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The Central Bank of Malta has just issued its commentary on the release of monetary statistics for November 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) increased by EUR21.3 million, or 0.2%, in November, to EUR10.3 billion (see Table 1). The annual growth rate accelerated to 7.4% in November, from 4.9% one month earlier, partly due to a base effect resulting from a sharp drop in broad money in November 2011.

The month-on-month increase in M3 stemmed entirely from a rise in intermediate money (M2), which went up by EUR22.0 million, or 0.2%, offsetting a marginal decline in marketable instruments. Overall, intermediate money grew by 7.5% on a year-on-year basis, up from 5.3% one month earlier.

In turn, the rise in M2 was driven by an increase in the narrow money component (M1), which rose by EUR34.3 million, or 0.6%. This reflected the continuation of monthly flows into overnight deposits, observed during most of 2012. Overnight deposits expanded by EUR36.7 million, or 0.7%, fuelled by higher balances belonging to households.

During the month, deposits with an agreed maturity of up to two years fell by EUR19.4 million, or 0.5%. Holdings belonging to resident insurance companies & pension funds declined, offsetting a rise in balances belonging to resident private non-financial corporations (NFCs). Conversely, deposits redeemable at up to three months' notice – the remaining component of M2 – expanded by EUR7.1 million, or 4.9%. This resulted from higher balances belonging to resident private NFCs.

Turning to the counterparts of M3, credit to euro area residents expanded by EUR78.4 million, or 0.5%, as credit granted to general government and to the remaining sectors of the economy rose. The increase of EUR60.6 million, or 1.7%, in credit to general government stemmed from additional bank holdings of both Maltese and euro area government securities. Meanwhile, credit to other sectors went up by EUR17.8 million, or 0.1%, reflecting an increase in loans granted to households and

private NFCs residing in Malta. Consequently, the annual rate of change in total credit stood at -1.9% in November, up from -2.1% in October.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, grew by EUR247.8 million, or 2.6%. This reflected a considerable increase in claims on non-residents which outweighed a somewhat smaller rise in liabilities. The former resulted from higher holdings of securities issued by non-euro area sovereigns, together with higher deposits held with banks outside the euro area. Meanwhile, the rise in liabilities was caused by higher deposits belonging to credit institutions, private NFCs and non-bank financial intermediaries outside the euro area.

The “other counterparts” category, which is negatively related to M3, rose by EUR304.9 million, or 2.1%, in November, driven by growth in longer-term financial liabilities. In turn, this mainly reflected an increase in MFIs’ shares and other equity during the month. Increases in liabilities to the central government, mainly in the form of demand deposits with the Central Bank of Malta, also contributed substantially.

Transactions with Maltese residents: deposits and credit

In November, deposits belonging to residents of Malta and held with resident MFIs expanded by EUR7.8 million, or 0.1% (see Table 2). As a result, the annual growth rate reached 6.9%, from 5.2% one month earlier.

There were significant inflows into more liquid assets during the month. In particular, overnight balances expanded by EUR28.8 million, or 0.6%, driven by deposits belonging to households and insurance companies & pension funds. Similarly, deposits redeemable at a notice of up to three months put on EUR7.3 million, or 5.1%, in November. Conversely, deposits with an agreed maturity of up to two years fell by EUR28.3 million, or 0.8%, reflecting a drop in holdings belonging to various economic sectors.

Credit granted by resident MFIs to residents of Malta rose by EUR51.7 million, or 0.5%, in November, as credit granted both to general government and other economic sectors of the economy expanded. Nonetheless, since this increase was considerably smaller than that registered in November 2011, the annual rate of credit growth slowed down to 2.1% from 2.7% in October.

Credit to general government rose by EUR26.5 million, or 1.1%, as a result of higher MFI holdings of Malta Government Stocks (MGS), in part reflecting the acquisition by MFIs of EUR10.8 million worth of MGS in the primary market during the month. Nonetheless, the annual growth rate of credit to general government slowed down further to 0.8% from 1.5% one month earlier.

Credit to other residents rose by EUR25.2 million, or 0.3%, reversing the fall experienced in the previous month. The increase stemmed from additional lending to households, mainly to finance house purchases, and to private NFCs operating in a number of sectors, including the wholesale & retail trade and manufacturing. This masked a drop in loans to the construction sector, among others. The annual growth rate of credit to residents other than general government eased to 2.5%, from 3.0% in October.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs expanded by EUR191.8 million, or 1.6%, in November, as a significant rise in foreign claims outpaced an increase in corresponding liabilities (see Table 2).¹ The former resulted from increases in foreign securities held by resident MFIs and in private sector deposits held with non-resident MFIs. Meanwhile, the rise in foreign liabilities stemmed predominantly from growth in deposits belonging to non-residents and held with the resident credit institutions. The resulting annual growth rate of net foreign assets reached 11.3% from 9.0% one month earlier.

