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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) expanded by EUR81.7 million, or 0.8%, in September to EUR10.3 billion (see Table 1). Nonetheless, the annual growth rate declined slightly, reaching 6.3% in September, from 6.4% in August.

The month-on-month increase in M3 stemmed entirely from a rise in intermediate money (M2), which went up by EUR81.9 million, or 0.8%. This was marginally offset by a decline in marketable instruments. A drop of EUR0.2 million, or 0.1%, in the latter reflected a fall in shares issued by money market funds resident in Malta.

Growth in M2 was driven mostly by the narrow money component (M1), which expanded by EUR49.4 million, or 0.8%. Narrow money growth was entirely attributable to an increase in overnight deposits, which expanded by EUR50.4 million, or 1.0%, driven by a rise in balances belonging to households and non-bank financial intermediaries. Conversely, currency issued dipped slightly. Overall, the annual growth rate of M1 remained unchanged at 11.6% in September.

During September, deposits with an agreed maturity of up to two years, which also form part of M2, expanded by EUR27.4 million, or 0.7%. This stemmed entirely from an inflow of funds belonging to residents of other euro area countries, mainly private non-financial companies (NFCs). Similarly, deposits redeemable at a notice of up to three months, the remaining component of M2, increased, mostly because of a rise in private NFCs' holdings. Overall, intermediate money grew by 6.6% on a year-on-year basis, down from 6.7% one month earlier.

Turning to the counterparts of M3, credit to euro area residents contracted by EUR44.8 million, or 0.3%. The annual growth rate of credit turned negative, reaching -0.9% in September, down from 6.2% in August. This swing also reflected the sharp rise in credit to euro area residents between August and September 2011.

Among the counterparts, credit to general government declined considerably, offsetting an increase in credit to the remaining sectors of the economy. The former decreased by EUR96.6 million, or 2.5%, mainly as a result of lower bank holdings of euro-area government securities. Conversely, credit to other sectors expanded by

EUR51.8 million, or 0.4%, fuelled by loans extended to households and private NFCs. Bank holdings of securities issued by non-bank financial intermediaries and NFCs resident elsewhere in the euro area also rose.

The external counterpart of M3, which reflects transactions between MFIs residing in Malta and residents of countries outside the euro area, contracted by EUR1.4 billion, or 13.4%. This principally reflected a considerable decline in foreign assets, in particular in loans granted to other MFIs outside the euro area and also in holdings of non-euro area government bonds. At the same time, liabilities to non-residents expanded marginally.

The “other counterparts” category, which is negatively related to M3, fell by EUR1.5 billion, or 9.3%, in September, driven by a decline in other liabilities (net). In turn, this mainly reflected an increase in claims on other banks in the euro area. A decrease in longer-term financial liabilities also contributed, though to a much lesser extent. In contrast, there was a partially offsetting rise in central government deposits.

### **Transactions with Maltese residents: deposits and credit**

In September, deposits belonging to residents of Malta and held with resident MFIs expanded by EUR33.2 million, or 0.4%, over the previous month (see Table 2). Annual growth remained unchanged at the rate of 5.7% recorded in August.

Overnight deposits rose by EUR45.9 million, or 0.9%, in September driven by an increase in balances belonging to households and non-bank financial intermediaries. The rise in balances may reflect the redemption of a significant volume of Malta Government stocks that matured towards the end of the month. Deposits redeemable at up to three months’ notice also rose, putting on EUR5.4 million, or 3.9%, mostly in the form of higher balances belonging to private NFCs. Conversely, deposits with an agreed maturity of up to two years contracted by EUR18.2 million, or 0.5%, due to a decline in non-bank financial intermediaries’ holdings.

Credit issued by resident MFIs to residents of Malta contracted by EUR32.3 million, or 0.3%, in September. As a result, the annual growth rate decelerated to 3.8% in September, from 5.2% in August.

The drop in total credit reflected a contraction in credit to general government, which decreased by EUR69.5 million, in line with the redemption of government securities that was mentioned earlier. Consequently, the annual growth rate of credit to general government slowed down to 6.4%, from 9.2% in August.

Conversely, credit to residents outside general government increased by EUR37.3 million, or 0.4%, because of a rise in loans granted to households – mostly to finance house purchases – as well as to private NFCs in the construction and real estate activities sectors. Nonetheless, the annual growth rate of credit to residents other than general government eased to 3.1% in September, from 4.1% in August, given that credit had risen even more strongly between the same two months of 2011.

### **Net Foreign Assets of Maltese MFIs**

Net foreign assets held by resident MFIs increased by EUR66.4 million, or 0.6%, in September, as a considerable decline in foreign liabilities exceeded a drop in

corresponding claims (see Table 2).<sup>1</sup> The former stemmed from a lower level of deposits belonging to non-residents. The drop in foreign claims primarily resulted from lower holdings of securities issued by non-residents and a decline in loans granted to non-residents. Overall, the annual growth rate of net foreign assets gained some momentum, reaching 9.5% from 8.3% one month earlier.

### **Bank lending and deposit rates<sup>2</sup>**

In September, the weighted average interest rate paid by resident MFIs on all deposits belonging to Maltese households and NFCs edged down by one basis point, reaching 1.40%.

Meanwhile, the weighted average interest rate charged by MFIs on outstanding loans to resident households and non-financial companies rose by two basis points, reaching 4.35%.

The average deposit rate was one basis point higher than in September 2011, while that charged on loans was five 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](http://www.centralbankmalta.org)***

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<sup>1</sup> 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.

<sup>2</sup> Data on interest rates on outstanding amounts cover MFI euro-denominated deposits belonging to households and non-financial corporations resident in Malta and loans extended to them. 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.

