



RELEASE OF MONETARY STATISTICS

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OCTOBER 2013

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

Deposits of Maltese residents

In October, deposits within M3 belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) expanded by €206.2 million, or 2.2% on the previous month (see Table 1). Consequently, the annual growth rate of these deposits accelerated to 7.8% from 6.1% one month earlier (see Chart 1).

As in previous months, the rise in deposits stemmed primarily from an increase in overnight balances. The latter grew by €206.1 million, or 3.8%, driven by higher balances belonging to all economic sectors, particularly non-bank financial intermediaries, non-financial companies (NFCs) and households. In part, this rise reflects the redemption of two Malta Government Stock (MGS) issues that occurred during the month.

Deposits with an agreed maturity of up to two years rose marginally by €1.9 million, or 0.1%, as an increase in private NFCs' holdings was partly offset by lower balances held by insurance companies and pension funds. In contrast, deposits redeemable at a notice of up to three months fell by €1.7 million, or 1.5%, as households' balances declined.

Credit extended to Maltese residents

In October, credit granted by resident MFIs to residents of Malta contracted by €74.8 million, or 0.7%, on the previous month. Year-on-year, however, credit expanded by €0.2 billion or 1.8% (see Chart 2).

Over the month, credit to general government fell by €62.2 million, or 2.3%, as an increase in the banks' Treasury bill holdings was offset by a fall in their MGS portfolio in line with the redemption of two MGS issues, as mentioned above. In annual terms, credit to general government rose by 9.8%.

Meanwhile, credit to other sectors, mainly comprising households and private sector NFCs, contracted by €12.6 million, or 0.1%, during the month of October. While loans granted to households, primarily for house purchases, increased, loans granted to NFCs – mostly those operating in the manufacturing, transportation & storage and

construction sectors – declined. On an annual basis, credit to the other sectors contracted by 0.4%.

Net foreign assets of Maltese MFIs¹

With regard to net foreign assets belonging to resident banks, these fell by €1.8 billion, or 15.1%, on the previous month as a substantial decline in foreign claims exceeded a fall in foreign liabilities (see Table 1). The large movements in foreign assets and liabilities seen in October mainly reflected cross-border transactions of international banks that operate from Malta.

The decline in foreign assets mostly reflected a reduction in loans granted to foreign banks. On the other hand, the drop in liabilities arose mainly from a lower amount of non-residents' deposits held with resident MFIs. On an annual basis, net foreign assets contracted by 18.9% as opposed to a 3.9% drop in September.

Bank lending and deposit rates²

In October, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs remained unchanged at 1.41% for the third consecutive month. Meanwhile, the interest rate charged by resident MFIs on outstanding loans to Maltese households and NFCs fell by 1 basis point to 4.29%.

The weighted average deposit rate was 1 basis point below that offered a year earlier, while that charged on loans was 2 basis 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 €283.0 million, or 2.6%, in October reaching €11.3 billion (see Table 2). As a result, the annual growth rate went up to 10.5% from 8.3% in the previous month.

Developments in M3 stemmed from a rise in the intermediate money (M2) component, which increased by €302.3 million, or 2.8%. Consequently, the annual growth rate of M2 rose to 10.5% from 8.3% in September.

Narrow money (M1), which is a major component of M2, grew by €210.6 million, or 3.3%, during the month, reflecting an increase in both overnight deposits and currency issued. The former expanded by €209.4 million, or 3.7%, driven mainly by higher balances belonging to residents as mentioned earlier. At the same time, currency issued rose by €1.2 million, or 0.2%. As a result, the annual growth rate of M1 accelerated to 13.8% from 9.8% in the previous month.

Deposits with an agreed maturity of up to two years, which also form part of M2, rose by €93.4 million, or 2.2%, during the month, mainly on the back of higher balances

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. Non-financial corporations include all enterprises, except banks, insurance companies & pension funds and other financial institutions.

belonging to private NFCs. On the other hand, deposits redeemable at up to three months' notice, the remaining component of M2, fell by €1.7 million, or 1.5%.

