



RELEASE OF MONETARY STATISTICS

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The Central Bank of Malta has just issued its commentary on monetary developments in November 2013.

Deposits of Maltese residents

In November, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) expanded by €134.5 million, or 1.4% (see Table 1). As a result, the annual growth rate rose to 9.6%, from 7.8% in the previous month (see Chart 1).

Growth in deposits stemmed mainly from a rise in overnight deposits, which put on €101.1 million, or 1.8%. This was driven, to a large extent, by higher balances belonging to private non-financial corporations (NFCs) and households, which together offset a fall in balances belonging to non-bank financial intermediaries. Consequently, overnight deposits grew at a faster annual pace in November with the rate reaching 17.2%, from 15.0% in October.

Deposits with an agreed maturity of up to two years also expanded, rising by €33.2 million, or 0.9%, on the previous month mostly due to higher balances belonging to insurance companies and, to a lesser extent, private NFCs and households. As a result, the annual growth rate of these deposits turned positive, standing at 0.9% in November, from -0.7% in October. At the same time, deposits redeemable at a notice of up to three months edged up by €0.2 million, or 0.2%, over the month.

Credit extended to Maltese residents

In November, credit granted by resident MFIs to residents of Malta contracted by €24.1 million, or 0.2%, following a decline in credit granted to general government. The annual growth rate slowed down to 1.1% in November, from 1.8% in October.

Credit to general government fell by €32.0 million, following a drop in banks' Treasury bill holdings that outweighed an increase in their portfolios of Malta Government Stocks. The latter partly reflected the primary market issue of stocks during the month. As a result, the annual growth rate of credit to general government slowed down to 7.2% from 9.8% in the previous month.

On the other hand, credit to residents outside the general government sector rose by €7.9 million, or 0.1%. This increase stemmed almost entirely from a rise in loans granted to households, particularly those for house purchases. In contrast, credit to

NFCs declined slightly, mainly due to a fall in loans granted to the construction sector. Overall, the increase in credit during the month was smaller than that registered twelve months earlier. Consequently, the annual growth rate fell to -0.6% in November from -0.4% in October.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €24.7 million, or 0.3%, as a substantial drop in foreign assets exceeded a fall in corresponding liabilities (see Table 1).¹ The fall in external assets stemmed primarily from a decline in securities' holdings, coupled with a reduction in lending to foreigners. On the other hand, the decline in liabilities mainly reflected lower borrowing from foreign banks, though non-residents' deposits with resident banks also fell. Consequently, on an annual basis net foreign assets contracted by 20.1% in the year to November, as opposed to a fall of 18.9% in the twelve months to October.

Bank lending and deposit rates²

In November, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs fell by 1 basis point to 1.40%. Meanwhile, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs fell by 4 basis points to 4.25%.

The weighted average deposit rate was 2 basis points lower when compared to a year earlier, while that charged on loans was 8 basis points lower.

Contribution to euro area monetary aggregates

The contribution of resident MFIs to the euro area broad money stock (M3) expanded by €75.2 million, or 0.7% in November, reaching €11.4 billion (see Table 2). Consequently, its annual growth rate accelerated to 11.3%, from 10.5% one month earlier.

Movements in M3 in November were entirely driven by developments in the intermediate money (M2) component. The latter increased by €118.2 million, or 1.1%, on the previous month. In contrast, net holdings of marketable instruments, which also form part of M3, fell by €43.0 million, or 21.2%, during the month.

Narrow money (M1), which forms part of M2, grew by €96.2 million, or 1.4%, during the month because of increases in overnight deposits and currency issued. Overnight deposits expanded by €95.6 million, or 1.6%, driven by higher balances belonging to residents of Malta. At the same time, currency issued rose marginally. Consequently, the annual growth rate of M1 rose to 15.5% in November, from 13.8% in the previous month.

Deposits with an agreed maturity of up to two years, which also form part of M2, went up by €21.7 million driven also by higher balances belonging to residents. Deposits

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 resident 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 and other financial institutions.

redeemable at up to three months' notice, the remaining component of M2, edged up slightly.

Turning to the counterparts of M3, credit to euro area residents contracted by €473.6 million, or 3.1%, on the back of lower credit granted to both general government and other sectors. Consequently, credit contracted at a faster pace, falling by 7.6% on a year-on-year basis in November, following a 4.1% drop in October.

