



RELEASE OF MONETARY STATISTICS

25 JULY 2014

ISSUE No. 05/2014

MAY 2014

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

Deposits of Maltese residents

In May, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) expanded by €97.7 million, or 1.0% (see Table 1). As a result, their annual growth rate rose to 13.8% from 13.4% a month earlier.

Deposit growth in May was almost entirely driven by overnight deposits, which put on €140.5 million, or 2.3%. This mainly reflected higher balances belonging to private NFCs, non-bank financial intermediaries and households. Consequently, the annual growth rate of overnight deposits increased further to 19.5%, from 19.1% in the previous month (see Chart 1).

On the other hand, deposits with an agreed maturity of up to two years contracted by €44.4 million, or 1.1%, because of a broad decline in balances across economic sectors. The annual growth rate of these deposits remained unchanged at 5.9% during the month.

Deposits redeemable up to three months' notice rose marginally by €1.6 million, or 1.4%.

Credit to Maltese residents

In May, credit to Maltese residents expanded by €27.0 million, or 0.2%, on the back of higher credit to both general government and other residents. As a result, the annual rate of credit growth rose to 2.3% from 2.1% in April (see Chart 2).

Credit to general government rose by €4.1 million, or 0.2%, as MFIs added to their holdings of Malta Government Stocks. However, since this increase was smaller than that registered twelve months earlier, the annual growth rate slowed down to 6.3% in May from 7.2% a month earlier.

Meanwhile, credit to other residents expanded by €22.9 million, or 0.3%, mainly on the back of higher credit to households. Thus, loans to households extended their upward trend following an increase in lending for house purchases. Credit to private NFCs rose marginally during the month driven mainly by higher loans to firms operating in the wholesale and retail trade sector that offset lower lending to the construction sector in particular. The annual rate of change of credit to other residents went up to 1.1% from 0.6% in April.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs expanded by €65.9 million, or 0.8%, in May as a substantial decline in foreign liabilities outweighed a fall in foreign assets (see Table 1).¹ The reduction in foreign liabilities stemmed mainly from a decline in non-residents' deposits held with resident banks. On the other hand, the decline in foreign assets resulted mainly from lower deposits belonging to resident MFIs placed with banks abroad.

Net foreign assets contracted by 28.4% during the twelve months to May, following a 29.5% drop in the year to April. This year-on-year contraction, in evidence since October 2013, largely reflects developments in the international banking sector, where a number of institutions have scaled back their operations in line with their restructuring strategy.

Bank lending and deposit rates²

In May, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs fell by 2 basis points to 1.30%. Meanwhile, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs fell by 1 basis point to 4.18%.

The weighted average deposit rate was 13 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) grew by €50.9 million, or 0.4%, in May to €12.1 billion (see Table 2). As a result, the annual growth rate edged up to 14.7%, from 14.5% in the previous month.

Movements in M3 were driven by developments in intermediate money (M2), which grew by €68.0 million, or 0.6%, in May. Year-on-year, M2 grew by 15.4% in May, up from 15.0% in April.

In turn, developments in M2 mainly reflected movements in narrow money (M1). M1 grew by €90.1 million, or 1.3% during the month, following an increase in both overnight deposits and currency issued. Overnight deposits put on €82.4 million, or 1.3%, reflecting the increases in residents' deposits referred to earlier. Currency issued rose by €7.7 million, or 1.0%, during the month. However, the annual growth rate of M1 fell to 18.2%, from 18.7% in the previous month.

At the same time, deposits with an agreed maturity of up to two years fell by €23.7 million, or 0.5%, driven by lower deposits belonging to residents of Malta. Deposits redeemable at a notice of up to three months, the remaining component of M2, expanded marginally by €1.6 million, or 1.4%.

Meanwhile, marketable instruments, which are the remaining component of M3, contracted by €17.1 million, or 10.3%.

Turning to the counterparts of M3, credit to euro area residents expanded by €8.9 million, or 0.1%. Nevertheless, credit contracted at a faster pace with the annual rate of change falling to -4.6% from -4.3% in April.

¹ Net foreign assets are composed mainly of claims held by MFIs residing in Malta on residents of 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.

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.

Credit to general government contracted by €44.1 million, or 1.1%, as the increase in credit granted to the domestic general government sector was offset by lower credit granted to other euro-area governments. At the same time, credit granted to other sectors rose by €53.0 million, or 0.5%, driven mainly by higher credit granted to households and non-bank financial intermediaries.

