



## RELEASE OF MONETARY STATISTICS

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

### **Deposits of Maltese residents**

In February, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFI) dropped by €48.0 million, or 0.5%, partly reversing the previous month's increase (see Table 1). This decline coincided with the issue of government securities that was launched during the month and heavily subscribed to by households. Nonetheless, the annual growth rate rose to 10.9% in February, from 10.1% in January, given that an even larger decline had occurred twelve months earlier (see Chart 1).

The drop in deposits stemmed mainly from a fall in overnight deposits, which contracted by €113.9 million, or 1.9%, reversing the strong rise seen in January, and marking a break from the trend observed since mid-2013. Balances belonging to households and private NFCs accounted for most of the drop. Consequently, the annual growth rate of these deposits slowed down to 14.4%, from 16.2% in the previous month. At the same time, deposits redeemable at up to three months' notice edged down by €2.4 million, or 2.1%.

Conversely, deposits with an agreed maturity of up to two years rose by €68.2 million, or 1.8%, mostly due to higher NFC and household deposits. As a result, the annual growth rate of these deposits rose to 6.3% from 3.5% a month earlier.

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

In February, credit granted by resident MFIs to Maltese residents expanded by €93.8 million, or 0.8%, on the back of higher lending both to general government and other residents. As a result, the annual growth rate rose to 1.3%, from 0.7% in January (see Chart 2).

Credit to general government went up by €63.9 million, or 2.5%, reflecting a rise in banks' holdings of Treasury bills and Malta Government Stocks. Consequently, the annual growth rate accelerated to 8.0% from 5.4% in January.

Meanwhile, credit to residents outside the general government rose by €29.9 million, or 0.3%. The rise was mainly driven by loans to private NFCs, particularly to those operating in real estate activities, the transportation & storage sector and the

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wholesale & retail trade sector. Similarly, credit to households continued on its upward trend with an increase in two of its components – lending for house purchase and consumer credit.

Still, the volume of credit extended to other residents outside general government remained below year-ago levels, though the annual rate of change edged up to -0.5%, following -0.6% in January.

### **Net foreign assets of Maltese MFIs<sup>1</sup>**

Movements in net foreign assets during the month were heavily influenced by the operations of internationally-oriented banks located in Malta. Net foreign assets belonging to resident MFIs contracted by €1.1 billion, or 11.6%, on the back of a decline of €3.0 billion in claims on foreigners. The latter mainly reflected a drop in deposits held with foreign MFIs. At the same time, foreign liabilities also fell, by €1.9 billion, mainly as a result of lower deposits held with resident MFIs. As a result, net foreign assets contracted by 29.4% in the year to February, after a fall of 21.0% in the twelve months to January.

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

In February, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs remained unchanged at 1.37%. Meanwhile, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs fell by 2 basis points to 4.19%. This coincided with a small reduction in rates across a number of banks.

The weighted average deposit rate was 7 basis points lower when compared to a year earlier, while that charged on loans was 14 basis points lower.

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

The contribution of resident MFIs to the euro area broad money stock (M3) contracted by €62.3 million, or 0.5%, in February to €11.8 billion (see Table 2). Nonetheless, its annual growth rate edged up to 14.2%, from 13.7% one month earlier.

Similarly, the intermediate money stock (M2) declined by €43.1 million, or 0.4%, during February, even if on an annual basis it increased by 14.8%. In turn, movements in M2 (as well as in M3) were driven mainly by the narrow money (M1) component.

M1 fell by €125.1 million, or 1.8%, on the previous month, largely because of a drop in overnight deposits belonging to Maltese residents, as has been already mentioned above. Meanwhile, currency issued – the other component of M1 – remained unchanged. As a result, the annual growth rate of M1 slowed down to 13.5%, from 14.9% a month earlier.

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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 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.

The other deposit categories, which along with M1 make up M2, followed divergent paths. Deposits with an agreed maturity of up to two years rose by €84.4 million in February driven mainly by higher balances belonging to NFCs and households. On the other hand, deposits redeemable at a notice of up to three months dropped by €2.4 million, or 2.1%.

Marketable instruments, which together with M2 make up M3, contracted by €19.2 million, or 11.2%, as the liabilities issued by money market funds declined.<sup>3</sup>

Turning to the counterparts of M3, credit to euro area residents expanded by €128.2 million, or 0.9%, driven by credit granted to both general government and other sectors. Consequently, credit contracted at a slower annual pace during the month, falling by 5.8% following a drop of 6.3% in January.

Credit to general government expanded by €74.7 million, or 1.9%, in February following an increase in resident MFI's holdings of securities issued by both Malta and other euro-area sovereigns. At the same time, credit to other sectors grew by €53.5 million, or 0.5%, mainly on the back of increased lending to private NFCs and, to a lesser extent, households.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, fell by €239.3 million, or 2.7%. This resulted from a significant drop in external claims, which outweighed a fall in external liabilities. Overall, the external counterpart contracted by 14.5% following a 4.7% drop in the year to January.

