



RELEASE OF MONETARY STATISTICS

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The Central Bank of Malta has just issued its commentary on monetary developments in March 2014.

Deposits of Maltese residents

In March, deposits belonging to residents of Malta and held with resident Monetary Financial Institutions (MFIs) expanded by €171.8 million, or 1.7%, reversing the previous month's decline (see Table 1). Consequently, the annual growth rate rose slightly to 11.0%, from 10.9% in February.

Deposit growth was almost entirely driven by the overnight category, which expanded by €232.1 million, or 4.0%, mainly because of higher balances belonging to households and non-financial corporations (NFCs). As a result, overnight deposits continued growing at double-digit annual rates, with the growth rate rising to 16.2% in March from 14.4% in February (see Chart 1). At the same time, deposits redeemable at a notice of up to three months edged up by €0.3 million, or 0.3%.

On the other hand, deposits with an agreed maturity of up to two years contracted by €60.6 million, or 1.5%, mostly because of lower NFCs' deposits. Consequently, the annual growth rate of these deposits slowed down to 4.1%, from 6.3% a month earlier.

Credit extended to Maltese residents

In March, credit granted by resident MFIs to Maltese residents rose by €73.1 million, or 0.6%, on the back of higher credit granted to both general government and other residents. Nonetheless, the annual growth rate fell to 0.9% in March, from 1.3% in February (see Chart 2).

Credit to general government rose by €24.3 million, or 0.9%, as banks increased their holdings of Treasury bills and Malta Government Stocks. However, given that this increase was smaller than that registered twelve months earlier, the annual growth rate slowed down to 7.1% from 8.0% in the previous month.

On the other hand, credit to other residents, consisting mainly of private sector borrowers, expanded by €48.8 million, or 0.6%, partly due to the half-yearly addition of interest to borrowers' loan accounts. Loans granted to households continued on their upward trend mainly reflecting an increase in lending for house purchases. In the case of private NFCs, the rise in credit extended was mainly directed at the

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wholesale & retail trade sector and the accommodation & food service activities sector. Despite the March increase in lending to the other residents category, the annual rate of change declined to -0.8% from -0.5% in the previous month.

Net foreign assets of Maltese MFIs

Net foreign assets belonging to resident MFIs contracted by €12.9 million, or 0.2%, in March as an increase in foreign liabilities outweighed a rise in foreign claims (see Table 1).¹ The former stemmed mainly from an increase in non-residents' deposits held with resident banks, while the latter mainly reflected a rise in holdings of foreign securities. As a result, net foreign assets contracted by 30.0% in the year to March, following a 29.4% drop in the twelve months to February. These large movements in net foreign assets largely reflected the transactions of international banks operating from Malta.

Bank lending and deposit rates²

In March, the weighted average interest rate paid by MFIs on all deposits belonging to resident households and NFCs fell by 3 basis points to 1.34%. Meanwhile, the weighted average interest charged by resident MFIs on outstanding loans to resident households and NFCs rose by 1 basis point to 4.20%.

The weighted average deposit rate was 9 basis points lower than a year earlier, while that charged on loans was 13 basis points lower.

Contribution to euro area monetary aggregates

The contribution of resident MFIs to the euro area broad money stock (M3) expanded by €224.4 million, or 1.9%, in March reaching €12.0 billion (see Table 2). However, the annual growth rate fell to 13.7% from 14.2% in February, given that an even larger absolute increase was registered in March 2013.

Movements in M3 were driven by developments in intermediate money (M2) and, in particular, the narrow money (M1) component. The latter expanded by €243.2 million, or 3.6%, on the previous month following a rise in overnight deposits that largely involved balances held by Maltese residents. At the same time, currency issued rose by €3.8 million, or 0.5%. As a result, the annual growth rate of M1 accelerated to 14.9%, from 13.5% a month earlier.

Meanwhile, deposits with an agreed maturity of up to two years, which also form part of M2, contracted by €27.8 million, or 0.6%, as a drop in residents' deposits outweighed a rise in deposits belonging to other euro-area residents. Deposits redeemable at a notice of up to three months, the remaining component of M2, put on €0.3 million, or 0.3%.

Turning to the counterparts of M3, credit to euro area residents expanded by €75.8 million, or 0.5%. While credit to general government contracted, credit to other

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 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. Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions.

sectors rose during the month. On an annual basis, however, credit to euro area residents contracted by 6.0% in March, as opposed to a 5.8% drop in February.