The external counterpart of M3, which captures transactions between MFIs residing in Malta and non-euro area residents, contracted by €706.4 million, or 7.2%, partly reversing the increase seen in the previous month. This resulted from a substantial decline in external claims, which mainly reflected lower deposits held with non-euro area banks. At the same time, external liabilities also fell, though to a lesser extent. This mainly stemmed from a reduction in deposits belonging to residents of non-euro area countries, mainly private NFCs and banks, and held with resident MFIs. These movements are heavily influenced by transactions carried out by international banks operating from Malta.

After having expanded in April, the “other counterparts” category, which is negatively related to M3, fell by €748.4 million, or 5.9%, during the month. This was principally due to a decline in other liabilities (net), which contracted by €657.6 million, or 17.3%. In turn, this mainly reflected lower liabilities to other euro-area MFIs. At the same time, longer-term financial liabilities fell by €98.8 million, or 1.2%, following a reduction in shares and other equity of internationally oriented banks resident in Malta. Meanwhile, liabilities to the central government expanded by €8.0 million, or 1.5%, as government deposits rose.

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

	May-14	Apr-14	Monthly Change	Monthly Percentage Change	May-13	Annual Percentage Change	
						May-14	Apr-14
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	10,201.7	10,104.0	97.7	1.0	8,966.6	13.8	13.4
Overnight deposits	6,269.6	6,129.1	140.5	2.3	5,246.6	19.5	19.1
Deposits redeemable at notice up to 3 months	112.8	111.2	1.6	1.4	113.4	-0.6	-1.8
Deposits with agreed maturity up to 2 years	3,819.3	3,863.7	-44.4	-1.1	3,606.6	5.9	5.9
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,429.4	11,402.4	27.0	0.2	11,173.0	2.3	2.1
Credit to general government	2,660.3	2,656.2	4.1	0.2	2,502.2	6.3	7.2
Credit to other sectors	8,769.1	8,746.2	22.9	0.3	8,670.8	1.1	0.6
NET FOREIGN ASSETS	8,572.5	8,506.6	65.9	0.8	11,972.2	-28.4	-29.5
Claims on non-residents of Malta	39,313.6	40,328.0	-1,014.4	-2.5	44,805.0	-12.3	-6.1
Liabilities to non-residents of Malta (-)	30,741.1	31,821.4	-1,080.3	-3.4	32,832.8	-6.4	3.1

⁽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

	May-14	Apr-14	Monthly Change	Monthly Percentage Change	May-13	Annual Percentage Change	
						May-14	Apr-14
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	7,278.3	7,188.2	90.1	1.3	6,156.2	18.2	18.7
Currency issued ⁽⁴⁾	790.7	783.0	7.7	1.0	732.8	7.9	7.7
Overnight deposits ⁽⁵⁾	6,487.6	6,405.2	82.4	1.3	5,423.5	19.6	20.2
INTERMEDIATE MONEY (M2)	11,924.2	11,856.2	68.0	0.6	10,330.9	15.4	15.0
Narrow money (M1)	7,278.3	7,188.2	90.1	1.3	6,156.2	18.2	18.7
Deposits redeemable at notice up to 3 months ⁽⁵⁾	112.8	111.3	1.6	1.4	113.5	-0.6	-1.8
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,533.1	4,556.7	-23.7	-0.5	4,061.1	11.6	10.1
BROAD MONEY (M3)	12,072.4	12,021.5	50.9	0.4	10,525.8	14.7	14.5
Intermediate money (M2)	11,924.2	11,856.2	68.0	0.6	10,330.9	15.4	15.0
Marketable instruments ⁽⁶⁾	148.3	165.4	-17.1	-10.3	195.0	-24.0	-14.6
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,893.6	14,884.7	8.9	0.1	15,614.9	-4.6	-4.3
Credit to general government	3,986.3	4,030.4	-44.1	-1.1	3,987.9	0.0	6.3
Credit to other sectors	10,907.3	10,854.4	53.0	0.5	11,626.9	-6.2	-7.7
EXTERNAL COUNTERPART	9,102.5	9,808.9	-706.4	-7.2	11,467.8	-20.6	-13.1
Claims on non-residents of the euro area	30,800.3	31,705.2	-905.0	-2.9	34,358.5	-10.4	-3.4
Liabilities to non-residents of the euro area (-)	21,697.8	21,896.4	-198.6	-0.9	22,890.7	-5.2	1.7
OTHER COUNTERPARTS (-)	11,923.7	12,672.1	-748.4	-5.9	16,556.8	-28.0	-22.4
Liabilities to the central government	552.7	544.7	8.0	1.5	759.8	-27.3	-14.4
Longer term financial liabilities	8,236.4	8,335.2	-98.8	-1.2	12,338.6	-33.2	-33.9
Other liabilities (net)	3,134.6	3,792.2	-657.6	-17.3	3,458.4	-9.4	22.5

