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ABBREVIATIONS

ECB	European Central Bank
EONIA	Euro OverNight Index Average
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
ETC	Employment and Training Corporation
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FTSE	Financial Times Stock Exchange
GDP	gross domestic product
HCI	harmonised competitiveness indicator
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
LFS	Labour Force Survey
LTRO	longer-term refinancing operation
MIGA	Multilateral Investment Guarantee Agency
MFI	monetary financial institution
MFSA	Malta Financial Services Authority
MGS	Malta Government Stocks
MRO	main refinancing operation
MSE	Malta Stock Exchange
NACE	statistical classification of economic activities in the European Community
NCB	national central bank
NPISH	Non-Profit Institutions Serving Households
NSO	National Statistics Office
OECD	Organisation for Economic Co-operation and Development
OMFI	other monetary financial institution
OMT	Outright Monetary Transaction
RPI	Retail Price Index
ULC	unit labour cost

FOREWORD

The Governing Council of the European Central Bank eased its monetary policy stance further during the first nine months of 2014 against a backdrop of a subdued outlook for inflation, weak growth momentum and restrained money and credit dynamics.

In June the Council again lowered key interest rates, cutting the main refinancing operation (MRO) rate by 10 basis points to 0.15%. At the same time, the rates on the marginal lending facility and on the deposit facility were reduced to 0.40% and -0.10%, respectively, with the deposit rate moving into negative territory for the first time.

Meanwhile, the Governing Council introduced four-year targeted longer-term refinancing operations (TLTRO). These four-year TLTROs are aimed at supporting bank lending to the euro area non-financial private sector, excluding loans to households for house purchase. At the same time, the Governing Council announced the prolongation of the fixed rate, full allotment tender procedures at least until December 2016. The Council also suspended the sterilising operations related to the Securities Markets Programme and announced that it would intensify preparations for outright purchases of asset-backed securities.

In September the Governing Council decided to lower key interest rates by a further 10 basis points. This brought the MRO rate down to 0.05%. In addition, the rates on the marginal lending facility and the deposit facility were reduced to 0.30% and -0.20%, respectively. Moreover, the Governing Council decided to launch Eurosystem purchases of private sector assets. More specifically, the Eurosystem will buy a broad portfolio of asset-backed securities and euro-denominated covered bonds.

The euro area economy continued to recover slowly during the first quarter of 2014. Real gross domestic product (GDP) rose by 0.2% quarter-on-quarter, following a 0.3% increase in the last quarter of 2013. Growth in the first quarter of 2014 was driven by domestic demand, particularly government spending and inventories. In contrast, the contribution of net exports to GDP growth turned negative during the first three months of 2014, as imports outpaced exports. According to Eurostat’s flash estimate, real GDP was stable on a quarter-on-quarter basis in the following quarter, underscoring the fragility of the recovery of the euro area economy.

The annual rate of inflation in the euro area, based on the Harmonised Index of Consumer Prices (HICP), remained low. In March it dipped to 0.5% from 0.8% in December, mainly reflecting developments in food and energy prices, though price pressures in the remaining HICP components were also moderate. Inflation remained subdued in the second quarter of the year, with the annual rate remaining at 0.5% in June.

According to the Eurosystem’s macroeconomic projections published in June, euro area real GDP growth was expected to gradually recover over the forecast horizon. Real GDP was set to expand by 1.0% in 2014 before accelerating to 1.7% in 2015 and 1.8% in 2016. The annual HICP inflation rate was forecast to weaken to 0.7% in 2014, before rising to 1.1% in 2015 and 1.4% in 2016.

Turning to local developments, GDP growth in Malta accelerated to 3.5% in annual terms, following an expansion of 2.2% in the last three months of 2013. Growth in the first three months of the year was largely driven by domestic demand, particularly investment, although private and government consumption also supported the expansion. Net exports on the other hand contributed only marginally to GDP growth. Economic activity remained strong in the second quarter, supported by both domestic demand and net exports, though the annual rate of GDP growth moderated to 2.9%.

Consumer price inflation in Malta picked up further during the first quarter of 2014, but remained low. Annual HICP inflation rose to 1.4% in March from 1.0% in December, with the acceleration driven by developments in prices of services, energy and non-energy industrial goods. In contrast, the annual rate of change of food prices moderated, largely under the impact of a decline in unprocessed food prices. Inflation subsequently slowed down to 0.7% in June, mainly reflecting the cut in electricity tariffs in April and weaker growth in food prices.

The performance of the labour market remained strong during the first quarter of 2014, with continued growth in employment. According to the Labour Force Survey (LFS), employment rose by 1.9% on a year earlier, following a 2.8% increase in the last quarter of 2013. Meanwhile, the number of full-timers registered with the Employment and Training Corporation rose at an annual rate of 3.6% in March. The unemployment rate based on the LFS was unchanged at 6.0% compared with a year earlier, but 0.4 percentage point lower than the rate recorded in the preceding three-month period.

With regard to competitiveness indicators, between December and March the nominal and real harmonised competitive indicators (HCI) both rose, though they declined during the following quarter. In June the nominal HCI was still around 1.0% above its level a year earlier, but the real HCI was down by 0.3%. Thus, in the year to June the loss in price competitiveness arising from exchange rate movements was more than offset by a narrowing inflation differential against Malta's trading partners. In the first quarter of 2014, the annual rate of increase in unit labour costs, measured as a four-quarter moving average, moderated to 1.0% from 1.5% in the last quarter of 2013.

In the external sector, during the first quarter of 2014 the deficit on the current account of the balance of payments declined markedly over the same period of 2013. This was largely on account of lower net outflows on the income account, although a higher surplus on services also contributed. In contrast, the merchandise trade gap widened and net inward current transfers declined. When expressed as a four-quarter moving sum, the balance on the current account remained in surplus. In the year to March 2014, this surplus was equivalent to 1.6% of GDP, as against 0.4% in the 12 months to March 2013.

Maltese residents' deposits with resident credit institutions accelerated during the second quarter, with the annual growth rate rising to 11.7% in June, driven by overnight deposits and deposits with an agreed maturity of up to two years. Meanwhile, credit granted to residents also increased at a faster pace, with the annual rate of change rising from 0.9% in March to 3.3% three months later. This reflected faster growth in credit granted to general government and other residents.

The broad downward trend in euro area interest rates influenced domestic financial markets during the second quarter of the year. Yields on three-month Treasury bills fell, with the secondary market rate standing at 0.29% by end-June, down from 0.37% at the end of March. Similarly, the yield on five-year government bonds fell to 1.48%, while that on ten-year government bonds declined to 2.76%, from 2.00% and 2.98%, respectively, three months earlier. Bank lending rates were also marginally lower, with the weighted average lending rate, at 4.16%, reaching its lowest level since 2008.

With regard to fiscal developments, during the first quarter of 2014 the general government deficit widened on a year earlier, as expenditure increased more strongly than revenue. As a result, the ratio of the deficit to GDP measured on a four-quarter moving sum rose to 3.1%. General government debt also increased during this period, with its ratio to GDP rising from 72.6% at the end of December 2013 to 75.3% at the end of March.

From a policy perspective, the fiscal stance continues to be focused on meeting the budgetary targets set out for this year and on ensuring compliance with the relevant EU Council Recommendations under the Excessive Deficit Procedure. Achieving these targets should contribute to a lowering of the debt ratio and a strengthening of long-term sustainability in public finances. A welcome development in this regard is the recent approval by Parliament of the Fiscal Responsibility Act, which enhances fiscal discipline through the introduction of national deficit and debt rules, and through the setting up of an independent fiscal council.

The financial system continued to perform satisfactorily in the first quarter of 2014, as reflected in the strong capital adequacy ratios of core domestic banks, ample liquidity levels and in the continued growth in residents' deposits. However, further efforts are needed to diversify funding sources, raise provisions and strengthen capital bases.

Given the banks' relatively healthy position, there may also be scope for increased lending to the private sector, which would support economic expansion, possibly financed through the favourable lending facilities being offered by the Eurosystem following the introduction of four-year TLTROs.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

Global economic growth remained subdued during the first quarter of 2014, largely driven by solid expansions in the United Kingdom and Japan. On the other hand, the US economy experienced a weather-related contraction in quarter-on-quarter terms, while growth in the euro area remained weak. In emerging economies, economic activity generally weakened, led by a policy-induced slowdown in China. Global inflationary pressures remained moderate, despite the highly accommodative monetary policy stance of most major central banks.

Financial markets were affected by an increase in geopolitical tensions. As a result, the upward momentum recently observed in equity markets faded, while demand for safe-haven assets, such as gold and certain sovereign bonds, rose. Growth-linked commodity prices also took a hit, with oil and metal prices weighed down by lower demand from the global major importer, China. On the other hand, food prices were supported by extreme weather conditions and geopolitical tensions in supplier countries.

International economic developments

US economy contracts amid adverse weather conditions

Economic activity in the United States dipped during the first quarter of 2014. Real gross domestic product (GDP) fell by 0.5% when compared with the previous quarter, the first contraction in three years (see Table 1.1). Extreme cold weather was the main driver behind these developments, hampering exports and investment, while growth in private consumption also slowed, partly under the impact of expiring social benefits.

Despite the contraction in activity, the unemployment rate remained unchanged from its level of 6.7% registered in December (see Chart 1.1). This suggested that employers viewed the contraction as being due to one-off factors. Indeed, the number of employed persons rose during the quarter, signalling confidence in the outlook for the US economy.

GDP growth recovered in the second quarter, while labour market conditions continued to improve, with the unemployment rate dropping strongly to 6.1% in June. However, at this level, the unemployment rate remained above its long-term average.

Table 1.1
REAL GDP GROWTH IN ADVANCED ECONOMIES
Quarterly percentage changes; seasonally adjusted

		2013		2014
	Q2	Q3	Q4	Q1
United States	0.4	1.1	0.9	-0.5
Euro area	0.3	0.1	0.3	0.2
United Kingdom	0.7	0.8	0.7	0.8
Japan	0.7	0.3	0.1	1.6

Sources: Bureau of Economic Analysis, US; Eurostat; Office of National Statistics, UK; Cabinet Office, Japan.

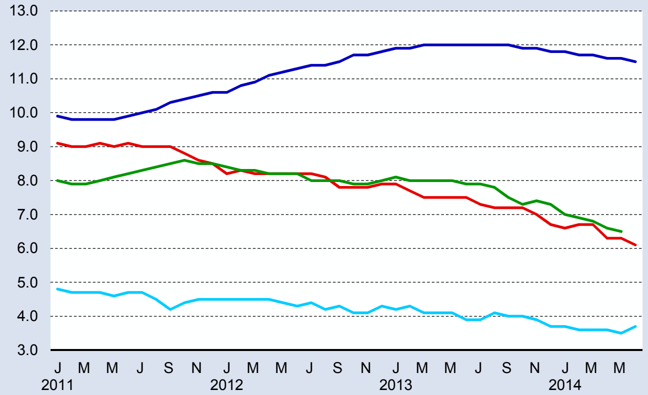
At 1.5% in March, the annual rate of consumer price inflation was unchanged from the corresponding rate in December 2013 (see Chart 1.2). Inflation in the United States remained muted owing to a residual amount of slack in the economy, low commodity prices, and a stronger dollar when compared with a year earlier.

Inflationary pressures picked up during the second quarter of 2014, with the annual rate of the Consumer Price Index (CPI) inflation standing at 2.1% in June.

In light of indications that the slump in economic growth in the first quarter was due to one-off factors, the Federal Reserve moderated the pace of its asset purchases on four occasions during the first six months of 2014, to a rate of USD 35 million per month as of June. On the other hand, the federal funds target rate was held unchanged in a range between 0.00% and 0.25% (see Chart 1.3).

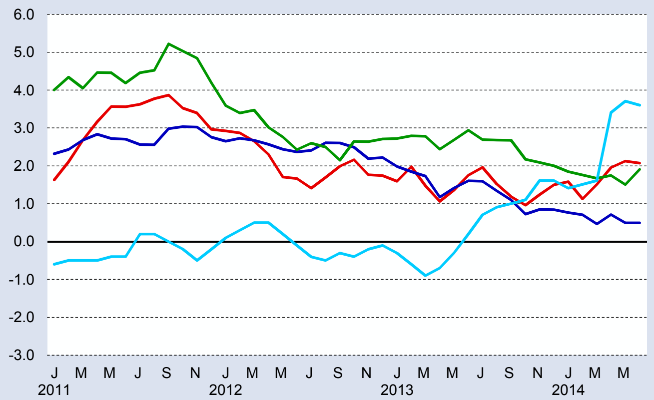
However, given the weak inflation outlook, the Fed altered its forward guidance statement in March, stating that the low target range for the federal funds rate would remain in place for a considerable time after its asset purchase programme ended, on condition that inflation expectations were well anchored. Meanwhile, the Fed continued to implement other non-standard monetary policy measures, such as reinvesting

Chart 1.1
UNEMPLOYMENT RATE
(percentage of the labour force; monthly data; seasonally adjusted)



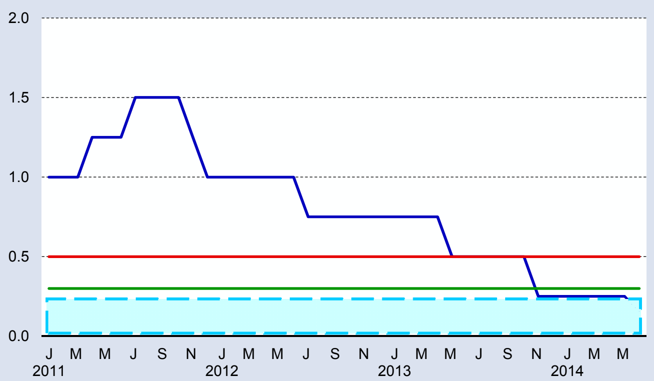
Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

Chart 1.3
OFFICIAL INTEREST RATES
(percentages per annum; end of month)



Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

principal payments from its holdings in agency mortgage-backed securities and rolling over maturing Treasury securities.

UK economy on an upward trend

The UK economy continued to strengthen during the first quarter of 2014, with real GDP growing by 0.8% on a quarter-on-quarter basis (see Table 1.1). The expansion was broad-based across sectors, but was led by robust acceleration in manufacturing and construction. The main source of activity during the quarter came from domestic demand, particularly private consumption and investment, though net trade also made a positive contribution on account of a continued contraction in imports.

The pick-up in activity was felt in the labour market, with employment rising and the unemployment rate dropping to 6.8% in March from 7.3% in December (see Chart 1.1). Following a long period of weak growth, earnings strengthened, with the annual rate of change rising above the CPI inflation rate.

The pace of activity continued to improve during the subsequent three months, while the unemployment rate dropped to 6.5% in May.

Despite the positive growth momentum, the inflation rate in the United Kingdom continued its recent decelerating trend, dropping to 1.7% in March from 2.0% in December (see Chart 1.2). The main driver was a dip in energy prices, partly reflecting lower oil prices when compared with a year earlier. The recent strengthening of sterling, however, also put downward pressure on the inflation rate by reducing the price of imported goods. Going into the second quarter, price pressures began to rise again, though moderately, with the annual rate of CPI inflation at 1.9% in June.

With regard to monetary policy, the Bank of England left its stock of asset purchases unchanged at GBP 375 billion and maintained the official bank rate at 0.5% during the first six months of 2014 (see Chart 1.3). In February 2014, the Bank issued another forward guidance statement stating that, despite the fall in unemployment, there remained scope for a further absorption of spare capacity before increasing the Bank Rate. It added that when the Bank Rate does begin to rise, the appropriate path is expected to be gradual.

On the fiscal side, the Government announced its 2014 Budget in March, forecasting a gradual drop in the fiscal deficit over the medium term, among other measures.

Japanese economy boosted by pre-tax surge in demand

The Japanese economy experienced a surge in activity during the first quarter of 2014, with real GDP rising by 1.6% on the previous quarter (see Table 1.1). This followed a meagre 0.1% growth rate during the final quarter of 2013.

Domestic demand was boosted by a robust acceleration in both private consumption and investment during the period, partly offset by a rundown in inventories. These developments mainly reflected increased demand ahead of a hike in the national sales tax in April 2014. Exports also grew strongly as a result, though these were partly offset by a surge in imports driven by higher domestic demand. The resulting contribution of net exports to growth was minimal.

The labour market in Japan remained tight during the first quarter, reflecting the positive trend in growth in recent quarters (see Chart 1.1). In March the unemployment rate stood at 3.6%, 0.1 point lower than in December. By June it had risen slightly to 3.7%.

On the price front, the annual CPI inflation rate stood at 1.6% in March 2014, the same level as in December 2013 (see Chart 1.2). This suggests a positive momentum for prices, following a number of years of deflationary pressures. Energy and, to a lesser extent, food prices, were the main contributors to annual price growth during the first quarter, partly reflecting the impact of a weak yen on imported commodity prices. However, core inflation (excluding food and energy) was also positive at 0.6% in March, pointing to domestic price pressures.

Price pressures picked up significantly during the second quarter of 2014, with the annual CPI inflation rate standing at 3.6% in June. This pick-up was mainly due to the increase in the national sales tax in April.

The Bank of Japan maintained its accommodative monetary policy during the first half of 2014, in line with its 2% target for annual CPI inflation (see Chart 1.3). The Bank stuck with its objective of doubling the monetary base by the end of 2014. In February it also increased the scale of its Stimulating Bank Lending Facility and of its Growth Supporting Funding Facility, while raising the amount of funds available for financial institutions in disaster areas.

Growth in emerging economies moderates

Economic activity in emerging economies generally weakened during the first quarter of 2014. In China real GDP growth slowed to 1.5% on a quarter-on-quarter basis, from 1.7% in the previous quarter. This marked the second straight quarter of deceleration, as the authorities continued with their policy of moving the economy to a more sustainable growth path. This included reining in government spending, controlling excessive bank lending and opening up the financial sector to market forces.

Growth also weakened in Brazil during the quarter under review, while the Russian economy contracted in quarter-on-quarter terms. Whereas the weakness in Brazil was driven by both domestic and external factors, Russia was hit by a downturn in investment and exports, following the imposition of sanctions related to the situation in Ukraine. In contrast, growth in India accelerated during the period driven by faster growth in consumption and exports.

With regard to inflation, price pressures in India and China generally eased during the first quarter. On the other hand, the annual rate of inflation accelerated in Brazil and in Russia on the back of weakening exchange rates.

International financial markets

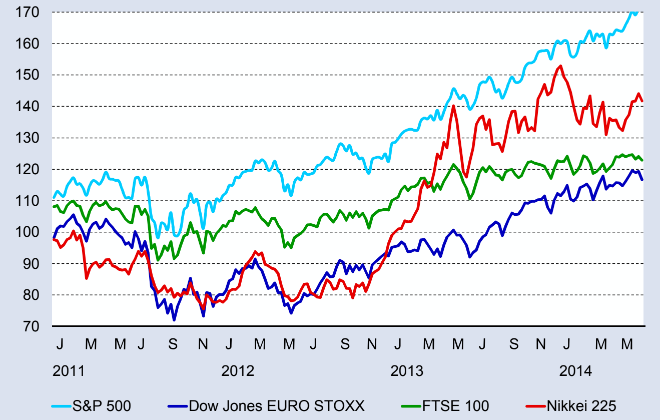
Equity prices lose momentum

Equity prices in most advanced economies struggled to build on their recent upward momentum during the first quarter of 2014 (see Chart 1.4). The strongest performers were European stocks (DJ EUROSTOXX), which gained 2.9% during the period, as incoming macroeconomic data and an accommodative monetary policy were only partially countered by concerns about the situation in Ukraine. Equity prices also rose slightly in the United States, with the S&P500 index gaining 1.3%.

On the other hand, stock indices in the United Kingdom (FTSE100) and in Japan (NIKKEI225) dropped by 2.2% and 9.0%, respectively. These declines were due to a number of factors, including an economic slowdown in China, the situation in Ukraine, and the consequent rise in risk aversion.

Equity prices in general resumed their upward momentum during the second quarter of 2014, with stock indices in the United States, Europe, the United Kingdom and Japan all rising during the period, driven by positive earnings data and signs of a rebound in economic activity.

Chart 1.4
STOCK PRICE INDICES
(end of week index; Jan. 2010=100)

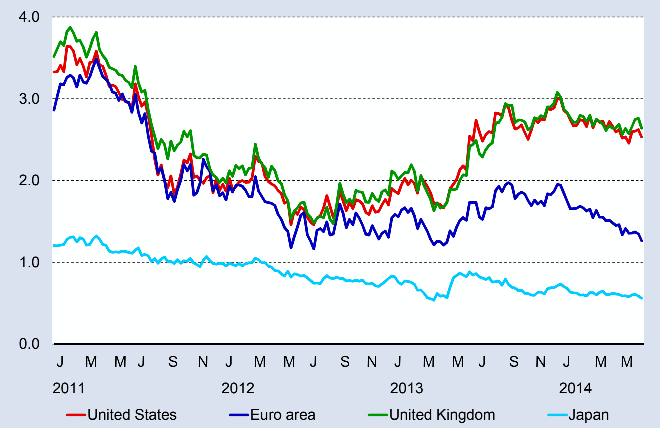


Source: Reuters.

Government bond yields fall

Ten-year government bond yields declined in most advanced economies during the first quarter as continued accommodative monetary policy by major central banks, along with financial market tensions in selected emerging economies at the start of the quarter, raised the demand for safe-haven government bonds. As a result, yields in the United States, Europe, the United Kingdom and Japan all dropped during the first quarter of 2014 by 28, 37, 30, and 9 basis points, respectively (see Chart 1.5).[1] These declines broke the recent upward trend in yields that had been observed in government bond markets since mid-2013.

Chart 1.5
TEN-YEAR GOVERNMENT BOND YIELDS
(percentages per annum; end of week)



Source: Reuters.

Yields broadly continued to fall during the second quarter of 2014. The drop was particularly pronounced in Europe and in the United States, where ten-year yields dropped by 32 and 21 basis points, respectively.

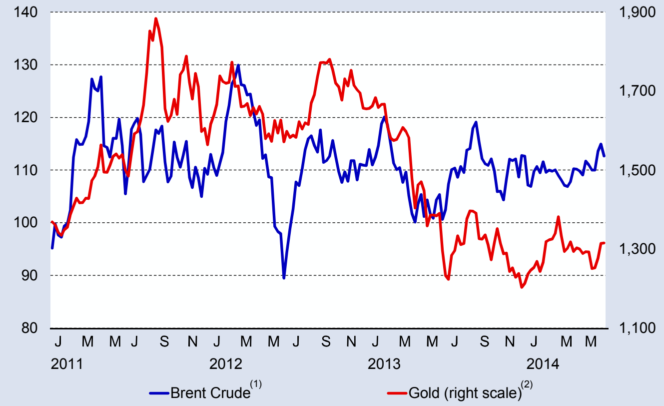
[1] German yields are used as benchmark for European yields.

Commodities

Oil price drops

The price of Brent Crude oil dropped by 3.7% during the first quarter of 2014, hitting USD 106.4 as at end-March (see Chart 1.6). A key driver was the economic slowdown in China. This offset upward price pressures caused by cold weather in some of the world's major users, and by geopolitical tensions between Russia and the Ukraine.

Chart 1.6
OIL AND GOLD PRICES
(end of week)



(1) US dollars per barrel; (2) US dollars per troy ounce.
Source: Reuters.

The same geopolitical situation dominated the oil market during the second quarter of 2014, pushing the oil price up by 4.4% to USD 111.1 per barrel by end-June.

