as banks increased their holdings of domestic government debt. However, resident MFIs continued to reduce their holdings of securities issued by other euro area governments.

Credit to other residents fell by €91.9 million, or 0.8%, mainly owing to a decline in resident MFI holdings of securities issued by non-bank financial intermediaries residing elsewhere in the euro area.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, fell by €878.4 million, or 8.6%. This reflected a considerable increase in liabilities to non-residents which offset a small increase in claims.

The “other counterparts” category, which is negatively related to M3, fell by €867.0 million, or 5.7%, in January driven by a steep decline in other liabilities (net). Longer-term financial liabilities decreased marginally during the month, as a decline in MFIs’ reserves masked an increase in equity. In contrast, liabilities to the central government, the remaining component of the category, rose by €15.2 million, or 3.0%, as government deposits with the Central Bank of Malta increased.

Transactions with Maltese residents: deposits and credit

In January, deposits belonging to residents of Malta and held with resident MFIs expanded by €86.8 million, or 1.0% (see Table 2). Since this increase was smaller than that registered twelve months earlier, the annual growth rate slowed down to 5.5%, from 6.5% in December (see Chart 1).

Overnight deposits expanded significantly, rising by €43.1 million, or 0.8%, fuelled by higher balances belonging to households and NFCs. Nonetheless, given that the annual increase was smaller than that a year earlier, the annual growth rate eased to 9.1% from 11.3% in December. Deposits with an agreed maturity of up to two years rose by €38.7 million, or 1.0%, driven mostly by higher balances belonging to households and non-bank financial intermediaries. Consequently, their annual growth rate reached 0.2%, from -0.1%, in the previous month. Deposits redeemable at notice of up to three months also increased, putting on €5.1 million, or 3.4%, as a result of higher balances belonging to private NFCs.

During the month, credit granted by resident MFIs to residents of Malta rose by €121.2 million, or 1.1%. Consequently, the annual rate of credit growth accelerated to 2.1% from 0.8% in December 2012 (see Chart 2).

The rise observed during the month stemmed entirely from an increase in credit granted to general government, which expanded by €135.3 million, or 5.9%. This stemmed from higher banks' holdings of both Treasury bills and Malta Government Stocks (MGS). Consequently, the annual growth rate of credit to general government turned positive, reaching 2.9%, from -2.8% one month earlier.

Conversely, credit to residents other than general government fell by €14.1 million, or 0.2%. This reflected a drop in loans granted to private NFCs, particularly those operating in the construction sector, offsetting a slight increase in loans to households. The annual growth rate of credit to other residents remained unchanged at 1.8% during the month.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €78.4 million, or 0.6%, during the month as foreign liabilities increased more than the corresponding claims (see Table 2)¹. The former stemmed from higher borrowing by the banking sector from foreign credit institutions. Meanwhile, the rise in claims stemmed from increases in deposits held with non-resident MFIs and in loans granted to non-residents. As a result, the annual rate of growth of net foreign assets slowed down to 5.9% from 8.9% one month earlier.

Bank lending and deposit rates²

In January, the weighted average interest paid by resident MFIs on all outstanding deposits belonging to Maltese households and NFCs edged up by 1 basis point, reaching 1.43%. Meanwhile, the weighted average interest charged by MFIs on outstanding loans to resident households and NFCs rose by 2 basis points to 4.35%.

The weighted average deposit rate was 2 basis points higher than in January 2012, while that charged on loans was 2 basis points lower than a year earlier.

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 also 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

	Jan-13	Dec-12	Monthly Change	Monthly Percentage Change	Jan-12	Annual Percentage Change	
						Jan-13	Dec-12
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,061.5	6,005.7	55.8	0.9	5,576.2	8.7	10.7
Currency issued ⁽⁴⁾	716.8	726.2	-9.3	-1.3	706.3	1.5	2.2
Overnight deposits ⁽⁵⁾	5,344.6	5,279.5	65.1	1.2	4,869.9	9.7	12.0
INTERMEDIATE MONEY (M2)	10,308.8	10,328.9	-20.1	-0.2	9,649.6	6.8	9.0
Narrow money (M1)	6,061.5	6,005.7	55.8	0.9	5,576.2	8.7	10.7
Deposits redeemable at notice up to 3 months ⁽⁵⁾	158.3	153.2	5.1	3.3	126.9	24.8	22.5
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,089.0	4,170.0	-81.0	-1.9	3,946.5	3.6	6.3
BROAD MONEY (M3)	10,504.6	10,520.4	-15.8	-0.2	9,859.2	6.5	8.7
Intermediate money (M2)	10,308.8	10,328.9	-20.1	-0.2	9,649.6	6.8	9.0
Marketable instruments ⁽⁶⁾	195.7	191.5	4.2	2.2	209.7	-6.6	-6.2
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,594.9	15,599.3	-4.4	0.0	16,031.5	-2.7	-3.0
Credit to general government	3,635.7	3,548.2	87.5	2.5	4,541.1	-19.9	-22.8
Credit to other sectors	11,959.2	12,051.1	-91.9	-0.8	11,490.5	4.1	5.0
EXTERNAL COUNTERPART	9,281.4	10,159.8	-878.4	-8.6	8,659.7	7.2	29.6
Claims on non-residents of the euro area	32,691.3	32,561.1	130.3	0.4	30,369.4	7.6	11.1
Liabilities to non-residents of the euro area (-)	23,409.9	22,401.2	1,008.7	4.5	21,709.8	7.8	4.4
OTHER COUNTERPARTS (-)	14,371.7	15,238.7	-867.0	-5.7	14,831.9	-3.1	7.0
Liabilities to the central government	519.0	503.9	15.2	3.0	547.9	-5.3	-30.5
Longer term financial liabilities	12,654.2	12,676.9	-22.7	-0.2	12,144.3	4.2	5.9
Other liabilities (net)	1,198.5	2,058.0	-859.5	-41.8	2,139.7	-44.0	33.3

