



BANK ĊENTRALI TA' MALTA

EUROSISTEMA

CENTRAL BANK OF MALTA

RELEASE OF MONETARY STATISTICS

Issue No. 12/2012

Date of publication: 10 April 2013

December 2012

The Central Bank of Malta has just issued its commentary on the release of monetary statistics for December 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 €193.0 million, or 1.9%, in December to €10.5 billion (see Table 1). Consequently, the annual growth rate accelerated to 8.7% in December, from 7.4% one month earlier.

The month-on-month increase in M3 stemmed almost entirely from a rise in intermediate money (M2) which went up by €191.2 million, or 1.9%. The annual growth rate of M2 rose to 9.0%, from 7.5% one month earlier. Marketable instruments, which constitute the difference between M2 and M3, rose marginally, offsetting the decline experienced in the previous month.

In turn, the rise in M2 in December was primarily driven by an expansion in the narrow money component (M1), which put on €98.7 million, or 1.7%. Overnight deposits contributed significantly to M1 growth, as they increased by €86.0 million, or 1.7%, fuelled by higher balances belonging to households and private non-financial corporations (NFCs). Currency issued rose by €12.7 million, or 1.8%, during the month. Overall, the M1 component increased by 10.7% compared with a year earlier.

Among the other components of M2, deposits with an agreed maturity of up to two years rose by €90.3 million, or 2.2%, reflecting higher balances belonging to private NFCs residing elsewhere in the euro area. Similarly, deposits redeemable at up to three months' notice, the remaining component of M2, added €2.2 million, or 1.5%, because of an increase in households' deposits.

Turning to the counterparts of M3, credit to euro area residents contracted by €166.5 million, or 1.1%, in December. Credit extended both to general government and to other residents declined during the month. Consequently, credit fell at a faster annual rate, dropping by 3.0%, after a 1.9% fall in the year to November.

The monthly fall of €130.0 million, or 3.5%, in credit to general government resulted from lower MFI holdings of Maltese and other euro-area government securities. Meanwhile, credit to other residents fell by €36.4 million, or 0.3%, on account of a

significant decline in loans granted to private NFCs, which offset additional lending to households. On a year-on-year basis, credit to general government fell by €1.0 billion, or 22.8%, whereas credit to other sectors of the euro area economy rose by €571.1 million, or 5.0%.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, grew by €464.3 million, or 4.8%, in December. This reflected a significant decline in foreign liabilities which outweighed a smaller fall in claims. The former stemmed from lower deposits belonging to customers resident outside the euro area and held with resident banks. The decline in claims reflected lower deposits belonging to resident credit institutions held with banks outside the euro area.

The “other counterparts” category, which is negatively related to M3, rose by €104.9 million, or 0.7%, in December, driven by an increase in other liabilities (net). The latter are heavily influenced by transactions between euro area banks. Conversely, liabilities to central government fell by €165.0 million, or 24.7%, as the Government withdrew a substantial amount of deposits held with the Central Bank of Malta. Longer-term financial liabilities, the remaining component of the “other counterparts” category, also fell during the month due to a decline in MFIs’ reserves.

Transactions with Maltese residents: deposits and credit

In December, deposits belonging to residents of Malta and held with resident MFIs expanded by €87.0 million, or 1.0% (see Table 2). Since this increase was smaller than that registered twelve months earlier, the annual growth rate slowed down to 6.5% from 6.9% in November (see Chart 1).

The rise was caused by the inflows into liquid assets. Overnight deposits expanded by €96.3 million, or 1.9%, driven by deposits belonging to households and private NFCs. Conversely, deposits with an agreed maturity of up to two years fell by €11.5 million, or 0.3%, mainly due to a decline in balances belonging to non-bank financial intermediaries, which offset a rise in households’ deposits.

Credit granted by resident MFIs to residents of Malta fell by €118.7 million, or 1.1% in December, as credit extended to both general government and other sectors of the economy declined. As a result, the annual rate of credit growth slowed down further to 0.8%, from 2.1% in November (see Chart 2).

