



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA
RELEASE OF MONETARY STATISTICS

Issue No. 05/2012

Date of publication: 9 October 2012

May 2012

Contribution to euro area monetary aggregates and counterparts

The contribution of resident Monetary Financial Institutions (MFIs) to the euro area's broad money stock (M3) expanded by EUR110.8 million, or 1.1%, in May, reaching EUR10.0 billion (see Table 1). Consequently, its year-on-year growth rate accelerated to 6.2% from 5.5% in the previous month.¹

The month-on-month increase in the broad money contribution was fuelled by the narrow component (M1), which went up by EUR122.5 million, or 2.2%. This, in turn, was driven principally by overnight deposits, which expanded by EUR109.5 million. This mainly reflected an increase in balances belonging to households and non-bank financial intermediaries. Meanwhile, currency issued went up by 1.8% on the previous month. As a result, the annual growth rate in M1 gained momentum reaching 11.4% in May, from 7.6% one month earlier.

In addition to M1, intermediate money (M2) includes deposits redeemable at notice up to three months and deposits with agreed maturity up to two years. In May, the volume of deposits redeemable at three months' notice increased moderately. Conversely, deposits with agreed maturity up to two years declined by EUR38.1 million, or 1.0%. This principally reflected lower holdings belonging to private non-financial companies (NFCs) resident in euro area countries other than Malta. The year-on-year growth in intermediate money rose from 5.6% in April to 6.1% in May.

¹ The Central Bank of Malta revised Maltese monetary statistics from the reference month of October 2011 onwards. As a result, the M3 component excludes repurchase operations conducted through central counterparties. These items have been reclassified as part of the "other counterparts" category.

Movements in M3 were also influenced by developments in marketable instruments. These increased by EUR20.4 million, or 9.5%, mainly because of a significant rise in shares issued by money market funds resident in Malta.

Turning to the counterparts of M3, credit to euro area residents expanded at a relatively marginal rate of 0.1% in May. This resulted from an expansion in credit to general government, while credit to other residents declined slightly.

The former rose by EUR21.2 million, or 0.5%, following an increase in MFIs' holdings of securities issued by euro area sovereigns. Although credit to residents other than general government remained almost unchanged, there were changes in its components. While bank holdings of securities issued by NFCs and non-bank financial intermediaries resident elsewhere in the euro area fell, there was offsetting growth in loans granted to households and euro area private NFCs.

Overall, the annual rate of growth in credit to euro area residents decelerated further, reaching 7.0% from 8.0% one month earlier.

The external counterpart of M3, which reflects transactions between Maltese MFIs and residents of countries outside the euro area, expanded by EUR909.9 million, or 9.7%, in May, as assets increased at a much faster pace than liabilities. The rise in assets stemmed mostly from larger holdings of debt issued by non-euro area sovereigns. Meanwhile, the rise in liabilities reflected increased funding by means of repurchase agreements coupled with growth in deposits belonging to residents of countries outside the euro area.

The "other counterparts" category, which is inversely related to M3, rose by EUR815.4 million, or 5.4%, in May driven entirely by an increase in other liabilities (net). The latter increase mainly reflected transactions with other euro area banks and was partially offset by a decline in longer-term financial liabilities and in liabilities to the central government.

Transactions with Maltese residents: deposits and credit

In May, deposits belonging to residents of Malta and held with resident MFIs increased by EUR113.8 million, or 1.3%, on the previous month (see Table 2).

Consequently, the annual growth rate of total deposits accelerated to 6.8% from 4.2% in April.

The overnight component rose by EUR101.6 million, or 2.1%, during the month. This was driven principally by higher balances belonging to households and non-bank financial intermediaries.

Deposits with an agreed maturity of up to two years, which are included in M2, also increased during May, though to a much lesser extent than overnight deposits, in absolute terms. Deposits with an agreed maturity of up to two years expanded by EUR5.7 million. As was the case with overnight deposits, this reflected higher balances held by households and non-bank financial intermediaries. Meanwhile, deposits redeemable at notice up to three months rose by EUR6.4 million, mainly because balances belonging to private NFCs increased.

Credit issued by resident MFIs to residents of Malta (including government) rose by EUR19.4 million, or 0.2%, in May. This reflected an increase in credit to residents other than government. Overall, annual credit growth dropped by one percentage point from 6.8% in April to 5.8%.

Credit to general government contracted slightly by EUR0.8 million during the period reviewed. This decline concealed large offsetting factors. Whereas MFIs' Treasury bill holdings rose, their portfolios of Malta Government Stocks fell by an almost equal amount as debt matured, while loans extended to central government decreased. Overall, the annual growth rate of credit to government decelerated to 9.4% from 13.7% one month earlier.

Credit to residents outside general government expanded by EUR20.1 million, or 0.2%, driven by an increase in loans granted to households (mainly to finance house purchases) and, to a lesser degree, to corporate borrowers. Nonetheless, the year-on-year growth rate of credit to other residents edged down to 4.8% from 5.0% in April.

