



BANK ĊENTRALI TA' MALTA

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CENTRAL BANK OF MALTA

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 October 2012. This release also includes a brief update on its GDP projections.

Monetary Statistical Release: October 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) expanded by EUR27.8 million, or 0.3%, in October, to EUR10.3 billion (see Table 1). Nonetheless, since this increase was smaller than that registered in October 2011, the annual growth rate moderated to 4.9% in October, from 6.3% in September.

The month-on-month rise in M3 stemmed from an increase in intermediate money (M2), which went up by EUR39.8 million, or 0.4%, offsetting a EUR12.0 million decline in marketable instruments. The latter reflected a drop in shares issued by money market funds resident in Malta, which are volatile.

In turn, growth in M2 was driven entirely by a rise in deposits with an agreed maturity of up to two years. These short-term time deposits expanded by EUR98.0 million, or 2.5%, driven by a broad-based increase across deposit holders and particularly in balances belonging to private non-financial corporations (NFCs).

The increase in short-term time deposits was, however, partly offset by a substantial decline in narrow money (M1). Following several consecutive months of positive readings, narrow money fell by EUR56.5 million, or 1.0% in October, driven by a reduction in overnight deposits held by households, non-bank financial intermediaries and insurance companies & pension funds. A drop in currency issued also contributed towards the decrease in M1. Consequently, the annual growth rate of M1 eased to 7.6% in October, from 11.6% in September.

Deposits redeemable at a notice of up to three months, the remaining component of M2, fell by EUR1.7 million, or 1.2%.

Turning to the counterparts of M3, credit to euro area residents dropped by EUR273.3 million, or 1.7%, as credit provided to general government and to the

remaining sectors of the economy fell. Consequently, the annual growth rate declined to -2.1%, from -0.9% in September.

Credit to general government fell by EUR200.8 million, or 5.3%, reflecting lower bank holdings of euro-area government securities. Meanwhile, credit to other sectors went down by EUR72.4 million, or 0.6%, driven by a reduction in loans granted to private NFCs.

In contrast, the external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, expanded by EUR655.0 million, or 7.4%. This reflected a considerable decline in foreign liabilities, particularly to non-euro area credit institutions. Foreign assets also decreased, though to a lesser extent, principally due to lower deposits held with credit institutions outside the euro area.

The “other counterparts” category, which is negatively related to M3, expanded by EUR354.0 million, or 2.4%. Growth was driven by an increase in other liabilities (net), which capture interbank transactions between euro area credit institutions. An increase in longer-term financial liabilities in the form of deposits excluded from broad money, and capital & reserves also contributed, though to a much lesser extent. Conversely, there was a partly offsetting drop in central government deposits with the banking sector, driven by a decline in deposits belonging to the Maltese government.

Transactions with Maltese residents: deposits and credit

In October, deposits belonging to residents of Malta and held with resident MFIs expanded by EUR26.6 million, or 0.3%, on the previous month (see Table 2). Nonetheless, the annual growth rate slowed down to 5.2%, from 5.7% in September.

The rise in deposits stemmed entirely from an increase in balances with an agreed maturity of up to two years. These deposits expanded by EUR69.3 million, or 1.9%, driven mainly by balances belonging to non-bank financial intermediaries and NFCs. On the other hand, deposits belonging to households fell, reflecting a switch to longer-term deposits outside M3 during the month.

Overnight deposits, which had risen sharply in the previous month, decreased by EUR41.0 million, or 0.8%, reflecting lower balances belonging to households, non-bank financial intermediaries and insurance companies & pension funds. At the same time, deposits redeemable at notice up to three months dropped by EUR1.7 million, or 1.2%, reflecting lower holdings belonging to private NFCs.

Credit granted by resident MFIs to residents of Malta fell by EUR94.6 million, or 0.8%, as credit granted to both general government and to the other sectors of the economy declined. Consequently, the annual rate of credit growth slowed down to 2.7% from 3.8% in September.

Credit to general government contracted by EUR81.6 million, or 3.3%, as a result of lower MFI holdings of Treasury bills, along with a reduction in loans granted to government. Consequently, the annual growth rate of credit to general government slowed down to 1.5% in October, from 6.4% one month earlier.

Meanwhile, credit to other residents fell by EUR13.0 million, or 0.1%, mainly due to a decline in loans granted to private NFCs operating in the construction, transportation & storage, and manufacturing sectors. This outweighed additional lending to public non-financial corporations and households. Consequently, the annual growth rate of

credit to residents other than general government eased to 3.0% from 3.1% in September.

Net foreign assets of Maltese MFIs

In October, net foreign assets held by resident MFIs increased by EUR46.8 million, or 0.4%, as a considerable decline in foreign liabilities slightly exceeded a drop in corresponding claims (see Table 2). The former stemmed from a decrease in foreign borrowings by resident credit institutions together with lower deposits belonging to non-residents held with them. Meanwhile, the drop in foreign claims resulted primarily from lower bank deposits held with non-resident MFIs. Overall, the annual growth rate of net foreign assets slowed down, reaching 9.0% from 9.5% one month earlier.