Turning to the counterparts of M3, credit to euro area residents expanded by €111.2 million, or 0.7%, over the month of October. The rise stemmed entirely from credit granted to residents other than general government, which increased by €194.2 million, or 1.8%. In turn, this was mainly due to a rise in banks' holdings of securities issued by non-bank financial intermediaries resident in other euro area countries. On the other hand, credit to general government contracted by €83.0 million, or 2.0%, following a decline in MFI holdings of government securities. Overall, credit contracted at a slower year-on-year rate, falling by 4.1% in October as opposed to a 6.5% drop in September.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, contracted by €1.4 billion, or 11.6%. This reflected a substantial decline in foreign assets that stemmed from a fall in loans extended mainly to other banks outside the euro area. To a lesser extent, foreign liabilities also decreased, driven by a fall in repurchase agreements. On a year-on-year basis the external counterpart continued to expand, but the rate of growth decelerated to 14.0%, from 39.1% in September.

The "other counterparts" category, which is negatively related to M3, decreased by €1.6 billion, or 9.9%, during the month. This mainly reflected a decline in longer-term financial liabilities that was principally brought about by a drop in shares and other equity on the part of one internationally-oriented bank. At the same time, MFI liabilities to the central government fell by €119.6 million as the redemption of MGS that occurred during the month led to a reduction in government deposits with the banking system. On the other hand, other liabilities (net) rose by €183.2 million, or 5.2%. In turn, this mainly reflected transactions between banks resident in Malta and banks resident elsewhere in the euro area.

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

	Oct-13	Sep-13	Monthly Change	Monthly Percentage Change	Oct-12	Annual Percentage Change	
						Oct-13	Sep-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,496.8	9,290.6	206.2	2.2	8,812.6	7.8	6.1
Overnight deposits	5,687.8	5,481.7	206.1	3.8	4,945.0	15.0	10.7
Deposits redeemable at notice up to 3 months	109.5	111.2	-1.7	-1.5	142.2	-23.0	-22.7
Deposits with agreed maturity up to 2 years	3,699.5	3,697.6	1.9	0.1	3,725.4	-0.7	1.0
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,251.2	11,326.0	-74.8	-0.7	11,055.6	1.8	1.6
Credit to general government	2,603.3	2,665.5	-62.2	-2.3	2,372.0	9.8	8.6
Credit to other sectors	8,647.9	8,660.4	-12.6	-0.1	8,683.6	-0.4	-0.4
NET FOREIGN ASSETS	9,854.1	11,604.8	-1,750.7	-15.1	12,147.8	-18.9	-3.9
Claims on non-residents of Malta	43,262.2	45,128.3	-1,866.1	-4.1	42,818.6	1.0	2.9
Liabilities to non-residents of Malta (-)	33,408.1	33,523.5	-115.4	-0.3	30,670.8	8.9	5.4

⁽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.

CENTRAL BANK OF MALTA

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

EUR millions

	Oct-13	Sep-13	Monthly Change	Monthly Percentage Change	Oct-12	Annual Percentage Change	
						Oct-13	Sep-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,639.1	6,428.5	210.6	3.3	5,832.7	13.8	9.8
Currency issued ⁽⁴⁾	762.4	761.2	1.2	0.2	715.8	6.5	5.9
Overnight deposits ⁽⁵⁾	5,876.6	5,667.3	209.4	3.7	5,116.9	14.8	10.4
INTERMEDIATE MONEY (M2)	11,134.1	10,831.8	302.3	2.8	10,071.6	10.5	8.3
Narrow money (M1)	6,639.1	6,428.5	210.6	3.3	5,832.7	13.8	9.8
Deposits redeemable at notice up to 3 months ⁽⁵⁾	109.6	111.3	-1.7	-1.5	144.0	-23.9	-23.6
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,385.4	4,292.0	93.4	2.2	4,094.9	7.1	7.2
BROAD MONEY (M3)	11,336.8	11,053.8	283.0	2.6	10,262.1	10.5	8.3
Intermediate money (M2)	11,134.1	10,831.8	302.3	2.8	10,071.6	10.5	8.3
Marketable instruments ⁽⁶⁾	202.7	222.0	-19.3	-8.7	190.5	6.4	9.6
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,038.5	14,927.3	111.2	0.7	15,687.4	-4.1	-6.5
Credit to general government	4,020.7	4,103.6	-83.0	-2.0	3,617.7	11.1	7.5
Credit to other sectors	11,017.8	10,823.6	194.2	1.8	12,069.7	-8.7	-10.9
EXTERNAL COUNTERPART	10,722.7	12,127.2	-1,404.5	-11.6	9,403.6	14.0	39.1
Claims on non-residents of the euro area	34,109.5	35,672.5	-1,563.1	-4.4	31,865.9	7.0	9.6
Liabilities to non-residents of the euro area (-)	23,386.8	23,545.3	-158.6	-0.7	22,462.3	4.1	-1.1
OTHER COUNTERPARTS (-)	14,424.5	16,000.8	-1,576.2	-9.9	14,828.9	-2.7	10.5
Liabilities to the central government	571.9	691.5	-119.6	-17.3	560.2	2.1	-26.9
Longer term financial liabilities	10,123.1	11,763.0	-1,639.9	-13.9	12,573.6	-19.5	-5.9
Other liabilities (net)	3,729.6	3,546.4	183.2	5.2	1,695.1	120.0	246.7

