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Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area broad money stock (M3) declined by EUR21.2 million, or 0.2%, in March, reaching EUR10.3 billion (see Table 1). Consequently, the annual growth rate slowed down to 10.4% from 12.7% in February.

The monthly drop in the Maltese contribution to euro area M3 was the result of a EUR55.0 million decline in repurchase agreements between a resident bank and non-bank financial intermediaries resident elsewhere in the euro area. This decline was partly offset by an increase in intermediate money (M2) and in short-term debt securities issued. Growth in M2 was driven entirely by the narrow money component (M1), which was fuelled in turn by overnight deposits. The latter increased by EUR54.6 million, driven by an increase in balances belonging to households and private non-financial companies (NFCs). Meanwhile, currency issued fell slightly. Overall, the annual growth rate in M1 lost momentum, declining to 7.8% in March, from 10.9% one month earlier.

During March, deposits with agreed maturity of up to two years, which together with M1 form part of intermediate money (M2), contracted by EUR16.8 million, or 0.4%. This principally reflected lower holdings belonging to private NFCs. Deposits redeemable at notice up to three months declined slightly during the period. On a year-on-year basis intermediate money grew by 5.4%, down from 7.1% in February.

Turning to the counterparts of M3, credit to euro area residents fell noticeably. It decreased by EUR342.3 million, or 2.1%, fuelled by a drop in credit to general government. The latter contracted by EUR380.2 million, or 8.2%, mainly as a result of a decline in bank holdings of government securities issued by other euro area countries. Conversely, credit to residents outside general government rose by EUR37.9 million, or 0.3%, reflecting additional lending to NFCs and households. Consequently, the annual growth rate of credit decelerated to 8.8%, from 11.4% one month earlier.

The external counterpart of M3, which reflects transactions between Maltese MFIs and residents of countries outside the euro area, rose by EUR871.4 million, or 10.9%, in March. This stemmed from a considerable increase in claims on non-euro

area residents coupled with a smaller fall in liabilities to them. The increase in assets was principally attributable to a rise in bank holdings of securities issued by non-euro area sovereigns. Meanwhile, the fall in liabilities reflected lower loans taken up from non-euro area credit institutions.

The other counterparts of M3 rose by EUR550.4 million, or 4.0%, in March driven by an increase in other liabilities (net). In turn, this mainly reflected interbank transactions with other euro area residents.

Developments in deposits and loans involving Maltese residents

Deposits belonging to residents of Malta and held with resident MFIs expanded by EUR66.7 million, or 0.8%, in March (see Table 2). This reflected an increase in overnight deposits, which went up by EUR48.5 million, or 1.0%, together with growth in deposits with an agreed maturity up to two years, which rose by EUR22.4 million, or 0.6%. Conversely, deposits redeemable at notice up to three months fell by EUR4.1 million, or 3.2%. The annual growth rate of total deposits decelerated to 4.1% in March from 5.7% in February.

The March increase in overnight deposits was mostly attributable to higher balances held by households and NFCs, while the rise in deposits with an agreed maturity of up to two years was fuelled by non-bank financial intermediaries.

Credit issued by resident MFIs to residents of Malta (including government) contracted by EUR19.9 million, or 0.2%, in March. Consequently, annual credit growth dipped to 6.4% from 6.8% in February.

Credit to general government dropped by EUR17.2 million, or 0.7%, driven by reduced banks holdings of Malta Government Stocks. On an annual basis, growth decelerated to 12.9% from 13.9% in February. Similarly, credit to residents outside the general government declined marginally by EUR2.7 million mostly due to lower bank holdings of securities issued by public NFCs, while loans to residents declined by EUR0.3 million. Loans extended to households (mainly to finance house purchases) expanded during the month reviewed, but this was offset by a decrease in loans extended to NFCs. As a result, the annual growth rate of credit to other residents slowed down to 4.6% from 4.9% in February.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs decreased by EUR187.5 million, or 1.6%, in March, as foreign assets declined whereas foreign liabilities increased (see Table 2)¹. The latter was brought about by a significant increase in deposits belonging to non-residents. Meanwhile, the drop in foreign assets stemmed mainly from a decline in deposits belonging to resident banks held with banks abroad. In annual terms, net foreign assets expanded by 3.8%, down from 6.8% in February.