Credit to general government declined by €4.1 million, or 0.1%, on the back of lower credit granted to governments in other euro area countries. On the other hand, credit to other sectors rose by €79.9 million, or 0.7%, reflecting higher credit to all major economic sectors.

The external counterpart of M3, which captures transactions between MFIs residing in Malta and residents of countries outside the euro area, rose by €380.6 million, or 4.4%. This resulted from increases in holdings of securities issued by non-euro area residents and in deposits held with non-euro area banks. To a lesser extent, external liabilities also rose, mainly reflecting higher deposits belonging to residents of non-euro area countries and held with resident MFIs.

The “other counterparts” category, which is negatively related to M3, rose by €232.1 million, or 2.0%, during the month principally due to an increase in other liabilities (net). The latter rose by €196.6 million, or 7.5% reflecting transactions between MFIs resident in Malta and those elsewhere in the euro area. At the same time, longer-term financial liabilities expanded by €75.0 million, or 0.9%, as resident MFIs increased their capital and reserves. Meanwhile, liabilities to the central government contracted by €39.5 million, or 7.1%, as government deposits fell.

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

CENTRAL BANK OF MALTA

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

EUR millions

	Mar-14	Feb-14	Monthly Change	Monthly Percentage Change	Mar-13	Annual Percentage Change	
						Mar-14	Feb-14
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	10,010.9	9,839.2	171.8	1.7	9,019.7	11.0	10.9
Overnight deposits	6,037.0	5,804.9	232.1	4.0	5,195.2	16.2	14.4
Deposits redeemable at notice up to 3 months	111.3	111.1	0.3	0.3	113.3	-1.7	-1.6
Deposits with agreed maturity up to 2 years	3,862.6	3,923.2	-60.6	-1.5	3,711.1	4.1	6.3
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,357.9	11,284.8	73.1	0.6	11,251.8	0.9	1.3
Credit to general government	2,640.7	2,616.4	24.3	0.9	2,466.8	7.1	8.0
Credit to other sectors	8,717.2	8,668.4	48.8	0.6	8,785.1	-0.8	-0.5
NET FOREIGN ASSETS	8,462.9	8,475.8	-12.9	-0.2	12,083.5	-30.0	-29.4
Claims on non-residents of Malta	40,025.1	39,130.5	894.6	2.3	44,694.9	-10.4	-11.8
Liabilities to non-residents of Malta (-)	31,562.2	30,654.7	907.5	3.0	32,611.3	-3.2	-5.3

⁽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.

CENTRAL BANK OF MALTA

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

EUR millions

	Mar-14	Feb-14	Monthly Change	Monthly Percentage Change	Mar-13	Annual Percentage Change	
						Mar-14	Feb-14
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	7,014.8	6,771.6	243.2	3.6	6,107.3	14.9	13.5
Currency issued ⁽⁴⁾	777.9	774.1	3.8	0.5	721.9	7.8	8.3
Overnight deposits ⁽⁵⁾	6,236.9	5,997.5	239.4	4.0	5,385.4	15.8	14.2
INTERMEDIATE MONEY (M2)	11,875.2	11,659.6	215.6	1.8	10,387.6	14.3	14.8
Narrow money (M1)	7,014.8	6,771.6	243.2	3.6	6,107.3	14.9	13.5
Deposits redeemable at notice up to 3 months ⁽⁵⁾	111.4	111.1	0.3	0.3	114.9	-3.0	-2.9
Deposits with agreed maturity up to 2 years ⁽⁵⁾	4,749.1	4,776.9	-27.8	-0.6	4,165.4	14.0	17.2
BROAD MONEY (M3)	12,037.0	11,812.6	224.4	1.9	10,583.1	13.7	14.2
Intermediate money (M2)	11,875.2	11,659.6	215.6	1.8	10,387.6	14.3	14.8
Marketable instruments ⁽⁶⁾	161.7	153.0	8.7	5.7	195.5	-17.3	-19.1
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	14,822.0	14,746.2	75.8	0.5	15,768.3	-6.0	-5.8
Credit to general government	4,025.1	4,029.3	-4.1	-0.1	3,751.2	7.3	12.9
Credit to other sectors	10,796.9	10,716.9	79.9	0.7	12,017.1	-10.2	-11.4
EXTERNAL COUNTERPART	8,941.5	8,560.9	380.6	4.4	10,561.8	-15.3	-14.5
Claims on non-residents of the euro area	30,910.5	30,174.7	735.9	2.4	34,115.3	-9.4	-10.8
Liabilities to non-residents of the euro area (-)	21,969.1	21,613.8	355.2	1.6	23,553.4	-6.7	-9.2
OTHER COUNTERPARTS (-)	11,726.5	11,494.4	232.1	2.0	15,747.0	-25.5	-25.0
Liabilities to the central government	514.7	554.2	-39.5	-7.1	624.9	-17.6	0.2
Longer term financial liabilities	8,380.7	8,305.7	75.0	0.9	12,530.4	-33.1	-33.9
Other liabilities (net)	2,831.1	2,634.5	196.6	7.5	2,591.8	9.2	19.8

⁽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.