⁽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.

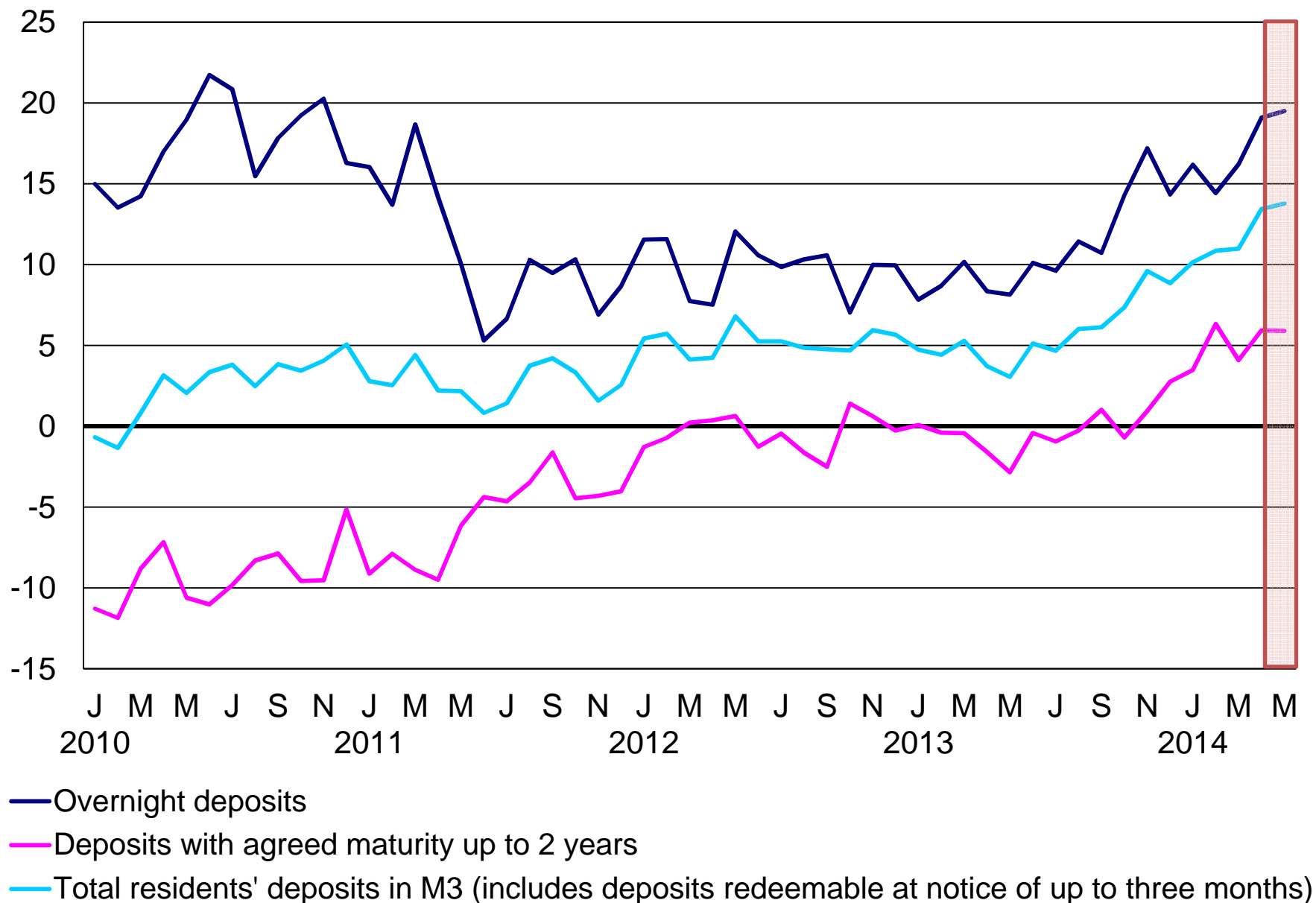
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money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

Source: Central Bank of Malta.