Gold price rises

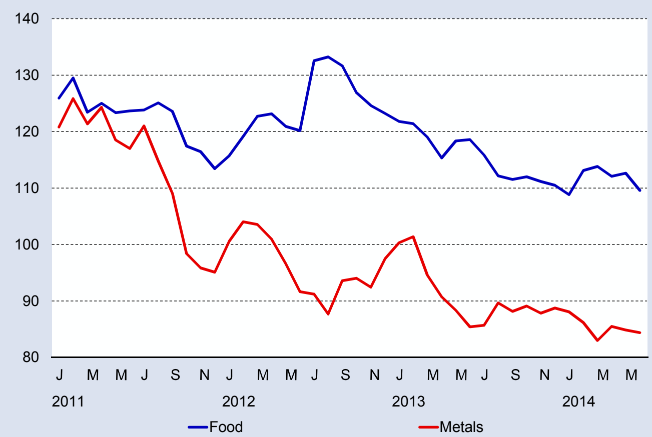
The price of gold, which is considered a safe-have asset, rose by 6.5% during the first quarter of 2014, standing at USD 1,283.6 as at end-March (see Chart 1.6). Demand for this safe-haven asset was prompted by market turmoil in emerging Asian countries, by an economic slowdown in China and by geopolitical tensions in the Ukraine and elsewhere.

The price of gold continued to climb during the second quarter, rising by 3.4% to USD 1,327.2 by end-June.

Supply worries push up food prices

Food prices generally climbed during the first quarter of 2014, with the World Bank's Food Index rising by 3.0% (see Chart 1.7). The main movers in this category were grain and sugar prices, which were influenced by bad weather conditions in large supplier countries and the threat of war in the Ukraine, which is a major supplier of grains.

Chart 1.7
COMMODITY PRICES
(monthly indices; 2005 = 100)



Source: World Bank.

The gain in food prices was subsequently reversed in the second quarter of 2014, with the Index shedding 3.7% over the period, amid improving weather conditions in supplier countries.

Emerging Asia drives down metal prices

The World Bank's Metals and Minerals Index lost 6.5% of its value during the first quarter of 2014, led by significant declines in iron ore and copper prices (see Chart 1.7). The drop reflected expectations of weakening demand from emerging Asian economies, which are key users of these commodities, and a weaker economic outlook in China.

The decrease in metal prices was partly reversed during the following quarter, with the Index gaining 1.7% during the three months to June 2014, partly as earlier cuts in the production of aluminium fed into higher prices for this commodity.

Economic and monetary developments in the euro area

Economic recovery remains subdued

The euro area economy continued to recover slowly during the first quarter of 2014. Real GDP rose by 0.2% on a quarterly basis, driven by an improvement in domestic demand (see Table 1.2). Government spending and inventories were the largest contributors to growth during the period, in contrast with the meagre gains in private consumption and investment. On the external side, exports grew at a more moderate pace, whereas imports accelerated. As a result, the contribution of net trade to GDP growth turned negative during the period under review.

Though confidence remained on the increase, geopolitical tensions in the Ukraine and Russia weighed on activity during the period. However, encouragingly, the recovery remained broad-based across all main economic sectors, namely manufacturing, construction and services.

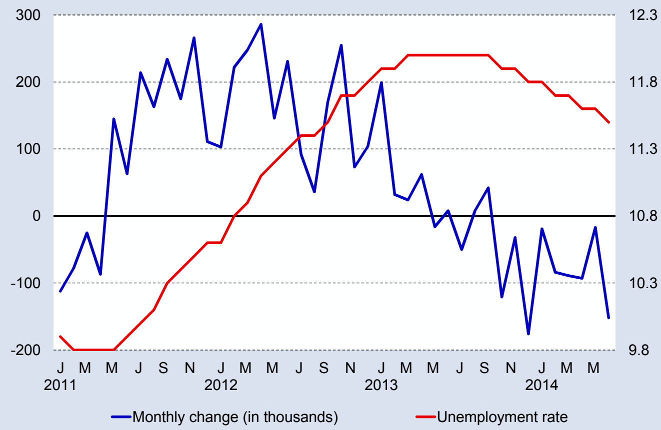
Table 1.2
REAL GDP GROWTH IN THE EURO AREA
Seasonally adjusted

	2013			2014
	Q2	Q3	Q4	Q1
	Quarterly percentage changes			
Private consumption	0.2	0.1	0.1	0.2
Government consumption	0.0	0.3	-0.3	0.7
Gross fixed capital formation	0.1	0.5	0.9	0.2
Domestic demand	**-0.1**	**0.5**	**-0.1**	**0.5**
Exports	2.3	0.1	1.4	0.2
Imports	1.6	1.1	0.6	0.8
GDP	**0.3**	**0.1**	**0.3**	**0.2**
	Percentage point contributions			
Private consumption	0.1	0.1	0.0	0.1
Government consumption	0.0	0.1	-0.1	0.1
Gross fixed capital formation	0.0	0.1	0.2	0.0
Changes in inventories	-0.2	0.3	-0.2	0.2
Domestic demand	**-0.1**	**0.5**	**-0.1**	**0.5**
Net exports	**0.4**	**-0.4**	**0.4**	**-0.3**
GDP	**0.3**	**0.1**	**0.3**	**0.2**

Source: Eurostat.

Signs of a recovery were also visible in the crisis-affected countries, although starting from weak activity levels. Provisional data for the second quarter suggest that the euro area GDP was stable compared with the first quarter.

Chart 1.8
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)



Source: Eurostat.

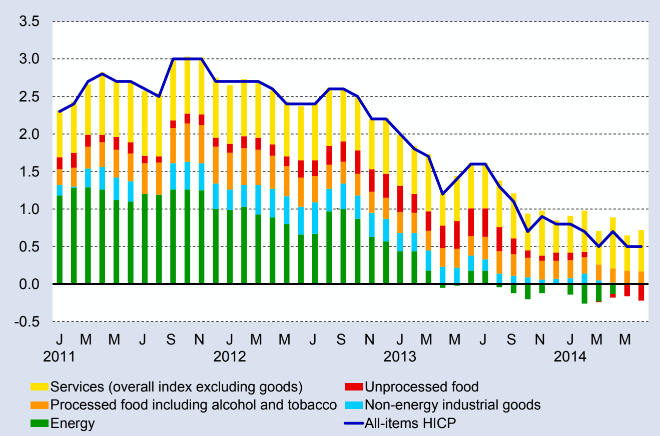
In response to the continued recovery, euro area employment grew for the third quarter in a row, following a sequence of declines. A large majority of job gains were registered in the services sector. As a result, the unemployment rate dipped marginally by 0.1 point to 11.7% during the three months to March, with the absolute number of jobless persons falling for the sixth month running (see Chart 1.8). The rate continued to fall during the second quarter, with the unemployment rate hitting 11.5% in June.

Inflationary pressures weaken further

Inflationary pressures within the euro area continued to weaken during the first quarter of 2014. In March the annual Harmonised Index of Consumer Prices (HICP) inflation rate dipped to 0.5% from 0.8% in December (see Chart 1.9). This mainly reflected a further weakening in food and energy prices. However, price growth generally remained weak or in decline across the main HICP components.

Low price pressures throughout the euro area are being brought about by a wide array of factors. Growth in consumption spending remains moderate, while the recent structural adjustments within the bloc have weakened growth in unit labour costs. Meanwhile, on the external side, prices for a wide range of imported commodities continued to decline on an annual basis. These partly reflect recent drops in international commodity prices, as well as the strength of the euro.

Chart 1.9
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)



Source: Eurostat.

Inflationary pressures remained subdued during the second quarter, with the annual rate of HICP inflation at 0.5% in June.

Eurosystem forecasts economic recovery and subdued inflation

According to the Eurosystem staff's macroeconomic projections published in June, euro area real GDP growth is expected to gradually recover over the forecast horizon, expanding by 1.0% in 2014 before accelerating to 1.7% in 2015 and 1.8% in 2016 (see Table 1.3). Gradually improving fiscal conditions, as well as a continued accommodative monetary policy stance and improved confidence, are expected to support domestic demand during the period. Furthermore, drags on growth, such as uncertainty, balance sheet adjustment and high unemployment are expected to diminish.

On the external side, exports are projected to contribute positively to the recovery, reflecting the gradual strengthening of foreign demand and the fading away of the adverse impact of the euro's recent appreciation. However, the overall impact of trade on growth will be moderate, as faster export growth is expected to be partly offset by a contemporaneous recovery in imports.

With regard to prices, the annual HICP inflation rate is forecast to weaken from 1.4% in 2013 to 0.7% in 2014, before gradually accelerating to 1.1% in 2015 and 1.4% in 2016. This moderate inflation outlook reflects a weak contribution from energy prices over the forecast horizon, as well as slack within the economy. The slight pick-up in price pressures over the next three years will be driven by a cyclical recovery in economic activity and in unit labour costs, as well as in non-energy commodity prices, and by the fading effects of the euro's recent appreciation.

ECB cuts interest rates

Against this background of fragile growth and a weak inflation outlook, the European Central Bank's (ECB) monetary policy stance remained accommodative during the first half of 2014.

More specifically, in June 2014 the ECB reduced its key interest rates once more, cutting the main refinancing operation (MRO) rate by 10 basis points to 0.15% (see Chart 1.3). At the same time, the rates on the marginal lending facility and on the deposit facility were reduced to 0.40% and -0.10%, respectively. With these changes, the deposit rate moved into negative territory for the first time ever and a symmetric corridor around the MRO rate was restored. Concurrently, the Bank introduced four-year targeted longer-term refinancing operations (TLTRO),aimed at supporting bank lending to the euro area non-financial private sector, excluding loans to households for house purchase, over a window of two years. It also announced a prolongation of fixed rate, full allotment tender procedures at least until December 2016.

Table 1.3
MACROECONOMIC PROJECTIONS FOR THE EURO AREA[1]
Average annual percentage changes

	2014	2015	2016
GDP	**1.0**	**1.7**	**1.8**
Private consumption	0.7	1.5	1.6
Government consumption	0.4	0.4	0.4
Gross fixed capital formation	1.7	3.1	3.5
Exports	3.6	4.8	5.3
Imports	3.6	4.8	5.5
HICP	**0.7**	**1.1**	**1.4**

[1] Eurosystem staff macroeconomic projections (June 2014).
Source: ECB.

Additional measures included the extension of the existing eligibility of assets as collateral and the suspension of the sterilising operations related to the Securities Markets Programme. The Governing Council also decided to intensify preparations for outright purchases of asset-backed securities.

In July the ECB announced that as from January 2015 the frequency of its monetary policy meetings would change to a six-week cycle from the current monthly frequency. Reserve maintenance periods, during which banks are required on average to hold minimum reserves with the Eurosystem, would also be extended to six weeks. Furthermore, the Bank committed itself to publishing regular accounts of its monetary policy meetings as from January 2015.

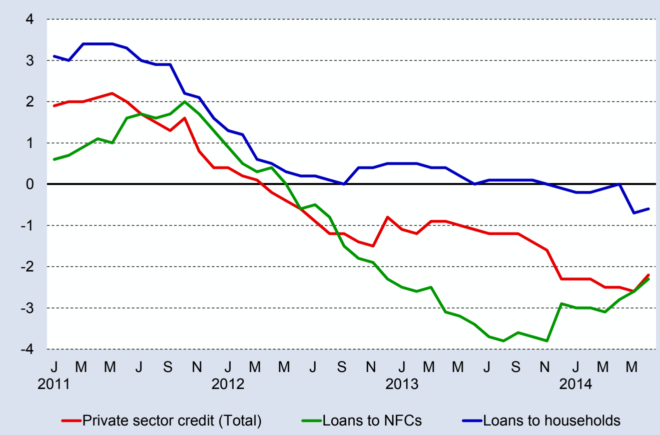
Monetary and credit conditions remain subdued

The annual growth rate of broad money (M3) was unchanged at 1.0% in March (see Table 1.4), reflecting a continued annual decline in time deposits and marketable instruments. Narrow money (M1) remained the main driver of M3 growth, indicating a continued preference for liquidity. During March the annual growth rate of M1 stood at 5.6%.

An increase in the net external position of monetary and financial institutions in the euro area continued to support M3 growth during the period, indicating increased external confidence in the European financial system.

On the other hand, credit aggregates deteriorated further, with the annual rate of contraction in total credit declining to -2.2% in March 2014 from -2.0% in December 2013 (see Chart 1.10). This mainly reflected a drop of 2.5% in credit to the private sector, along with a 0.9% reduction in credit to Government.

Chart 1.10
MFI LOANS TO THE PRIVATE SECTOR IN THE EURO AREA
(seasonally adjusted; annual percentage changes)



Source: ECB.

Table 1.4
EURO AREA MONETARY AGGREGATES
Seasonally adjusted; annual percentage changes

	2014					
	Jan.	Feb.	Mar.	Apr.	May	June
Currency in circulation	5.8	6.2	6.5	5.3	5.5	5.5
Overnight deposits	6.2	6.2	5.4	5.2	4.9	5.3
M1	**6.1**	**6.2**	**5.6**	**5.2**	**5.0**	**5.3**
Time deposits	-2.5	-2.6	-2.3	-2.4	-1.9	-1.8
M2	**2.4**	**2.4**	**2.2**	**2.0**	**2.1**	**2.3**
Marketable instruments	-13.8	-12.5	-14.6	-15.2	-13.4	-10.0
M3	**1.1**	**1.3**	**1.0**	**0.7**	**1.0**	**1.5**

Source: ECB.

The drop in private sector credit mainly occurred on the back of a continued strong decline in loans to non-financial corporations. Meanwhile, lending to households dropped at a marginal annual pace. In this category, while house loans expanded at a modest pace, consumer credit and other lending fell.

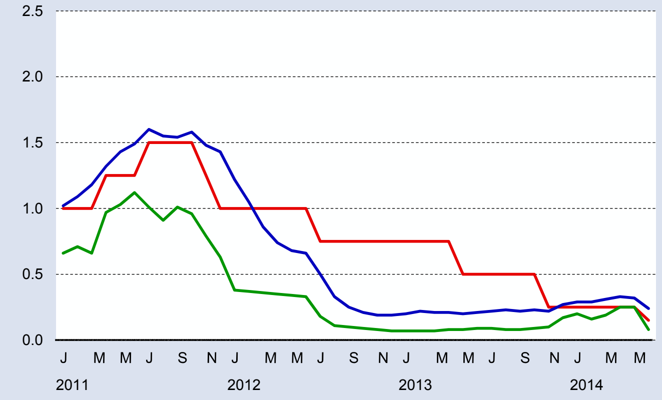
Subdued credit conditions in the euro area mainly reflect a combination of low demand and supply emanating from the still uncertain economic backdrop, with banks unwilling to take excessive risk and firms hesitant to take out large loans in such an environment. Moreover, the ECB's comprehensive assessment of banks, particularly the Asset Quality Review expected to be completed later in the year, may have dampened bank lending during the first quarter.

Subdued monetary and credit developments were also observed during the second quarter of 2014, with private sector credit contracting at an annual rate of 2.3% in June. However, M3 growth did pick up slightly to 1.5% in June.

Money market rates rise

In euro area money markets, rates in March stood marginally higher than three months earlier, with the EONIA rising by 2 basis points to 0.19% and the three-month EURIBOR up by 4 basis points to 0.31% (see Chart 1.11). A drop in money market liquidity was the main driver behind this increase. Meanwhile, the ECB's balance sheet continued to shrink, as banks repaid the three-year long-term refinancing operations granted previously by the ECB.

Chart 1.11
KEY INTEREST RATES
(percentages per annum; monthly averages)



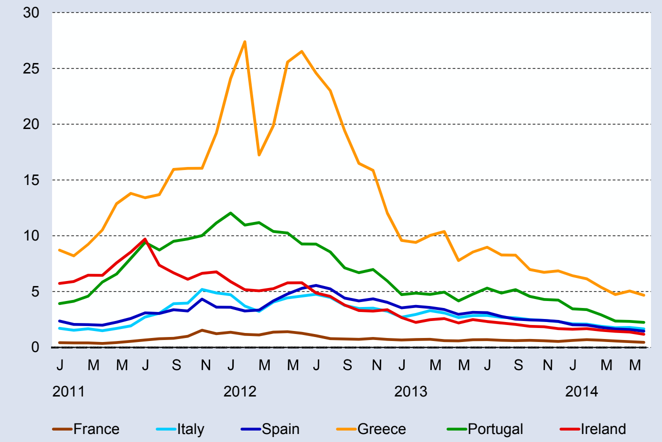
Source: Central Bank of Malta.

Money market rates dropped going into the following quarter, with the EONIA standing at 0.08% as at end-June and the three-month EURIBOR at 0.24%.

Euro area spreads continue to narrow

In euro area financial markets, German government bonds benefited from the increase in safe-haven flows, with a drop in the ten-year yield (see Chart 1.12). Nonetheless, ten-year

Chart 1.12
EURO AREA TEN-YEAR GOVERNMENT BOND YIELD SPREADS
(vis-à-vis German ten-year government bond yields)



Source: ECB.

yields in the euro area periphery also fell, with investor confidence in these countries buoyed by their continued recovery and by the ECB's commitment to maintain an accommodative monetary policy stance. As a result, spreads between yields in the euro area periphery and their safe-haven German counterparts continued to narrow during the first quarter.

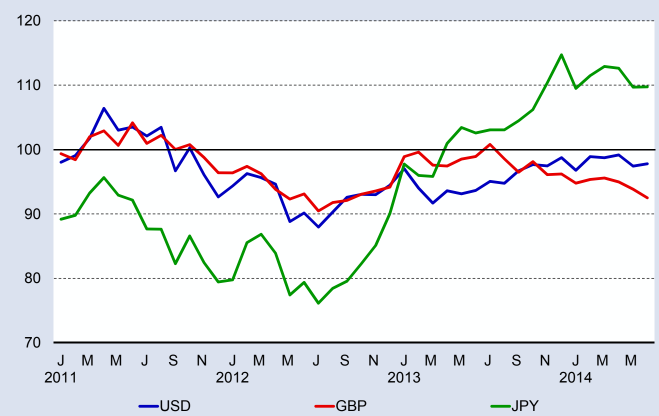
In currency markets, the euro continued with its recent run of gains during the first quarter of 2014 (see Chart 1.13), with the nominal effective exchange rate (NEER) appreciating by 0.8%. This mainly reflected continued capital inflows into the euro area amid expectations of an ongoing economic recovery and the gradual easing of financial market tensions. These factors offset downward pressures emanating from heightened expectations of further ECB monetary policy measures on the back of weak inflation data.

Chart 1.13
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(monthly index vis-a-vis 20 trading partners; Q1 1999=100)

Source: ECB.

As a result, the euro also continued to appreciate on a bilateral basis against other major currencies during the first quarter, including the US dollar, the pound sterling and the Japanese yen (see Chart 1.14).

Chart 1.14
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2010=100; an increase in the index implies euro appreciation)



Source: Eurostat.

The new wave of monetary stimulus from the ECB was the main driver of euro area financial market developments during the subsequent quarter. As a result, the euro exchange rate depreciated on both a NEER basis, by 1.6%, and also on a bilateral basis against major currencies. In sovereign bond markets, euro area periphery spreads narrowed even further, as the stimulus continued to boost investor confidence in the economic recovery.

2. OUTPUT AND EMPLOYMENT

Gross domestic product (GDP) grew at a faster pace in the first quarter of the year, sustained by strong growth in domestic demand, particularly investment. From a sectoral perspective, the positive contribution from services was sustained and there were signs of recovery in the construction sector. Manufacturing output and value added continued to decline, however. The performance of the labour market remained strong, with continued employment growth, albeit at a slower pace, and a stable unemployment rate.

GDP and industrial production

Economic activity grows at a faster pace

GDP growth in Malta accelerated to 3.5% in annual terms, following an expansion of 2.2% in the last three months of 2013. Growth was mainly driven by domestic demand, as the contribution from net exports was marginal. Taking into account seasonality, the quarter-on-quarter growth of the domestic economy was 0.9%, notably higher than the 0.5% increase registered in the last quarter of 2013. In comparison, real GDP in the euro area expanded by a modest 0.2% in the first three months of 2014, slightly less than the 0.3% recorded in the previous quarter (see Chart 2.1).

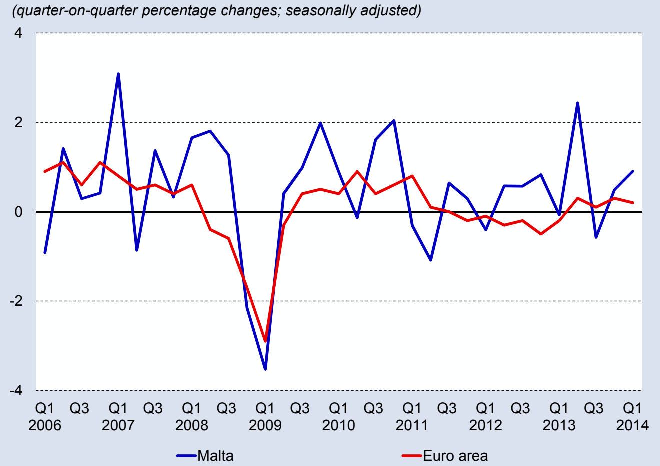
Exports and imports decrease

Net exports contributed 0.1 percentage point to the annual rate of change in GDP (see Table 2.1).

On a year-on-year basis, exports of goods and services posted the second consecutive decline, falling by 6.3%. Exports of goods were the reason for lower exports, dropping by over 12%. Customs data suggest that the latter decrease was largely due to lower exports of machinery & transport equipment. Changes in other components were minimal. On the other hand, exports of services remained buoyant, backed by continued positive performance in the tourism sector and by higher activity related to other business & professional services.

Real imports were down by 6.0% on an annual basis, after dropping by 4.1% in the previous quarter. Imports of both goods and services were lower compared with a year ago, dropping by 8.5% and 1.4%, respectively. Developments in Customs data show that, similarly to exports, imports of machinery & transport equipment were the main factor behind lower imports of goods, although most other components also posted declines. Imports of services decreased mainly owing to lower expenditure on other business & professional services.

Chart 2.1
REAL GDP GROWTH
(quarter-on-quarter percentage changes; seasonally adjusted)



Source: Eurostat.

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2013				2014
	Q1	Q2	Q3	Q4	Q1
	Annual percentage changes				
Private final consumption expenditure	1.1	2.7	2.4	2.9	1.5
Government final consumption expenditure	-0.2	1.6	-0.6	-0.4	4.4
Gross fixed capital formation	4.2	-3.7	-4.2	1.4	18.6
Changes in inventories (% of GDP)(1)	5.2	1.7	-0.2	-2.1	3.9
Domestic demand	**7.5**	**-0.9**	**3.6**	**2.5**	**3.1**
Exports of goods & services	-4.2	-11.6	6.5	-4.0	-6.3
Imports of goods & services	1.1	-15.7	7.9	-4.1	-6.0
Gross domestic product	**1.9**	**4.1**	**2.4**	**2.2**	**3.5**
	Percentage point contributions				
Private final consumption expenditure	0.7	1.7	1.4	1.8	1.0
Government final consumption expenditure	-0.1	0.3	-0.1	-0.1	0.9
Gross fixed capital formation	0.6	-0.5	-0.5	0.2	2.6
Changes in inventories(1)	6.3	-2.4	2.4	0.4	-1.2
Domestic demand	**7.5**	**-0.9**	**3.2**	**2.3**	**3.3**
Exports of goods & services	-4.5	-13.6	6.9	-4.0	-6.3
Imports of goods & services	-1.2	18.6	-7.7	3.9	6.4
Net exports	**-5.7**	**5.0**	**-0.8**	**-0.2**	**0.1**
Gross domestic product	**1.9**	**4.1**	**2.4**	**2.2**	**3.5**

(1) Includes acquisitions less disposal of valuables.
Source: NSO.