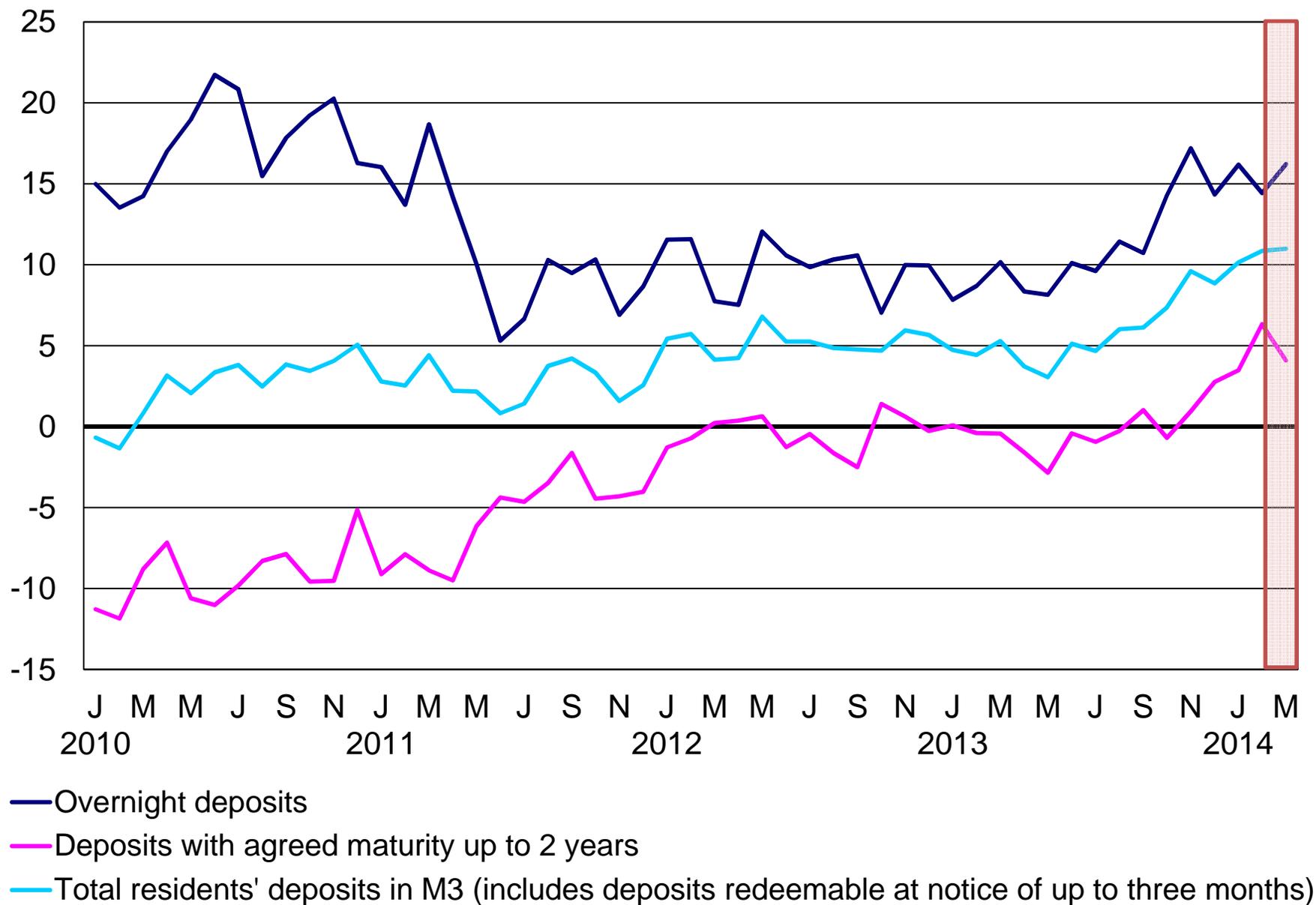
⁽⁶⁾ Marketable instruments include debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include Money Market Funds (MMF) shares/units and repurchase agreements that are not conducted through central counterparties.

