



## RELEASE OF MONETARY STATISTICS

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The Central Bank of Malta has just issued its commentary on monetary developments in January 2014.

### **Deposits of Maltese residents**

In January, deposits belonging to residents of Malta and held with resident monetary financial institutions (MFI) expanded by €220.6 million, or 2.3% (see Table 1). Consequently, the annual growth rate rose to 10.1%, from 8.8% in the previous month.

Growth in deposits stemmed mainly from a rise in overnight deposits, which put on €147.7 million, or 2.6%. This was driven, to a large extent, by higher balances belonging to households, non-financial corporations (NFC) and non-bank financial intermediaries. As a result, the annual growth rate of overnight deposits accelerated to 16.2% from 14.3% in December (see Chart 1).

Deposits with an agreed maturity of up to two years also expanded, rising by €72.5 million, or 1.9%, mostly due to higher balances belonging to households and, to a lesser extent, non-bank financial intermediaries. Consequently, the annual growth rate of these deposits rose to 3.5%, from 2.7% a month earlier. At the same time, deposits redeemable at notice of up to three months edged up by €0.4 million, or 0.3%.

### **Credit extended to Maltese residents**

In January, credit granted by resident MFIs to Maltese residents rose by €46.8 million, or 0.4%, on the back of an increase in credit to general government. Nonetheless, the annual growth rate slowed down further to 0.7%, from 1.4% in December (refer to Chart 2).

Credit to general government expanded by €74.5 million, or 3.0%, reflecting a rise in banks' holdings of Treasury bills and Malta Government Stocks. However, the annual growth rate of credit to general government slowed down to 5.4% from 8.3% in December.

On the other hand, credit to other residents (i.e., all other sectors excluding the general government) contracted by €27.7 million, or 0.3%. The decline stemmed mainly from a drop in loans granted to private NFCs, particularly those operating in the wholesale & retail trade and in the information & communication sector. Loans to

the construction sector also fell moderately during the month. In contrast, credit to households continued on an upward trend following an increase in loans for house purchase. Year-on-year, credit to other residents contracted by 0.6% in January, following a 0.4% drop in December.

### **Net foreign assets of Maltese MFIs**

Net foreign assets belonging to resident MFIs contracted by €24.4 million, or 0.3%, as a substantial increase in foreign liabilities exceeded a rise in foreign assets (see Table 1).<sup>1</sup> The rise in the latter stemmed mainly from increases in deposits held with foreign MFIs and in securities' holdings. On the other hand, the rise in foreign liabilities mainly reflected higher borrowing from foreign banks as well as growth in non-residents' deposits with resident banks. Net foreign assets contracted by 21.0% in the year to January, after a fall of 21.2% in the twelve months to December.

### **Bank lending and deposit rates<sup>2</sup>**

In January, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs fell by 4 basis points to 1.37%. Meanwhile, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs fell by 3 basis points to 4.21%.

The weighted average deposit rate was 6 basis points lower when compared to a year earlier, while that charged on loans was 13 basis points lower.

### **Contribution to euro area monetary aggregates**

The contribution of resident MFIs to the euro area broad money stock (M3) expanded by €247.8 million, or 2.1%, in January reaching €11.9 billion (see Table 2). Consequently, its annual growth rate accelerated to 13.7%, from 11.2% one month earlier.

Movements in M3 were mainly driven by developments in the intermediate money component (M2). The latter rose by €241.0 million, or 2.1%, on the previous month. Narrow money (M1), which forms part of M2, grew by €169.1 million, or 2.5%, during the month because of an increase in overnight deposits. The latter expanded by €173.6 million, or 2.9%, driven by higher balances belonging to all depositor groups. On the other hand, currency issued fell marginally when compared to the previous month. Hence, the annual growth rate of M1 rose to 14.9% in January, from 13.2% in December.

Deposits with an agreed maturity of up to two years, which also form part of M2, went up by €71.5 million, or 1.5%, almost entirely because of higher balances belonging to Maltese households and non-bank financial intermediaries.

