



RELEASE OF MONETARY STATISTICS

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DECEMBER 2013

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

Deposits of Maltese residents

In December, deposits forming part of M3 belonging to residents of Malta and held with resident Monetary Financial Institutions (MFI) expanded by €35.2 million, or 0.4%, on the previous month (see Table 1). Nonetheless, the annual growth rate slowed down to 8.8% from 9.6% one month earlier (see Chart 1).

The rise in deposits in December stemmed mainly from an increase in deposits with an agreed maturity of up to two years. The latter grew by €49.8 million, or 1.3%, driven by higher balances belonging to insurance companies, households and non-bank financial intermediaries. As a result, the annual growth rate of these deposits rose to 2.7% from 0.9% in November. At the same time, deposits redeemable at a notice of up to three months rose by €3.3 million, or 3.0%, mainly because balances belonging to private non-financial companies (NFCs) increased.

Conversely, overnight deposits, which had been rising since May, fell by €17.9 million, or 0.3%, despite an increase in balances held by households, as balances belonging to the other economic sectors, notably NFCs, fell. Consequently, the annual rate of change slowed down to 14.3%, from 17.2% a month earlier.

Credit extended to Maltese residents

In December, credit granted by resident MFIs to residents of Malta contracted by €82.9 million, or 0.7%, on the previous month. As credit had fallen even more strongly in December 2012, the annual rate of credit growth picked up, however, to 1.4%, from 1.1% in November (see Chart 2).

Over the month, credit to general government contracted by €93.3 million, or 3.6%, mainly due to a decline in banks' Treasury bill holdings. Claims on general government rose by 8.3% on a year earlier, up from 7.2% in the previous month.

Meanwhile, credit to other residents, including private sector borrowers, expanded by €10.5 million, or 0.1%. This mainly reflected a rise in loans granted to households for house purchases. Loans to private NFCs edged up marginally during the month, following eight consecutive monthly declines. Loans granted to the construction sector increased for the first time after a prolonged decline, while credit to firms in

manufacturing and accommodation & food services also rose. The annual rate of change of credit to other residents edged up to -0.4% from -0.6% in November.

Net foreign assets of Maltese MFIs¹

The net foreign assets belonging to resident MFIs fell by €183.7 million, or 1.9%, on the previous month as a decline in foreign claims exceeded a fall in foreign liabilities (see Table 1). In turn, the reduction in foreign assets mostly reflected a reduction in loans granted to non-residents. On the other hand, the drop in liabilities arose mainly from lower borrowing from foreign banks. Both reflected the activities of international banks that operate in Malta. Net foreign assets continued to contract on an annual basis, falling by 21.2% following a 19.9% drop in November.

Bank lending and deposit rates²

In December, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs rose marginally by 1 basis point on the previous month to 1.41%. Similarly, the interest rate charged by resident MFIs on outstanding loans to Maltese households and NFCs rose by 1 basis point to 4.26%.

The weighted average deposit rate was 1 basis point lower than that offered a year earlier, while that charged on loans was 6 basis points lower.

Contribution to euro area monetary aggregates and counterparts

The contribution of resident MFIs to the euro area broad money stock (M3) includes monetary liabilities of resident MFIs to residents of Malta, as described in the first part of this release, and also to residents of the euro area outside Malta. This aggregate expanded by €215.1 million, or 1.9%, in December reaching €11.6 billion (see Table 2). However, the annual growth rate edged down to 11.2% in December, from 11.3% in the previous month.

Growth in the intermediate money (M2) component, which increased by €209.4 million, or 1.9%, accounted for most of the rise in M3. In December, M2 grew by 11.7% year-on-year, from 11.8% in November.

The increase on the previous month in M2 mainly reflected a rise in deposits with an agreed maturity of up to two years, which put on €213.8 million, or 4.9%. This primarily reflected an increase in balances belonging to private NFCs resident elsewhere in the euro area. At the same time, deposits redeemable at a notice period of up to three months' rose by €3.3 million, or 3.0%.

On the other hand, narrow money (M1), the remaining component of M2, contracted by €7.7 million, or 0.1%, due to a fall in overnight deposits that offset a rise in currency issued. The former fell by €23.3 million, or 0.4%, primarily due to lower balances belonging to private NFCs and non-bank financial intermediaries. Conversely, currency issued rose by €15.6 million, or 2.0%.

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.

Turning to the counterparts of M3, credit to euro area residents contracted by €131.7 million, or 0.9%, during December. Overall, however, credit contracted at a slightly slower annual rate, falling by 7.5% in December, after a 7.6% drop in November.