Domestic demand grows stronger

Domestic demand continued to boost economic activity, contributing 3.3 percentage points to real GDP growth. A strong increase in investment was the main supporting factor, abetted by growth in both private and government consumption expenditure. In contrast, changes in inventories remained positive but were lower compared with the first quarter of 2013.[1]

Private consumption maintained a positive trend, although its growth rate nearly halved to 1.5% from 2.9% in the last quarter of 2013. It added 1.0 percentage point to real GDP growth. Consumption was mainly sustained by higher expenditure on food, purchases of passenger cars and expenditure on travel abroad. However, consumption was tempered to some extent by lower expenditure on recreation activities, health and clothing.

Government consumption expenditure rebounded strongly in real terms, posting a 4.4% growth rate after declining by nearly 0.5% in the previous quarter. It boosted GDP growth by 0.9 of a percentage point. Higher compensation of employees in the health and education sectors was the main source of growth in this component, as intermediate consumption fell on an annual basis.

Gross fixed capital formation (GFCF) expanded strongly, going up by 18.6% and adding 2.6 percentage points to GDP growth. The robust performance was mostly due to higher investment on non-residential construction and machinery. IT-related investment also increased, but spending on transport equipment and residential construction was slightly lower. The private sector was the main driver behind the increase in overall investment in GFCF, accounting for

[1] Changes in inventories include acquisitions and disposals of valuables and the statistical discrepancy.

nearly two-thirds of the additional investment in the first quarter of the year. General government investment growth was driven mainly by expenditure on non-residential construction.

Changes in inventories, which were equivalent to 3.9% of real GDP, stood at a lower level compared with the first quarter of 2013. They had a negative impact of 1.2 percentage points on real GDP growth during the period under review.

Nominal GDP growth accelerates

Annual nominal GDP growth accelerated from 4.7% in the last quarter of 2013 to 5.0% in the first quarter of the year. However, movements in income components diverged (see Chart 2.2).

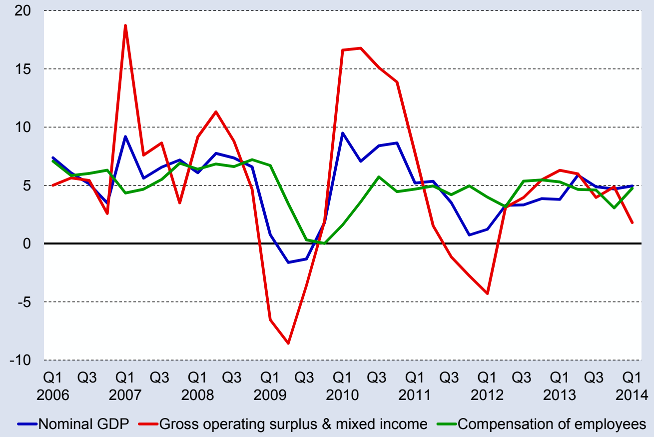
Gross operating surplus rose at a much slower pace compared with the previous quarter, the growth rate slowing to 1.8% from 4.9%. In absolute terms, the largest increases were in professional & scientific activities, transport and information & communication sectors. On the other hand, gross operating surplus declined in a number of sectors, notably manufacturing and financial services. One notable development in the first quarter of 2014 was the higher operating surplus in the construction sector after declining for several quarters. Signs of recovery in this sector are also evidenced by positive movements in compensation of employees, which rose by 2.0%.

Compensation of employees rose at a faster pace during the first three months of 2014, accelerating to 4.7% from 3.1% in the last quarter of 2013. This acceleration mainly reflected developments in the general government sector. Growth was registered across all major sectors, except in arts & entertainment. The public administration & defence and professional & scientific activities sectors recorded the highest compensation increases during the quarter under review. As noted earlier, compensation growth in the construction sector turned positive after several quarters.

Based on the output approach, GVA continued to expand in annual terms, though at a slower pace (see Table 2.2). Compared with the last quarter of the previous year, the annual growth rate slowed down to 3.1% from 3.8%. GVA contributed 2.8 percentage points to nominal GDP growth.[2]

Service activities drove GVA growth during the quarter under review, adding 2.9 percentage points to nominal GDP expansion. The latter was reflected in the positive outcome of almost all service sectors. Public administration & defence, and professional &

Chart 2.2
NOMINAL GDP AND ITS MAIN COMPONENTS
(annual percentage changes)



Source: NSO.

[2] The difference between nominal GDP growth and the GVA contribution is made up of taxes on products net of subsidies.

Table 2.2
CONTRIBUTION OF SECTORAL GROSS VALUE ADDED TO NOMINAL GDP GROWTH
Percentage points

	2013				2014
	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry & fishing	0.1	0.1	0.0	0.0	-0.1
Mining & quarrying; utilities	1.0	1.3	1.1	1.2	0.4
Manufacturing	0.1	-0.9	-1.3	-1.1	-0.6
Construction	-0.1	-0.1	0.0	0.0	0.1
Services	3.9	4.4	4.0	3.2	2.9
of which:					
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	0.8	1.0	1.1	0.4	0.2
Information & communication	0.5	0.4	0.6	0.5	0.3
Financial & insurance activities	0.4	0.6	0.1	0.2	-0.1
Real estate activities	0.1	0.2	0.0	0.2	0.2
Professional, scientific, administrative & related activities	0.8	1.2	0.9	1.0	0.8
Public administration & defence; education; health & related activities	1.2	0.9	1.3	0.7	1.4
Arts, entertainment; household repair & related services	0.2	0.1	0.1	0.1	0.2
Gross value added	**4.9**	**4.8**	**3.7**	**3.3**	**2.8**
Net taxation on products	**-1.1**	**1.1**	**1.2**	**1.4**	**2.2**
Annual nominal GDP growth (%)	**3.8**	**5.9**	**4.9**	**4.7**	**5.0**

Source: NSO.

scientific activities recorded the largest absolute increases in GVA, contributing 1.4 and 0.8 percentage point, respectively, to nominal GDP growth. The rest of the service sectors, including tourism, added 0.7 of a percentage point.

In contrast, GVA in the manufacturing sector continued to decline, contributing a negative 0.6 of a percentage point to nominal growth. On the other hand, GVA in the mining, quarrying & utilities sector rose on an annual basis, adding 0.4 percentage point to nominal GDP. The downward trend in the construction sector's GVA appeared to be reversing as the sector's contribution to nominal GDP turned slightly positive.

Industrial production declines further

In the first three months of 2014, industrial production contracted by 6.8% on a year earlier, slightly less than the 9.7% drop reported in the previous three months (see Table 2.3).[3] This decline in output stemmed mainly from the production of pharmaceutical products and computer, electronic & optical goods. Production of wearing apparel and textiles, as well as activity in the energy sector, also fell, although to an appreciably lower extent. On the other hand, firms producing food continued to register a strong expansion in output, while those producing rubber & plastic products, and those specialising in the repair and installation of machinery and equipment also recorded increases.

[3] Methodological differences may account for divergences between developments in GVA in the manufacturing sector and industrial production. GVA nets input costs from output to arrive at value added and is expressed in nominal terms. Industrial production is a measure of the volume of output that takes no account of input costs. The sectoral coverage between the two measures may differ, since industrial production data also capture the output of the energy sector.

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

		2013				2014
	Shares	Q1	Q2	Q3	Q4	Q1
Industrial production	**100**	**-3.5**	**-0.6**	**-4.2**	**-9.7**	**-6.8**
of which:						
Computer, electronic & optical products	18.5	9.3	-1.3	-14.9	-30.1	-24.7
Food products	10.2	1.2	17.0	5.5	19.6	19.8
Energy[1]	8.0	-3.6	-2.0	-2.4	0.0	-0.4
Wearing apparel	6.5	-6.0	31.9	-3.9	-1.0	-1.0
Rubber & plastic products	6.2	0.7	4.8	8.2	-1.0	3.0
Basic pharmaceutical products & pharmaceutical preparations	5.5	-15.7	-7.3	-42.4	-46.1	-61.7
Textiles	5.2	-24.2	-26.2	-3.6	-32.9	-5.0
Repair and installation of machinery and equipment	5.0	-8.1	-2.6	-3.4	0.9	0.5

[1] Includes electricity, gas, steam & air conditioning supply and water collection, treatment & supply.
Source: NSO.

BOX 1: TOURISM ACTIVITY

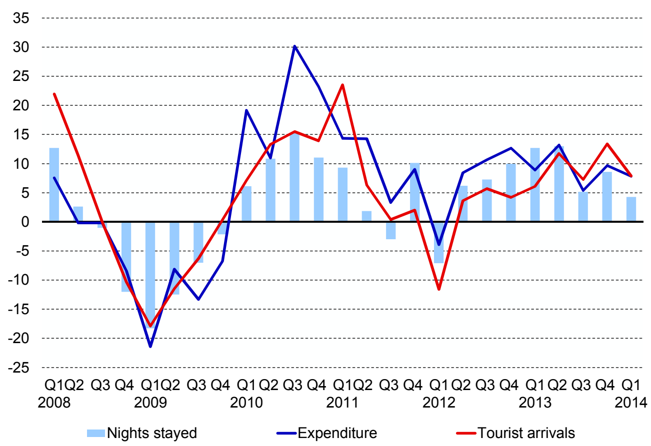
Tourism industry continues to grow

All the main tourism indicators suggest that the buoyancy characterising the industry persisted in the first quarter of 2014. For the eighth consecutive quarter, the number of inbound tourists, nights stayed and visitor expenditure all continued to record positive year-on-year growth.

National Statistics Office (NSO) data show that the number of departing tourists in the first three months of the year went up to 232,624, an increase of 7.9% on the corresponding quarter of 2013 (see Chart 1). This was mainly driven by a rise in the number of leisure travellers, although a marked surge in business travellers also contributed.

In terms of geographical distribution, the rise in arrivals during the first quarter of 2014 stemmed from almost all main source markets (see Table 1). The largest absolute increases during this period were observed from the Libyan, British and Italian markets. Marked additions were also registered in visitors from Russia, Switzerland and the Scandinavian countries. In contrast, the number of tourists from Germany and

Chart 1
TOURISM INDICATORS
(quarterly averages; annual percentage changes)



Source: NSO.

Table 1
DEPARTING TOURISTS BY COUNTRY OF RESIDENCE
Number of visitors

	2013 Q1	2014 Q1	Change
Total tourists	**215,615**	**232,624**	**17,009**
Austria	3,000	3,866	866
France	12,533	13,660	1,127
Germany	27,801	22,668	-5,132
Ireland	5,032	4,120	-912
Italy	34,564	37,565	3,001
Libya	6,456	12,638	6,182
Netherlands	4,389	5,021	632
Russia	3,089	4,851	1,762
Scandinavia	7,083	8,404	1,320
Spain	3,255	3,499	244
United Kingdom	69,868	72,929	3,061
USA	2,739	3,653	914
Other	35,806	39,749	3,943

Source: NSO.

Ireland, which had increased by more than one-fifth in the first quarter of 2013, declined in annual terms.

With regard to tourism expenditure, NSO data covering the first three months of 2014 indicate that total spending reached €176.6 million, up by 7.8% in annual terms.[1] The year-on-year rise in expenditure was largely attributable to a 28.3% hike in non-package spending, reflecting surges in both fares and accommodation. Nonetheless, an increase of 7.7% in spending on the "other" component of tourist expenditure also contributed.[2] At the same time, tourists' expenditure on package holidays went down by 6.3% on the comparable months of 2013. In per capita terms, tourist expenditure stood at €759, broadly unchanged from a year earlier.

During the period under review, the aggregate number of visitor nights rose by 71,822 nights, or 4.3% over the level in the first quarter of 2013. The less pronounced increase in nights spent compared with the rise in tourism expenditure can be explained by the fact that business travellers accounted for a notable addition in arrivals. The number of nights spent by the latter are, on average, less than those of leisure visitors, but business travellers tend to spend more per night stayed than leisure travellers. Nights spent in private accommodation increased strongly, going up by 16.4% and were behind most of the increase in the number of visitor nights.[3] During the first quarter of 2014, the overall average length of stay fell by 0.3 to 7.5 nights over the corresponding quarter of 2013.

Collective accommodation establishments generally registered a rise in occupancy rates.[4] Thus the average occupancy rate stood at 43%, up by 1.9 percentage points on a year

[1] Total expenditure is split into package, non-package and "other".

[2] Non-package holiday expenditure is subdivided into spending on accommodation and travel fares, while the "other" component captures any additional expenditure by tourists during their stay in Malta.

[3] Private accommodation includes self-catering apartments, farmhouses, and private residences. As per Eurostat recommendation, time-share accommodation is classified as "private accommodation".

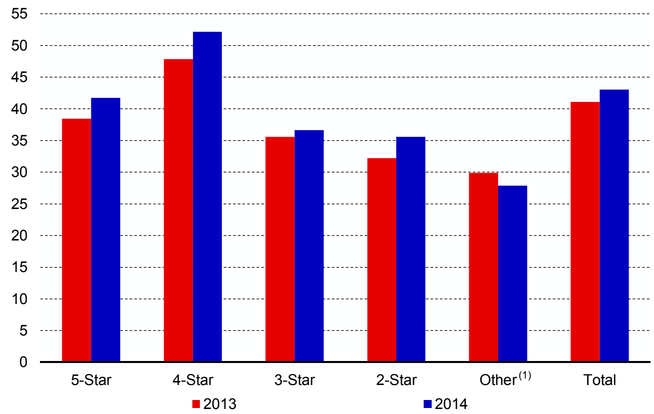
[4] Collective accommodation comprises hotels, aparthotels, guesthouses, hostels and tourist villages.

earlier (see Chart 2).[5] Higher occupancy rates were evident across all hotel categories, with those in the four and five-star categories edging up by 4.3 and 3.3 percentage points, respectively. Meanwhile, occupancy rates in two-star hotels rose by 3.4 points, while the three-star category recorded a 1.1 point increase on the corresponding months of 2013. In contrast, rates in "other" establishments dipped by 2.0 percentage points.

The favourable developments during the first quarter of 2014 were also substantiated by the quarterly survey conducted by the tourism industry. The survey shows that occupancy rates, as well as the negative gross operating income sustained per available room generally improved when compared with the first quarter of 2013. Improvements were also recorded in the average achieved room rates of four-star and five-star hotels, which increased by 8.4% and 4.9%, respectively, on a year earlier.[6]

NSO data covering the second quarter of 2014 suggest that the positive performance of the tourism industry persisted. The number of visitors increased by 9.0% over the April – June period of 2013. At the same time, nights spent and expenditure rose by 8.7% and 8.8%, respectively, on a year earlier.

Chart 2
AVERAGE OCCUPANCY RATES IN THE FIRST QUARTER
(per cent)

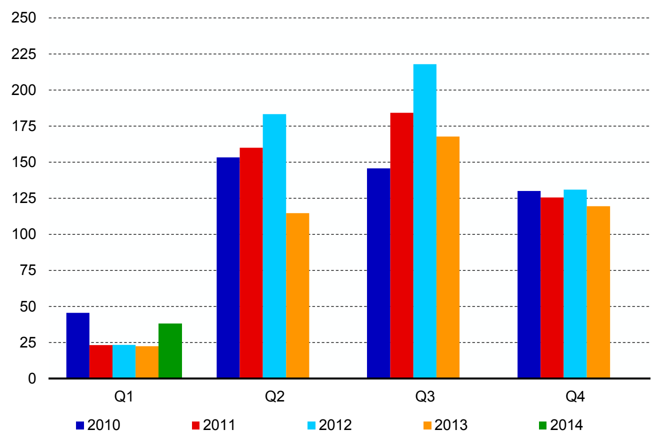


(1) Includes guest houses, hostels & holiday complexes.
Source: NSO.

Cruise liner visits increase

The contractionary trend in cruise liner visits was reversed in the first quarter of 2014, with the number of cruise liner calls rising by 10 to 23, compared with the first three months of 2013. As a result the number of cruise passengers went up by 15,490, or 68.4%, on a year earlier, with German and French visitors rising significantly (see Chart 3).

Chart 3
CRUISE LINER PASSENGERS
(thousands)



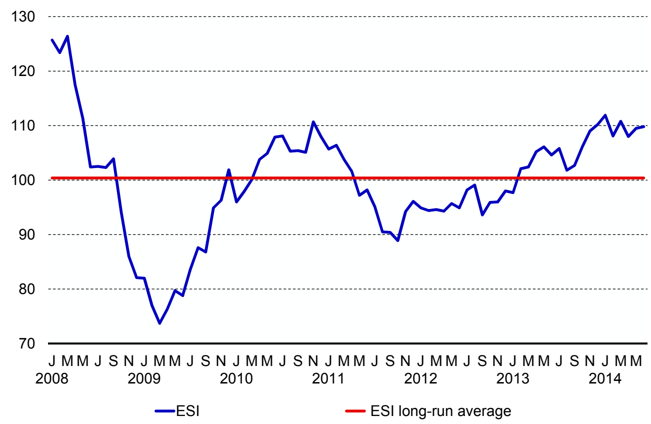
Source: NSO.

[5] Occupancy rates are reported by collective establishments and include nights spent in time-share accommodation. As a result, developments in these rates may differ from those in nights stayed in collective accommodation, as the latter exclude time-share accommodation.
[6] See *BOV-MHRA Survey* – Q1 2014.

BOX 2: BUSINESS AND CONSUMER SURVEYS

Survey data for the second quarter of 2014 show a deterioration in confidence among firms operating in the services sector. In contrast, confidence was less negative in the construction sector. Sentiment remained practically unchanged in the manufacturing sector and among consumers. Largely reflecting developments in the services sector, the economic sentiment indicator (ESI) fell marginally to 109.8 in June from 110.8 in March but remained above its long-term average of 100.4 (see Chart 1).[1,2]

Chart 1
ECONOMIC SENTIMENT INDICATOR
(seasonally adjusted; percentage points)

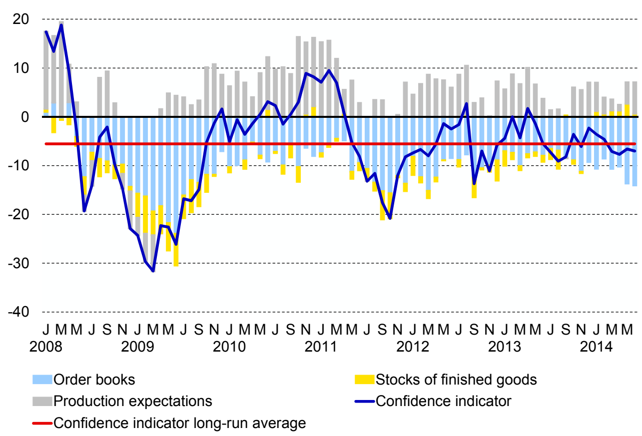


Source: European Commission.

Industrial confidence remains practically unchanged[3]

Confidence among firms operating in the manufacturing sector remained practically unchanged in the second quarter of 2014 compared with the previous quarter. After falling marginally to -8 in April from -7 in March, the industrial confidence indicator rose again to -7 in May and remained at that level in June, thus persisting below its long-term average of -6 (see Chart 2).

Chart 2
INDUSTRIAL CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

Between March and June, production expectations improved as the proportion of respondents expecting a rise in production over the subsequent three months

[1] The ESI summarises developments in confidence in the four surveyed sectors (industry, services, construction and consumers).
[2] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicator, data became available in November 2002, while the services and construction confidence indicator data became available in May 2007 and May 2008, respectively. The long-term average of the ESI is computed from November 2002.
[3] The industrial confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished goods.

increased. On the other hand, on balance a larger number of firms reported weak order book levels, although this result was largely driven by developments in the beverage and wearing apparel sectors. In June, on balance, respondents believed that their stock of finished goods would decrease by a smaller amount compared with three months earlier. The stock of finished goods sub-indicator remained below its long-term average, suggesting that the accumulation of stocks, a stable characteristic in recent years, continues to lose momentum. At the same time, the production expectations sub-indicator was exactly equal to its long-term average, while the overall view of firms was that their order books were below their long-term average.

Additional information obtained from the survey points to:

(i) a marginal improvement in employment expectations;
(ii) a smaller share of participants anticipating cuts in their selling prices;
(iii) a large number of respondents indicating financial constraints as the main factor inhibiting their business activity.

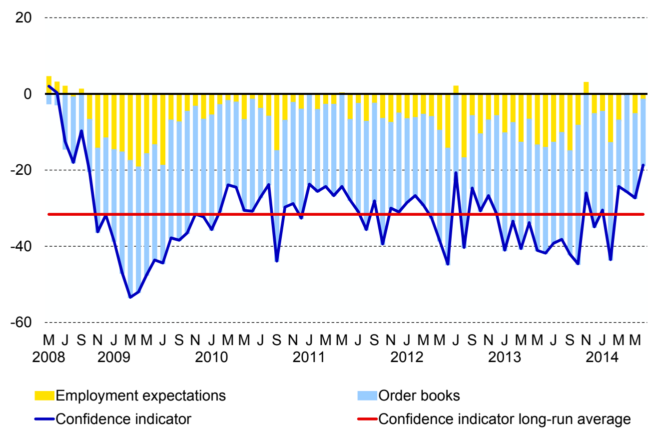
At a sectoral level, between March and June confidence improved among manufacturers of food products, pharmaceuticals and in the printing & reproduction of the recorded media sub-sector. On the other hand, confidence declined in firms producing wearing apparel, beverages and metal products. Among producers of non-metallic mineral products and computer, electronic & optical products, confidence remained practically unchanged.

Confidence in the construction sector improves further[4]

Confidence among firms operating in the construction sector continued to improve, with the indicator rising from -24 in March to -19 in June (see Chart 3). As a result, the indicator remained above its long-run average of -32.

The improvement in confidence reflected a lower share of respondents expressing the intention to reduce their workforce in the subsequent three months. Meanwhile, the proportion of firms that considered their current order books to be below normal remained unchanged. In June both these sub-indicators stood above their respective long-term average.

Chart 3
CONSTRUCTION CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



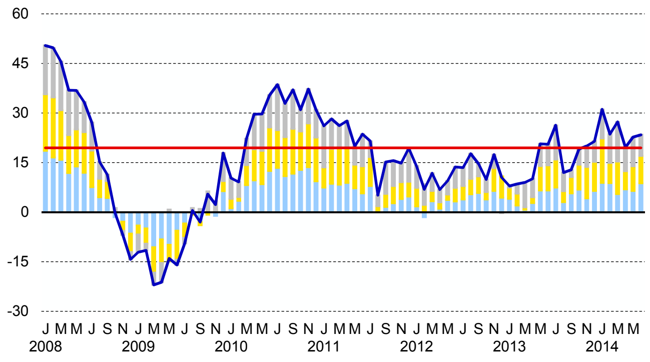
Source: European Commission.

[4] The construction confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.

Confidence declines in the services sector[5]

The confidence indicator among service providers fell in April before posting gains in May and June. Between March and June, however, the indicator lost 4 percentage points to stand at 23 (see Chart 4). Nonetheless, the indicator remained above its long-term average of 19.

Chart 4
SERVICES CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

The share of respondents registering an improved business situation over the preceding three months rose between March and June, particularly in financial services related to insurance, programming & broadcasting and air transport. The latter two sectors also reported an improvement in demand conditions. In contrast, the assessment with regard to demand deteriorated in the financial sector. This was a key factor behind the overall deterioration in sentiment in the services sector during the period under review.

Reflecting the deterioration in confidence, expectations with respect to manpower levels were also negative, with the number of respondents expecting an increase in their labour complement falling. While in March the majority of service providers anticipated their selling prices to decrease, in June the majority foresaw an increase in their selling prices. Selling price expectations improved mostly in the accommodation, air transport and catering sectors, reflecting the continued solid performance of the tourist industry.

Consumer confidence remains unchanged[6]

In June the consumer confidence indicator remained unchanged at 1 compared with March (see Chart 5). The indicator thus remained well above its long-term average of -25.