⁽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.

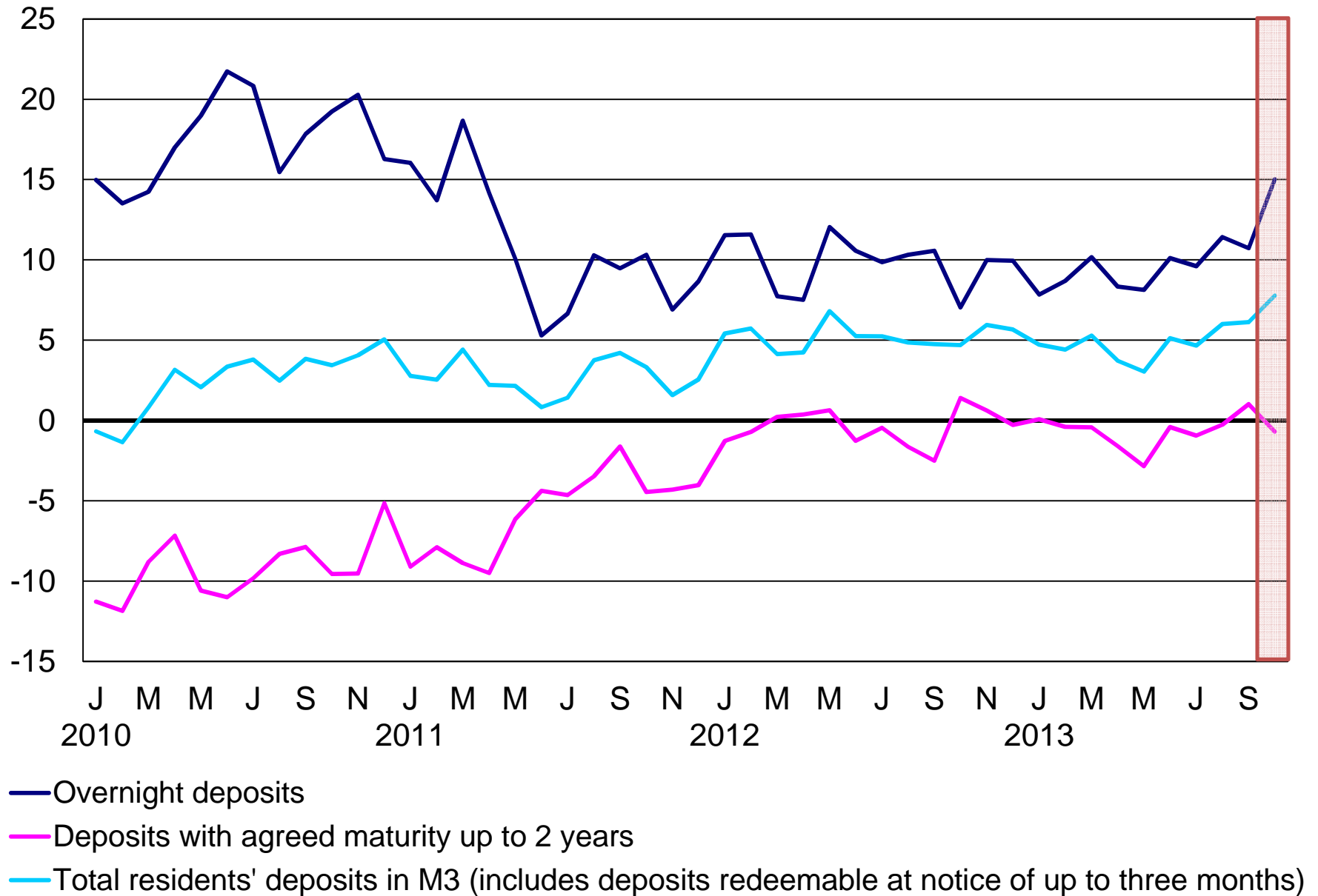
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