Credit to general government decreased by €84.3 million, or 2.2% over the month. As mentioned above, MFI claims on the Maltese government declined, offsetting a moderate increase in those pertaining to governments of other euro area countries. At the same time, credit granted to other residents declined by €47.4 million, or 0.4%, following a drop in lending to non-bank financial intermediaries which outweighed a rise in loans to private NFCs.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, expanded by €387.9 million, or 4.2%. This reflected a substantial decline in liabilities that was in turn driven mainly by a fall in foreign borrowings through repurchase agreements. At the same time, their claims on foreign counterparts also decreased, though to a lesser extent, as loans granted to non-euro area residents fell. On a year-on-year basis, however, the external counterpart contracted. The annual rate of change fell to -5.3% in December, from -4.6% in the previous month.

The “other counterparts” category, which is negatively related to M3, rose by €41.0 million, or 0.3%, during the month. This resulted from a €354.7 million rise in other liabilities (net) which, in turn, mainly reflected an increase in the Central Bank of Malta’s liabilities to the Eurosystem. On the other hand, the MFIs’ longer-term liabilities contracted by €248.0 million, mainly due to a drop in the value of reserves arising from fluctuations in market prices and exchange rate movements, a decline in retained earnings and the repayment of a capital contribution. At the same time, MFI liabilities to the central government fell by €65.7 million because of a reduction in government deposits with the banking system.

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

	Dec-13	Nov-13	Monthly Change	Monthly Percentage Change	Dec-12	Annual Percentage Change	
						Dec-13	Nov-13
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	9,666.6	9,631.4	35.2	0.4	8,882.4	8.8	9.6
Overnight deposits	5,771.0	5,788.9	-17.9	-0.3	5,047.7	14.3	17.2
Deposits redeemable at notice up to 3 months	113.0	109.8	3.3	3.0	151.7	-25.5	-26.6
Deposits with agreed maturity up to 2 years	3,782.5	3,732.7	49.8	1.3	3,683.0	2.7	0.9
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,144.2	11,227.1	-82.9	-0.7	10,991.2	1.4	1.1
Credit to general government	2,478.0	2,571.3	-93.3	-3.6	2,287.1	8.3	7.2
Credit to other sectors	8,666.2	8,655.7	10.5	0.1	8,704.1	-0.4	-0.6
NET FOREIGN ASSETS	9,608.6	9,792.3	-183.7	-1.9	12,195.4	-21.2	-19.9
Claims on non-residents of Malta	40,398.9	41,307.5	-908.6	-2.2	43,113.9	-6.3	-6.5
Liabilities to non-residents of Malta (-)	30,790.3	31,515.2	-724.9	-2.3	30,918.5	-0.4	-1.4

⁽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

	Dec-13	Nov-13	Monthly Change	Monthly Percentage Change	Dec-12	Annual Percentage Change	
						Dec-13	Nov-13
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	6,727.6	6,735.3	-7.7	-0.1	5,944.0	13.2	15.5
Currency issued ⁽⁴⁾	778.7	763.0	15.6	2.0	726.5	7.2	6.9
Overnight deposits ⁽⁵⁾	5,948.9	5,972.3	-23.3	-0.4	5,217.4	14.0	16.7
INTERMEDIATE MONEY (M2)	11,461.7	11,252.3	209.4	1.9	10,260.4	11.7	11.8
Narrow money (M1)	6,727.6	6,735.3	-7.7	-0.1	5,944.0	13.2	15.5
Deposits redeemable at notice up to 3 months ⁽⁵⁾	113.1	109.8	3.3	3.0	153.2	-26.2	-27.3
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,621.0	4,407.2	213.8	4.9	4,163.1	11.0	8.1
BROAD MONEY (M3)	11,627.1	11,412.0	215.1	1.9	10,451.9	11.2	11.3
Intermediate money (M2)	11,461.7	11,252.3	209.4	1.9	10,260.4	11.7	11.8
Marketable instruments ⁽⁶⁾	165.4	159.7	5.7	3.6	191.5	-13.6	-15.8
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,433.3	14,565.0	-131.7	-0.9	15,603.3	-7.5	-7.6
Credit to general government	3,773.3	3,857.6	-84.3	-2.2	3,548.2	6.3	4.9
Credit to other sectors	10,660.0	10,707.4	-47.4	-0.4	12,055.0	-11.6	-11.4
EXTERNAL COUNTERPART	9,567.1	9,179.2	387.9	4.2	10,103.2	-5.3	-4.6
Claims on non-residents of the euro area	31,465.6	32,180.2	-714.6	-2.2	32,576.8	-3.4	-3.3
Liabilities to non-residents of the euro area (-)	21,898.5	23,001.0	-1,102.5	-4.8	22,473.6	-2.6	-2.8
OTHER COUNTERPARTS (-)	12,373.3	12,332.3	41.0	0.3	15,254.6	-18.9	-18.5
Liabilities to the central government	491.2	556.9	-65.7	-11.8	503.9	-2.5	-16.7
Longer term financial liabilities	9,744.6	9,992.6	-248.0	-2.5	12,680.2	-23.2	-21.5
Other liabilities (net)	2,137.5	1,782.8	354.7	19.9	2,070.5	3.2	2.8