(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.

(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

	Jan-13	Dec-12	Monthly Change	Monthly Percentage Change	Jan-12	Annual Percentage Change	
						Jan-13	Dec-12
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,038.3	8,951.5	86.8	1.0	8,571.1	5.5	6.5
Overnight deposits	5,153.1	5,110.0	43.1	0.8	4,724.4	9.1	11.3
Deposits redeemable at notice up to 3 months	156.8	151.7	5.1	3.4	124.3	26.2	23.8
Deposits with agreed maturity up to 2 years	3,728.5	3,689.8	38.7	1.0	3,722.4	0.2	-0.1
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,109.8	10,988.6	121.2	1.1	10,884.9	2.1	0.8
Credit to general government	2,422.5	2,287.1	135.3	5.9	2,354.5	2.9	-2.8
Credit to other sectors	8,687.3	8,701.5	-14.1	-0.2	8,530.4	1.8	1.8
NET FOREIGN ASSETS	12,282.7	12,361.1	-78.4	-0.6	11,596.2	5.9	8.9
Claims on non-residents of Malta	43,426.0	43,098.6	327.4	0.8	42,103.5	3.1	4.2
Liabilities to non-residents of Malta (-)	31,143.3	30,737.5	405.8	1.3	30,507.4	2.1	2.5

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

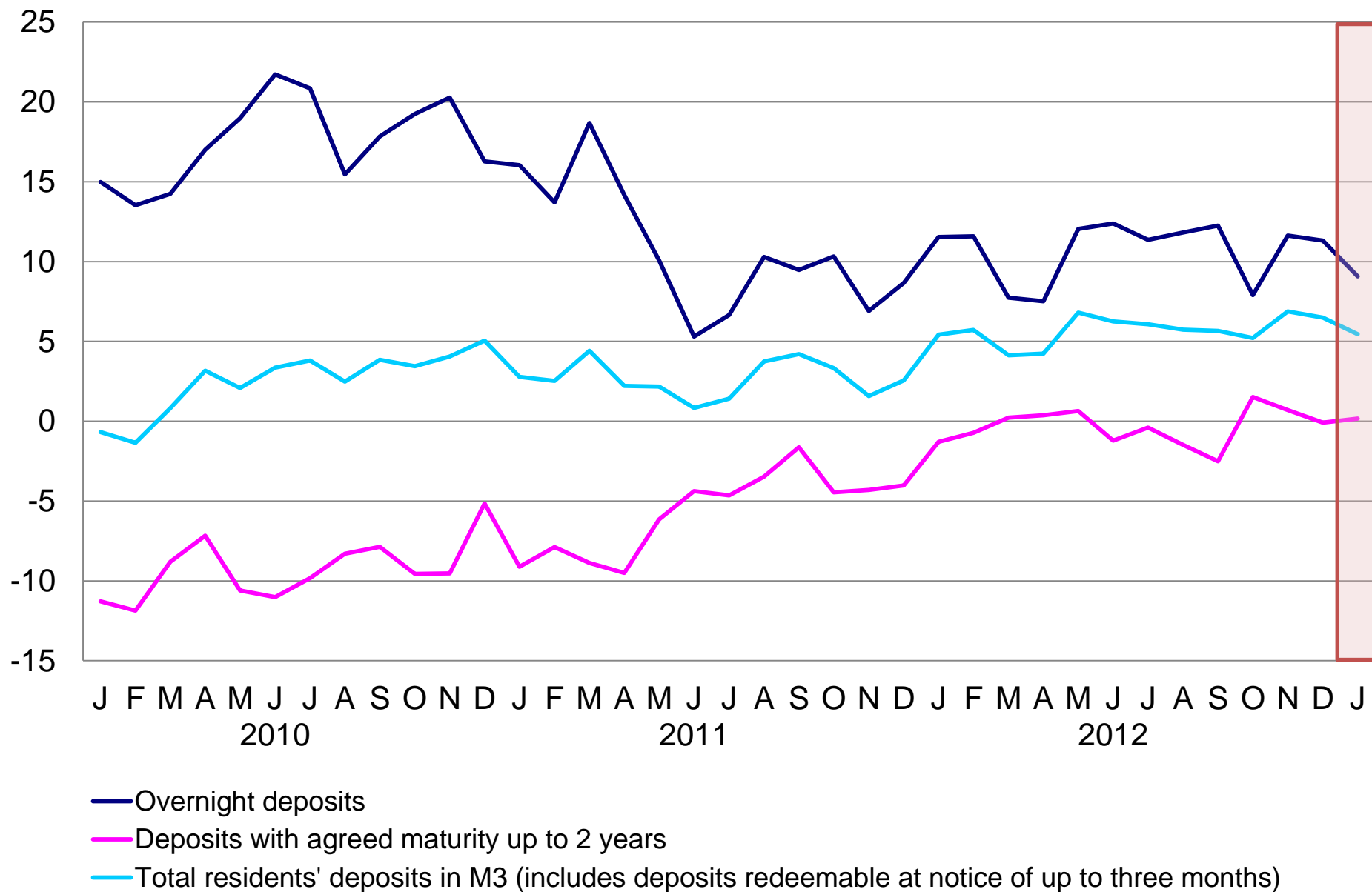
⁽²⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.