Credit to general government contracted by €111.4 million, or 4.6%, offsetting the rise seen in the previous month. This decline arose from lower MFI holdings of Treasury bills and, to a much lesser extent, Malta Government Stocks. As a result, the annual growth rate of credit to general government turned negative, falling to -2.8%, from 0.8% in November.

Similarly, credit to other residents fell by €7.3 million, or 0.1%, due to a decline in loans granted to NFCs operating in a number of sectors, including the wholesale & retail trade and construction sector. These offset a rise in loans granted to households for house purchases. As a result, the annual growth rate of credit to residents other than general government eased to 1.8% in December, from 2.5% one month earlier.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs contracted by €22.6 million, or 0.2%, as a significant drop in foreign claims outpaced a decrease in the corresponding liabilities (see Table 2).¹ The former stemmed mainly from a drop in deposits held with non-resident MFIs. Meanwhile, the reduction in foreign liabilities arose from lower deposits belonging to non-residents together with a decline in borrowings from non-resident MFIs. Consequently, the annual growth rate of net foreign assets slowed down to 8.9% in December, from 11.3% in November.

Bank lending and deposit rates²

In December, the weighted average interest paid by resident MFIs on all outstanding deposits belonging to Maltese households and NFCs remained unchanged for the third consecutive month at 1.42%. Meanwhile, the weighted average interest charged by MFIs on outstanding loans was also unchanged at 4.33%. Compared to a year earlier, the weighted average deposit rate was one basis point higher, while that charged on loans was eleven basis points lower.

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.

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 households sector also includes non-profit institutions serving households. Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all economic sectors.

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

EUR millions

| | Dec-12 | Nov-12 | Monthly Change | Monthly Percentage Change | Dec-11 | Annual Percentage Change | |
|---|-----------------|-----------------|----------------|---------------------------|-----------------|--------------------------|-------------|
| | | | | | | Dec-12 | Nov-12 |
| MONETARY AGGREGATES⁽³⁾ | | | | | | | |
| NARROW MONEY (M1) | 6,005.7 | 5,907.0 | 98.7 | 1.7 | 5,425.6 | 10.7 | 10.7 |
| Currency issued ⁽⁴⁾ | 726.2 | 713.5 | 12.7 | 1.8 | 710.6 | 2.2 | 1.6 |
| Overnight deposits ⁽⁵⁾ | 5,279.5 | 5,193.5 | 86.0 | 1.7 | 4,715.0 | 12.0 | 12.1 |
| INTERMEDIATE MONEY (M2) | 10,328.9 | 10,137.7 | 191.2 | 1.9 | 9,472.0 | 9.0 | 7.5 |
| Narrow money (M1) | 6,005.7 | 5,907.0 | 98.7 | 1.7 | 5,425.6 | 10.7 | 10.7 |
| Deposits redeemable at notice up to 3 months ⁽⁵⁾ | 153.2 | 151.0 | 2.2 | 1.5 | 125.1 | 22.5 | 16.7 |
| Deposits with agreed maturity up to 2 years ⁽⁵⁾ | 4,170.0 | 4,079.7 | 90.3 | 2.2 | 3,921.3 | 6.3 | 3.0 |
| BROAD MONEY (M3) | 10,520.4 | 10,327.4 | 193.0 | 1.9 | 9,676.3 | 8.7 | 7.4 |
| Intermediate money (M2) | 10,328.9 | 10,137.7 | 191.2 | 1.9 | 9,472.0 | 9.0 | 7.5 |
| Marketable instruments ⁽⁶⁾ | 191.5 | 189.8 | 1.8 | 0.9 | 204.3 | -6.2 | 0.8 |
| SELECTED COUNTERPARTS OF M3 | | | | | | | |
| CREDIT COUNTERPART | 15,599.3 | 15,765.8 | -166.5 | -1.1 | 16,074.3 | -3.0 | -1.9 |
| Credit to general government | 3,548.2 | 3,678.3 | -130.0 | -3.5 | 4,594.3 | -22.8 | -20.7 |
| Credit to other sectors | 12,051.1 | 12,087.5 | -36.4 | -0.3 | 11,480.0 | 5.0 | 5.7 |
| EXTERNAL COUNTERPART | 10,159.8 | 9,695.5 | 464.3 | 4.8 | 7,840.0 | 29.6 | 24.6 |
| Claims on non-residents of the euro area | 32,561.1 | 33,279.5 | -718.5 | -2.2 | 29,300.0 | 11.1 | 13.6 |
| Liabilities to non-residents of the euro area (-) | 22,401.2 | 23,584.1 | -1,182.8 | -5.0 | 21,460.0 | 4.4 | 9.6 |
| OTHER COUNTERPARTS (-) | 15,238.7 | 15,133.8 | 104.9 | 0.7 | 14,238.0 | 7.0 | 6.3 |
| Liabilities to the central government | 503.9 | 668.9 | -165.0 | -24.7 | 725.2 | -30.5 | -18.4 |
| Longer term financial liabilities | 12,676.9 | 12,732.1 | -55.2 | -0.4 | 11,968.7 | 5.9 | 8.4 |
| Other liabilities (net) | 2,058.0 | 1,732.8 | 325.1 | 18.8 | 1,544.1 | 33.3 | 3.1 |