The "other counterparts" category, which is negatively related to M3, fell by €48.7 million, or 0.4%, during the month. Longer term financial liabilities contracted, principally because of a drop in shares and other equity of the internationally-oriented banking sector. This was mirrored by a reduction in resident banks' claims on banks elsewhere in the euro area, which led to a rise in other liabilities (net). Meanwhile, liabilities to the central government rose on account of an increase in government deposits held with MFIs resident in Malta.

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

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<sup>3</sup> Money market funds (MMF) are collective investment undertakings which primarily invest in money market instruments. MMF's shares are close substitutes for deposits in terms of liquidity and are therefore included in M3.

# CENTRAL BANK OF MALTA

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

EUR millions

	Feb-14	Jan-13	Monthly Change	Monthly Percentage Change	Feb-13	Annual Percentage Change	
						Feb-14	Jan-14
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS<sup>(2)</sup></b>	<b>9,839.2</b>	<b>9,887.2</b>	<b>-48.0</b>	<b>-0.5</b>	<b>8,875.6</b>	<b>10.9</b>	<b>10.1</b>
Overnight deposits	5,804.9	5,918.7	-113.9	-1.9	5,072.9	14.4	16.2
Deposits redeemable at notice up to 3 months	111.1	113.4	-2.4	-2.1	112.9	-1.6	-27.7
Deposits with agreed maturity up to 2 years	3,923.2	3,855.0	68.2	1.8	3,689.9	6.3	3.5
<b>SELECTED COUNTERPARTS</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>11,284.8</b>	<b>11,191.0</b>	<b>93.8</b>	<b>0.8</b>	<b>11,135.7</b>	<b>1.3</b>	<b>0.7</b>
Credit to general government	2,616.4	2,552.5	63.9	2.5	2,422.0	8.0	5.4
Credit to other sectors	8,668.4	8,638.5	29.9	0.3	8,713.7	-0.5	-0.6
<b>NET FOREIGN ASSETS</b>	<b>8,475.8</b>	<b>9,584.2</b>	<b>-1,108.4</b>	<b>-11.6</b>	<b>12,006.6</b>	<b>-29.4</b>	<b>-21.0</b>
Claims on non-residents of Malta	39,130.5	42,169.0	-3,038.5	-7.2	44,374.2	-11.8	-2.9
Liabilities to non-residents of Malta (-)	30,654.7	32,584.8	-1,930.1	-5.9	32,367.5	-5.3	4.0

<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

	Feb-14	Jan-14	Monthly Change	Monthly Percentage Change	Feb-13	Annual Percentage Change	
						Feb-14	Jan-14
<b>MONETARY AGGREGATES<sup>(3)</sup></b>							
<b>NARROW MONEY (M1)</b>	<b>6,771.6</b>	<b>6,896.7</b>	<b>-125.1</b>	<b>-1.8</b>	<b>5,966.5</b>	<b>13.5</b>	<b>14.9</b>
Currency issued <sup>(4)</sup>	774.1	774.2	0.0	0.0	714.6	8.3	8.0
Overnight deposits <sup>(5)</sup>	5,997.5	6,122.6	-125.1	-2.0	5,251.9	14.2	15.8
<b>INTERMEDIATE MONEY (M2)</b>	<b>11,659.6</b>	<b>11,702.7</b>	<b>-43.1</b>	<b>-0.4</b>	<b>10,156.8</b>	<b>14.8</b>	<b>14.2</b>
Narrow money (M1)	6,771.6	6,896.7	-125.1	-1.8	5,966.5	13.5	14.9
Deposits redeemable at notice up to 3 months <sup>(5)</sup>	111.1	113.5	-2.4	-2.1	114.4	-2.9	-28.3
Deposits with agreed maturity up to 2 years <sup>(5)</sup>	4,776.9	4,692.5	84.4	1.8	4,075.9	17.2	14.8
<b>BROAD MONEY (M3)</b>	<b>11,812.6</b>	<b>11,874.9</b>	<b>-62.3</b>	<b>-0.5</b>	<b>10,345.9</b>	<b>14.2</b>	<b>13.7</b>
Intermediate money (M2)	11,659.6	11,702.7	-43.1	-0.4	10,156.8	14.8	14.2
Marketable instruments <sup>(6)</sup>	153.0	172.3	-19.2	-11.2	189.1	-19.1	-12.0
<b>SELECTED COUNTERPARTS OF M3</b>							
<b>CREDIT COUNTERPART</b>	<b>14,746.2</b>	<b>14,618.0</b>	<b>128.2</b>	<b>0.9</b>	<b>15,658.4</b>	<b>-5.8</b>	<b>-6.3</b>
Credit to general government	4,029.3	3,954.5	74.7	1.9	3,569.0	12.9	8.8
Credit to other sectors	10,716.9	10,663.5	53.5	0.5	12,089.3	-11.4	-10.8
<b>EXTERNAL COUNTERPART</b>	<b>8,560.9</b>	<b>8,800.1</b>	<b>-239.3</b>	<b>-2.7</b>	<b>10,012.8</b>	<b>-14.5</b>	<b>-4.7</b>
Claims on non-residents of the euro area	30,174.7	32,166.5	-1,991.9	-6.2	33,814.6	-10.8	-1.7
Liabilities to non-residents of the euro area (-)	21,613.8	23,366.4	-1,752.6	-7.5	23,801.8	-9.2	-0.4
<b>OTHER COUNTERPARTS (-)</b>	<b>11,494.4</b>	<b>11,543.2</b>	<b>-48.7</b>	<b>-0.4</b>	<b>15,325.3</b>	<b>-25.0</b>	<b>-19.8</b>
Liabilities to the central government	554.2	394.1	160.1	40.6	553.2	0.2	-24.1
Longer term financial liabilities	8,305.7	9,531.9	-1,226.2	-12.9	12,572.5	-33.9	-24.7
Other liabilities (net)	2,634.5	1,617.2	1,017.4	62.9	2,199.7	19.8	32.9