Marketable instruments, the remaining component of M3, rose by €6.8 million, or 4.1%, on the back of higher Money Market Fund (MMF) shares issued.

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<sup>1</sup> 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.

<sup>2</sup> 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.

Turning to the counterparts of M3, credit to euro area residents grew by €184.7 million, or 1.3%, primarily due to higher credit granted to general government. Consequently, credit contracted at a slower annual pace during the month, falling by 6.3% following a 7.5% drop in December.

Credit to general government expanded by €181.2 million, or 4.8%, in January following an increase in holdings of securities issued by both Maltese and other euro-area sovereigns. Meanwhile, credit to other sectors was almost unchanged, rising slightly by €3.5 million, as lower credit granted to domestic residents dampened an increase in credit extended to other euro area residents. In annual terms, credit to other sectors in the euro area declined by 10.8% in January, after dropping by 11.6% in December.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, fell by €767.0 million, or 8.0%. This resulted from a significant rise in external liabilities that in turn stemmed mainly from increases in deposits held with resident MFIs and in repurchase agreements. To a much lesser extent, external assets also rose, primarily reflecting higher holdings of securities issued by non-euro area sovereigns. Overall, the external counterpart contracted by 4.7% in the year to January, following a 5.3% drop in the year to December. Large movements in the external counterpart mainly reflected transactions of international banks that operate from Malta.

The “other counterparts” category, which is negatively related to M3, fell by €830.1 million, or 6.7%, during the month driven mainly by a decline in other liabilities (net). In turn, this mainly reflected an increase in resident banks’ claims on banks resident elsewhere in the euro area. At the same time, longer-term financial liabilities dropped by €212.7 million, or 2.2%, following reductions in retained earnings and share capital by two internationally-oriented banks. Meanwhile, liabilities to central government fell by €97.0 million, or 19.8%, as government deposits dropped.

***Further economic and monetary information can be obtained from the website of the Central Bank of Malta [www.centralbankmalta.org](http://www.centralbankmalta.org)***

# CENTRAL BANK OF MALTA

**TABLE 1: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS<sup>(1)</sup>**

*EUR millions*

	Jan-14	Dec-13	Monthly Change	Monthly Percentage Change	Jan-13	Annual Percentage Change	
						Jan-14	Dec-13
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS<sup>(2)</sup></b>	<b>9,887.2</b>	<b>9,666.6</b>	<b>220.6</b>	<b>2.3</b>	<b>8,976.3</b>	<b>10.1</b>	<b>8.8</b>
Overnight deposits	5,918.7	5,771.0	147.7	2.6	5,094.3	16.2	14.3
Deposits redeemable at notice up to 3 months	113.4	113.0	0.4	0.3	156.8	-27.7	-25.5
Deposits with agreed maturity up to 2 years	3,855.0	3,782.5	72.5	1.9	3,725.2	3.5	2.7
<b>SELECTED COUNTERPARTS</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>11,191.0</b>	<b>11,144.2</b>	<b>46.8</b>	<b>0.4</b>	<b>11,109.5</b>	<b>0.7</b>	<b>1.4</b>
Credit to general government	2,552.5	2,478.0	74.5	3.0	2,422.5	5.4	8.3
Credit to other sectors	8,638.5	8,666.2	-27.7	-0.3	8,687.1	-0.6	-0.4
<b>NET FOREIGN ASSETS</b>	<b>9,584.2</b>	<b>9,608.6</b>	<b>-24.4</b>	<b>-0.3</b>	<b>12,124.3</b>	<b>-21.0</b>	<b>-21.2</b>
Claims on non-residents of Malta	42,169.0	40,398.9	1,770.1	4.4	43,441.9	-2.9	-6.3
Liabilities to non-residents of Malta (-)	32,584.8	30,790.3	1,794.5	5.8	31,317.6	4.0	-0.4

<sup>(1)</sup> Figures may not add up due to rounding.