Credit to general government contracted by €163.1 million, or 4.1%, in November mirroring a decline in holdings of euro area government securities. At the same time, credit to other sectors fell by €310.5 million, or 2.8%. The decline stemmed entirely from a fall in credit granted to residents in euro area countries other than Malta that was mainly due to lower holdings of securities issued by non-bank financial intermediaries. In addition, one internationally-oriented bank significantly reduced its lending to NFCs.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, fell by €1.5 billion, or 14.4%. This is the result of a significant decline in external claims stemming mainly from a fall in securities' holdings. This was coupled with a fall in deposits held with other MFIs as well as lower loans. Foreign liabilities also contracted, although to a lesser extent, reflecting lower deposits held with resident MFIs and a decline in repurchase agreements. Overall, the external counterpart contracted by 4.6% in the year to November, whereas it had increased by 14.0% in the year to October. Large movements in the external counterpart mainly reflected cross-border transactions of international banks that operate from Malta.

The "other counterparts" category, which is negatively related to M3, fell by €2.1 billion, or 14.5%, during the month reflecting mainly a decline in other liabilities (net). In turn, this mainly reflected a drop in resident banks' liabilities to banks resident elsewhere in the euro area. At the same time, longer-term financial liabilities dropped by €130.5 million, or 1.3%, due to a drop in the value of reserves arising from fluctuations in market prices and exchange rate movements. Meanwhile, liabilities to the central government fell by €15.0 million, or 2.6%, as government deposits declined.

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

	Nov-13	Oct-13	Monthly Change	Monthly Percentage Change	Nov-12	Annual Percentage Change	
						Nov-13	Oct-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,631.4	9,496.8	134.5	1.4	8,787.3	9.6	7.8
Overnight deposits	5,788.9	5,687.8	101.1	1.8	4,939.8	17.2	15.0
Deposits redeemable at notice up to 3 months	109.8	109.5	0.2	0.2	149.5	-26.6	-23.0
Deposits with agreed maturity up to 2 years	3,732.7	3,699.5	33.2	0.9	3,698.0	0.9	-0.7
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,227.1	11,251.2	-24.1	-0.2	11,108.0	1.1	1.8
Credit to general government	2,571.3	2,603.3	-32.0	-1.2	2,398.5	7.2	9.8
Credit to other sectors	8,655.7	8,647.9	7.9	0.1	8,709.5	-0.6	-0.4
NET FOREIGN ASSETS	9,829.4	9,854.1	-24.7	-0.3	12,306.6	-20.1	-18.9
Claims on non-residents of Malta	41,307.5	43,262.2	-1,954.7	-4.5	44,177.1	-6.5	1.0
Liabilities to non-residents of Malta (-)	31,478.1	33,408.1	-1,930.0	-5.8	31,870.6	-1.2	8.9

⁽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

	Nov-13	Oct-13	Monthly Change	Monthly Percentage Change	Nov-12	Annual Percentage Change	
						Nov-13	Oct-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,735.3	6,639.1	96.2	1.4	5,833.0	15.5	13.8
Currency issued ⁽⁴⁾	763.0	762.4	0.6	0.1	713.5	6.9	6.5
Overnight deposits ⁽⁵⁾	5,972.3	5,876.6	95.6	1.6	5,119.5	16.7	14.8
INTERMEDIATE MONEY (M2)	11,252.3	11,134.1	118.2	1.1	10,060.5	11.8	10.5
Narrow money (M1)	6,735.3	6,639.1	96.2	1.4	5,833.0	15.5	13.8
Deposits redeemable at notice up to 3 months ⁽⁵⁾	109.8	109.6	0.2	0.2	151.0	-27.3	-23.9
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,407.2	4,385.4	21.7	0.5	4,076.5	8.1	7.1
BROAD MONEY (M3)	11,412.0	11,336.8	75.2	0.7	10,250.3	11.3	10.5
Intermediate money (M2)	11,252.3	11,134.1	118.2	1.1	10,060.5	11.8	10.5
Marketable instruments ⁽⁶⁾	159.7	202.7	-43.0	-21.2	189.8	-15.8	6.4
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,565.0	15,038.5	-473.6	-3.1	15,766.5	-7.6	-4.1
Credit to general government	3,857.6	4,020.7	-163.1	-4.1	3,678.3	4.9	11.1
Credit to other sectors	10,707.4	11,017.8	-310.5	-2.8	12,088.3	-11.4	-8.7
EXTERNAL COUNTERPART	9,179.2	10,722.7	-1,543.6	-14.4	9,618.3	-4.6	14.0
Claims on non-residents of the euro area	32,180.2	34,109.5	-1,929.3	-5.7	33,279.5	-3.3	7.0
Liabilities to non-residents of the euro area (-)	23,001.0	23,386.8	-385.8	-1.6	23,661.2	-2.8	4.1
OTHER COUNTERPARTS (-)	12,332.3	14,424.5	-2,092.3	-14.5	15,134.6	-18.5	-2.7
Liabilities to the central government	556.9	571.9	-15.0	-2.6	668.9	-16.7	2.1
Longer term financial liabilities	9,992.6	10,123.1	-130.5	-1.3	12,732.1	-21.5	-19.5
Other liabilities (net)	1,782.8	3,729.6	-1,946.7	-52.2	1,733.6	2.8	120.0