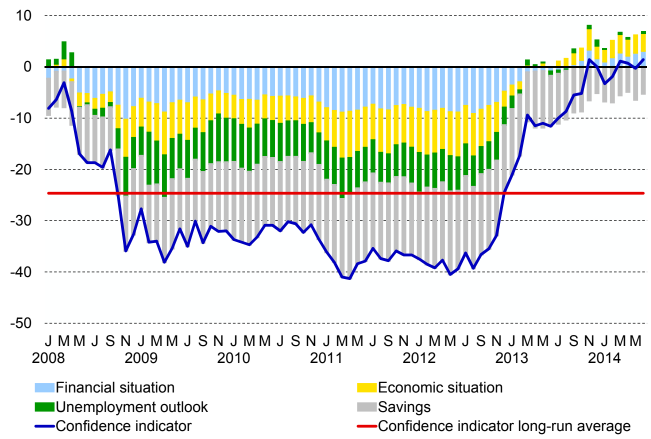
Perceptions with regard to consumers' financial position improved, with many of them less pessimistic about their ability to save in the subsequent 12 months. Thus, the sub-indicators related to savings and respondents' financial position were higher compared with their respective long-term averages. On the other hand, the number of respondents expecting unemployment to fall was lower in June compared with March, while their assessment regarding the general economic situation also showed a deterioration. This notwithstanding,

[5] The services confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

[6] The consumer confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' financial situation, their ability to save, the general economic situation and unemployment expectations over the subsequent 12 months.

the unemployment sub-indicator remained below its long-run average, indicating that consumers' assessment of employment prospects were more positive than in the recent past. Meanwhile, when compared with its long-run average, the economic situation sub-indicator remained at a higher level.

Chart 5
CONSUMER CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

In June respondents' spending intentions regarding major purchases, such as new cars and homes, were on average lower than in March. However, with regard to price developments, on balance a larger number of respondents expected prices to fall over the subsequent 12 months compared with three months earlier.

The labour market[4]

Labour market data for the first quarter of 2014 show that employment continued to rise on an annual basis, albeit at a slower pace than in the last quarter of 2013. Meanwhile, the unemployment rate based on the Labour Force Survey (LFS) remained unchanged from the level registered a year earlier.

Employment increases at a slower pace

LFS data for the first quarter of 2014 show that the labour force increased by 1.9% compared with the same quarter a year earlier (see Table 2.4).[5] Employment grew by the same margin compared with 2013, after expanding by 2.8% in the previous three-month period (see Chart 2.3).

In the first quarter of 2014, full-time jobs increased by 2,136, or 1.4%, in absolute terms. Jobs on a part-time basis were up by 445, while full-timers on reduced hours rose by 740.

The total employment rate stood at 60.8% and was thus 0.9 percentage point higher than the year-ago level.[6] This increase was mainly spurred by the female category, which registered a 1.3 percentage point rise to stand at 47.1%. The male employment rate also went up, rising

[4] This section draws mainly on labour market statistics from two sources: the LFS, which is a household survey conducted by the NSO on the basis of definitions set by the International Labour Organization and Eurostat, and administrative records compiled by the Employment and Training Corporation (ETC) according to definitions established by domestic legislation on employment and social security benefits.

[5] The LFS defines the labour force as all persons active in the labour market aged 15 and over. This includes those in employment, whether full-time or part-time, and the unemployed, defined as those people without work, actively seeking a job and available for work. The ETC definition of the labour supply is more restricted: it consists of the sum of the full-time gainfully occupied population and the registered unemployed 16 years and over.

[6] The employment rate measures the number of persons employed on a full-time or part-time basis as a proportion of the working-age population, which is defined as all those aged 15–64 years.

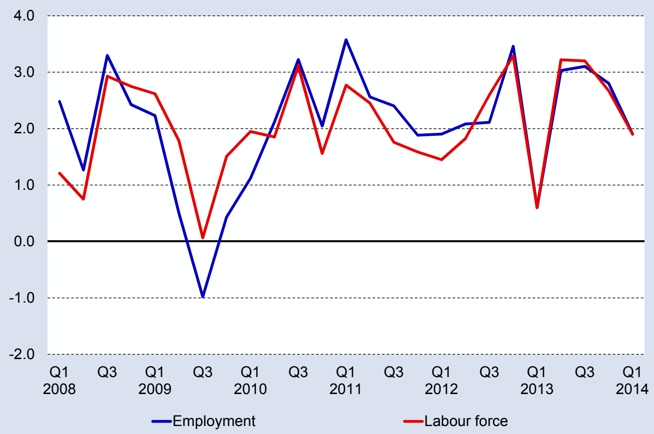
Table 2.4
LABOUR MARKET INDICATORS BASED ON THE LFS
Persons; annual percentage changes

	2013				2014	Annual change
	Q1	Q2	Q3	Q4	Q1	%
Labour force	**183,315**	**189,620**	**192,303**	**190,372**	**186,885**	**1.9**
Employed	172,309	176,862	179,476	178,241	175,630	1.9
By type of employment:						
Full-time	147,555	150,315	151,526	152,296	149,691	1.4
Full-time with reduced hours	4,111	5,054	4,885	4,441	4,851	18.0
Part-time	20,643	21,483	23,065	21,504	21,088	2.2
Unemployed	11,006	12,758	12,827	12,131	11,255	2.3
Activity rate (%)	**63.7**	**64.9**	**65.8**	**65.3**	**64.8**	**1.1**
Male	78.5	79.4	80.2	80.0	79.3	0.8
Female	48.5	49.8	50.8	50.1	49.8	1.3
Employment rate (%)	**59.9**	**60.5**	**61.3**	**61.1**	**60.8**	
Male	73.6	73.9	74.8	74.8	74.2	
Female	45.8	46.5	47.3	46.9	47.1	
Unemployment rate (%)	**6.0**	**6.7**	**6.7**	**6.4**	**6.0**	
Male	6.2	6.9	6.6	6.3	6.4	
Female	5.6	6.5	6.8	6.4	5.4	

Source: NSO.

from 73.6% in the first quarter of 2013 to 74.2% a year later. Among female workers, the strongest advance in employment in absolute terms was registered by the 45–54 and 25–34 age brackets. The biggest increase in employment figures among males was recorded by the 55–64 age bracket and the over 65 cohort.

Chart 2.3
LABOUR FORCE AND EMPLOYMENT BASED ON THE LFS
(annual percentage changes)



Source: NSO.

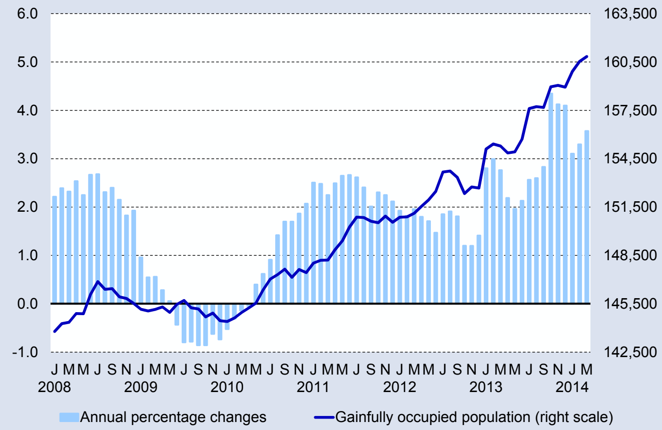
The activity rate increased from 63.7% in the first quarter of 2013 to 64.8% in the same quarter a year later.[7] Both males and females reported gains, but the female participation rate recorded a more pronounced increase, standing at 49.8% from 48.5% a year earlier.

ETC records show that the gainfully occupied population, defined to include all people in full-time employment, continued to increase and reached an all-time high of 160,838 in March (see Chart 2.4). Nonetheless, the annual growth rate slowed down to 3.6% from 4.1% in December 2013.

[7] The activity rate measures the number of persons in the labour force (whether employed or seeking work) as a proportion of the working-age population, which is defined as all those aged 15–64 years.

Employment growth was driven by both the private and the public sector, with the former accounting for most of the gain in absolute terms (see Table 2.5). In March the number of full-time employees in the private sector rose by 3,670, or 3.2%, on a year earlier. In line with the significant contribution of services to economic growth, the increase in full-time employment was mainly driven by the services sector, in which jobs rose by 3,392. Meanwhile, employment in direct production was up by 278.

Chart 2.4
GAINFULLY OCCUPIED POPULATION BASED ON ETC RECORDS
(annual percentage changes; persons)



Source: NSO.

The largest additions to employment in services on a year earlier were recorded in administrative & support service activities; professional, scientific & technical activities; wholesale & retail trade and information & communication. Turning to direct production, full-time jobs increased mainly in manufacturing, despite the decline in output, and in construction.

In the public sector, employment increased by 1,879, or 4.5%, in March compared with a year earlier. The rise was spurred by job gains in public administration & defence, transportation & storage and human health & social work.

Part-time employment rose by 3,100, or 5.7%, in March compared with a year earlier. The number of workers with a part-time job as their primary source of employment increased by 1,979, or 6.3%, and those having both a part-time and a full-time job were up by 1,121, or 4.8%. Female

Table 2.5
LABOUR MARKET INDICATORS BASED ON ETC ADMINISTRATIVE RECORDS
Persons; annual percentage changes

	2013				2014	Annual change
	Mar.	June	Sep.	Dec.	Mar.	%
Labour supply	**162,639**	**162,994**	**165,303**	**166,342**	**168,482**	**3.6**
Gainfully occupied(1)	155,289	155,715	157,684	158,941	160,838	3.6
Registered unemployed	7,350	7,279	7,619	7,401	7,644	4.0
Unemployment rate (%)	**4.5**	**4.5**	**4.6**	**4.4**	**4.5**	
Private sector	**113,782**	**113,884**	**115,794**	**116,520**	**117,452**	**3.2**
Public sector	**41,507**	**41,831**	**41,890**	**42,421**	**43,386**	**4.5**
Part-time jobs	**54,757**	**56,986**	**58,085**	**57,463**	**57,857**	**5.7**
Primary	31,580	33,117	33,774	33,295	33,559	6.3
Secondary(2)	23,177	23,869	24,311	24,168	24,298	4.8

(1) This category measures full-time employment.
(2) This category includes employees holding both a full-time and a part-time job.
Source: NSO.

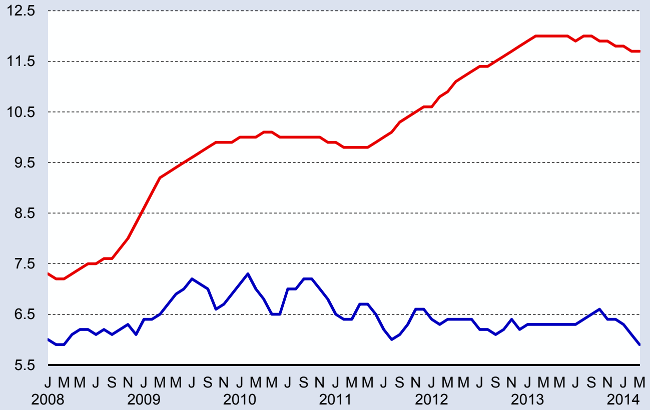
workers were once again the main drivers behind the increases. Within the pool of part-timers, the most significant additions were registered in accommodation & food service activities, wholesale & retail trade, education and administration & support services.

The LFS unemployment rate remains unchanged on a year earlier

In the first quarter of 2014, the unemployment rate based on LFS results was 0.4 percentage point lower than the rate recorded in the preceding three-month period, but remained unchanged at 6.0% compared with a year earlier.[8] The unemployment rate for males increased by 0.2 percentage point, while that for females fell by 0.2 percentage point, compared with the preceding year.

The seasonally adjusted unemployment rate averaged 6.1% in the first quarter of 2014, down by 0.4 percentage point compared with the preceding quarter and 0.2 percentage point lower than a year earlier (see Chart 2.5).[9] Compared with that of the euro area, Malta's seasonally adjusted unemployment rate was more than 5 percentage points lower in March 2014.

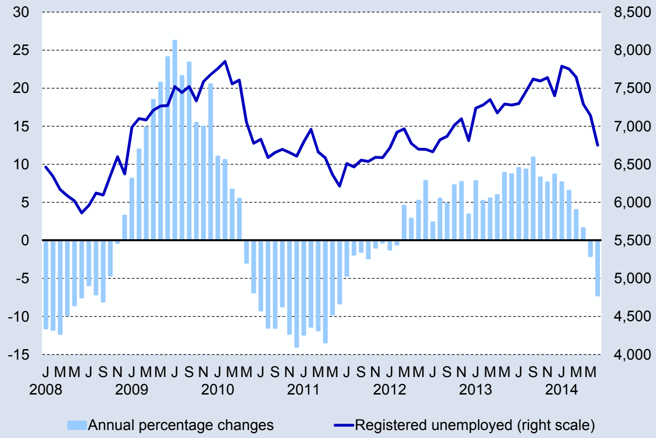
Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

The administrative records of the ETC indicate that the number of registered unemployed increased by 243 to 7,644 between December 2013 and March 2014 (see Chart 2.6). The number of claimants for unemployment benefits fell in April and in the two subsequent months, standing at 6,751 in June. As a result, when compared with a year earlier, the number of registered unemployed continued to increase until April, but fell in May and June.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

At the end of the first quarter of 2014, the jobless rate based on ETC data stood at 4.5%, unchanged compared with a year earlier but 0.1 percentage point higher than in December 2013.

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8 According to the LFS the unemployed comprise persons who are without work, available for work and who have actively sought work during the four weeks preceding the survey. In contrast, the number of unemployed on the basis of ETC data includes only those persons registering for work under Part 1 and Part 2 of the unemployment register.

9 Based on Eurostat calculations.

BOX 3: DEVELOPMENTS IN MALTA'S STRUCTURAL UNEMPLOYMENT[1]

The unemployment rate in a number of EU countries increased substantially after the economic and financial crisis of 2009 and, more recently, after the sovereign debt crisis. In the euro area, the unemployment rate averaged 12% in 2013, the highest level since the creation of the single currency in 1999. This increase, however, masks considerable differences among the constituent countries, ranging from 4.9% in Austria to 27.3% in Greece. In stressed countries the rise in the unemployment rate was accompanied by an increase in the long-term unemployed, which was especially pronounced for young people. This could lead to the erosion of human capital as jobless workers lose skills or drop out of the labour market, eventually resulting in higher structural unemployment and lower output growth.

The structural unemployment rate is defined as the rate of unemployment consistent with stable inflation.[2] This is also referred to as the non-accelerating inflation rate of unemployment or NAIRU. The level of the NAIRU and its evolution over time are important for policy makers for a number of reasons. First, it is essential to measure the unemployment gap (defined as the gap between the unemployment rate and NAIRU), which is a cyclical indicator of the state of the labour market and a useful measure for assessing the outlook for inflation. Over the course of the cycle, an actual jobless rate that exceeds the NAIRU (that is, a positive gap) provides an indication of downward price pressures. Inversely, an unemployment rate which falls short of the NAIRU (that is, a negative gap) is a signal of higher inflation.

Second, the NAIRU is a key component in measuring potential output and thus the output gap, as well as indirectly gauging cyclically adjusted fiscal indicators. Finally, developments in the NAIRU provide an indication of the success or otherwise of structural labour market policies.

Estimates of structural unemployment

Like potential output, the NAIRU is an unobservable variable and has to be estimated using statistical or econometric models. There are two main methods used in the literature. The first is a statistical approach, like the Hodrick-Prescott (HP) filter, which extracts the trend component from a time series of unemployment. While this approach is relatively easy to implement, it suffers from the usual drawbacks associated with these filters, including the end-of-sample bias and difficulties in adequately capturing structural breaks. The second approach links statistical approaches to economic information, based on long-standing economic relationships like the Phillips Curve and Okun's Law. The former links price pressures to slack in the economy or in the labour market, while the latter focuses on the relationship between economic activity and the unemployment rate. Studies that rely on a reduced form of the Phillips curve framework sometimes use both price and wage inflation to estimate time-varying structural unemployment rates.

1 Prepared by Brian Micallef. The author is a Senior Research Economist in the Bank's Modelling and Research Department. Any errors, as well as the views expressed here, are the author's sole responsibility.

2 For a discussion on the NAIRU and its evolution over time, see Gordon, R., "The time-varying NAIRU and its implications for economic policy", *Journal of European Perspectives*, Volume 11, 1997.

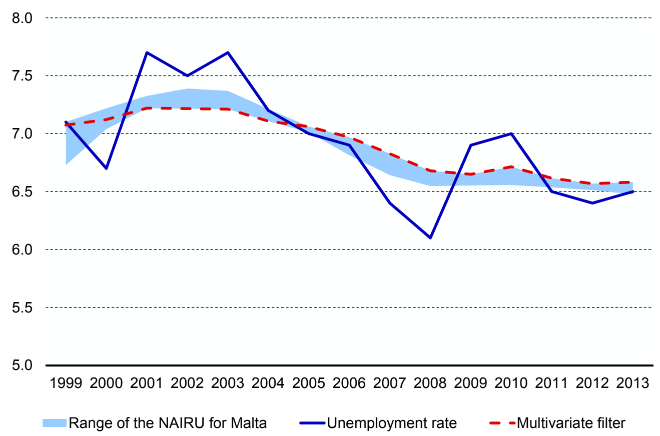
Given the uncertainty surrounding estimates of the NAIRU, central banks typically rely on more than one approach. These approaches are usually compared with estimates derived from policy institutions, like the European Commission, the International Monetary Fund and the Organisation of Economic Co-operation and Development. When available, estimates of the NAIRU and the unemployment gap are also benchmarked against soft indicators, for instance, from business surveys or information on vacancies, to facilitate economic interpretation of results.

Chart 1 plots the range of different estimates of Malta's structural unemployment against the actual unemployment rate. The range is based on three different estimates of the NAIRU: a multivariate filter, an HP filter and the estimate used by the European Commission in its Spring 2014 economic forecasts. The multivariate filter is estimated using data on real GDP, the unemployment rate, core inflation and foreign demand, the latter reflecting the small and open nature of the Maltese economy.[3] The multivariate filter approach is used by the Central Bank of Malta as the measure of the NAIRU in its macro-econometric model and is also a key input in the Bank's estimates of potential output.[4] To estimate the NAIRU, the European Commission applies a multivariate filtering approach that decomposes the trend from the cycle.[5]

Despite uncertainty surrounding point estimates, the different approaches point to broadly similar dynamics in Malta's NAIRU over the last decade.

In the early 2000s, the NAIRU was relatively high, standing at between 7.2% and 7.4%. This period was characterised by sluggish economic growth, owing both to shocks that hit the economy and the introduction of foreign competition in certain industries in the run-up to EU membership. As a result, the unemployment gap, the

Chart 1
UNEMPLOYMENT AND THE NAIRU IN MALTA
(per cent)



Sources: Eurostat; European Commission; author's calculations.

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3 The multivariate filter used here is similar to the one proposed in Benes, J. et al, "Estimating Potential Output with a Multivariate Filter", *Working Paper,* WP/10/285, IMF, December 2010.

4 For further details, see Grech, O. et al, "A structural macro-econometric model of the Maltese economy", *Working Paper,* WP/02/2013, Central Bank of Malta, 2013 and Grech, A. and Micallef, B., "Assessing the supply side of the Maltese economy using a production function approach", *Quarterly Review,* Vol. 46, No. 4, Central Bank of Malta, 2013.

5 Further details are available in Francesca D'Auria et al, "The production function methodology for calculating potential growth rates and output gaps", *Economic Papers,* No. 420, European Commission, July 2010.

difference between the actual unemployment rate and the NAIRU was broadly positive during this period.

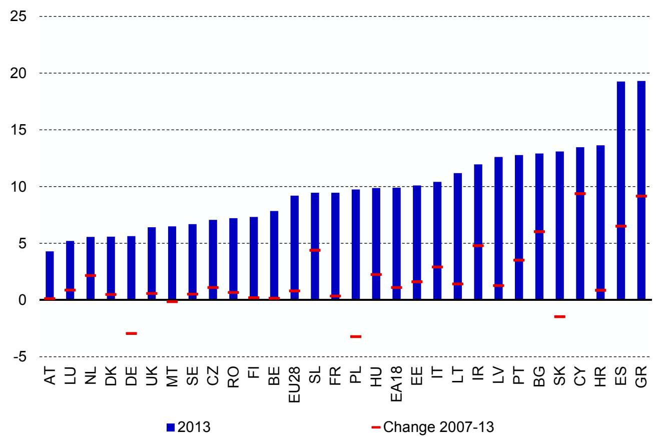
The period between 2004 until the onset of the recession in 2009 was characterised by a downward trend in the NAIRU. This period saw the diversification of the economic base from traditional industries to higher value added ones, mostly in the services sector but also in manufacturing. Consequently, the unemployment gap turned negative in 2007 and 2008.

The economic and financial crisis in 2009 led to a sharp increase in the unemployment rate, though it still remained below the levels seen between 2001 and 2003. In addition, unlike the situation in stressed European countries, the rise in the domestic unemployment rate proved to be temporary, with the rate gradually declining to pre-crisis levels, and the positive unemployment gap closed by 2011.

This performance was due to a number of factors, including the timely and targeted intervention of the authorities to assist the manufacturing and tourism sectors, the diversification of the economy to sectors which proved resilient to the recession and the absence of major shocks in the financial sector.[6] As a result, there were no major changes in Malta's NAIRU, which remained broadly stable around 6.5% – 6.7% between 2009 and 2013. The unemployment gap was negligible in 2013.

Chart 2 plots the level of the NAIRU for all EU countries in 2013 and the change in structural unemployment compared with the level prevailing before the crisis. As expected, this cross-country comparison shows a high degree of heterogeneity among EU countries. Compared with other EU countries, Malta has a low structural unemployment rate, with no major difference in the NAIRU between 2007 and 2013. On the contrary, stressed economies have not only high levels of the NAIRU but also experienced an increase in structural unemployment from pre-crisis levels. For instance, estimates of the NAIRU in Greece and Spain stand slightly lower than 20% in 2013, an increase of more than 6 percentage points since 2007.

Chart 2
DEVELOPMENTS IN THE NAIRU IN EU COUNTRIES
(per cent; percentage point change from 2007)



Sources: European Commission; author's calculations.

[6] For a detailed analysis of the sources of labour market resilience in Malta during and after the economic and financial crisis of 2009, see Micallef, B., "Labour market resilience in Malta", *Quarterly Review,* Vol. 46, No. 1, Central Bank of Malta, 2013.

Concluding remarks and policy recommendations

This Box has presented a range of estimates of structural unemployment in Malta over the last decade. In general, the NAIRU exhibited a downward trend over the period reviewed. A number of factors could have contributed to more labour market flexibility and to an improvement in the match between labour demand and supply, such as the rise in vocational training through the establishment of the Malta College of Arts, Science and Technology (MCAST), stronger links between the educational system and industry, and the increase in the number of university graduates. A number of initiatives were also taken to motivate more people to join and stay longer in the labour market. The above analysis also shows that Malta has a low level of structural unemployment compared with other EU countries and that the economic and financial crisis of 2009 had no permanent impact on the domestic NAIRU.

However, remaining bottlenecks in the domestic labour market should still be addressed. For instance, while the share of long-term unemployed has not risen to the same extent as in some other EU countries, it still remains relatively high, standing at around 44.5% of those searching for a job in 2013. Malta also ranks at the bottom end of EU rankings in terms of education attainment. The recently published National Employment Policy identifies low education attainment levels, partly driven by a high proportion of early school leavers and a mismatch between demand and supply of skills as the two main challenges facing the domestic labour market. Policies targeted at these two areas, together with others strengthening links between academia and industry, will increase the flexibility of the domestic labour market and enhance the efficiency of the matching process between job seekers and vacancies, thereby contributing to a further reduction in structural unemployment.