<sup>(2)</sup> 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<sup>(1)(2)</sup>**

EUR millions

	Jan-14	Dec-13	Monthly Change	Monthly Percentage Change	Jan-13	Annual Percentage Change	
						Jan-14	Dec-13
<b>MONETARY AGGREGATES<sup>(3)</sup></b>							
<b>NARROW MONEY (M1)</b>	<b>6,896.7</b>	<b>6,727.6</b>	<b>169.1</b>	<b>2.5</b>	<b>6,002.7</b>	<b>14.9</b>	<b>13.2</b>
Currency issued <sup>(4)</sup>	774.2	778.7	-4.5	-0.6	716.8	8.0	7.2
Overnight deposits <sup>(5)</sup>	6,122.6	5,948.9	173.6	2.9	5,285.9	15.8	14.0
<b>INTERMEDIATE MONEY (M2)</b>	<b>11,702.7</b>	<b>11,461.7</b>	<b>241.0</b>	<b>2.1</b>	<b>10,246.9</b>	<b>14.2</b>	<b>11.7</b>
Narrow money (M1)	6,896.7	6,727.6	169.1	2.5	6,002.7	14.9	13.2
Deposits redeemable at notice up to 3 months <sup>(5)</sup>	113.5	113.1	0.4	0.3	158.3	-28.3	-26.2
Deposits with agreed maturity up to 2 years <sup>(5)</sup>	4,692.5	4,621.0	71.5	1.5	4,085.8	14.8	11.0
<b>BROAD MONEY (M3)</b>	<b>11,874.9</b>	<b>11,627.1</b>	<b>247.8</b>	<b>2.1</b>	<b>10,442.6</b>	<b>13.7</b>	<b>11.2</b>
Intermediate money (M2)	11,702.7	11,461.7	241.0	2.1	10,246.9	14.2	11.7
Marketable instruments <sup>(6)</sup>	172.3	165.4	6.8	4.1	195.7	-12.0	-13.6
<b>SELECTED COUNTERPARTS OF M3</b>							
<b>CREDIT COUNTERPART</b>	<b>14,618.0</b>	<b>14,433.3</b>	<b>184.7</b>	<b>1.3</b>	<b>15,596.0</b>	<b>-6.3</b>	<b>-7.5</b>
Credit to general government	3,954.5	3,773.3	181.2	4.8	3,635.7	8.8	6.3
Credit to other sectors	10,663.5	10,660.0	3.5	0.0	11,960.3	-10.8	-11.6
<b>EXTERNAL COUNTERPART</b>	<b>8,800.1</b>	<b>9,567.1</b>	<b>-767.0</b>	<b>-8.0</b>	<b>9,235.1</b>	<b>-4.7</b>	<b>-5.3</b>
Claims on non-residents of the euro area	32,166.5	31,465.6	701.0	2.2	32,707.0	-1.7	-3.4
Liabilities to non-residents of the euro area (-)	23,366.4	21,898.5	1,467.9	6.7	23,471.9	-0.4	-2.6
<b>OTHER COUNTERPARTS (-)</b>	<b>11,543.2</b>	<b>12,373.3</b>	<b>-830.1</b>	<b>-6.7</b>	<b>14,388.5</b>	<b>-19.8</b>	<b>-18.9</b>
Liabilities to the central government	394.1	491.2	-97.0	-19.8	519.0	-24.1	-2.5
Longer term financial liabilities	9,531.9	9,744.6	-212.7	-2.2	12,652.9	-24.7	-23.2
Other liabilities (net)	1,617.2	2,137.5	-520.3	-24.3	1,216.6	32.9	3.2

<sup>(1)</sup> Figures may not add up due to rounding.

<sup>(2)</sup> Figures show the contribution of Maltese monetary financial institutions (MFIs) to the euro area totals.

<sup>(3)</sup> Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.

<sup>(4)</sup> 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.

<sup>(5)</sup> Deposits with MFIs exclude interbank deposits and deposits held by central government.

