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RELEASE OF MONETARY STATISTICS

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The Central Bank of Malta has just issued its commentary on the release of monetary statistics for January 2012.

Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) rose by EUR182.0 million, or 1.8%, in January, to EUR10.4 billion (see Table 1). As a result, the annual growth rate increased to 12.4% from 9.1% in December.

The month-on-month rise in broad money was mostly driven by the narrow money component (M1), which grew by EUR150.6 million, or 2.8% in January, fuelled entirely by higher overnight deposits. The latter increased by EUR154.9 million mainly because holdings by private non-financial companies (NFCs) and households both rose considerably. Meanwhile, currency issued recorded a slight decline. The annual growth rate in M1 gained momentum, rising to 11.0% in January, from 8.5% one month earlier.

Deposits with agreed maturity of up to two years, which together with M1 are included in intermediate money (M2), expanded by EUR25.2 million, or 0.6%, in January. This mainly reflected higher holdings belonging to NFCs and households. Deposits redeemable at notice up to three months rose slightly during the period. Consequently, growth in intermediate money picked up to 6.9% in January, from 3.8% in December.

Repurchase agreements, which had registered substantial growth during the past three months, contracted marginally while debt securities forming part of M3 and with an initial maturity of up to two years grew by a moderate 2.6% during the month.

Turning to the counterparts of M3, credit to euro area residents contracted by EUR42.7 million in January. This stemmed entirely from a drop in credit to general government of EUR53.2 million, or 1.2%, as banks continued to reduce their holdings of government securities. In contrast, credit to residents outside general government rose by EUR10.5 million, or 0.1%, reflecting higher loans to the private sector. On an annual basis, growth in credit to euro area residents decelerated to 10.0% in January, from 11.1% one month earlier.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, expanded by EUR817.1 million, or 10.4%. This reflected a surge in assets which offset a considerably smaller rise in liabilities. The rise in assets reflected two major factors, namely a rise in bank deposit balances held abroad coupled with increased holdings of securities issued by governments outside the euro area. The rise in liabilities was principally attributable to an increase in the volume of repurchase agreements entered into by one resident bank.

The other counterparts of M3 grew by EUR592.4 million, or 4.3%, in January driven by a rise in other liabilities (net), which mainly reflect interbank transactions with other euro area residents. Nevertheless, an increase in longer-term financial liabilities, principally in the form of reserves also contributed substantially.

Transactions with Maltese residents: deposits and credit

Deposits belonging to residents of Malta and held with resident MFIs expanded by EUR164.6 million, or 2.0% in January (see Table 2). This rise was mainly fuelled by a higher volume of overnight deposits, which went up by EUR133.5 million, or 2.9%. In contrast, deposits redeemable at notice of up to three months edged up by EUR1.8 million, while those with an agreed maturity of up to two years increased by EUR29.3 million. Hence, the annual growth rate of total deposits more than doubled, rising to 5.4% from 2.6% in December. By comparison, the growth rate of euro area residents' deposits included in M3 held at all euro area MFIs was 2.1% in January.

January's month-on-month rise in overnight deposits was mainly attributable to higher balances held by non-financial companies, households and non-bank financial intermediaries. The increase in deposits redeemable at notice up to three months was fuelled by households, while the rise in deposits with an agreed maturity of up to two years was driven by private non-financial companies.

Credit issued by resident MFIs to residents of Malta (including government) fell by EUR19.0 million, or 0.2%, in January. Consequently, on an annual basis credit growth slowed down to 5.4% from 6.1% in December. Mainly as a result of a lower volume of loans extended to private NFCs, particularly in the wholesale & retail trade sector, credit to residents outside the general government contracted by EUR20.0 million, or 0.2%. As a result, the annual growth rate of credit to these borrowers edged down to 4.3% in January from 4.4% in December, while the corresponding growth rate for loans fell marginally to 4.1%. By comparison, the growth rate of loans made by all euro area MFIs to residents of the euro area excluding general government was 1.2%.

In contrast, credit to the general government went up by EUR1.1 million, as a sizeable drop in credit institutions' holdings of Treasury bills was counterbalanced by an increase in bank holdings of government securities. On an annual basis, growth slowed down to 9.4% from the peak of 12.5% recorded in December.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs went up by EUR243.2 million, or 2.1%, in January, as a rise in foreign assets outpaced an offsetting increase in foreign liabilities (see Table 2).¹ While the rise in the former stemmed mainly from higher

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.

bank deposits held abroad and holdings of securities issued outside Malta, the increase in foreign liabilities reflected higher deposit balances belonging to non-residents with domestic banks. In annual terms, net foreign assets expanded by 5.9%, up from 1.5% in December.

Bank lending and deposit rates

In January, the weighted average interest rate paid on deposits included in M3 as well as the interest rate charged on loans both declined from their December level, falling from 1.13% and 4.71%, respectively, to 1.11% and 4.69%. Compared with a year earlier, the deposit rate fell by three basis points, while that charged on loans declined by five basis points.