Chart 1

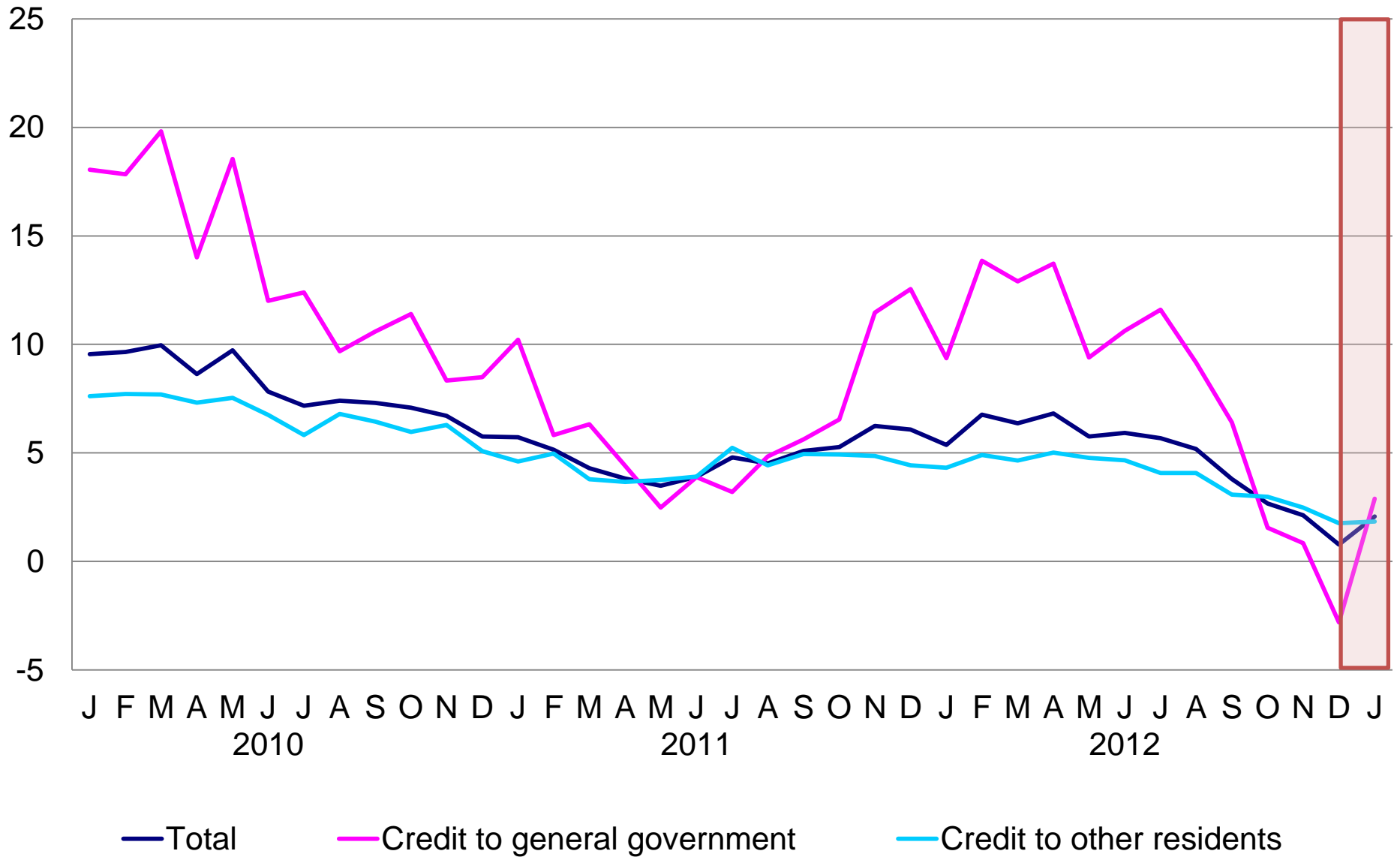
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.