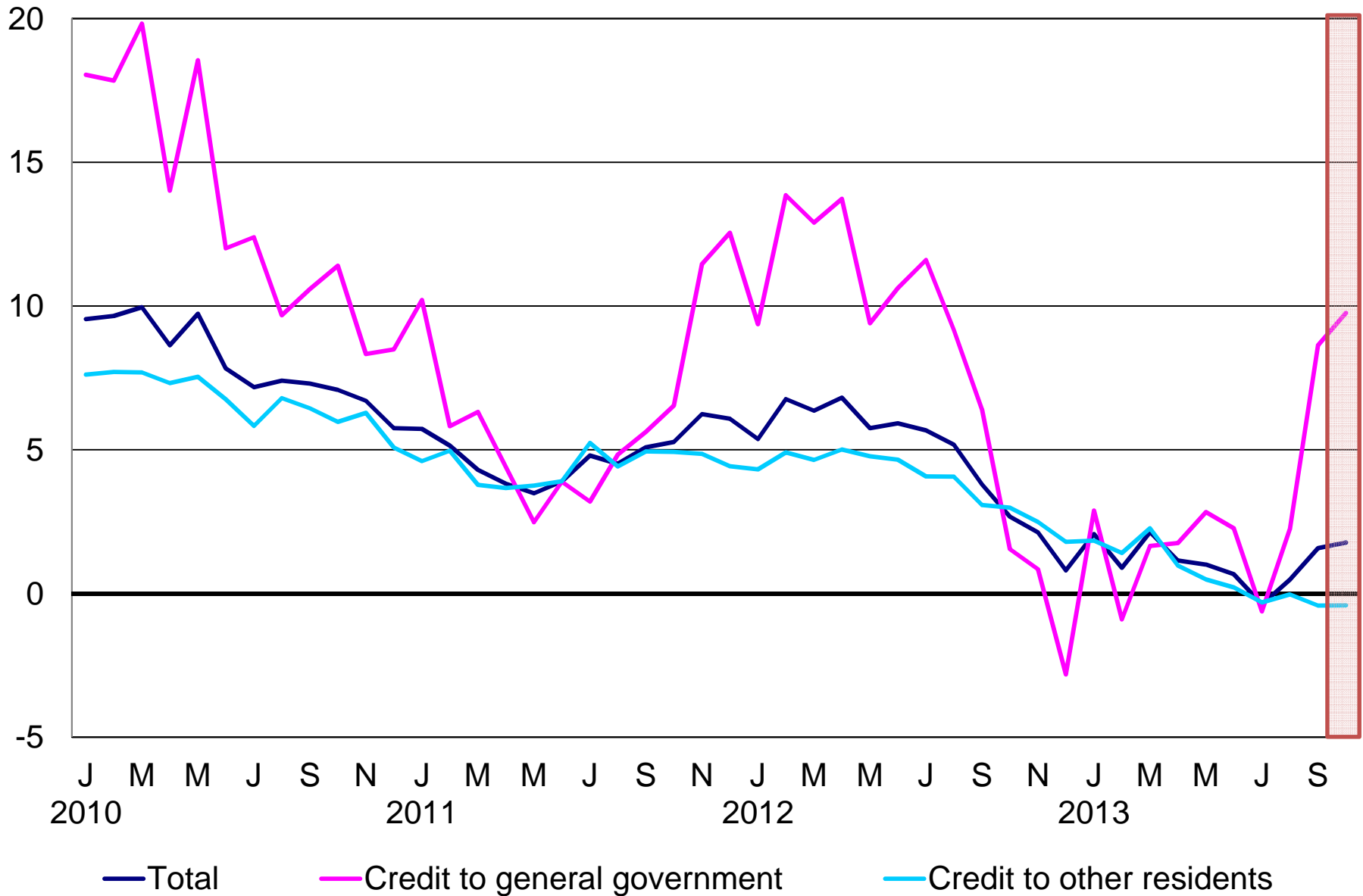
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.