Source: Central Bank of Malta.

Chart 1

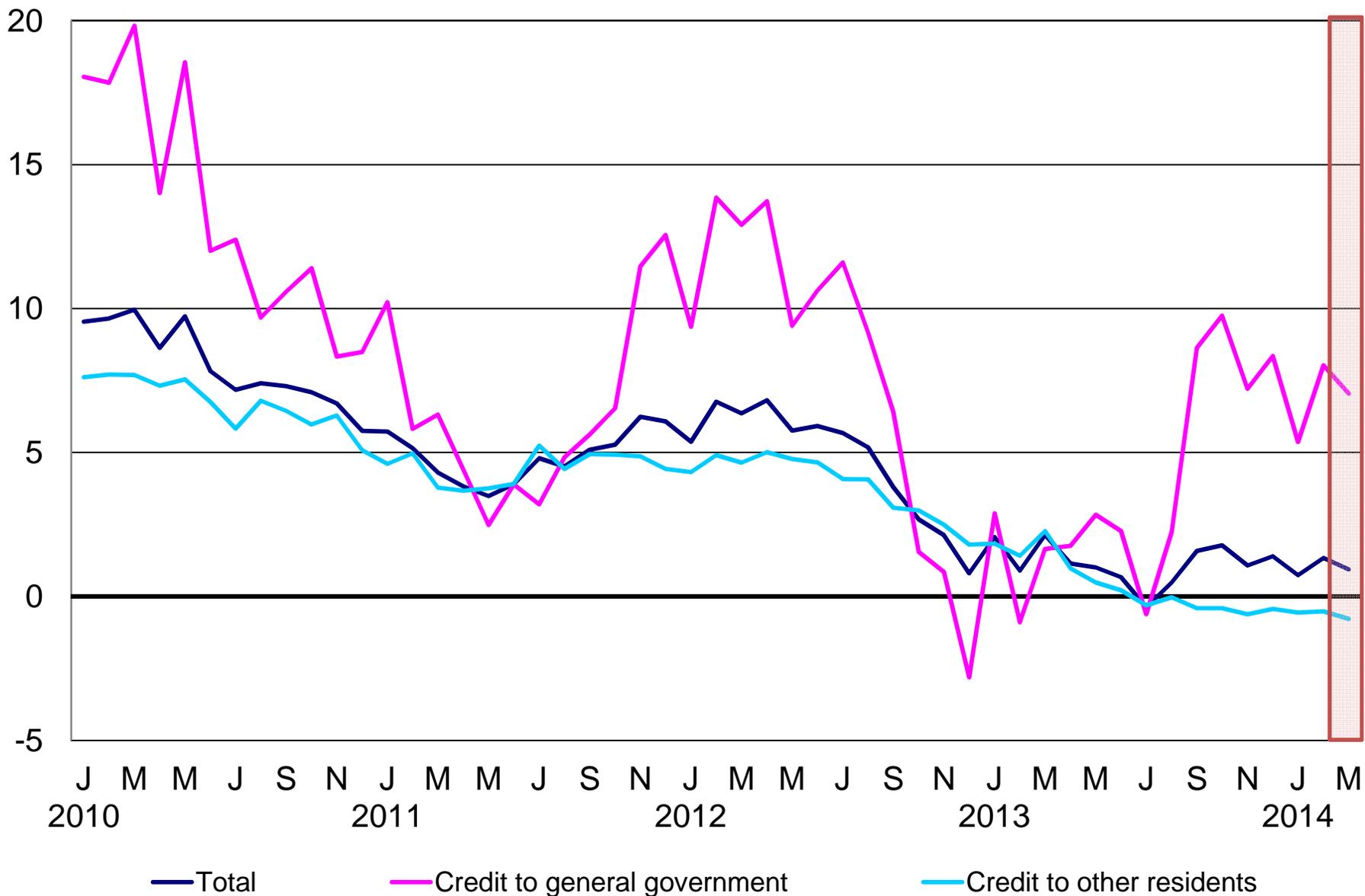
Growth in selected deposits of Maltese residents included in M3

(annual percentage changes)



Source: Central Bank of Malta.

Chart 2
Credit to residents of Malta
(annual percentage changes)



Source: Central Bank of Malta.