⁽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 domestic 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⁾

EUR millions

| | Dec-12 | Nov-12 | Monthly Change | Monthly Percentage Change | Dec-11 | Annual Percentage Change | |
|--|-----------------|-----------------|----------------|---------------------------|-----------------|--------------------------|-------------|
| | | | | | | Dec-12 | Nov-12 |
| DEPOSITS | | | | | | | |
| TOTAL RESIDENTS' DEPOSITS⁽²⁾ | 8,951.5 | 8,864.5 | 87.0 | 1.0 | 8,406.4 | 6.5 | 6.9 |
| Overnight deposits | 5,110.0 | 5,013.7 | 96.3 | 1.9 | 4,590.9 | 11.3 | 11.6 |
| Deposits redeemable at notice up to 3 months | 151.7 | 149.5 | 2.2 | 1.5 | 122.5 | 23.8 | 17.2 |
| Deposits with agreed maturity up to 2 years | 3,689.8 | 3,701.3 | -11.5 | -0.3 | 3,693.1 | -0.1 | 0.7 |
| SELECTED COUNTERPARTS | | | | | | | |
| TOTAL CREDIT TO RESIDENTS | 10,988.6 | 11,107.3 | -118.7 | -1.1 | 10,903.9 | 0.8 | 2.1 |
| Credit to general government | 2,287.1 | 2,398.5 | -111.4 | -4.6 | 2,353.4 | -2.8 | 0.8 |
| Credit to other sectors | 8,701.5 | 8,708.8 | -7.3 | -0.1 | 8,550.5 | 1.8 | 2.5 |
| NET FOREIGN ASSETS | 12,361.1 | 12,383.7 | -22.6 | -0.2 | 11,350.4 | 8.9 | 11.3 |
| Claims on non-residents of Malta | 43,098.6 | 44,177.1 | -1,078.5 | -2.4 | 41,345.8 | 4.2 | 6.1 |
| Liabilities to non-residents of Malta (-) | 30,737.5 | 31,793.4 | -1,055.9 | -3.3 | 29,995.4 | 2.5 | 4.2 |