Chart 1

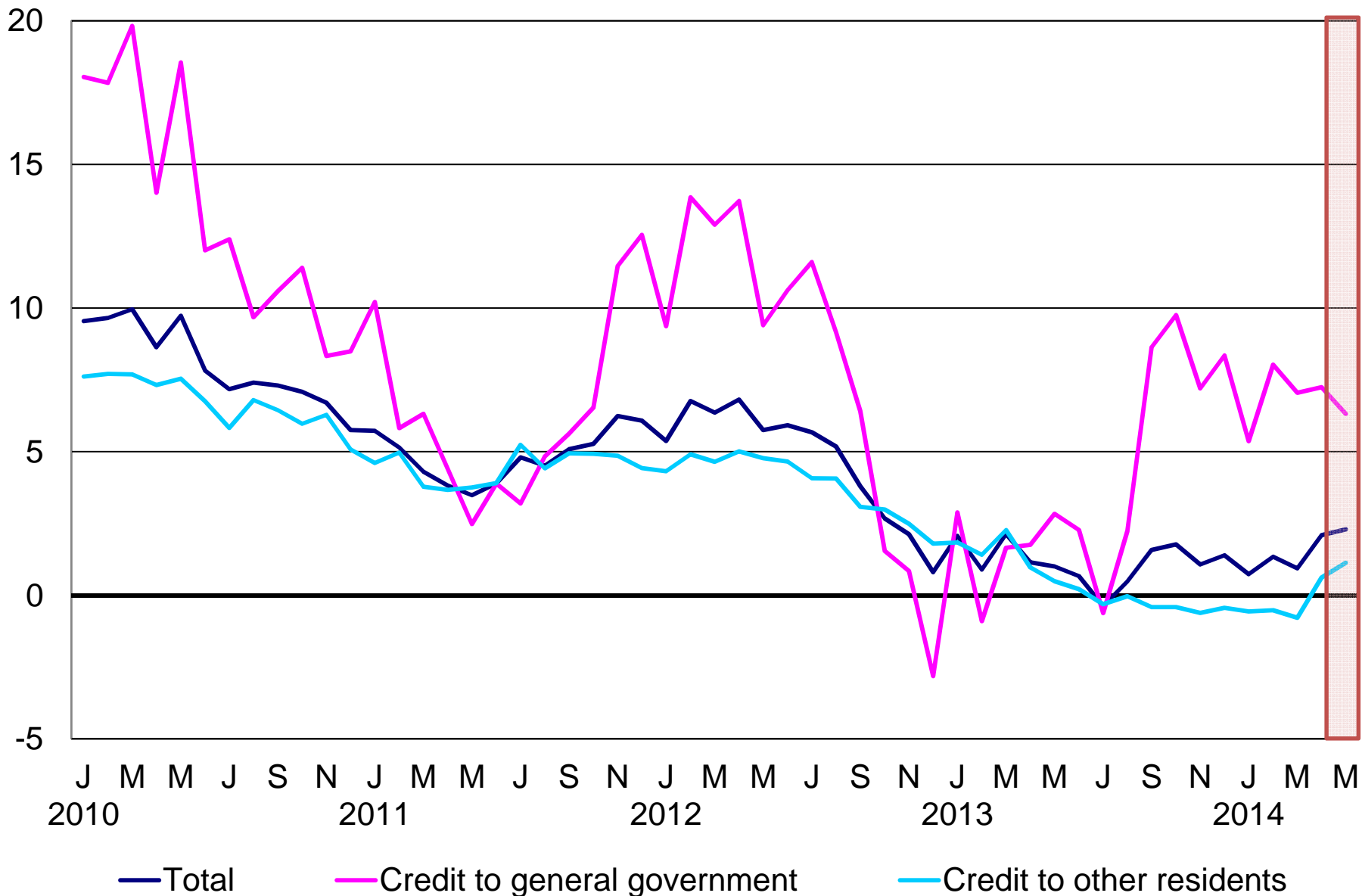
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

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



Source: Central Bank of Malta.