Further economic and monetary information can be obtained from the website of the Central Bank of Malta www.centralbankmalta.org

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TABLE 1: THE CONTRIBUTION OF RESIDENT MFIs TO THE EURO AREA MONETARY AGGREGATES AND SELECTED COUNTERPARTS⁽¹⁾⁽²⁾

€ millions

	Jan-12	Dec-11	Monthly Change	Monthly Percentage Change	Jan-11	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,576.2	5,425.6	150.6	2.8	5,022.4	553.8	11.0
Currency issued ⁽⁴⁾	706.3	710.6	-4.3	-0.6	663.9	42.4	6.4
Overnight deposits ⁽⁵⁾	4,869.9	4,715.0	154.9	3.3	4,358.5	511.4	11.7
INTERMEDIATE MONEY (M2)	9,649.6	9,472.0	177.6	1.9	9,025.3	624.2	6.9
Narrow money (M1)	5,576.2	5,425.6	150.6	2.8	5,022.4	553.8	11.0
Deposits redeemable at notice up to 3 months ⁽⁵⁾	126.9	125.1	1.8	1.4	124.6	2.2	1.8
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,946.5	3,921.3	25.2	0.6	3,878.3	68.3	1.8
BROAD MONEY (M3)	10,403.2	10,221.3	182.0	1.8	9,256.2	1,147.1	12.4
Intermediate money (M2)	9,649.6	9,472.0	177.6	1.9	9,025.3	624.2	6.9
Repurchase agreements	544.0	545.0	-1.0	-0.2	0.0	544.0	0.0
Debt securities issued up to 2 years' initial maturity ⁽⁶⁾	209.7	204.3	5.4	2.6	230.8	-21.2	-9.2
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	16,031.5	16,074.3	-42.7	-0.3	14,577.4	1,454.1	10.0
Credit to general government	4,541.1	4,594.3	-53.2	-1.2	4,045.8	495.2	12.2
Credit to other sectors	11,490.5	11,480.0	10.5	0.1	10,531.5	958.9	9.1
EXTERNAL COUNTERPART	8,659.7	7,842.6	817.1	10.4	7,812.2	847.5	10.8
Claims on non-residents of the euro area	30,369.4	29,302.6	1,066.9	3.6	29,500.2	869.3	2.9
Liabilities to non-residents of the euro area (-)	21,709.8	21,460.0	249.8	1.2	21,688.0	21.8	0.1
OTHER COUNTERPARTS (-)	14,287.9	13,695.5	592.4	4.3	13,133.4	1,154.6	8.8
Liabilities to the central government	547.9	725.2	-177.3	-24.4	631.3	-83.4	-13.2
Longer term financial liabilities	12,144.1	11,968.5	175.6	1.5	11,493.1	651.0	5.7
Other liabilities (net)	1,595.9	1,001.8	594.1	59.3	1,009.0	586.9	58.2

(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. For 2008, remaining outstanding Maltese lira banknotes and coins are included. This represents the residual amount after deducting holdings of euro banknotes and coins (and, temporarily, of Maltese lira currency) reported by MFIs in Malta from the currency issued figure.

(5) Deposits with MFIs exclude interbank deposits and deposits held by central government.

(6) Debt securities up to 2 years' 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.

Source: Central Bank of Malta.

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TABLE 2: RESIDENTS OF MALTA - DEVELOPMENTS IN DEPOSITS AND SELECTED COUNTERPARTS⁽¹⁾

€ millions

	Jan-12	Dec-11	Monthly Change	Monthly Percentage Change	Jan-11	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,571.1	8,406.5	164.6	2.0	8,130.3	440.8	5.4
Overnight deposits	4,724.4	4,590.9	133.5	2.9	4,235.5	488.8	11.5
Deposits redeemable at notice up to 3 months	124.3	122.5	1.8	1.5	123.9	0.4	0.3
Deposits with agreed maturity up to 2 years	3,722.4	3,693.1	29.3	0.8	3,770.9	-48.5	-1.3
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	10,884.9	10,903.9	-19.0	-0.2	10,330.1	554.8	5.4
Credit to general government	2,354.5	2,353.4	1.1	0.0	2,152.8	201.6	9.4
Credit to other sectors	8,530.4	8,550.5	-20.0	-0.2	8,177.3	353.1	4.3
NET FOREIGN ASSETS	11,596.2	11,352.9	243.2	2.1	10,953.7	642.4	5.9
Claims on non-residents of Malta	42,103.4	41,348.3	755.0	1.8	40,786.3	1,317.0	3.2
Liabilities to non-residents of Malta (-)	30,507.4	29,995.4	512.0	1.7	29,832.6	674.8	2.3

(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.