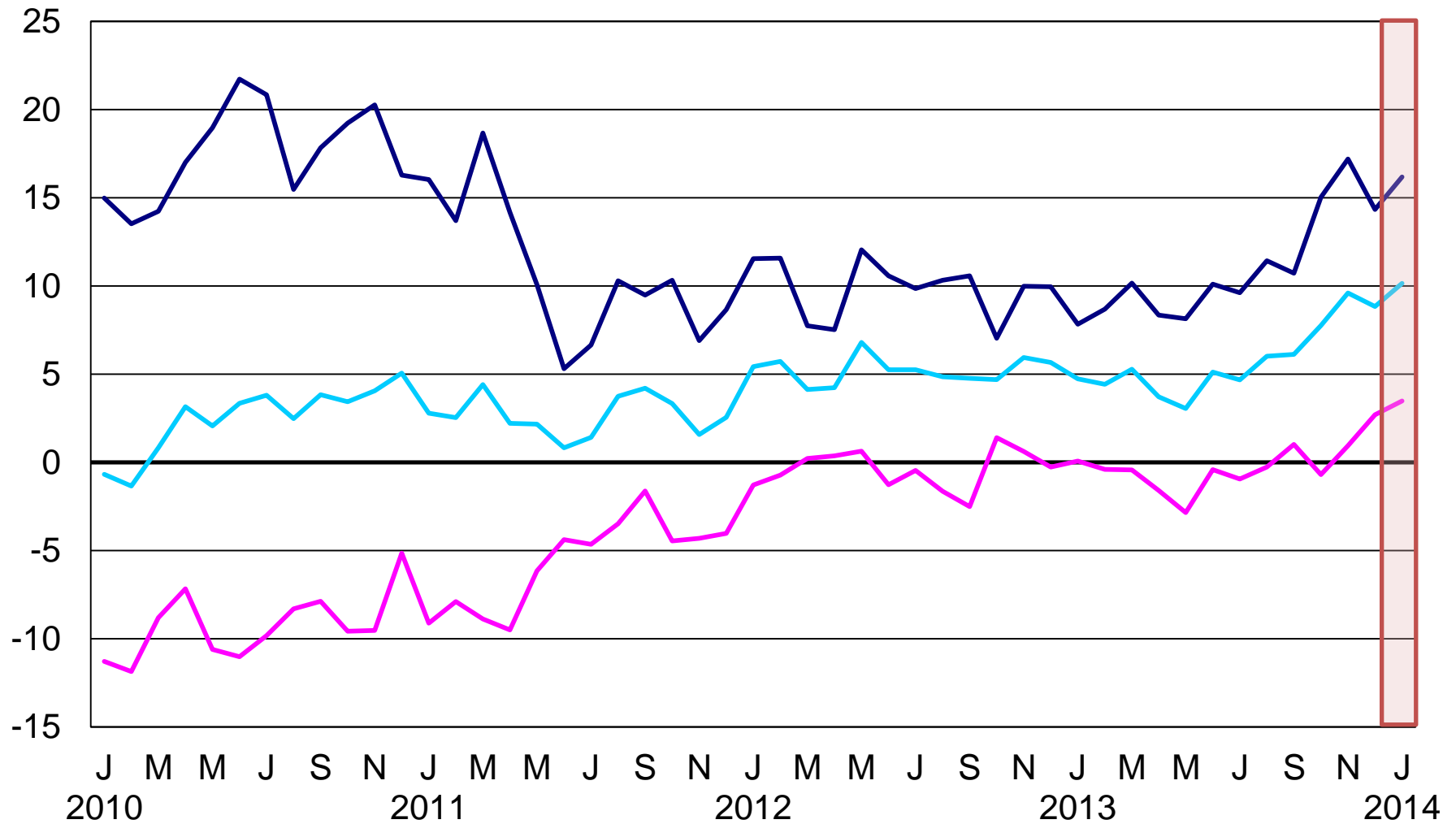
<sup>(6)</sup> Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also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