⁽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.

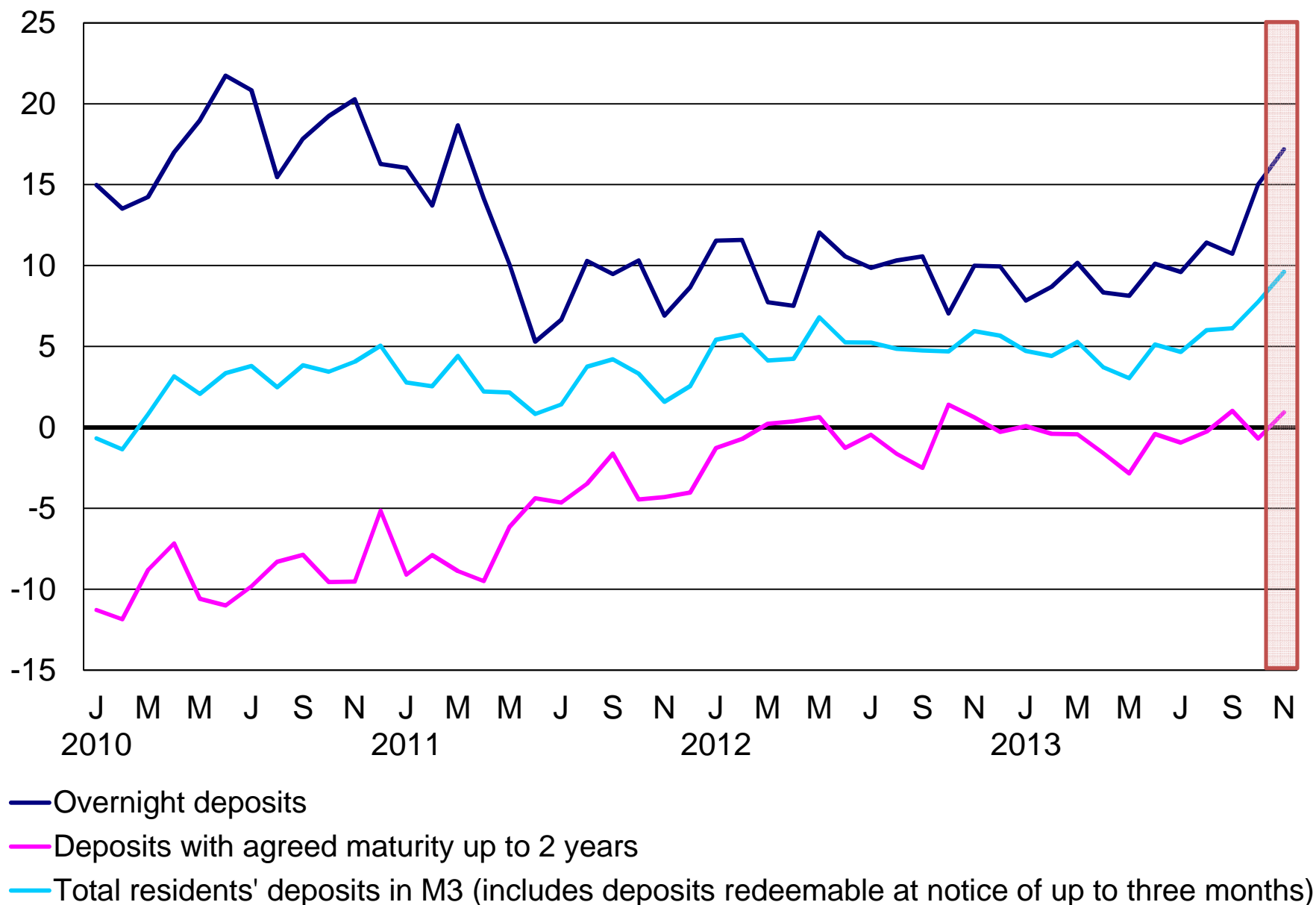
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