3. PRICES, COSTS AND COMPETITIVENESS

Against a relatively benign inflationary background, domestic consumer prices picked up moderately during the first quarter of 2014, mainly reflecting developments in service and non-energy industrial goods prices. However, over the subsequent three-month period, both the Harmonised Index of Consumer Prices (HICP) and the Retail Price Index (RPI) inflation rates, the main measures of price movements in Malta, recorded a decline. Meanwhile, producer prices continued to fall in annual terms, though at a slower pace than in the previous quarter. The harmonised competitiveness indicator, on the other hand, edged up while unit labour costs rose moderately in the first three months of 2014.

HICP inflation

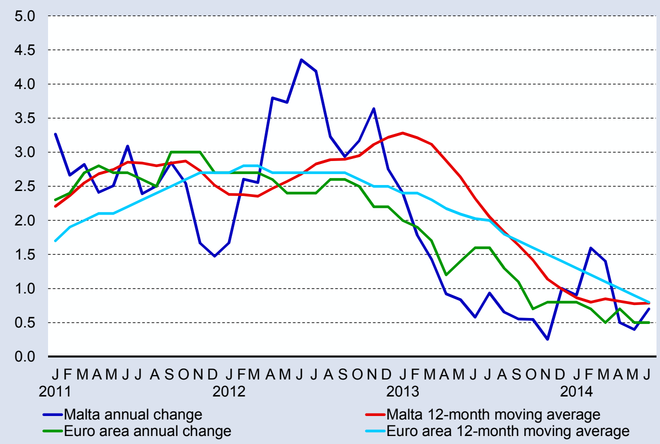
HICP inflation increases

The annual inflation rate based on the HICP stood at 1.4% in March, up from 1.0% in December (see Table 3.1).[1]

Although the overall HICP inflation rate increased during the quarter under review, the 12-month moving average rate fell to 0.8% in March from 1.0% in December. This rate was lower than the euro area's annual inflation rate, which decelerated to 1.1% at the end of the first quarter of 2014 (see Chart 3.1).

Moving into the June quarter, the annual inflation rate in Malta eased considerably, to stand at 0.7% in June, with the 12-month moving average rate remaining stable at 0.8%.

Chart 3.1
HICP INFLATION RATES IN MALTA AND IN THE EURO AREA
(annual percentage changes; annual average percentage changes)



Sources: NSO; Eurostat.

Table 3.1
HICP INFLATION
Annual percentage change

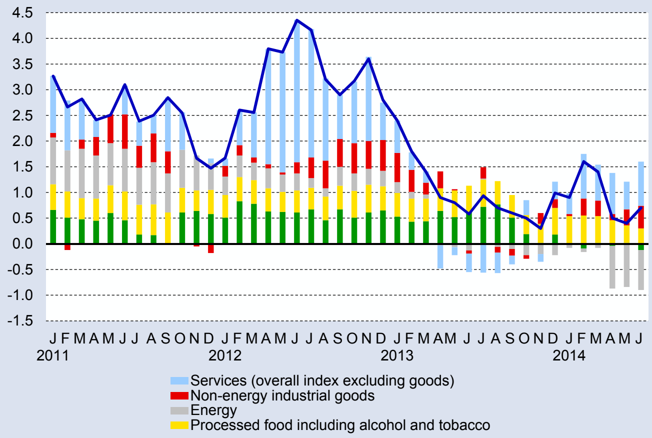
	2013			2014					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Unprocessed food	2.5	0.3	2.4	0.2	-1.2	-0.3	-0.6	0.3	-1.7
Processed food including alcohol and tobacco	3.0	2.9	4.1	4.1	4.2	4.0	3.7	2.7	2.5
Energy	-3.0	-2.7	-2.8	-1.2	-0.9	-1.1	-10.5	-10.8	-10.0
Non-energy industrial goods	-0.2	0.7	0.6	0.1	1.1	1.1	0.4	1.1	1.6
Services (overall index excluding goods)	0.6	-0.4	0.8	0.9	2.0	1.7	1.8	1.2	1.9
All Items HICP	**0.5**	**0.3**	**1.0**	**0.9**	**1.6**	**1.4**	**0.5**	**0.4**	**0.7**

Source: NSO.

[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. In January 2014 the weight of non-energy industrial goods was reduced by 0.4 percentage point to 29.1%, while that allocated to services fell by 0.1 point to 42.4%. In contrast, the weight related to energy rose by 0.5 percentage point to 8.1%, while the share allocated to food remained at 20.4%.

The acceleration in the overall inflation rate in the first quarter was mainly driven by developments in the services component, which constitutes two-fifths of the overall HICP index. The annual rate of change in service charges accelerated from 0.8% to 1.7% during the first quarter, thus contributing 0.7 percentage point to headline inflation, up from 0.3 percentage point three months earlier (see Chart 3.2).

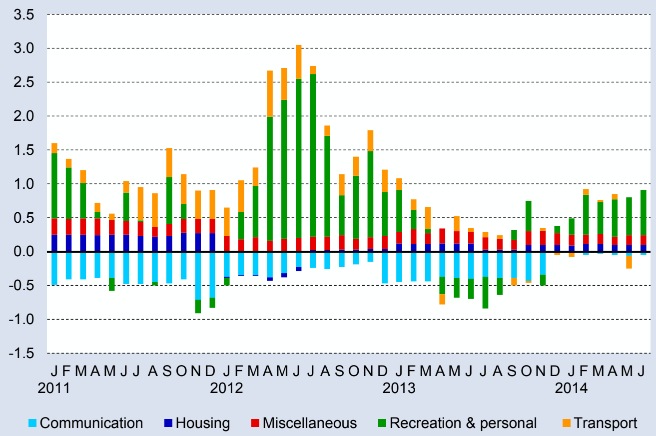
Chart 3.2
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION
(percentage points; annual percentage change)



Source: Eurostat.

Within this component, prices of recreation & personal care contributed significantly to inflation, reflecting the upswing in tourist accommodation rates. As a result, the related inflation rate picked up from 0.5% to 1.9% in the quarter under review, with its impact on the overall inflation rate expanding from 0.1 to 0.5 percentage point (see Chart 3.3). Meanwhile, the annual rate of change of transport service prices turned positive in March – principally reflecting developments in airfares. On the other hand, prices of communication services contracted further, while those of miscellaneous services increased at a slower pace. Conversely, housing service prices rose at broadly the same pace as in the previous three months.

Chart 3.3
CONTRIBUTIONS FROM SERVICES TO HICP INFLATION
(percentage points)



Source: Eurostat.

Similar to services, non-energy industrial goods (NEIG) inflation also picked up, going to 1.1% in March from 0.6% three months earlier. The increase was largely attributable to developments in the annual inflation rate of motor vehicles, which turned positive in 2014 as a result of the relatively low prices of automobiles a year earlier. As a result, the contribution of this sub-index to overall inflation, which comprises just under a third of the aggregate HICP index, edged up marginally to 0.3 percentage point from 0.2 percentage point.

Energy price inflation, at -1.1%, was less negative than at the end of 2013, when it stood at -2.8%. This was the result of a more moderate contraction in the annual rate of change in fuel prices, as well as a pick-up in gas price inflation. As a consequence, the negative contribution of energy prices to headline inflation fell from -0.2 to -0.1 percentage point.

On the other hand, annual food price inflation in March decelerated to 2.4% from 3.5% in December, contributing 0.5 percentage point to overall inflation, as opposed to 0.7 percentage point three months earlier.[2] The deceleration was mostly attributable to unprocessed food, with the related inflation rate entering negative territory for the first time since 2010. Unprocessed food prices fell by 0.3% in annual terms in the March quarter, compared with an increase of 2.4% in the December quarter, mainly reflecting developments in fruit, fish and vegetable prices. Consequently, the contribution of unprocessed food to overall inflation declined from 0.2 percentage point to nil. Meanwhile, processed food prices continued to rise at broadly the same pace as in the previous three months, adding 0.5 percentage point to headline inflation.

By June the annual rate of HICP inflation had fallen by 0.7 percentage point, to 0.7%. This was largely due to the planned reduction in utility tariffs for households effected by Government. In consequence, the electricity index declined by 23.8%, year-on-year, with the energy subcomponent's contribution to overall inflation falling to -0.8 from -0.1 percentage point. In addition, but to a lesser extent, the slowdown in inflation was due to developments in both processed and unprocessed food prices. The annual rate of change of processed food prices decelerated to 2.5% from 3.7% in March, while that of unprocessed food turned more negative to -1.7% in June from -0.3% in March. As a result, the overall contribution of food prices to headline inflation fell to 0.2 from 0.5 percentage point. On the other hand, the positive rate of change of NEIG prices, which rose to 1.6% from 1.1% mostly owing to prices of durables, partly offset the downward pressure on the HICP. Services price inflation was also higher, edging up to 1.9% from 1.7%, mainly on the back of developments in restaurant price inflation. The combined effect of NEIG and services inflation was reflected in the contribution of these two sub-components to headline inflation. At 1.3 percentage points this was up from 1.0 point three months previously.

BOX 4: COMMUNICATING UNCERTAINTY – A FAN CHART FOR HICP PROJECTIONS[1]

Economists use models and judgement to produce macroeconomic forecasts. In many institutions forecasts for variables such as inflation and gross domestic product (GDP) growth tend to be a single figure for a specific year or quarter (a "point" forecast), with a focus on the story behind the point forecasts.[2] However, the model generating projections is always an incomplete approximation of true economic behaviour. The model's parameters estimated from a sample are subject to an element of uncertainty. Furthermore, and perhaps more important, an economy is always hit by random shocks, so "surprises" occur from time to time. These factors introduce considerable uncertainty around any forecaster's outlook. Thus, it is normal to comment on the possibility that the future will not turn out as expected owing, for example, to unforeseen forces, such as higher than expected oil prices or a sudden episode of sub-par growth in trading partners' economies.[3]

[1] Written by William Gatt, Senior Research Economist at the Modelling and Research Department. The author would like to thank Professor Josef Bonnici, Mr Alfred DeMarco, Mr Alexander Demarco, Dr Bernard Gauci, Dr Aaron G. Grech and Mr John Caruana for useful comments and suggestions. Any errors, as well as opinions expressed in this article, are the author's sole responsibility.

[2] In this article the terms *forecasts* and *projections* are used interchangeably.

[3] In a speech given at the University of London titled "Forecast errors" in May 2013, Ben Broadbent, external member of the Bank of England's Monetary Policy Committee, gives a detailed description of the context in which forecasts are made. Available at: http://www.bankofengland.co.uk/publications/Pages/speeches/2013/653.aspx

[2] The food price index in the HICP includes beverages and tobacco. In the RPI, these constitute a separate category.

The origin and use of the fan chart

An increasingly popular way to communicate risks to the central projection is to use a fan chart, a tool pioneered by the Bank of England.[4] A fan chart is a diagram which shows both the history and forecast of a variable, such as inflation, and the region in which future values of that variable are expected to fall. The fan chart embodies a density forecast, i.e. a forecast of the distribution of the projection, and not just the most likely path. It usually shows 90% of the probability distribution of the forecast. This means that if "economic circumstances at the start of the fan chart were to prevail on 100 occasions … inflation … [would be] expected to lie somewhere within the entire fan chart on 90 out of 100 occasions".[5]

The bands of the fan chart can either be constructed using stochastic simulation or by applying the average dispersion (variance) of historical forecast errors.[6] For instance, the initial calibration of the probability distribution of the Bank of England's projections is based on the history of forecast errors.[7] The distribution is initially assumed to follow the Normal distribution (the familiar "bell-shaped" curve) and may then be allowed to be skewed along one of the tails.[8] The central projection is represented by the mode, while the mean and median are used to assess the relative risks to the central forecast. If the mode, mean and median are identical, then the fan chart is symmetric. A symmetric fan chart implies that the outturns are expected to be either above or below the central forecast with equal probability, and inversely an asymmetric chart displays an unequal balance of risks.[9]

Thus, the fan chart can be seen as an *ex ante* expectation of uncertainty around a forecast, which is based on a set of conditioning assumptions. In this sense, the fan chart does not summarise all that can be expected to happen – it characterises uncertainty around the central projection, which is only one out of possibly many scenarios.[10]

A number of central banks use fan charts in their communication of their projections to the public. A recent study lists 20 central banks which produce and publish fan charts, eight of which are in Europe, including, apart from the Bank of England, those of the Czech Republic, Poland, Hungary and Norway.[11] Indeed, the European Central Bank (ECB) started using fan charts to communicate uncertainty in its December 2013 projections.[12] The distribution used by the ECB is based on an estimate of mean absolute difference

4 The objective behind the Bank of England's creation of the fan chart was "to convey to the reader a more accurate representation of the Bank's subjective assessment of medium-term inflationary pressures, without suggesting a degree of precision that would be spurious." See Britton, E., Fisher, P. and Whitley, J., "The Inflation Report projections: understanding the fan chart", *Quarterly Bulletin*, Bank of England, February 1998.

5 Elder, R., Kapetanios, G., Taylor, T. and Yates T., "Assessing the MPC's fan charts", *Quarterly Bulletin*, Autumn 45(3), Bank of England, 2005, p. 326.

6 A forecast error is defined here as the actual inflation outturn less the projected year-on-year inflation rate.

7 See Blake, 1996, for an illustration of generating uncertainty bounds using a model simulation. Typically, however, a number of models, as well as expert judgement, are used to construct the forecast. Hence the distribution tends to be based on the history of forecast errors and judgement rather than on pure model simulation.

8 For this purpose, the Bank of England uses a "two-piece Normal" distribution. See footnote 5.

9 For a more complete treatment on density forecasting, see Tay, A.S. and Wallis, K., "Density Forecasting: A Survey", *Journal of Forecasting*, Vol. 19, 2000, pp. 235-254.

10 For example, in its *Inflation Report* of May 2014, the Bank of England published two fan charts for inflation, one under a scenario in which future interest rates evolve according to market expectations, and another under the assumption of constant nominal interest rates in the future.

11 Franta, M., Baruník, J., Horváth, R. and Šmídková, K., "Are Bayesian fan charts useful for central banks? Uncertainty, forecasting, and financial stability stress tests", *Working Paper Series* No. 10, Czech National Bank, 2011.

12 See "Eurosystem Staff Macroeconomic Projections for the Euro Area", *European Central Bank*, December 2013.

between historical forecasts and the outturns, and the resulting fan chart displays a 57.5% confidence interval.[13]

Application: a fan chart for inflation projections for Malta

In this section a fan chart for the Central Bank of Malta's 12-month-ahead inflation projections, based on the HICP, is constructed.[14] As the HICP is rarely revised, this is an ideal variable on which to apply this technique as any uncertainty in the forecast relates only to the future. A total of 12 months fall within the horizon considered in the Bank's short-term inflation forecast exercise. The latter is mainly based on time series methods.[15]

All the vintages of inflation projections from December 2007 were collected and the one to the 12-month-ahead forecast errors for each vintage were calculated. Separate vectors for one-month ahead errors, two-month ahead errors, up to 12-month ahead errors were computed, along with a standard deviation for each vector.[16]

The vector of standard deviations of the forecast errors was then filtered to obtain a smooth series.[17] In turn, this was used to simulate the empirical probability distribution around the central projection.[18] In this way a probability distribution around the Bank's inflation projections was built based on historical information about the projection errors.

Chart 1 shows a recent HICP projection in the form of a fan chart, in which successive bands around the central projection capture an additional 15% of the probability distribution. This means that based solely on historical patterns of forecast errors, by 2015Q1 there would be:

(i) a 30% chance that inflation will be between 0.7% and 1.2%;
(ii) a 60% chance of it being between 0.4% and 1.4%;
(iii) a 90% chance that it will be between -0.1% and 1.8%.

We notice that the bands start off very narrow and then "fan out" over time because as the forecast horizon extends into the future, the data reveal that uncertainty about the range of possible values for the indicator of interest increases. In other words, variables in the future become progressively harder to predict. Hence, as the chart shows, although each band above and below the central projection represents 15% of the distribution, its thickness is not the same in each and every period, but increases as the band is stretched farther from the central projection.

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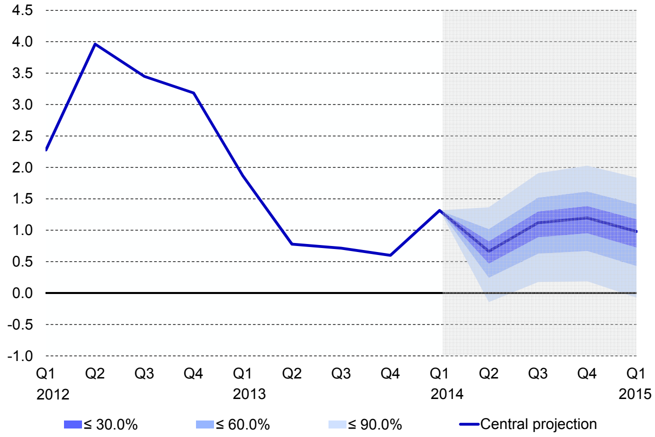
13 For more information, see "New Procedure for Constructing Eurosystem and ECB Staff Projection Ranges", *European Central Bank*, 2009. It is worth bearing in mind that the ECB forecast ranges represent a confidence interval of 57.5%, compared with an interval of 90% presented in this article.
14 See Gatt, W. "Being vaguely right – A fan chart for Maltese HICP inflation projections", forthcoming, for a technical explanation of the method used.
15 See "Box 4: Forecasting inflation at the Central Bank of Malta", *Quarterly Review*, Vol. 45, No.4, Central Bank of Malta, 2012, p. 68.
16 An estimate for the one-month ahead standard deviation was computed using all one-month ahead forecast errors across all the forecast vintages, the two-month ahead standard deviation using all two-month ahead forecast errors across all vintages, and so on.
17 This follows the method found in Oparty, T. and Gavura, M., "Estimating the probability distribution of an inflation forecast", *BIATEC* Volume XIII 5, National Bank of Slovakia, 2005.
18 For the purpose of constructing a density forecast and hence a fan chart, the central projection is also considered as the mode, or peak, of the distribution.

Furthermore, because historically negative forecast errors (episodes in which inflation was overestimated) tended to be more dispersed (volatile) than positive forecast errors, following the approach used by the Bank of England the fan chart in Chart 1 is constructed such that the distribution is asymmetric, or skewed.[19] In other words, there is slightly more uncertainty about the lower range (values below the central projection) than about the upper range (values above).

Chart 1
A FAN CHART FOR HICP INFLATION PROJECTIONS
(annual percentage changes)



Sources: Central Bank of Malta; author's calculations.

Generally speaking, it may well be that during a particular forecasting round risks to the central projection are judged to be balanced, resulting in symmetrical bands. In other instances, however, the forecaster may judge the balance of risks to be skewed to one side. For example, the forecaster may believe that there is a higher likelihood of oil prices being above rather than below the level incorporated in the baseline technical assumptions. This would result in the upper bands being wider than the lower bands.

In sum, although the starting point of a density forecast is historical information on forecast errors, through effective use of incoming information about the future the forecaster can always adjust the distribution to better fit the prevailing views about the economic environment and the associated risks to the projections.

Concluding remarks

This Box has introduced the fan chart as an effective way of communicating the inherent uncertainty that surrounds a future outlook. This technique was applied to HICP inflation projections.

The Box also presented a hypothetical fan chart, which offers a foundation for gauging the uncertainty that surrounds the Bank's forecasts. Such a fan chart can also form part of the forecast exercise, so that judgement about the outlook is also incorporated in the width of the bands. This means that the width of the bands can sometimes be narrower than historical errors would suggest, and sometimes wider, depending on the forecaster's best assessment of uncertainty given all available information.

It is a forecaster's job to form an opinion about a likely occurrence, subject to some assumptions about other driving forces, such as international oil prices. Therefore, a forecast is

[19] See footnote 5.

conditional on both technical assumptions and a particular scenario. Fan charts should neither be too wide, nor too narrow, but should be based on an *ex post* assessment of forecast accuracy. Furthermore, the width of the bands in the fan chart may vary between different forecasts; this would reflect the fact that the degree of uncertainty around the forecasts may vary over time, depending on the economic environment that prevails. Fan charts, therefore, are a useful tool to increase transparency surrounding projection exercises and to raise awareness of risk. "Public discussion of macroeconomic point forecasts too often treats them as exact, and to acknowledge explicitly that they are not, perhaps by publishing a density forecast, can only improve the policy debate."[20]

[20] Tay, A.S. and Wallis, K., "Density Forecasting: A Survey", *Journal of Forecasting*, Vol. 19, 2000, pp. 235-254.

RPI inflation[3]

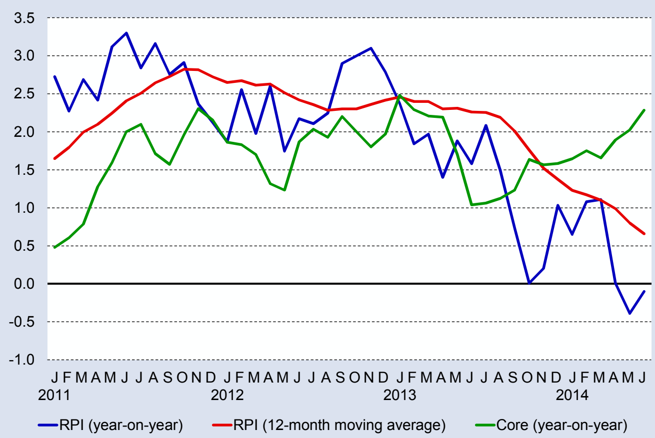
RPI picks up, though at a slower rate than HICP

The annual inflation rate based on the RPI edged up marginally to 1.1% in March 2014, from 1.0% three months earlier. The stronger acceleration in HICP inflation relative to the RPI is due, in part, to developments in accommodation prices, which have a significant influence on the HICP, but are not part of the basket of retail goods and services on which the RPI index is based. The 12-month moving average inflation rate continued to ease, falling to 1.1% in March from 1.4% in December (see Chart 3.4).

The slight pick-up in RPI inflation in March was largely driven by prices of transport & communication services, the inflation rate of which turned significantly less negative in the quarter under review, from -1.8% in December to -0.2%. As a result, the contribution of the sub-index to headline inflation fell to -0.1 from -0.4 percentage point (see Table 3.2). In addition, price inflation of household equipment and the "other goods and services" category accelerated. This resulted in an increase in their combined contribution from nil to 0.2 percentage point.

These upside movements were mitigated by developments in other components of the RPI basket, including food prices, as well as prices of services

Chart 3.4
RPI AND CORE INFLATION
(annual percentage changes; annual average percentage change)



Sources: Central Bank of Malta estimates; NSO.

[3] Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the way the two indices are compiled. For instance, whereas RPI weights are based on expenditure by Maltese households, HICP weights also reflect tourist expenditure in Malta. Thus, while the RPI excludes hotel accommodation prices, the latter account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

Table 3.2
CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION
Percentage points

	2013			2014					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Food	0.5	0.1	0.6	0.1	0.0	0.2	0.1	0.1	-0.1
Beverages & tobacco	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.2
Clothing & footwear	-0.2	0.1	0.0	-0.2	0.1	0.0	-0.3	0.0	0.1
Housing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Water, electricity, gas & fuels	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-0.6	-0.6
Household equipment & house maintenance costs	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.2	0.2
Transport & communications	-1.1	-0.8	-0.4	-0.2	0.1	-0.1	-0.1	-0.6	-0.3
Personal care & health	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Recreation & culture	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.3
Other goods & services	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
RPI (annual percentage change)	**0.0**	**0.2**	**1.0**	**0.6**	**1.1**	**1.1**	0.0	-0.4	-0.1

Sources: Central Bank of Malta; NSO.

relating to personal care & health. The former's annual rate of change fell to 0.9%, compared with 2.6% three months earlier. Consequently, food price inflation contributed only 0.2 percentage point to headline inflation as opposed to 0.6 percentage point in December. Price inflation of services of personal care & health slowed to 1.2% from 2.2% in December, resulting in a drop of 0.1 percentage point in the overall inflation rate.