<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.

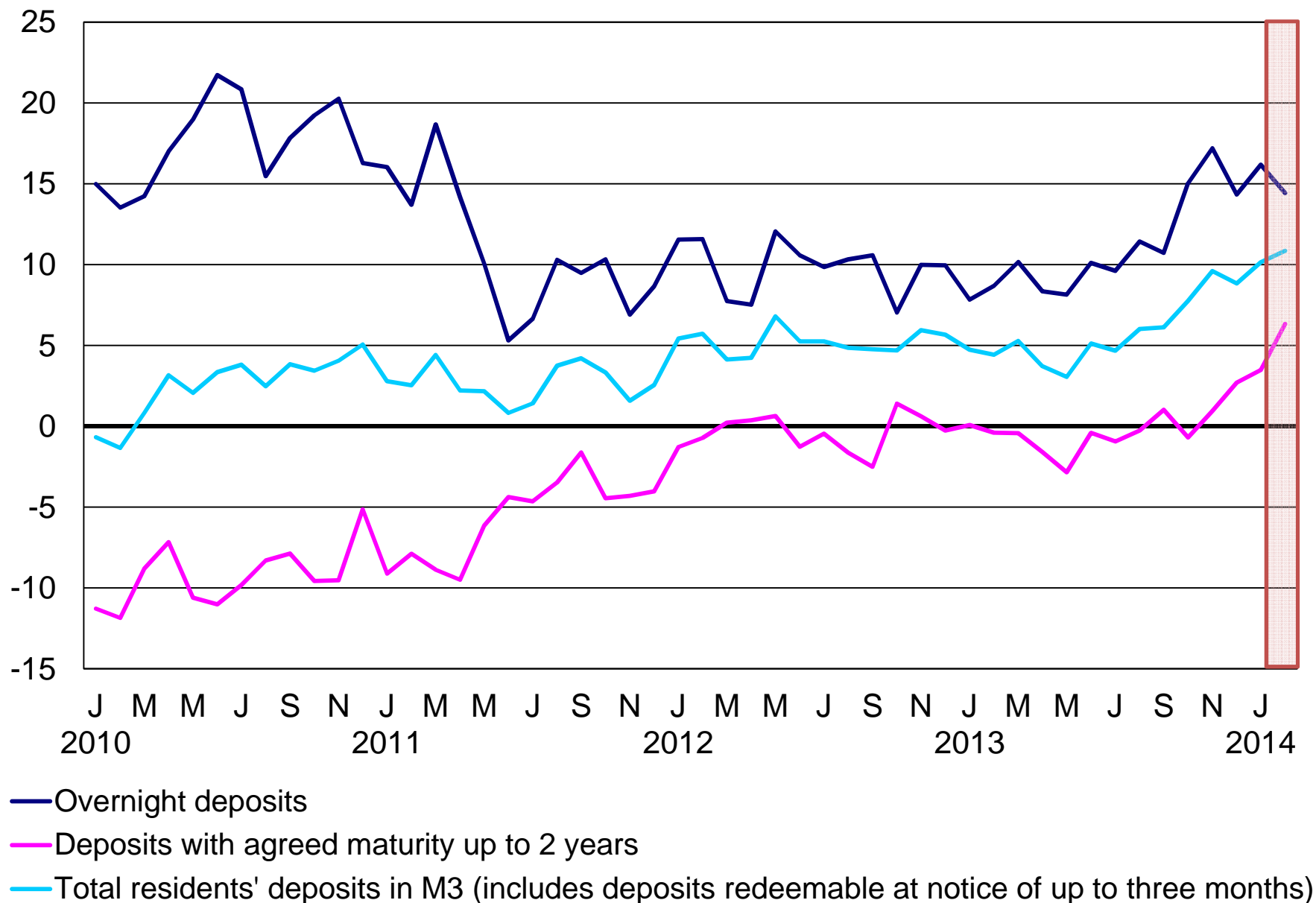
<sup>(6)</sup> Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also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