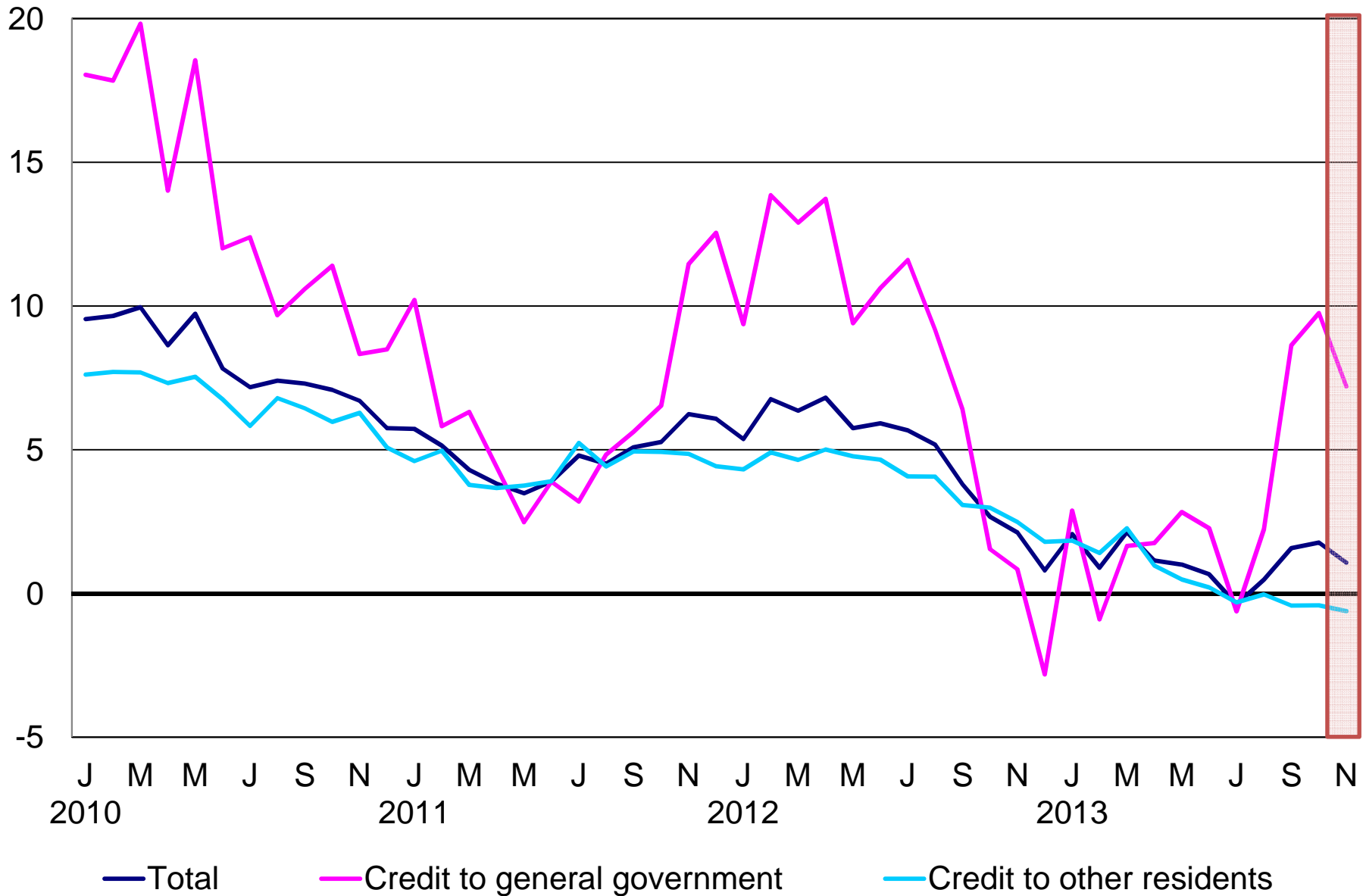
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.