Net foreign assets of Maltese MFIs

Net foreign assets held by resident MFIs declined by EUR8.1 million, or 0.1%, in May, as a considerable increase in foreign liabilities outpaced a rise in foreign assets

(see Table 2).² The latter was the result of a substantial increase in the holdings of foreign government securities together with a rise in the volume of loans granted to private NFCs residing outside Malta. On the other hand, the increase in liabilities reflects growth in time deposits belonging to non-resident NFCs, insurance companies and credit institutions. Overall, the year-on-year growth rate of net foreign assets gained momentum, reaching 3.6%, from 2.6% one month earlier.

Bank lending and deposit rates

In May, the weighted average interest paid on deposits included in M3 decreased by two basis points from April's level reaching 1.09%, while the corresponding rate on loans declined by one basis point to 4.69%. Compared with a year earlier, the average deposit rate was three basis points lower, while that charged on loans declined by six points.

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

² 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.

CENTRAL BANK OF MALTA

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

€ millions

	May-12	Apr-12	Monthly Change	Monthly Percentage Change	May-11	Annual Change	Annual Percentage Change
MONETARY AGGREGATES⁽³⁾							
NARROW MONEY (M1)	5,742.5	5,620.1	122.5	2.2	5,153.6	588.9	11.4
Currency issued ⁽⁴⁾	719.1	706.1	13.0	1.8	676.5	42.6	6.3
Overnight deposits ⁽⁵⁾	5,023.5	4,914.0	109.5	2.2	4,477.1	546.4	12.2
INTERMEDIATE MONEY (M2)	9,741.2	9,650.7	90.4	0.9	9,183.7	557.4	6.1
Narrow money (M1)	5,742.5	5,620.1	122.5	2.2	5,153.6	588.9	11.4
Deposits redeemable at notice up to 3 months ⁽⁵⁾	137.9	131.9	6.0	4.5	129.2	8.7	6.7
Deposits with agreed maturity up to 2 years ⁽⁵⁾	3,860.8	3,898.8	-38.1	-1.0	3,901.0	-40.2	-1.0
BROAD MONEY (M3)	9,976.4	9,865.7	110.8	1.1	9,396.0	580.4	6.2
Intermediate money (M2)	9,741.2	9,650.7	90.4	0.9	9,183.7	557.4	6.1
Marketable instruments ⁽⁶⁾	235.3	214.9	20.4	9.5	212.3	23.0	10.8
SELECTED COUNTERPARTS OF M3							
CREDIT COUNTERPART	15,737.8	15,721.5	16.3	0.1	14,714.8	1,023.0	7.0
Credit to general government	4,265.3	4,244.2	21.2	0.5	4,165.8	99.6	2.4
Credit to other sectors	11,472.4	11,477.3	-4.9	0.0	10,549.1	923.4	8.8
EXTERNAL COUNTERPART	10,293.8	9,383.9	909.9	9.7	7,244.0	3,049.8	42.1
Claims on non-residents of the euro area	33,606.9	31,812.3	1,794.6	5.6	29,738.5	3,868.4	13.0
Liabilities to non-residents of the euro area (-)	23,313.1	22,428.4	884.7	3.9	22,494.5	818.6	3.6
OTHER COUNTERPARTS (-)	16,055.2	15,239.8	815.4	5.4	12,562.8	3,492.4	27.8
Liabilities to the central government	606.8	681.7	-74.9	-11.0	768.9	-162.1	-21.1
Longer term financial liabilities	11,950.5	12,030.5	-80.0	-0.7	11,472.7	477.8	4.2
Other liabilities (net)	3,497.9	2,527.6	970.3	38.4	321.2	3,176.7	989.1

(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 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) 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

Source: Central Bank of Malta.

CENTRAL BANK OF MALTA

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

€ millions

	May-12	Apr-12	Monthly Change	Monthly Percentage Change	May-11	Annual Change	Annual Percentage Change
DEPOSITS							
TOTAL RESIDENTS' DEPOSITS⁽²⁾	8,701.6	8,587.8	113.8	1.3	8,147.5	554.1	6.8
Overnight deposits	4,851.9	4,750.3	101.6	2.1	4,330.4	521.5	12.0
Deposits redeemable at notice up to 3 months	137.6	131.2	6.4	4.9	128.4	9.2	7.1
Deposits with agreed maturity up to 2 years	3,712.1	3,706.3	5.7	0.2	3,688.6	23.4	0.6
SELECTED COUNTERPARTS							
TOTAL CREDIT TO RESIDENTS	11,061.9	11,042.5	19.4	0.2	10,459.9	602.0	5.8
Credit to general government	2,433.1	2,433.9	-0.8	0.0	2,224.1	209.0	9.4
Credit to other sectors	8,628.7	8,608.6	20.1	0.2	8,235.8	393.0	4.8
NET FOREIGN ASSETS	11,400.1	11,408.2	-8.1	-0.1	11,008.6	391.5	3.6
Claims on non-residents of Malta	43,587.8	42,048.2	1,539.6	3.7	41,147.6	2,440.2	5.9
Liabilities to non-residents of Malta (-)	32,187.7	30,640.0	1,547.7	5.1	30,138.9	2,048.8	6.8

(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.