Bank lending and deposit rates²

In November, the weighted average interest rate paid by resident MFIs on all outstanding deposits belonging to Maltese households and NFCs remained unchanged at 1.42%. Meanwhile, the weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs rose by two basis points, reaching 4.33%.

The weighted average deposit rate was one basis point higher than in November 2011, while that charged on loans was six basis points lower than a year earlier.

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

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.

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. The household sector also includes Non-Profit Institutions Serving Households (NPISH). Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all economic sectors.

CENTRAL BANK OF MALTA

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

€ millions

	Nov-12	Oct-12	Monthly Change	Monthly Percentage Change	Nov-11	Annual Percentage Change	
						Nov-12	Oct-12
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,907.0	5,872.6	34.3	0.6	5,336.6	10.7	7.6
Currency issued ⁽⁴⁾	713.5	715.8	-2.3	-0.3	702.6	1.6	2.0
Overnight deposits ⁽⁵⁾	5,193.5	5,156.8	36.7	0.7	4,634.0	12.1	8.5
INTERMEDIATE MONEY (M2)	10,137.7	10,115.7	22.0	0.2	9,426.9	7.5	5.3
Narrow money (M1)	5,907.0	5,872.6	34.3	0.6	5,336.6	10.7	7.6
Deposits redeemable at notice up to 3 months ⁽⁵⁾	151.0	144.0	7.1	4.9	129.5	16.7	14.4
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,079.7	4,099.1	-19.4	-0.5	3,960.8	3.0	1.9
BROAD MONEY (M3)	10,327.4	10,306.1	21.3	0.2	9,615.2	7.4	4.9
Intermediate money (M2)	10,137.7	10,115.7	22.0	0.2	9,426.9	7.5	5.3
Marketable instruments ⁽⁶⁾	189.8	190.5	-0.7	-0.4	188.3	0.8	-12.7
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,765.8	15,687.4	78.4	0.5	16,076.3	-1.9	-2.1
Credit to general government	3,678.3	3,617.7	60.6	1.7	4,637.0	-20.7	-23.9
Credit to other sectors	12,087.5	12,069.7	17.8	0.1	11,439.3	5.7	7.1
EXTERNAL COUNTERPART	9,695.5	9,447.7	247.8	2.6	7,780.0	24.6	13.3
Claims on non-residents of the euro area	33,279.5	31,865.9	1,413.7	4.4	29,291.8	13.6	10.1
Liabilities to non-residents of the euro area (-)	23,584.1	22,418.2	1,165.9	5.2	21,511.8	9.6	8.8
OTHER COUNTERPARTS (-)	15,133.8	14,828.9	304.9	2.1	14,241.1	6.3	1.9
Liabilities to the central government	668.9	560.2	108.7	19.4	820.0	-18.4	-10.6
Longer term financial liabilities	12,732.1	12,573.6	158.5	1.3	11,740.7	8.4	6.7
Other liabilities (net)	1,732.8	1,695.1	37.7	2.2	1,680.5	3.1	-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.

CENTRAL BANK OF MALTA

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

€ millions

	Nov-12	Oct-12	Monthly Change	Monthly Percentage Change	Nov-11	Annual Percentage Change	
						Nov-12	Oct-12
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,864.5	8,856.6	7.8	0.1	8,294.3	6.9	5.2
Overnight deposits	5,013.7	4,984.9	28.8	0.6	4,491.3	11.6	7.9
Deposits redeemable at notice up to 3 months	149.5	142.2	7.3	5.1	127.6	17.2	14.8
Deposits with agreed maturity up to 2 years	3,701.3	3,729.5	-28.3	-0.8	3,675.4	0.7	1.5
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,107.3	11,055.6	51.7	0.5	10,876.5	2.1	2.7
Credit to general government	2,398.5	2,372.0	26.5	1.1	2,378.4	0.8	1.5
Credit to other sectors	8,708.8	8,683.6	25.2	0.3	8,498.1	2.5	3.0
NET FOREIGN ASSETS	12,383.7	12,191.9	191.8	1.6	11,124.3	11.3	9.0
Claims on non-residents of Malta	44,177.1	42,818.6	1,358.5	3.2	41,647.6	6.1	3.2
Liabilities to non-residents of Malta (-)	31,793.4	30,626.7	1,166.7	3.8	30,523.3	4.2	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.