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 lending and deposit rates

In March, the weighted average interest paid on deposits included in M3 edged down by one basis point to 1.11% while the corresponding rate on loans increased marginally by two basis points to 4.71%. Compared with a year earlier, the deposit rate decreased by one basis point while that charged on loans fell by eight 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

	Mar-12	Feb-12	Monthly Change	Monthly Percentage Change	Mar-11	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,581.6	5,528.0	53.6	1.0	5,178.2	403.5	7.8
Currency issued ⁽⁴⁾	701.9	702.9	-1.0	-0.1	661.7	40.1	6.1
Overnight deposits ⁽⁵⁾	4,879.8	4,825.1	54.6	1.1	4,516.4	363.3	8.0
INTERMEDIATE MONEY (M2)	9,618.8	9,586.2	32.6	0.3	9,126.8	492.0	5.4
Narrow money (M1)	5,581.6	5,528.0	53.6	1.0	5,178.2	403.5	7.8
Deposits redeemable at notice up to 3 months ⁽⁵⁾	126.6	130.7	-4.1	-3.1	132.0	-5.5	-4.2
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,910.6	3,927.5	-16.8	-0.4	3,816.6	94.0	2.5
BROAD MONEY (M3)	10,310.6	10,331.8	-21.2	-0.2	9,340.1	970.5	10.4
Intermediate money (M2)	9,618.8	9,586.2	32.6	0.3	9,126.8	492.0	5.4
Repurchase agreements	478.0	533.0	-55.0	-10.3	0.0	478.0	0.0
Debt securities issued up to 2 years' initial maturity ⁽⁶⁾	213.7	212.6	1.2	0.5	213.3	0.4	0.2
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,911.7	16,254.0	-342.3	-2.1	14,619.3	1,292.4	8.8
Credit to general government	4,259.4	4,639.6	-380.2	-8.2	4,090.8	168.7	4.1
Credit to other sectors	11,652.3	11,614.4	37.9	0.3	10,528.6	1,123.7	10.7
EXTERNAL COUNTERPART	8,838.4	7,967.0	871.4	10.9	7,299.9	1,538.6	21.1
Claims on non-residents of the euro area	30,542.6	29,845.5	697.1	2.3	27,791.3	2,751.3	9.9
Liabilities to non-residents of the euro area (-)	21,704.2	21,878.5	-174.3	-0.8	20,491.4	1,212.7	5.9
OTHER COUNTERPARTS (-)	14,439.6	13,889.2	550.4	4.0	12,579.1	1,860.5	14.8
Liabilities to the central government	740.4	828.2	-87.8	-10.6	684.0	56.4	8.2
Longer term financial liabilities	11,952.2	12,130.5	-178.3	-1.5	11,413.9	538.3	4.7
Other liabilities (net)	1,747.1	930.5	816.6	87.8	481.2	1,265.8	263.0

(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

	Mar-12	Feb-12	Monthly Change	Monthly Percentage Change	Mar-11	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,566.9	8,500.1	66.7	0.8	8,227.4	339.4	4.1
Overnight deposits	4,715.8	4,667.3	48.5	1.0	4,377.1	338.7	7.7
Deposits redeemable at notice up to 3 months	124.0	128.1	-4.1	-3.2	131.3	-7.3	-5.6
Deposits with agreed maturity up to 2 years	3,727.1	3,704.7	22.4	0.6	3,719.0	8.1	0.2
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,016.8	11,036.7	-19.9	-0.2	10,357.9	658.9	6.4
Credit to general government	2,426.7	2,443.9	-17.2	-0.7	2,149.3	277.4	12.9
Credit to other sectors	8,590.1	8,592.8	-2.7	0.0	8,208.6	381.5	4.6
NET FOREIGN ASSETS	11,475.7	11,663.2	-187.5	-1.6	11,057.4	418.3	3.8
Claims on non-residents of Malta	41,663.7	41,708.0	-44.3	-0.1	38,985.7	2,678.0	6.9
Liabilities to non-residents of Malta (-)	30,188.0	30,044.8	143.2	0.5	27,928.2	2,259.8	8.1

(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.