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

€ millions

	Sep-12	Aug-12	Monthly Change	Monthly Percentage Change	Sep-11	Annual Change	Annual Percentage Change
<b>MONETARY AGGREGATES<sup>(3)</sup></b>							
<b>NARROW MONEY (M1)</b>	<b>5,929.1</b>	<b>5,879.7</b>	<b>49.4</b>	<b>0.8</b>	<b>5,310.8</b>	<b>618.3</b>	<b>11.6</b>
Currency issued <sup>(4)</sup>	718.7	719.7	-1.0	-0.1	690.1	28.6	4.1
Overnight deposits <sup>(5)</sup>	5,210.4	5,160.0	50.4	1.0	4,620.7	589.7	12.8
<b>INTERMEDIATE MONEY (M2)</b>	<b>10,075.9</b>	<b>9,994.0</b>	<b>81.9</b>	<b>0.8</b>	<b>9,456.4</b>	<b>619.5</b>	<b>6.6</b>
Narrow money (M1)	5,929.1	5,879.7	49.4	0.8	5,310.8	618.3	11.6
Deposits redeemable at notice up to 3 months <sup>(5)</sup>	145.7	140.6	5.1	3.6	127.3	18.4	14.4
Deposits with agreed maturity up to 2 years <sup>(5)</sup>	4,001.0	3,973.6	27.4	0.7	4,018.3	-17.2	-0.4
<b>BROAD MONEY (M3)</b>	<b>10,278.3</b>	<b>10,196.7</b>	<b>81.7</b>	<b>0.8</b>	<b>9,672.9</b>	<b>605.4</b>	<b>6.3</b>
Intermediate money (M2)	10,075.9	9,994.0	81.9	0.8	9,456.4	619.5	6.6
Marketable instruments <sup>(6)</sup>	202.5	202.7	-0.2	-0.1	216.5	-14.0	-6.5
<b>SELECTED COUNTERPARTS OF M3</b>							
<b>CREDIT COUNTERPART</b>	<b>15,960.6</b>	<b>16,005.5</b>	<b>-44.8</b>	<b>-0.3</b>	<b>16,104.5</b>	<b>-143.9</b>	<b>-0.9</b>
Credit to general government	3,818.5	3,915.1	-96.6	-2.5	4,834.5	-1,016.0	-21.0
Credit to other sectors	12,142.1	12,090.4	51.8	0.4	11,270.1	872.1	7.7
<b>EXTERNAL COUNTERPART</b>	<b>8,792.5</b>	<b>10,152.7</b>	<b>-1,360.3</b>	<b>-13.4</b>	<b>7,736.4</b>	<b>1,056.1</b>	<b>13.7</b>
Claims on non-residents of the euro area	32,533.7	33,866.2	-1,332.5	-3.9	28,866.9	3,666.8	12.7
Liabilities to non-residents of the euro area (-)	23,741.2	23,713.4	27.8	0.1	21,130.6	2,610.7	12.4
<b>OTHER COUNTERPARTS (-)</b>	<b>14,474.8</b>	<b>15,961.5</b>	<b>-1,486.8</b>	<b>-9.3</b>	<b>14,168.0</b>	<b>306.8</b>	<b>2.2</b>
Liabilities to the central government	945.9	805.6	140.3	17.4	712.9	233.0	32.7
Longer term financial liabilities	12,505.9	12,543.4	-37.4	-0.3	11,649.1	856.9	7.4
Other liabilities (net)	1,022.9	2,612.6	-1,589.6	-60.8	1,806.1	-783.1	-43.4

(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 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<sup>(1)</sup>**

€ millions

	Sep-12	Aug-12	Monthly Change	Monthly Percentage Change	Sep-11	Annual Change	Annual Percentage Change
<b>DEPOSITS</b>							
<b>TOTAL RESIDENTS' DEPOSITS<sup>(2)</sup></b>	<b>8,830.1</b>	<b>8,796.9</b>	<b>33.2</b>	<b>0.4</b>	<b>8,357.4</b>	<b>472.7</b>	<b>5.7</b>
Overnight deposits	5,025.9	4,980.0	45.9	0.9	4,477.6	548.2	12.2
Deposits redeemable at notice up to 3 months	144.0	138.5	5.4	3.9	125.3	18.7	14.9
Deposits with agreed maturity up to 2 years	3,660.3	3,678.4	-18.2	-0.5	3,754.5	-94.2	-2.5
<b>SELECTED COUNTERPARTS</b>							
<b>TOTAL CREDIT TO RESIDENTS</b>	<b>11,150.1</b>	<b>11,182.4</b>	<b>-32.3</b>	<b>-0.3</b>	<b>10,742.7</b>	<b>407.4</b>	<b>3.8</b>
Credit to general government	2,453.6	2,523.2	-69.5	-2.8	2,305.8	147.9	6.4
Credit to other sectors	8,696.5	8,659.2	37.3	0.4	8,437.0	259.5	3.1
<b>NET FOREIGN ASSETS</b>	<b>12,144.9</b>	<b>12,078.5</b>	<b>66.4</b>	<b>0.6</b>	<b>11,087.2</b>	<b>1,057.8</b>	<b>9.5</b>
Claims on non-residents of Malta	43,875.8	44,226.0	-350.2	-0.8	41,318.8	2,557.1	6.2
Liabilities to non-residents of Malta (-)	31,730.9	32,147.5	-416.6	-1.3	30,231.6	1,499.3	5.0

<sup>(1)</sup> Figures may not add up due to rounding.

<sup>(2)</sup> Deposits with MFIs exclude interbank deposits and deposits held by central government.

Source: Central Bank of Malta.