⁽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.

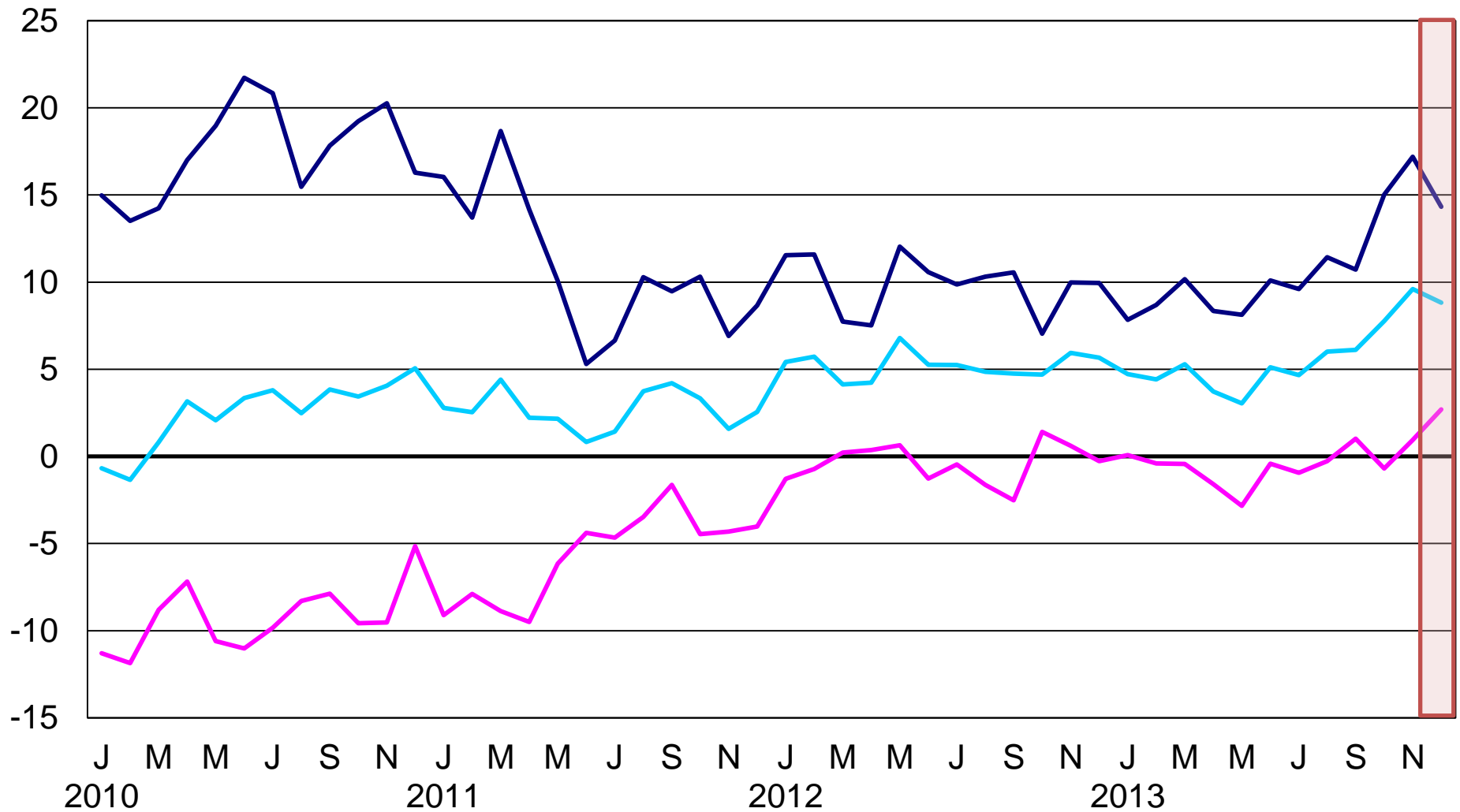
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money 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)