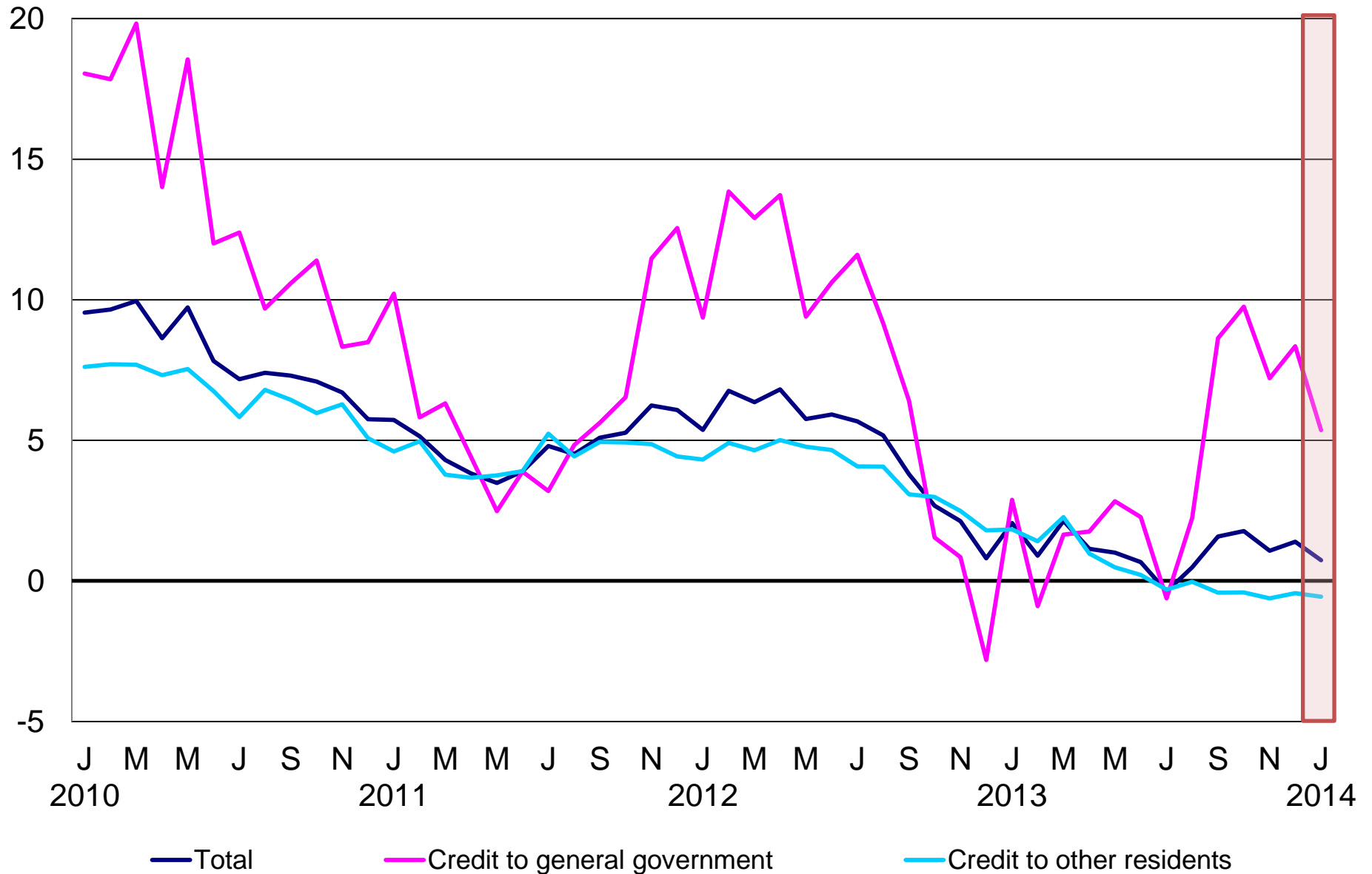
— Overnight deposits

— 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.