Source: Central Bank of Malta.

# Chart 1

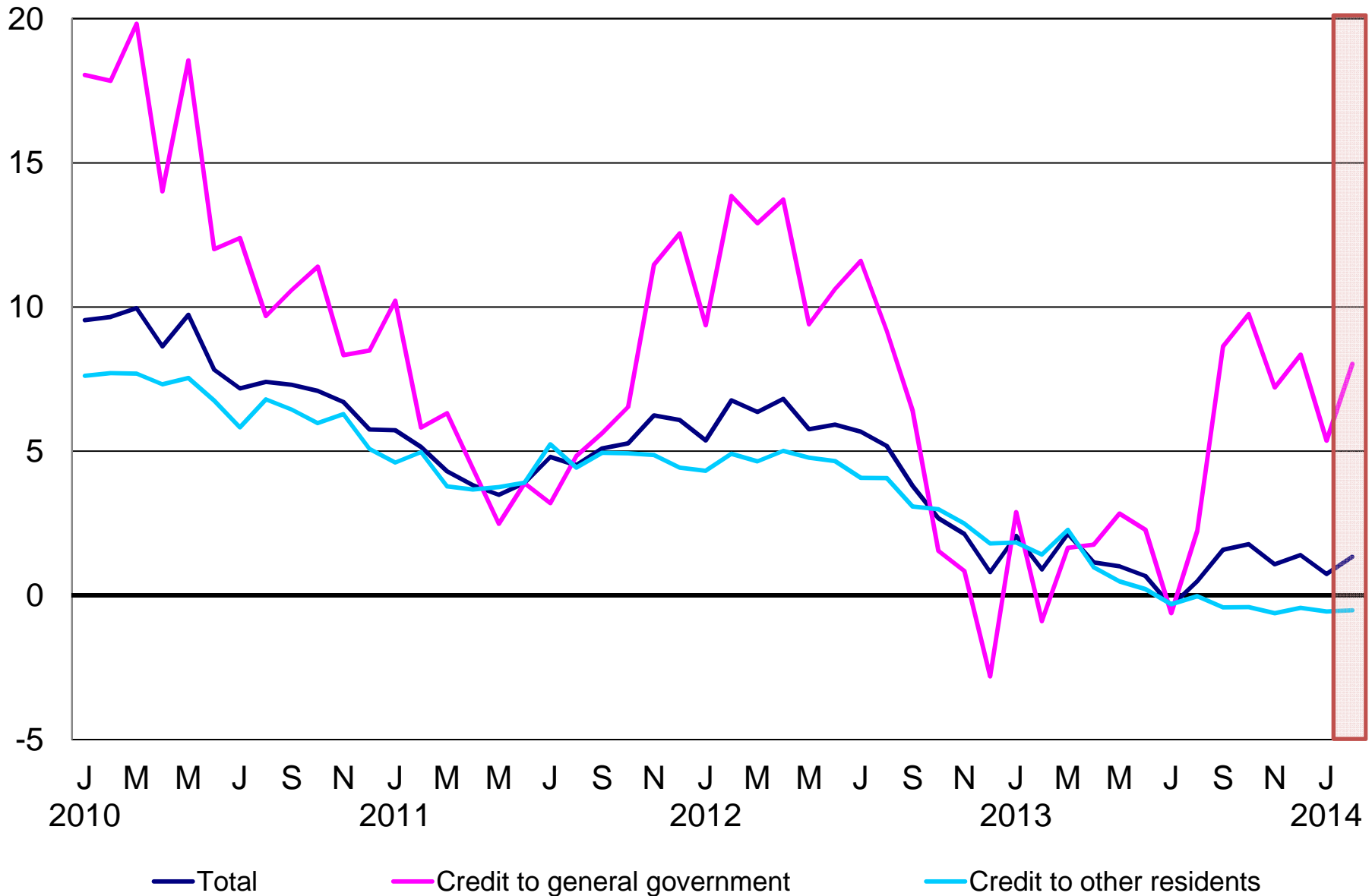
## Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.