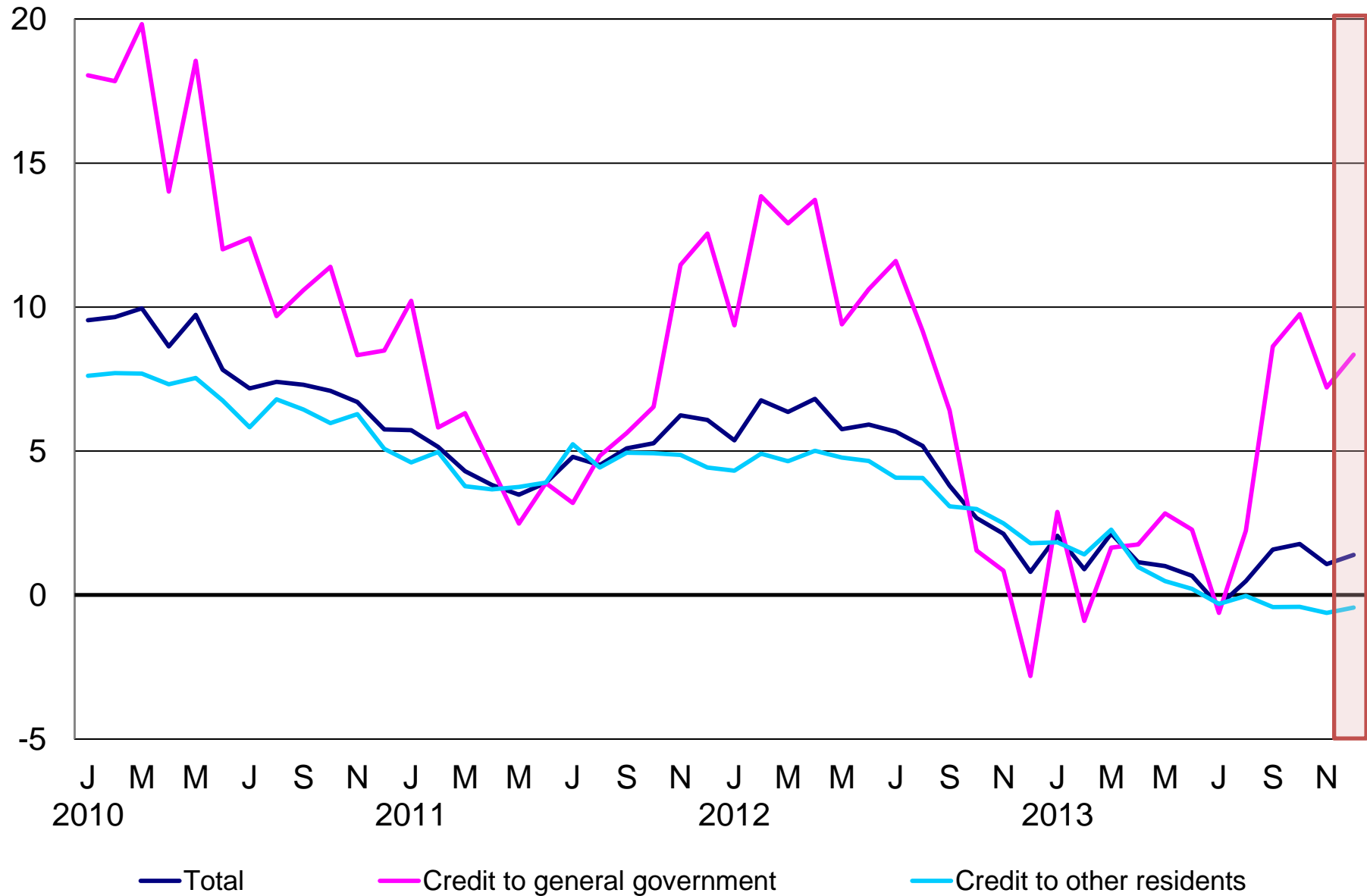
— Overnight deposits

— Deposits with agreed maturity up to 2 years

— Total residents' deposits in M3 (includes deposits redeemable at notice of up to three months)

Source: Central Bank of Malta.

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



Source: Central Bank of Malta.