Meanwhile, the contribution of clothing & footwear, and housing and utilities remained broadly unchanged when compared with three months previously.

Moving into the second quarter of 2014, the annual RPI inflation rate entered negative territory for the first time since the end of 2009, with this rate standing at -0.1% in June. The swing to negative rates was mainly due to the cut in electricity tariffs, to further decreases in the prices of transport & communication services, as well as to a decline in food prices.

As the RPI is heavily influenced by a number of volatile components, such as food prices and water & electricity charges, underlying price pressures can be better assessed by the Bank's core RPI inflation rate.[4] The latter edged up to 1.7% by the end of the first quarter of 2014 from 1.6% in December. Mainly accounting for this acceleration were developments in prices of household equipment & house maintenance costs and, to a lesser extent, prices in the "other goods and services" category. In the June quarter, the Bank's core RPI inflation rate rose further, to 2.3%.

The divergence between the Bank's core measure and the actual RPI measure, in evidence since late 2013, can be explained by downward movements in annual inflation rates of the transport & communication and utilities components. Both indices have seen successive year-on-year falls in their respective inflation rates in the previous three quarters. As these two indices are not included in the Bank's measure of the core RPI, the latter has recently exceeded the headline measure.

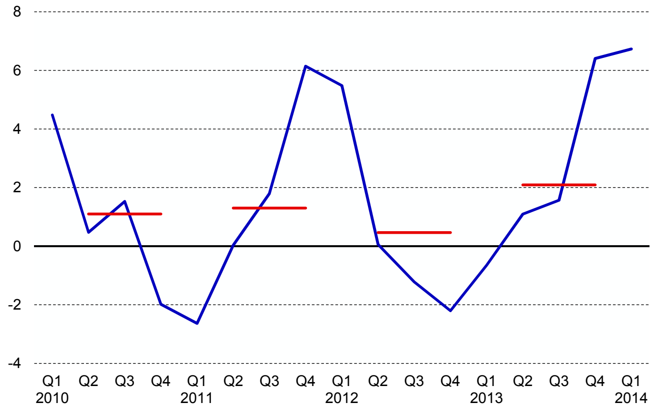
[4] The core inflation rate reflects developments only in those sub-indices of the RPI that show persistent price changes. As measured by the Bank, these sub-indices currently consist of: housing, durable household goods, personal care & health, education and entertainment and other goods & services.

BOX 5: RESIDENTIAL PROPERTY PRICES

Residential property prices signal strong growth momentum

Based on the Central Bank of Malta's advertised property price index, the price of residential properties rose at an annual rate of 6.7% in the first quarter of 2014. This follows an increase of 6.4% in the previous quarter (see Chart 1).[1]

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES

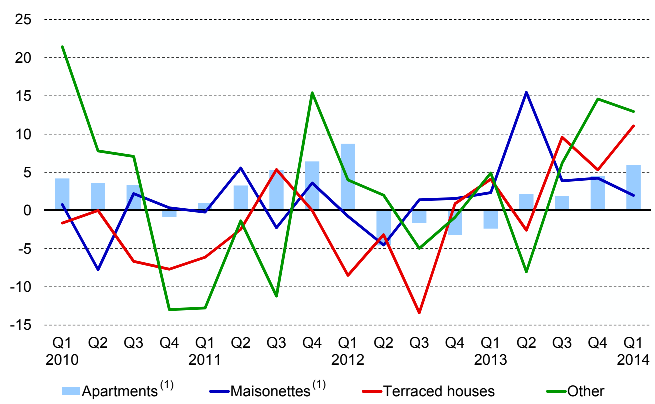


Source: Central Bank of Malta.

The upward movement in prices may be partly influenced by government measures, namely the introduction of the Individual Investor Programme, which targets high net worth individuals, and a fiscal incentive for first-time buyers announced in the Government's Budget last November.

During the first quarter of 2014, prices rose across all main sampled categories included in the index (see Chart 2). Stronger annual rates of change were recorded in prices of terraced houses and apartments. In contrast, increases in the prices of maisonettes, as well as of property in the "other" category, which consists of town houses, houses of character and villas, moderated in the quarter under review.

Chart 2
RESIDENTIAL PROPERTY PRICES BY CATEGORY
(annual percentage changes)



(1) Includes both units in shell form and finished units.

Source: Central Bank of Malta.

During the first three months of 2014, the annual rate of change of prices for apartments, which make up almost three-fifths of properties

[1] This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in advertised residential property prices compiled from newspaper advertisements sampled each month. The Bank's index is divided into eight dwelling categories.

in the sample, accelerated to 5.9% from 4.5% in the previous quarter. This marks the fourth consecutive quarter of positive price growth in this category. Meanwhile, advertised prices of terraced houses surged by 11.1%, compared with an increase of 5.3% registered in the previous quarter.

In the case of maisonettes, asking prices rose at a more gradual pace of 2.0% compared with 4.2% in the fourth quarter of 2013. Prices of property in the "other" category also continued to rise significantly, but the annual rate of increase, at 13.0%, was down slightly from that of 14.6% recorded three months earlier.

Costs and competitiveness

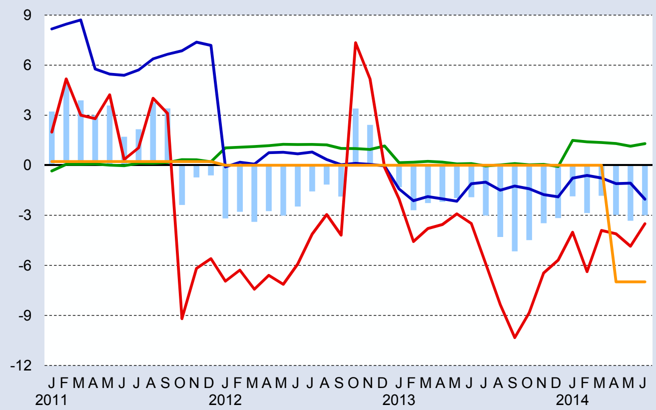
Producer prices continue to fall[5]

Producer prices fell at an annual rate of 1.8% in March, after having dropped by 3.2% in December (see Chart 3.5). This moderation largely reflects developments in the intermediate goods category, in which prices contracted at an annual rate of 3.9% following a fall of 5.7% in December 2013. This category mainly includes semiconductors, as well as pharmaceuticals, paper and plastic products. Consumer goods prices also decreased, but at a more modest rate, falling by 0.8% in March compared with a 1.9% drop three months earlier.

On the other hand, capital goods prices rose by 1.4% on a year earlier, contributing 0.1 percentage point to overall producer price inflation (PPI). Meanwhile, energy prices had no effect on PPI as electricity tariffs remained unchanged in the first quarter of the year.

Most recent data indicate that the PPI extended its negative trend beyond the first quarter, falling by 3.0% in annual terms in the June quarter. This was partly due to the energy component of the index, which registered a significant fall as households were charged lower electricity prices following the administrative reduction in utility tariffs. In addition, prices of intermediate goods and consumer goods continued to decline.

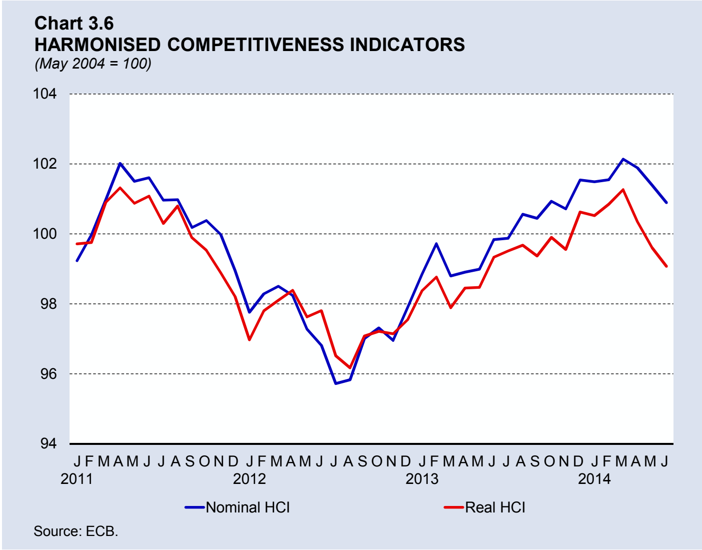
Chart 3.5
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

[5] The Industrial Producer Price Index measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage. It monitors the ex-works sale prices of leading products as reported by a sample of 77 enterprises accounting for over 80% of total industrial turnover. The index covers three areas of economic activity: mining & quarrying, manufacturing and the supply of electricity, gas & water. Products are divided into five main groupings: intermediate goods, capital goods, consumer durables, non-durable consumer goods and energy. In turn, producer prices are divided between export and domestic markets for each of the groupings, with the bulk of the weight given to the export index.

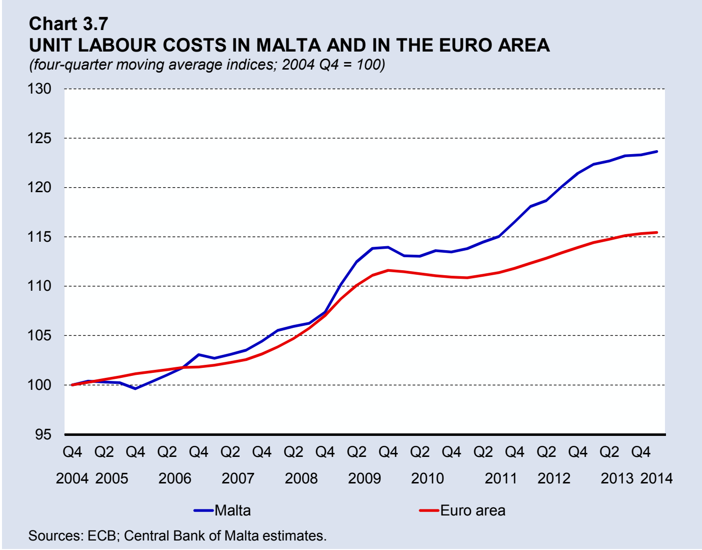
Harmonised competitive indices edge up further in the first quarter



During the first quarter of 2014 the nominal harmonised competitiveness indicator (HCI) extended its upward trend, evident since the second half of 2012 (see Chart 3.6).[6] Between December and March, the nominal HCI gained 0.6%, with the increase mainly reflecting the appreciation of the euro against the Japanese yen, as well as a marginal appreciation against the US dollar. The real HCI also recorded an increase of 0.6%, implying no impact from price changes for Malta vis-à-vis the main trading partners.

Moving into the second quarter of 2014, both the nominal and the real HCI indicator declined, implying competitiveness gains over this period.

Nonetheless, compared with a year earlier, the nominal HCI was still around 1% higher in June, while the real HCI was down by 0.3%. Thus, in the year to June, the loss in price competitiveness arising from exchange rate movements was more than offset by a narrowing inflation differential against Malta's trading partners.



Unit labour costs increase more moderately

During the first quarter of 2014 Malta's unit labour cost (ULC) index, measured as a four-quarter moving average, was 1.0% higher on a year earlier (see Chart 3.7).[7] This increase

[6] A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes and the relative inflation of a country vis-à-vis its main trading partners. In the computation of the indicators, exchange rate and price changes are weighted according to the direction of trade in manufactured goods only. Therefore, the HCI should only be considered as a partial measure of Malta's international competitiveness. Changes in the HCI should be interpreted with caution.

[7] ULCs measure the average cost of labour per unit of output and are calculated as the ratio of compensation per employee to labour productivity.

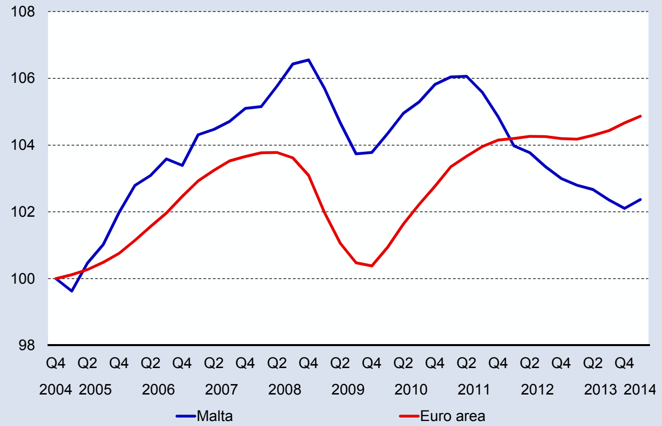
followed a 1.5% rise in the last quarter of 2013.

The moderation in Malta's ULC growth during the first quarter was the result of a smaller drop in labour productivity. This contracted by 0.4% following a decline of 0.9% in the previous quarter. Such developments outweighed the marginal acceleration in compensation per employee, which grew by 0.7% from 0.6% in December (see Charts 3.8 and 3.9).

In the euro area, ULC growth decelerated to an annual rate of 0.9% during the first quarter of 2014 as against 1.2% three months earlier. The moderation in ULC growth was driven by developments in both labour productivity and compensation per employee. The former increased by 0.7% from 0.4% in the previous quarter, while growth in the latter slowed marginally to 1.6% from 1.7% three months earlier.

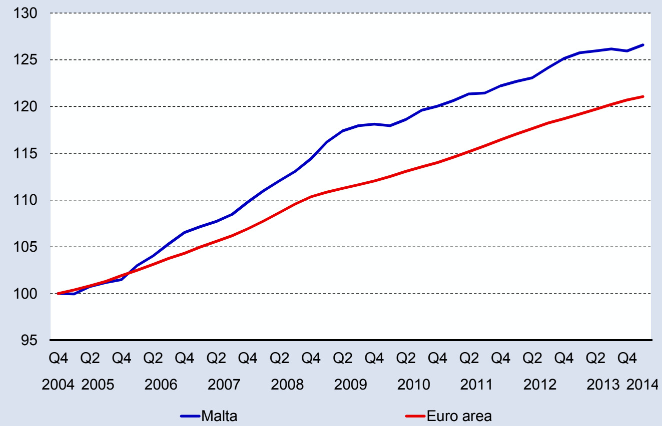
Growth in Malta's ULC index was thus slightly higher than that registered in the euro area as a whole.

Chart 3.8
PRODUCTIVITY IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

Chart 3.9
COMPENSATION PER EMPLOYEE IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

4. THE BALANCE OF PAYMENTS

In the first quarter of 2014 the deficit on the current account of the balance of payments declined markedly over the comparable period of 2013. This was largely on account of lower net outflows on the income account, although a higher surplus on the services component also contributed. Together, these developments more than offset a widening in the merchandise trade gap and lower net inward current transfers.

At the same time, when compared with a year earlier, the capital and financial account registered higher net outflows in the first three months of 2014. This was entirely attributable to movements in the financial account, as net inflows on the capital account increased.[1]

Reserve assets rose, while errors and omissions remained positive.[2]

The current account

Current account posts a smaller deficit in the first quarter of 2014

In the first quarter of the year the current account posted a deficit of €62.6 million, as against a shortfall of €117.3 million in the corresponding quarter of 2013 (see Table 4.1).

When expressed as a four-quarter moving sum, the balance on the current account remained in positive territory for the ninth consecutive quarter (see Chart 4.1). During the quarter under

Table 4.1
BALANCE OF PAYMENTS
EUR millions

	2013	2014	four-quarter moving sums(1)				
			2013				2014
	Q1		Q1	Q2	Q3	Q4	Q1
Current account	**-117.3**	**-62.6**	**25.0**	**101.7**	**110.5**	**65.3**	**120.1**
Goods	-247.3	-284.2	-1,078.9	-981.9	-1,014.9	-1,021.7	-1,058.6
Services	233.8	249.7	1,425.8	1,432.5	1,455.8	1,459.5	1,475.3
Income	-127.7	-41.7	-422.7	-436.5	-408.9	-442.2	-356.2
Current transfers	23.7	13.6	100.8	87.6	78.5	69.7	59.5
Capital and financial account	**-23.7**	**-42.2**	**-255.7**	**-200.9**	**-322.3**	**50.1**	**31.5**
Capital account	16.7	28.9	134.9	135.0	139.4	129.6	141.7
Financial account	-40.4	-71.1	-390.7	-335.9	-461.7	-79.4	-110.2
Direct investment	-58.7	-1,180.5	153.9	295.6	314.6	-1,560.8	-2,682.7
Portfolio investment	-436.0	-1,302.4	-2,187.1	-3,226.3	-4,514.0	-2,297.0	-3,163.4
Financial derivatives	12.0	56.3	-13.2	0.8	-80.8	-77.2	-33.0
Other investment	396.6	2,619.2	1,605.2	2,510.1	3,758.1	3,816.7	6,039.4
Reserve assets	45.8	-263.6	50.4	83.9	60.3	38.8	-270.6
Errors and omissions	141.0	104.8	230.7	99.3	211.8	-115.4	-151.6

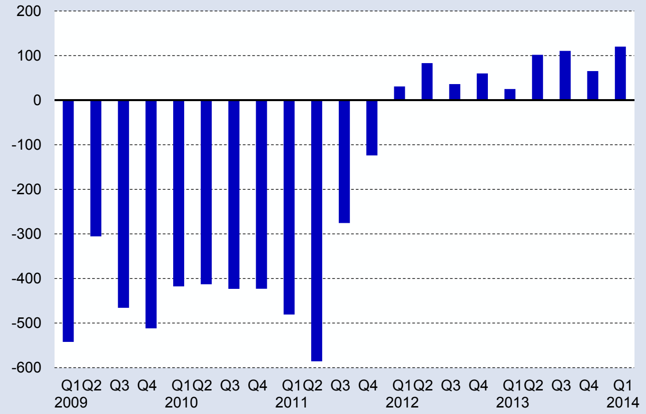
(1) In the final quarter of the year, the four-quarter moving sum is equivalent to the annual figure.
Source: NSO.

1 In the capital and financial account of the balance of payments, additions to assets and decreases in liabilities are considered as outflows and recorded with a negative sign. Conversely, increases in liabilities and decreases in assets are recorded with a positive sign.
2 Positive net errors and omissions imply an overestimation of the current account deficit and/or an overestimation of net outflows on the capital and financial account.

review, the surplus increased to €120.1 million, up by €95.1 million on the level recorded in the 12 months to March 2013 (see Table 4.1 and Chart 4.1). The improved surplus reflected favourable movements in all the main components of the account except current transfers.

As a proportion of gross domestic product (GDP), the positive balance on the current account, expressed as a four-quarter moving sum, stood at 1.6% in the year to March 2014, up by 1.2 percentage points from the ratio recorded in the 12 months to March 2013.

Chart 4.1
CURRENT ACCOUNT BALANCE
(four-quarter moving sum; EUR millions)



Source: NSO.

The merchandise trade gap widens

During the January - March period of 2014, the merchandise trade gap widened to €284.2 million, a deterioration of €36.9 million on a year earlier. This arose as exports fell more strongly than imports. The year-on-year drop in the former amounted to €106.6 million, or 14.2%, while imports declined by €69.7 million, or 7.0%.[3]

Customs data indicate that the contraction in exports during the first three months of 2014 was largely due to lower sales of semiconductors, which are classified under machinery and transport equipment.[4] Meanwhile, the fall in imports mainly reflects declines in semi-finished industrial supplies, particularly electronic components, and, to a lesser extent, capital goods. On the other hand, the fuel import bill increased significantly when compared with the March quarter of 2013.

Balance of payments data, on the basis of a four-quarter moving period, show that the visible trade deficit amounted to €1,058.6 million in March 2014, €20.3 million lower than the gap recorded in the year to March 2013 (see Chart 4.2). This arose as imports declined by €416.1 million, while exports recorded a smaller decrease of €395.7 million. These drops were principally influenced by transactions relating to fuel, although declines in semiconductor exports and in imports of primary and semi-finished industrial supplies also contributed.

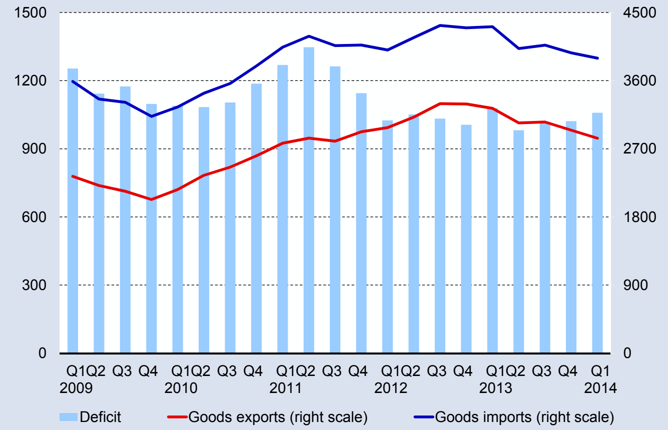
Customs data for the second quarter of 2014 indicate that imports contracted at a faster pace than exports. As a result, the visible trade gap narrowed to €569.9 million, an improvement of

[3] Goods exports and imports in balance of payment figures include general merchandise data from Customs sources – adjusted for differences in coverage, valuation and timing (see footnote 4). These are added to goods procured in ports by carriers (GPPC), repairs on goods and non-monetary gold. Exports (imports) of GPPCs are those goods, such as fuels, stores and provisions, sold to foreigners in local ports (bought by residents in foreign ports).

[4] International trade data compiled on the basis of Customs returns differ from balance of payments data as a result of differences in coverage, valuation and timing. Thus, for example, trade data record the physical entry into, and the corresponding exit from, Maltese territory, of all goods, whereas balance of payments data only capture transactions that entail a change of ownership between residents and non-residents. These differences are especially pronounced in the case of trade in fuel.

€83.9 million when compared with the deficit recorded in the June quarter of 2013. This was largely on account of a significant fall in foreign purchases of industrial supplies, primarily semi-finished goods.

Chart 4.2
GOODS DEFICIT
(four-quarter moving sums in EUR millions)



Source: NSO.

The surplus on services increases

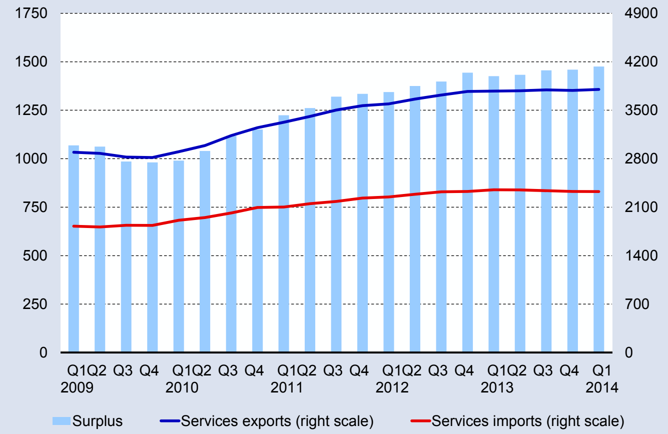
During January to March 2014, the surplus on services stood at €249.7 million, an increase of €15.9 million on the same months of 2013. Overall, this improvement was mainly on account of higher receipts, although a small drop in payments also contributed.

The increased surplus was driven by higher net travel receipts. In particular, expenditure by tourists in Malta went up by €9.6 million, reflecting the resilient performance of the tourism industry. With outflows by residents increasing by only €2.5 million, the net balance on travel services improved by €7.1 million on the first quarter of 2013. At the same time, net payments for business, professional & technical services were lower. This was primarily attributable to lower spending on advertising and on legal, accounting, management consulting & public relations services. In addition, higher net earnings from the film industry and lower net payments on telecommunications were also behind the favourable movements on the services account.