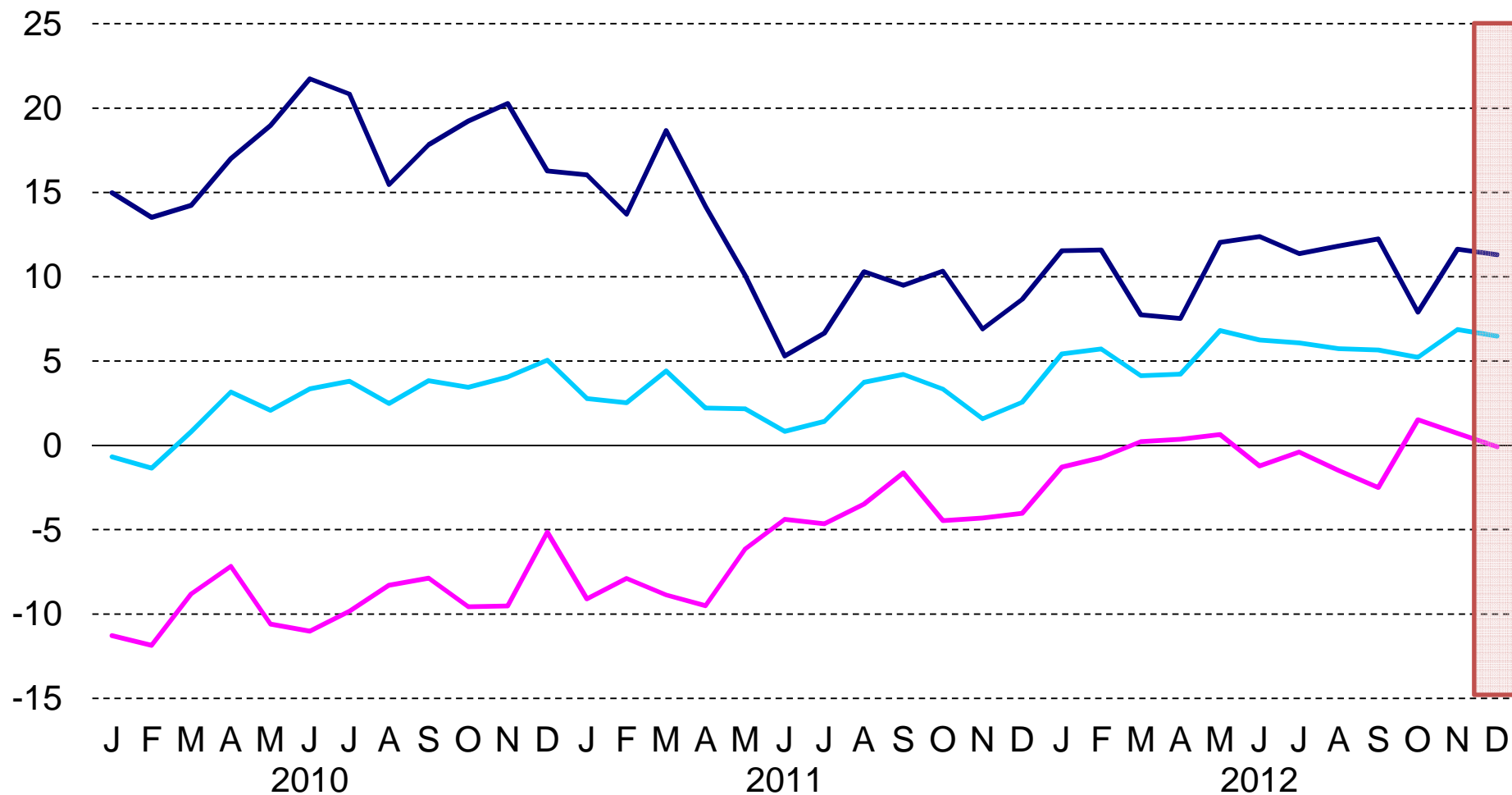
⁽¹⁾ Figures may not add up due to rounding.

⁽²⁾ Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.