Bank lending and deposit rates

In October, the weighted average interest rate paid by resident MFIs on all outstanding deposits belonging to Maltese households and NFCs edged up by two basis points, reaching 1.42%.

Meanwhile, the weighted average interest charged by MFIs on outstanding loans to resident households and NFCs fell by four basis points to 4.31%.

The weighted average deposit rate was three basis points higher than in October 2011, while that charged on loans was eight basis points lower than a year earlier.

Revision of economic forecasts

On the basis of updated GDP statistics, the Central Bank of Malta is revising its macroeconomic projections for 2012 and 2013.

The Central Bank of Malta's projections that were published in its latest Quarterly Review forecast real GDP growth of 1.1% in 2013. This was predicated on national accounts statistics available at the time those projections were made which covered the period until the second quarter of 2012. As part of its on-going projections exercise, to be released in its Annual Report, and in line with data for the third quarter of 2012, GDP growth for 2013 is now estimated at 1.6%, reflecting upward revisions in the growth rate of domestic demand.

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

	Oct-12	Sep-12	Monthly Change	Monthly Percentage Change	Oct-11	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,872.6	5,929.1	-56.5	-1.0	5,455.4	417.2	7.6
Currency issued ⁽⁴⁾	715.8	718.7	-3.0	-0.4	701.6	14.2	2.0
Overnight deposits ⁽⁵⁾	5,156.8	5,210.4	-53.6	-1.0	4,753.8	403.0	8.5
INTERMEDIATE MONEY (M2)	10,115.7	10,075.9	39.8	0.4	9,602.3	513.4	5.3
Narrow money (M1)	5,872.6	5,929.1	-56.5	-1.0	5,455.4	417.2	7.6
Deposits redeemable at notice up to 3 months ⁽⁵⁾	144.0	145.7	-1.7	-1.2	125.9	18.1	14.4
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,099.1	4,001.0	98.0	2.5	4,020.9	78.1	1.9
BROAD MONEY (M3)	10,306.1	10,278.3	27.8	0.3	9,820.6	485.6	4.9
Intermediate money (M2)	10,115.7	10,075.9	39.8	0.4	9,602.3	513.4	5.3
Marketable instruments ⁽⁶⁾	190.5	202.5	-12.0	-5.9	218.3	-27.8	-12.7
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,687.4	15,960.6	-273.3	-1.7	16,027.1	-339.7	-2.1
Credit to general government	3,617.7	3,818.5	-200.8	-5.3	4,753.4	-1,135.8	-23.9
Credit to other sectors	12,069.7	12,142.1	-72.4	-0.6	11,273.7	796.0	7.1
EXTERNAL COUNTERPART	9,447.7	8,792.7	655.0	7.4	8,339.6	1,108.1	13.3
Claims on non-residents of the euro area	31,865.9	32,533.9	-668.0	-2.1	28,944.2	2,921.6	10.1
Liabilities to non-residents of the euro area (-)	22,418.2	23,741.2	-1,323.1	-5.6	20,604.7	1,813.5	8.8
OTHER COUNTERPARTS (-)	14,828.9	14,474.9	354.0	2.4	14,546.1	282.8	1.9
Liabilities to the central government	560.2	945.9	-385.7	-40.8	626.9	-66.7	-10.6
Longer term financial liabilities	12,573.6	12,506.2	67.4	0.5	11,787.4	786.1	6.7
Other liabilities (net)	1,695.1	1,022.8	672.3	65.7	2,131.8	-436.7	-20.5

(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.

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

€ millions

	Oct-12	Sep-12	Monthly Change	Monthly Percentage Change	Oct-11	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,856.6	8,830.1	26.6	0.3	8,417.6	439.0	5.2
Overnight deposits	4,984.9	5,025.9	-41.0	-0.8	4,620.0	364.9	7.9
Deposits redeemable at notice up to 3 months	142.2	144.0	-1.7	-1.2	123.9	18.4	14.8
Deposits with agreed maturity up to 2 years	3,729.5	3,660.3	69.3	1.9	3,673.8	55.7	1.5
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,055.6	11,150.2	-94.6	-0.8	10,768.0	287.6	2.7
Credit to general government	2,372.0	2,453.6	-81.6	-3.3	2,335.9	36.1	1.5
Credit to other sectors	8,683.6	8,696.6	-13.0	-0.1	8,432.1	251.5	3.0
NET FOREIGN ASSETS	12,191.9	12,145.1	46.8	0.4	11,182.7	1,009.2	9.0
Claims on non-residents of Malta	42,818.6	43,876.0	-1,057.4	-2.4	41,488.2	1,330.4	3.2
Liabilities to non-residents of Malta (-)	30,626.7	31,730.9	-1,104.2	-3.5	30,305.5	321.2	1.1

(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.