In contrast, the financial services component recorded a substantial decline in net receipts when compared with the same quarter of 2013, as one company involved in lending and brokerage reduced the scale of its operations in Malta. Moreover, the shortfall on transport services widened on a year earlier, principally as a result of a rise in freight payments.

On a cumulative basis, the overall surplus on services in the year to March 2014 stood at €1,475.3 million, up by €49.5 million, or 3.5% from the previous year's level (see Chart 4.3). This was attributable to a rise on the export side, mostly linked with higher receipts from travel and other business services, as well as to a fall in payments on telecommunication and insurance.

Chart 4.3
SERVICES BALANCE
(four-quarter moving sums in EUR millions)



Source: NSO.

Lower net outflows on the income account

In the first quarter of 2014, net outflows on the income account were lower by €86.0 million over the corresponding quarter of 2013. The marked drop in net outflows was largely driven by a decline in dividends and distributed profits due to foreign firms operating in Malta. More specifically, it was driven by developments in the financial sector, as a foreign-owned bank reduced its equity capital base in line with a planned restructuring programme. At the same time, when compared with the first quarter of 2013, banks' net earnings on their portfolio investment abroad increased, though this was outweighed by higher net interest payments on their outstanding loans with non-residents. Overall, as a result of these elements, the investment income outflows generated by the banking sector decreased.

Net inward current transfers decline

In the first quarter of 2014, net inward current transfers were down by €10.1 million on the March quarter of 2013. This fall was due to net government receipts, which continued to be heavily influenced by timing differences between tax receipts and refunds related to companies engaged in international business. The balance on this account was also affected by budgetary receipts from the European Union, as well as by Malta's contribution to the EU budget.

The capital and financial account

Net outflows on the capital and financial account rise

Between January and March 2014, the capital and financial account recorded net outflows of €42.2 million as opposed to €23.7 million in the first quarter of 2013 (see Table 4.1). This was entirely due to developments in the financial component, as net capital inflows rose by €12.2 million on a year earlier, following higher capital transfers received by the Government under EU financing programmes.

Over the same period net outflows on the financial account stood at €71.1 million, an increase of €30.7 million on a year earlier. Such flows continued to be affected to a large degree by the operations of internationally-oriented banks. Thus, the direct investment account, which had posted net outflows of €58.7 million a year earlier, recorded net outward flows of €1.2 billion, almost entirely driven by a substantial contraction in the equity position of a bank.

In addition, net outflows on portfolio investments rose notably as banks increased their holdings of securities held abroad, predominantly bonds, by €866.4 million compared with the first quarter of 2013.

In contrast, net inflows on the "other investment" component went up substantially, reaching €2.6 billion from €396.6 million a year earlier, as non-residents repaid short-term loans extended by Maltese banks, which were only partly offset by a drop in deposit liabilities held with residents. Meanwhile, net inflows on the financial derivatives account increased by €44.2 million to €56.3 million.

Over the period under review, reserve assets rose by €263.6 million, as against a contraction of €45.8 million in the corresponding period of 2013. At the same time, the errors and omissions balance remained positive at €104.8 million.

International investment position

During 2013 Malta's net creditor position vis-à-vis the rest of the world expanded markedly. National Statistics Office data on Malta's international investment position (IIP) show that Maltese residents' holdings of external financial assets as at end-2013 stood at €44.9 billion, while the corresponding liabilities amounted to €43.2 billion (see Table 4.2).[5] When compared with end-2012, both foreign assets and liabilities declined, nonetheless the drop in the latter was more pronounced. As a result, by end-2013, the net positive international investment position stood at €1,714.4 million, up from €1,586.4 million at the end of 2012. This improvement was largely propelled by favourable developments in market valuations and exchange rate movements.

The strengthening of Malta's net creditor position was also due to the decline in equity capital of a bank (mentioned above) although the effect of this operation was partly offset by a drop in "other" investment assets. To a lesser extent, a decline in net financial derivative liabilities also contributed to the overall improvement in Malta's IIP. In contrast, net portfolio investment and reserve assets declined when compared with the end-2012 position.

Table 4.2
INTERNATIONAL INVESTMENT POSITION
End-of-month position; EUR millions

	2011 Dec.	2012 June	2012 Dec.	2013 June	2013 Dec.
Net international investment position	**452.9**	**1,409.3**	**1,586.4**	**1,408.6**	**1,714.4**
Total assets	**44,650.3**	**47,653.6**	**47,526.8**	**48,735.2**	**44,879.1**
Direct investment abroad	1,081.3	1,149.5	1,118.3	1,098.4	1,111.9
Portfolio investment	17,169.4	19,118.6	20,040.0	21,039.8	19,688.0
Financial derivatives	301.4	298.5	302.9	228.5	343.0
Other investment	25,702.3	26,537.1	25,531.8	25,919.2	23,300.8
Reserve assets	395.9	549.8	533.8	449.3	435.4
Total liabilities	**44,197.3**	**46,244.4**	**45,940.4**	**47,326.6**	**43,164.8**
Direct investment in Malta	12,024.3	12,155.3	12,605.1	11,763.7	9,613.2
Portfolio investment	472.0	461.9	458.9	532.2	528.9
Financial derivatives	377.3	472.8	455.1	379.9	358.5
Other investment	31,323.7	33,154.4	32,421.3	34,650.8	32,664.1

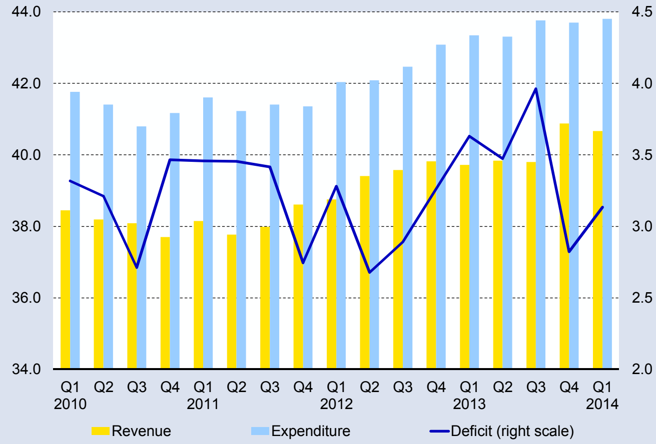
Source: NSO.

[5] The IIP statement shows the stock of external assets and liabilities of residents vis-à-vis the rest of the world as at the end of a particular period. Developments in the IIP reflect financial transactions but also exchange rate movements and valuation changes.

5. GOVERNMENT FINANCE

In the first quarter of 2014 the general government deficit widened on a year-on-year basis. As a result, the ratio of the deficit to gross domestic product (GDP) measured as a four-quarter moving sum stood at 3.1%, 0.3 percentage point more than the ratio recorded at end-2013 (see Chart 5.1).

Chart 5.1
GENERAL GOVERNMENT FINANCE DEVELOPMENTS
(four-quarter moving sums; % of GDP)



Source: NSO.

Between January and March, the Consolidated Fund deficit similarly increased on the same quarter of 2013.[1] However, Consolidated Fund data for the period from April to June 2014 show that the deficit decreased compared with the second quarter of 2013.

General government debt as a percentage of GDP rose from 72.6% at the end of December 2013 to 75.3% at the end of March.

General government

General government deficit widens

In the first three months of 2014, the shortfall between revenue and expenditure amounted to €132.4 million, up by €25.1 million on a year earlier, as the increase in spending was approximately double that in revenue (see Table 5.1). Over the same period, the primary deficit, which excludes interest payments from expenditure, rose by €24.6 million to €76.0 million.

Revenue rises

General government revenue grew by €19.1 million, or 2.9%, in the first quarter of the year on the same period in 2013. A €36.4 million surge in production and import taxes was driven mainly by higher VAT revenue and, to a lesser extent, customs and excise duties, following growth in private consumption.

Concurrently, capital and current transfers rose by €17.4 million, driven by grants from the European Union. Receipts from social contributions rose by €9.5 million, supported by employment growth.

On the other hand, takings from current taxes on income and wealth dropped by €39.0 million mainly owing to higher tax refunds, which are netted from gross receipts. At the same time,

[1] The Consolidated Fund captures most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA95 regulations, cover central government, which is defined to include extra-budgetary units, as well as local councils, on an accruals basis. On the revenue side, discrepancies between the two sets of accounts mainly stem from the recorded timing of income tax and VAT revenue. On the expenditure side, significant differences often arise in the treatment of capital expenditure.

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2013 Q1	2014 Q1	Change Amount	Change %
Revenue	**667.6**	**686.7**	**19.1**	**2.9**
Taxes on production and imports	203.3	239.7	36.4	17.9
Current taxes on income and wealth	246.6	207.6	-39.0	-15.8
Social contributions	122.3	131.8	9.5	7.8
Capital and current transfers	29.7	47.1	17.4	58.4
Other(1)	65.7	60.5	-5.1	-7.8
Expenditure	**774.9**	**819.1**	**44.2**	**5.7**
Compensation of employees	237.1	255.5	18.4	7.8
Intermediate consumption	110.7	106.7	-4.0	-3.6
Social benefits	230.5	251.6	21.1	9.1
Subsidies	17.6	21.3	3.8	21.4
Interest	56.0	56.5	0.5	0.9
Current transfers payable	34.4	47.3	12.8	37.2
Gross fixed capital formation	41.3	57.9	16.6	40.3
Capital transfers payable	47.2	20.7	-26.5	-56.1
Other(2)	0.0	1.6	1.5	-
Primary balance	**-51.3**	**-76.0**	**-24.6**	**-**
General government balance	**-107.3**	**-132.4**	**-25.1**	**-**

(1) "Other" revenue includes market output as well as income derived from property and investments.

(2) "Other" expenditure principally reflects changes in the value of inventories and in the net acquisition of valuables and other assets.

Source: NSO.

"other" revenue decreased by €5.1 million, owing to the timing of receipts from sales by extra-budgetary units.

Expenditure increases

Between January and March 2014, general government spending expanded by €44.2 million, or 5.7%, on a year earlier. Most of the increase stemmed from higher current expenditure, primarily on social benefits and on compensation of employees.

Outlays on social benefits grew by €21.1 million, largely owing to higher payments on retirement pensions and grants to the elderly living at home. The latter went up by €7.6 million, following a measure, announced in the Budget Speech 2014, which lowered the age of eligibility for this allowance to 75 years from 78 years.

Spending on compensation of employees grew by €18.4 million, following additional spending within the health and education sectors. Concurrently, current transfers rose by €12.8 million reflecting higher contributions to the EU budget. Spending on subsidies increased by €3.8 million, led by higher payments to the public transport operator.

During the period under review, interest payments grew by just €0.5 million. This reflects the Treasury's debt financing strategy in recent years, which took advantage of the low interest rate environment to issue new securities at lower coupon rates than those on maturing stocks, while lengthening the average terms to maturity. This helped limit the increase in interest payments. In contrast, spending on intermediate consumption declined by €4.0 million.

Turning to developments in capital expenditure, spending on gross fixed capital formation grew by €16.6 million, owing to higher outlays on infrastructural projects partly funded by the European Union. On the other hand, capital transfers declined by €26.5 million, as an equity injection by Government in Air Malta was smaller than a corresponding injection in the same period of the previous year.

Consolidated Fund

The Consolidated Fund deficit increases

In the first quarter of 2014, the Consolidated Fund deficit widened by €58.1 million on a year earlier, to €225.6 million (see Table 5.2). At the same time, the primary deficit increased by €55.7 million.

Compared with the same quarter of 2013, revenue grew by €38.3 million following higher tax revenue. Inflows from direct taxes rose by €42.3 million, owing to higher income tax receipts, while indirect taxes grew by €29.7 million, led by VAT. On the other hand, non-tax revenue declined by €33.7 million on account of lower grants received from the European Union.

Total expenditure rose by €96.4 million owing to higher recurrent spending, buoyed by greater outlays on health and social benefits. As mentioned above, transfers to the public transport service, as well as to the EU budget, also grew. During the period under review, outlays on personal emoluments and operational & maintenance expenses increased. Meanwhile, capital expenditure declined by €7.4 million, as higher spending on projects co-financed by the European Union were offset by lower transfers to Air Malta.

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2013	2014	Change	
	Q1	Q1	Amount	%
Revenue	**561.6**	**599.8**	**38.3**	**6.8**
Direct tax[1]	245.2	287.4	42.3	17.2
Indirect tax	208.7	238.4	29.7	14.2
Non-tax[2]	107.7	74.0	-33.7	-31.3
Expenditure	**729.0**	**825.4**	**96.4**	**13.2**
Recurrent[1]	624.9	728.7	103.8	16.6
Of which: Interest payments	51.4	53.8	2.4	4.7
Capital	104.1	96.7	-7.4	-7.1
Primary balance[3]	**-116.1**	**-171.8**	**-55.7**	**-**
Consolidated Fund balance	**-167.5**	**-225.6**	**-58.1**	**-**

[1] Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both direct tax revenue and recurrent expenditure.
[2] Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.
[3] Revenue less expenditure excluding interest payments.
Source: NSO.

Going forward, Consolidated Fund data for the second quarter of 2014 show that the deficit declined by €34.1 million compared with the same period of the previous year, as revenue grew faster than expenditure. Revenue rose mainly on the back of higher grants, as a slight increase in VAT receipts was offset by a decline in income tax. Meanwhile, expenditure growth was primarily driven by higher spending on personal emoluments and greater capital spending.

General government debt

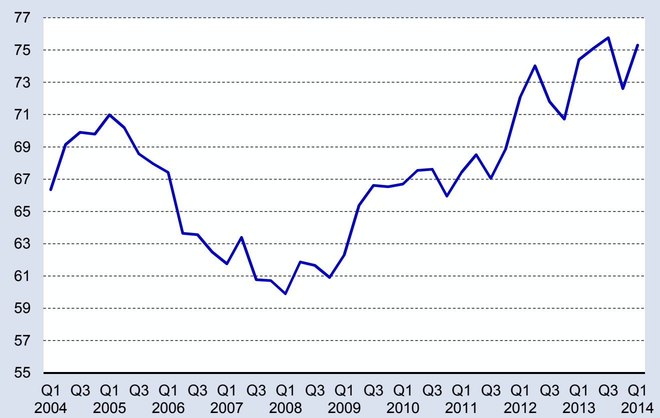
General government debt rises

At the end of March 2014, the stock of general government debt reached €5,500.3 million, up from €5,243.1 million at the end of December 2013 (see Table 5.3). Consequently, the debt-to-GDP ratio rose by 2.7 percentage points to 75.3% over the same period (see Chart 5.2).

Apart from financing the deficit, the increase in debt between December 2013 and March 2014 reflected a rise in net trade receivables (see Chart 5.3) These were boosted by additional excise duties due from Enemalta. At the same time, the disbursement of tax refunds led to a decline in trade payables.

The debt composition shifted in favour of short-term obligations, as the stock of Treasury bills outstanding rose by €119.1 million (see Table 5.3). As a result, their share in total debt increased by 1.9 percentage points to 6.7% from a year earlier. Meanwhile, the amount of outstanding long-term securities grew by €137.0 million, as the value of new issues outweighed redemptions.

Chart 5.2
GENERAL GOVERNMENT DEBT
(% of GDP; GDP data are four-quarter moving sums)



Source: NSO.

Table 5.3
GENERAL GOVERNMENT DEBT
EUR millions

	2013				2014
	Q1	Q2	Q3	Q4	Q1
General government debt[1]	**5,171.2**	**5,295.5**	**5,408.9**	**5,243.1**	**5,500.3**
Currency	**50.8**	**52.3**	**54.3**	**55.3**	**55.0**
Securities	**4,771.7**	**4,879.0**	**4,987.3**	**4,813.7**	**5,069.7**
Short-term	288.6	335.9	422.7	248.1	367.2
Long-term	4,483.1	4,543.1	4,564.7	4,565.6	4,702.5
Loans	**348.6**	**364.2**	**367.3**	**374.1**	**375.5**
Short-term	77.7	80.1	80.0	83.2	84.6
Long-term	270.9	284.1	287.3	290.9	290.9

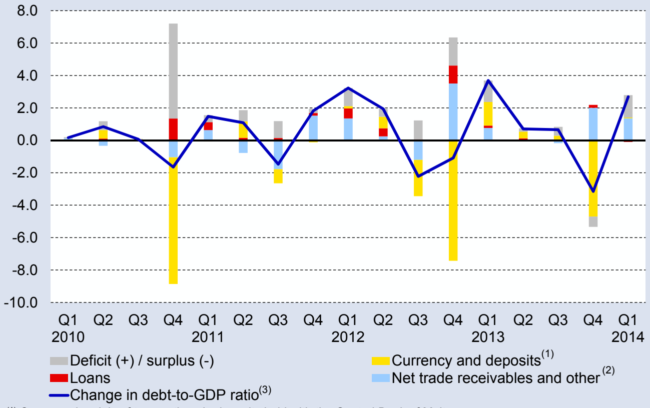
[1] Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.

Source: NSO.

However, the share of long-term government securities declined by 1.6 percentage points to 85.5%.

During the quarter under review, the value of loans outstanding rose by €1.4 million. However, their share in total debt declined by 0.3 percentage point to 6.8%. Meanwhile, government liabilities in the form of euro coins issued declined by €0.2 million and their share in total debt marginally decreased by 0.1 percentage point.

Chart 5.3
GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT
(percentage points)



(1) Composed mainly of transactions in deposits held with the Central Bank of Malta.
(2) Also includes transactions related to shares and other equity and adjustments for valuation and volume effects.
(3) GDP data are four-quarter moving sums.
Source: Central Bank of Malta.

BOX 6: ESTIMATING THE CYCLICALLY ADJUSTED BUDGET BALANCE[1]

In the wake of the financial crisis, there is broad recognition in the European Union on the importance of effective fiscal surveillance. Stringent regulations were enacted, looking beyond the headline budget balance ratio to GDP. Under the terms of the Treaty on Stability, Coordination and Governance, commonly referred to as the Fiscal Compact, Member States are required to achieve a balanced structural budget over the medium term. The structural budget is measured by adjusting the headline budget balance for the economic cycle and temporary fiscal measures. Consequently, policy makers' ability to assess where they stand in terms of this requirement hinges on the correct estimation of the cyclically adjusted balance (CAB).

The European Commission's approach to estimating the CAB is used to assess Member States' ability to comply with their medium-term objectives in terms of the excessive deficit procedure. However, alternative methodologies exist, such as the approach used by the European System of Central Banks (ESCB), which attempts to explain the development of the CAB from a different perspective. This Box provides a concise explanation of these two estimation methods. Both are then followed to estimate the cyclically adjusted budgetary position in Malta for the period 2000–13.

Introducing the CAB concept

The headline government budget balance fails to give a complete account of the country's underlying fiscal position since it is influenced by the economic cycle. When a country experiences growing demand and higher incomes during the upswing of the economic cycle, tax revenues tend to increase. In contrast, during an economic slump the Government collects

[1] Prepared by John Farrugia, who is a Senior Economist in the Bank's Economic Analysis Office. Any errors, as well as the opinions expressed in the article, are the author's sole responsibility.

less income and consumption taxes and spends more on social transfers, such as unemployment benefits. These developments dampen fluctuations in the economic cycle, and occur without any discretionary government action. For this reason, these mechanisms are known as automatic stabilisers. The objective of cyclically adjusting the budget balance is to observe the underlying fiscal position net of the automatic stabilisers and, hence, arrive at a fuller understanding of the extent and effectiveness of discretionary fiscal policy.

The two CAB estimation approaches assessed in this Box apply a two-step methodology. This consists in first computing the cyclical component of the budget and then subtracting it from the headline budget balance. Both approaches decompose government revenue and government expenditure to identify those components that are influenced by the economic cycle. On the revenue side, these include personal and corporate income taxes, indirect taxes and social security contributions. On the expenditure side, unemployment-related expenditure is the component that is most closely related to economic activity.

It is usually also assumed that only private employment and wages are affected by cyclical fluctuations and that public employment and wages are largely determined by discretionary government decisions. Thus, the cyclical component of the budget balance excludes taxes and social contributions paid by government employees and by the Government as an employer.[2]

The two-step approach is widely used due to its straightforward interpretation and ease of cross-country comparison. However, it is subject to uncertainty regarding the measurement of certain economic variables, such as potential output and fiscal elasticities. As a result, different methodologies were developed in an effort to overcome these shortcomings.

Estimating the CAB: the Commission's methodology

In the Commission's approach, the cyclical component of the budget balance depends on two inputs: a measure of the cyclical position of the economy relative to its potential level (the output gap) and a measure of the link between the economic cycle and the budget (which the Commission terms the budgetary semi-elasticity parameter).[3] In algebraic terms, the cyclical component *CC* is denoted by:

$$CC = \varepsilon * OG$$

where ε denotes the semi-elasticity and OG represents the output gap. In the Commission's approach, CC is subtracted from the headline balance to derive the cyclically adjusted balance. The Commission expresses the CAB as a percentage of potential GDP.

The budgetary semi-elasticity is a weighted sum of the elasticity of each of the above-mentioned revenue components to GDP, weighted by their share in total revenue collected, less the elasticity of unemployment-related expenditure to GDP, weighted by its share in

[2] In this Box, the term "government" is taken to represent the general government sector as measured according to ESA 95 methodology, which includes not just Ministries and Departments but also local councils and extra-budgetary units. Extra-budgetary units are entities under public control producing goods and services where their sales in the market cover less than 50% of their production costs.

[3] For more details, see Mourre, G. et al, "The cyclically adjusted budget balance used in the EU fiscal framework: an update", *Economic Papers* 478, European Economy, 2013.

total expenditure. These elasticity values are derived from past observations. As a result, they need to be periodically updated to more accurately reflect recent developments and possible structural changes in the economy, which would alter the proportion of individual revenue and expenditure components in GDP.

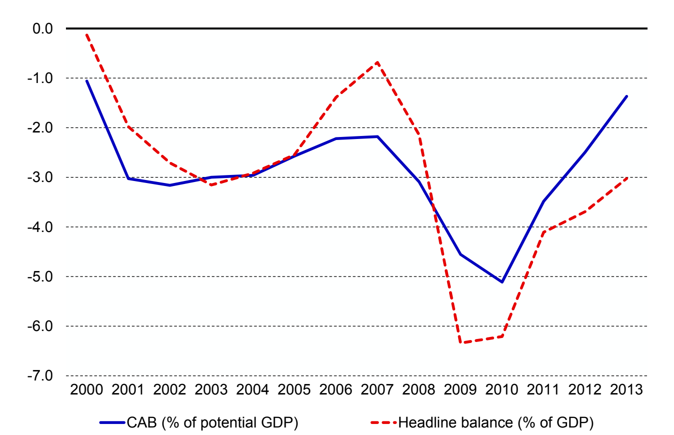
The output gap is defined as the percentage deviation of actual GDP from its potential level. Both potential output and the output gap are unobserved and have to be estimated. Potential GDP is computed by the Commission on the basis of a Cobb-Douglas production function, in which output is specified on the basis of labour and capital inputs. These inputs are assumed to account for a fixed share of production and to generate constant returns to scale. A third parameter, called total factor productivity (TFP), measures the efficiency and utilisation of both factors of production. The potential output level is therefore estimated by deriving values for trend TFP and potential labour and capital inputs.[4]

Cyclically adjusted balances: the Commission's results

This section outlines the main developments in the CAB across the euro area and in Malta for the period 2000–13, as computed by the European Commission. Correcting the headline government balance for cyclical effects would result in a more negative balance when the economy is operating above its potential level (positive output gap) and vice-versa. According to the Commission, the euro area economy was deemed to be operating at close to, or above, its potential level in the period 2000–08. The output gap was estimated to be positive between 2000 and 2002 and between 2006 and 2008. As a result, the cyclical component in these two periods averaged just under 1 percentage point of potential GDP, implying that the cyclically adjusted deficit ratio was significantly larger than the headline deficit ratio (see Chart 1).