Chart 1 GROWTH IN SELECTED DEPOSITS OF MALTESE RESIDENTS INCLUDED IN M3

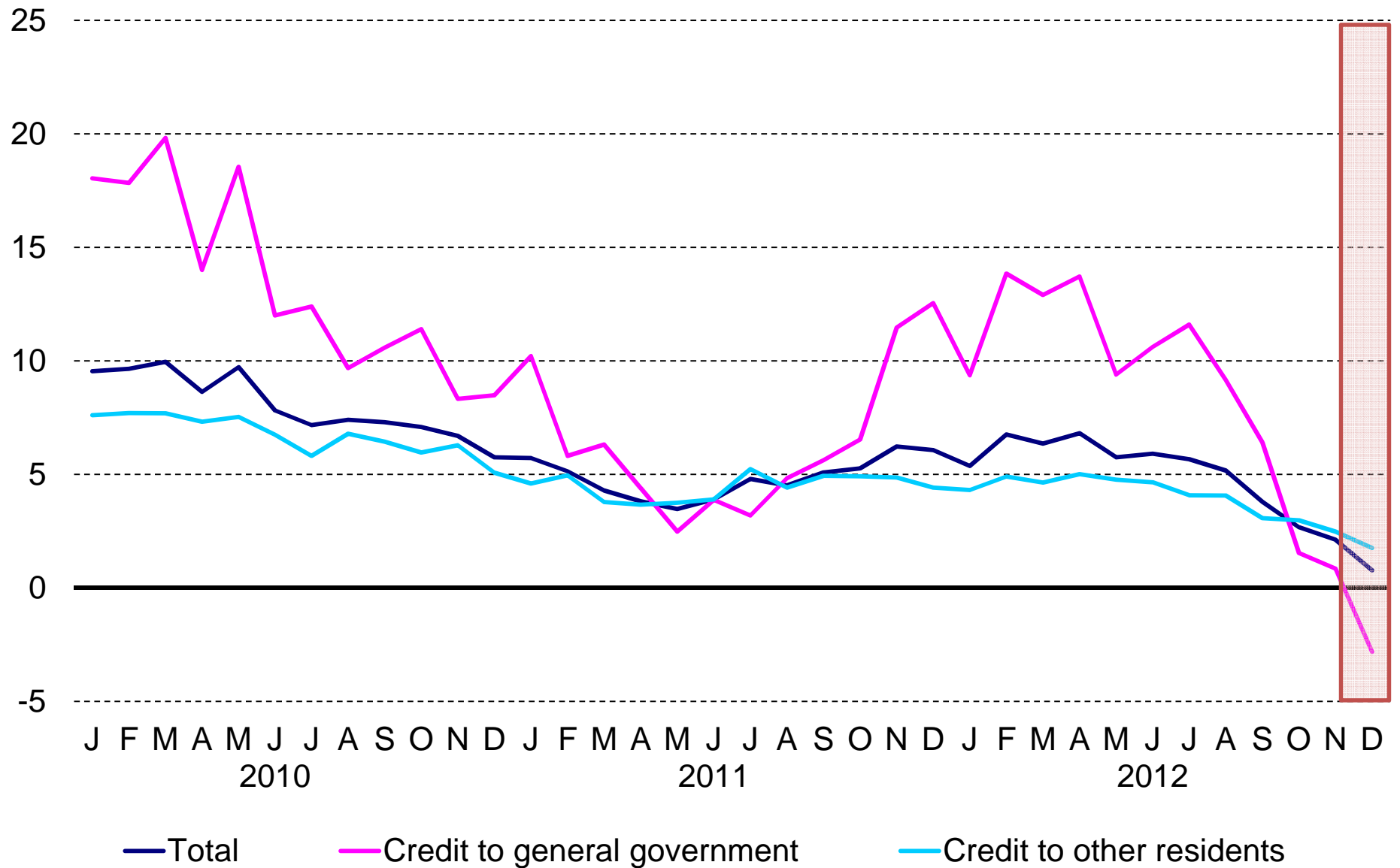
(annual percentage changes)



- Overnight deposits
- Deposits with agreed maturity up to 2 years
- Total residents' deposits in M3 (includes deposits redeemable at notice of up to three months)

Source: Central Bank of Malta.

Chart 2
CREDIT TO RESIDENTS OF MALTA
(annual percentage changes)



Source: Central Bank of Malta.