In contrast, as the global crisis intensified, output levels across the euro area remained below their potential throughout the period 2009–13. This implied that the cyclical component of the budget deficit was negative. Consequently, the cyclically adjusted deficit ratio for this period was around 1.3 percentage points smaller on average than the headline deficit ratio.

Chart 1
EURO AREA CYCLICALLY ADJUSTED BALANCE; COMMISSION'S APPROACH

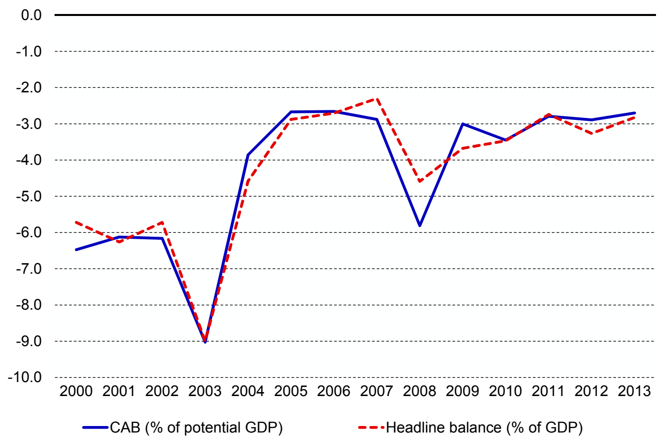


Source: European Commission (AMECO Database).

[4] For further details on how actual and potential GDP components are estimated, see Denis, C., Mc Morrow, K., and Röger, W., "Production function approach to calculating potential growth and output gaps – estimates for the EU Member States and the US", *Economic Papers* 176, European Economy, 2002.

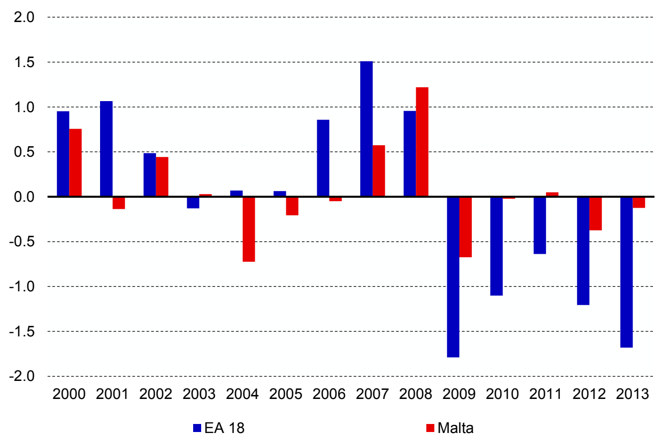
Turning to the domestic position, on average, Malta experienced a positive output gap in the early 2000s, until a slowdown in growth in 2004 pushed output below its trend level. Subsequently, GDP growth rebounded over the subsequent four years, so that significant positive output gaps were recorded in 2007 and 2008. In these two years, the cyclical component was large and positive so that the cyclically adjusted deficit ratio was about 0.9 percentage point higher than the headline ratio (see Charts 2 and 3).

Chart 2
MALTA CYCLICALLY ADJUSTED BALANCE; COMMISSION'S APPROACH



Source: European Commission (AMECO Database).

Chart 3
CYCLICAL COMPONENT; COMMISSION'S APPROACH
(% of potential GDP)



Source: European Commission (AMECO Database).

Since the onset of the recent crisis Malta experienced weaker economic growth and the output gap turned mostly negative between 2009 and 2013. However, deviations from trend output were small compared with the past and with the euro area average, implying a relatively minor negative cyclical component; the cyclically adjusted deficit ratio was around 0.2 percentage point less than the headline deficit ratio.

An alternative CAB estimation methodology: the ESCB's approach

Apart from the Commission, other institutions, including the ESCB, also have an interest in monitoring Member States' fiscal developments. The ESCB, in accordance with economic theory, considers sound public finances as a fundamental prerequisite for a credible and effective monetary policy. In estimating the cyclically adjusted balance, the ESCB is interested in capturing the effect of changes in the composition of aggregate demand and national income on the budget balance. The ESCB utilises a different CAB estimation methodology than the one espoused by the Commission.

The ESCB's method is based on the approach developed by Bouthevillain et al, in which the cyclical component of revenue and expenditure items is derived on the basis of deviations of individual macroeconomic variables from their trends.[5] Consequently, in this approach the CAB does not depend on the estimation of the overall output gap.

More specifically, the cyclical component of a budgetary item B_c^j is derived from the elasticity of the budget item to its respective macroeconomic base $\varepsilon_{B^j V^j}$ and the percentage deviation of the macroeconomic base from its trend, $(V^j - V^{j*})/V^{j*} = v_c^j$, such that

$$B_c^j = B^j \cdot \varepsilon_{B^j V^j} \cdot v_c^j$$

where B^j is the relevant budgetary item. The deviation of the macroeconomic base from its trend is obtained using the Hodrick-Prescott (HP) filter, while elasticity values are estimated by individual national central banks.[6] A budgetary item may be related to more than one macroeconomic base and may also react with a lag. Should this be the case, budgetary items are linked to separate bases, each with their own elasticity values, which capture both contemporaneous and lagged responses to the deviation of each macro-base from its trend.

The overall cyclical component of the budget balance is equal to the sum of the cyclical components on the revenue side, less the sum of the cyclical components of expenditure, principally unemployment benefits.

An assessment of estimation methods

The main advantage of the Commission's methodology, which is based on the production function, lies in the fact that changes in countries' potential output estimates can be explained with reference to economic concepts. The cyclical component, which depends on the output gap measure, is determined by applying concepts derived from standard economic theory and by using country-specific information about the structure of the economy. On the other hand, estimating the output gap using the production function is very complex and depends on an assessment of variables that are hard to measure, such as capital stock. A variety of modelling and estimation methods, as well as judgement, is often used to derive the level of potential GDP.

The cyclical component derived according to the ESCB's methodology is simpler to estimate and can be explained by deviations in individual macroeconomic bases from their trend. Therefore, unlike the Commission's approach, which is based on fluctuations in total output from potential, the ESCB's CAB captures the effects of changes in the composition of GDP, yielding a more detailed analysis. Moreover, the use of the HP filter ensures that the cyclical adjustment is conducted in a standardised manner and thus makes cross-country comparisons easier.

[5] Bouthevillain et al, "Cyclically Adjusted Budget Balances: An Alternative Approach", *WP* 77, ECB, 2001.

[6] The Hodrick-Prescott filter is a statistical tool which is used to estimate the trend of a particular series by decomposing it into its trend and cyclical components. The filter centres on the value of parameter λ, which determines the variations in the growth rate of the trend component.

However, the HP filter is only a statistical tool. It also suffers from what is known as the "end point problem", in which the trend path of the series being filtered changes whenever a new data point is included in the sample. Unless the series is extended by introducing forecasts of the explanatory variables – which are by nature subject to uncertainty – the trend values for the most recent observations stand to be very volatile. In turn, this would negatively affect policy makers' ability to draw meaningful conclusions from the information at hand.

While the ESCB's method is wholly based on applying the HP filter to derive a measure of the cyclical component, the Commission makes limited use of this statistical tool in estimating some of the trend components of the production function, such as TFP.

In sum, there is no single ideal approach to estimating the CAB, as both approaches come with their particular strengths and shortcomings.

When analysing the composition of the cyclical component by breaking it down into revenue and expenditure components, the results obtained differ depending on the estimation method used. In the ESCB's method, the overall cyclical component is derived from the sum of the revenue components net of the expenditure components, or more specifically, the cyclical component of spending on unemployment benefits. As a result, the total cyclical component in the ESCB's method is shaped to a large extent by deviations of revenue items' macroeconomic bases from their trend values.

This differs from the Commission's approach, in which the size of the cyclical component depends on the value of the budgetary semi-elasticity parameter. One may recall that the latter is the weighted sum of individual revenue components' elasticity-to-GDP net of the weighted sum of expenditure components' elasticity-to-GDP. Consequently, the semi-elasticity parameter depends on the value of the revenue-to-GDP and expenditure-to-GDP ratios, which are used as weights.

On the revenue side, since most items tend to follow the cyclical movements of GDP, any change in output will be matched by a change in the same direction in the revenue components, limiting the impact on the ratio between the two.[7] However, given that on the expenditure side only unemployment benefits are influenced by the cycle, any changes in output lead to minor variations in the expenditure level. As a result, the expenditure-to-GDP ratio will vary more widely depending on the cyclical development in GDP. Thus, in the Commission's approach, the overall cyclical component is more sensitive to variations in the expenditure component.

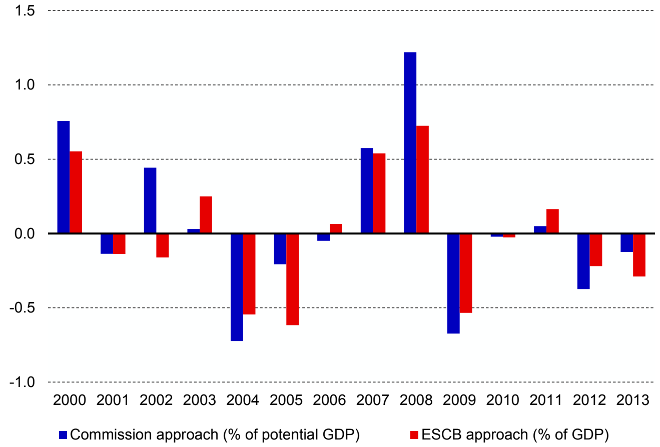
Comparing CAB results: the case of Malta

This section compares the CAB series for Malta worked out using the ESCB's methodology with the balance obtained by the Commission as mentioned above. Euro area-wide comparisons are not possible since the ESCB does not publish its CAB estimates for Member States. Although for the most part the cyclical component derived from two

[7] Mourre, G. et al, op. cit.

approaches is similar, they can yield significantly different results (see Chart 4). It is important to keep in mind that the two methodologies can never be fully reconciled because the values of several key parameters, including the elasticities, are derived using different techniques. However, a large portion of this difference can be explained by the contribution of individual macroeconomic bases to the overall change in the cyclical component.

Chart 4
MALTA CYCLICAL COMPONENT



Sources: European Commission (AMECO Database); Central Bank of Malta.

As explained above, the cyclical component derived using the ESCB's method is made up of the deviation from trend of specific macroeconomic variables, such as private consumption. As a result, it is not influenced by growth in certain GDP components, notably investment and net exports, which are omitted from the calculation. This differs from the Commission's approach, which bases its output gap estimate on GDP as a whole. For example, in 2002 the cyclical component in Malta was positive according to the Commission's approach, led by a high contribution of net exports to GDP growth. However, this development does not feature in the ESCB's approach, which suggests that the cyclical component was actually negative in the same year. Similarly, the negative cyclical component in 2005 is significantly smaller using the Commission's approach compared with the ESCB's method, since the former is influenced by an increasing contribution of investment to output growth. For the purpose of the ESCB's method, investment – like net exports – does not yield significant tax revenues, and for that reason investment (as well as net exports) is excluded from the ESCB's approach.

Moreover, since the total cyclical component in the ESCB's method is derived mainly from the revenue items' cyclical component, it is significantly affected by deviations from trend in "tax rich" macro-bases – i.e. private sector wages and consumption. If these tax bases grow at a different pace from overall GDP, the cyclical component would differ from the one measured using the Commission's approach, which adjusts for deviation from trend in total output. This factor explains a significant part of the differences between the two cyclical component measurements throughout the period under review, and more particularly in 2003, 2006, 2008, 2011 and 2013.

Conclusion

This Box outlined the main developments in the cyclically adjusted budget balance, measured using the European Commission's approach, for the euro area and Malta for the period 2000–13. Until 2008, when output in the euro area and Malta was above potential, the cyclically adjusted deficit ratio was larger than the headline deficit ratio. In the period 2009–13 output levels across euro area countries remained below their potential. Consequently, the cyclically adjusted deficit ratio was lower than the headline deficit. This effect was much less pronounced in Malta compared with the euro area as a whole.

This Box then compared the CAB for Malta computed by the Commission with an alternative approach used by the ESCB. Although for the most part the cyclical component derived from two approaches is similar, at times these yielded different results owing to their treatment of macroeconomic variables.

There are a number of similarities in the findings of the two approaches. For example, both suggest that the main changes in the budget balance in Malta between 2000 and 2013 were a result of discretionary government policy rather than the economic cycle. During this period, the cyclically adjusted deficit ratio declined markedly, with the main developments taking place in the years immediately following Malta's entry in the European Union and the euro area, when the county was undergoing various structural and fiscal reforms.

Measuring the cyclically adjusted balance is just the first step in the evaluation of countries' underlying structural fiscal position according to the Fiscal Compact. Gauging the size and duration of temporary measures is the second step required to determine the structural balance.[8] An assessment of both cyclical factors and temporary measures is therefore necessary to evaluate EU Member States' compliance with their fiscal obligations under EU rules.

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8 For example, in 2003 the cyclically adjusted balance was negatively affected by one-off expenses related to the restructuring of Malta Drydocks and Malta Shipbuilding; these transactions did not affect the year's structural balance.

6. MONETARY AND FINANCIAL DEVELOPMENTS

The total assets of the banking system in Malta declined during the second quarter of 2014. Deposits remained the main source of funding, with balances belonging to residents of Malta growing at a faster annual pace than in the previous quarter. Meanwhile, credit granted to residents, which had slowed down in the previous quarter, rose at a faster pace during the period under review.

The European Central Bank (ECB) reduced its key interest rates in June, which had an impact on domestic markets during the same month. Domestic primary money market yields fell, as did government bond yields. However, the spread over the ten-year euro area benchmark yield widened as the benchmark decreased by a greater extent. In addition, bank deposit and lending rates edged down. The Malta Stock Exchange (MSE) share index continued to lose ground during the quarter under review.

Monetary aggregates and their counterparts

Total assets of the Maltese banking system decline

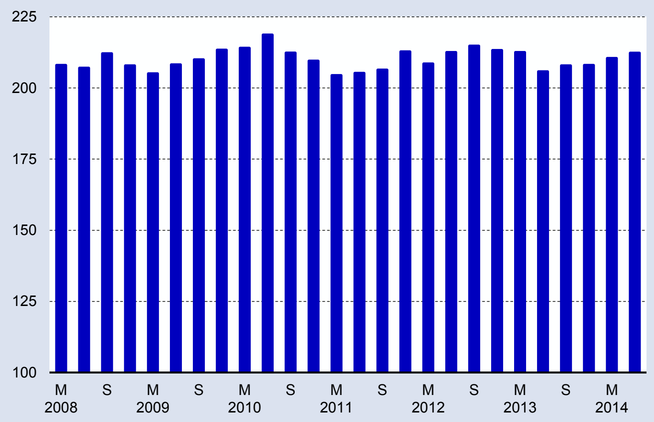
The total assets of the Maltese banking system declined during the June quarter, decreasing by €1.4 billion, or 2.5%. This mainly reflects the planned cessation, or scaling down, of operations of a number of internationally-oriented banks. On the other hand, total assets belonging to the core domestic banks – the domestically relevant banking system – stood at 212% of gross domestic product (GDP) at end-June 2014, up from 210% in the previous quarter (see Chart 6.1).[1,2]

Resident deposits grow at a faster pace

Total residents' deposits grew at a faster pace during the second quarter, with the annual rate of change rising to 11.7% in June from 10.3% in March (see Table 6.1).

Looking at residents' deposits in more detail, overnight deposits expanded at an annual rate of 18.4% over the year to June, up from a rate of 16.2% in March. As in previous quarters, deposits belonging to households and private non-financial corporations (NFC) were the main factor behind the increase. Similarly, deposits with an agreed maturity of up to two years expanded by 5.1% during the year to June, up from 4.1% in the 12 months to March. This annual growth stemmed mainly from higher balances belonging to households

Chart 6.1
TOTAL ASSETS/LIABILITIES OF CORE DOMESTIC BANKS
(% of GDP; GDP data are four-quarter moving sums)



Sources: Central Bank of Malta; NSO.

[1] The domestically relevant banks, or "core" domestic banks, are APS Bank Ltd, Banif Bank (Malta) plc, Bank of Valletta plc, HSBC Bank Malta plc, and Lombard Bank Malta plc.

[2] GDP Statistics are sourced from NSO *News Release* 159/2014.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2014	2013			2014	
	June	June	Sep.	Dec.	Mar.	June
Overnight deposits	**6,266.8**	**10.1**	**10.7**	**14.3**	**16.2**	**18.4**
of which						
Households	3,809.6	13.1	11.2	12.0	11.4	12.3
Non-financial corporations	1,984.0	11.7	11.4	22.0	21.2	22.3
Deposits redeemable at notice up to 3 months	**110.5**	**-21.6**	**-22.7**	**-25.5**	**-1.7**	**-2.2**
of which						
Households	94.4	-3.9	0.3	-2.1	-2.5	-2.3
Non-financial corporations	15.6	-61.8	-70.1	-70.3	2.7	-1.8
Deposits with agreed maturity up to 2 years	**3,799.5**	**-0.4**	**1.0**	**2.7**	**4.1**	**5.1**
of which						
Households	3,096.3	2.6	1.9	2.2	3.3	2.2
Non-financial corporations	404.2	-3.8	-6.1	-5.6	-7.7	8.3
Deposits with agreed maturity above 2 years	**1,536.8**	**8.7**	**10.0**	**10.8**	**5.8**	**4.8**
of which						
Households	1,434.1	8.7	9.2	10.1	4.4	2.2
Non-financial corporations	70.5	9.8	22.6	21.6	29.5	35.6
Total residents' deposits[(1)]	**11,713.6**	**5.6**	**6.6**	**9.1**	**10.3**	**11.7**

(1) Total residents' deposits exclude deposits belonging to Central Government.

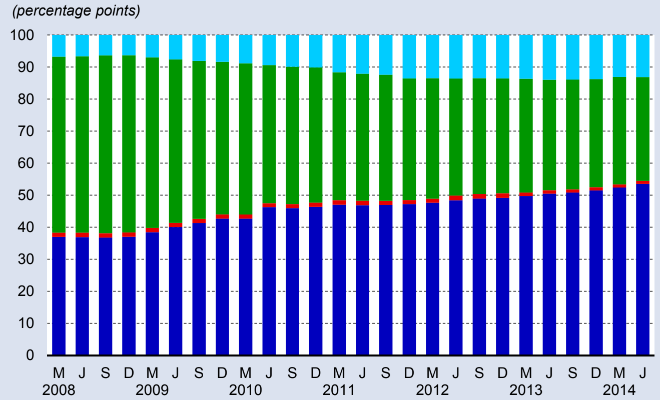
Source: Central Bank of Malta.

and insurance companies & pension funds. On the other hand, deposits redeemable at notice of up to three months contracted at a faster pace during the quarter. However, in absolute terms, drops in such deposits were relatively small.

Deposits with maturities above two years, which are excluded from M3, expanded during the quarter reviewed. Nevertheless, the annual growth rate fell to 4.8% from 5.8% three months earlier, driven mainly by a slow-down in households' balances. This deceleration could reflect a reduction in interest rates offered on these deposits during the quarter reviewed.

As a result of these developments, during the second quarter of 2014 the share of overnight deposits in the total continued on its upward path, whereas deposits with an agreed maturity of up to two years lost ground (see Chart 6.2). The ongoing preference for greater liquidity at the shorter end of the maturity

Chart 6.2
DISTRIBUTION OF TOTAL RESIDENT DEPOSITS[(1)]
(percentage points)



(1) Deposits outside M3 exclude deposits belonging to central government.
Source: Central Bank of Malta.

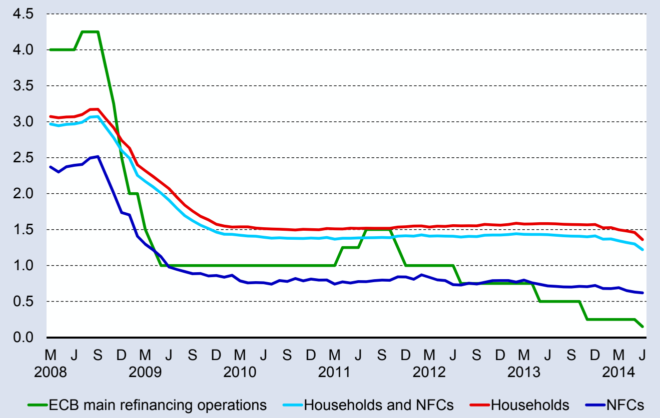
spectrum is consistent with the reduced opportunity cost in a low interest rate environment. Meanwhile, the share of deposits with an agreed maturity of over two years, which do not form part of broad money, M3, remained constant.

Interest rates on residents' deposits decline

During the second quarter of 2014, the weighted average interest rate paid by monetary financial institutions (MFI) on all euro-denominated deposits belonging to households and NFCs resident in Malta fell by 12 basis points to 1.22% in June (see Table 6.2).[3] This is the lowest rate recorded since the compilation of MFI interest rates started in 2008 (see Chart 6.3). The biggest change was in rates offered on time deposits with an agreed maturity of over two years, with those received by NFCs falling by 44 basis points, while those earned by households declining by 12 basis points, to 2.65% and 3.42%, respectively.

Similarly, rates paid on deposits with an agreed maturity of up to two years also declined, with rates for households falling by 3 basis points and those for NFCs dropping by 24 basis points. Meanwhile, rates offered on overnight deposits fell by 2 basis points for households but rose by 7 basis points for NFCs.

Chart 6.3
INTEREST RATES ON DEPOSITS OF MALTESE RESIDENTS(1)
(per cent per annum; end of period)



(1) Interest rates are based on the Monetary Financial Institutions' interest rates (MIR) on outstanding amounts.
Source: Central Bank of Malta.

Table 6.2
INTEREST RATES ON OUTSTANDING DEPOSITS BELONGING TO RESIDENTS OF MALTA(1)
Percentages per annum; weighted average rates as at end of period

	2013			2014	
	June	Sep.	Dec.	Mar.	June
Total deposits belonging to households and non-financial corporations	1.43	1.41	1.41	1.34	1.22
Overnight deposits					
Households	0.34	0.35	0.35	0.27	0.25
Non-financial corporations	0.27	0.28	0.30	0.26	0.33
Time deposits with agreed maturity up to 2 years					
Households	2.08	2.05	2.07	2.03	2.00
Non-financial corporations	2.01	1.97	1.91	1.93	1.69
Time deposits with agreed maturity over 2 years					
Households	3.50	3.53	3.55	3.54	3.42
Non-financial corporations	3.14	3.15	3.12	3.09	2.65

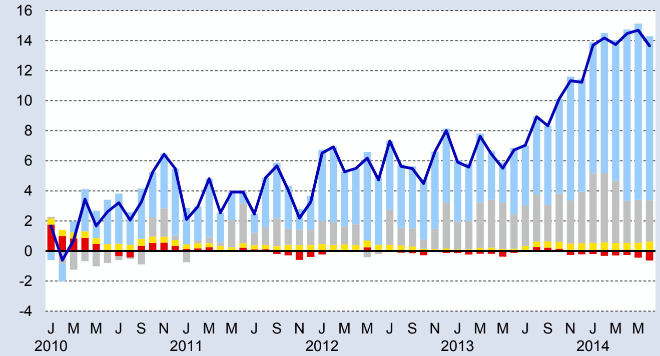
(1) Annualised agreed rates on euro-denominated deposits.
Source: Central Bank of Malta.

3 Data on interest rates on outstanding amounts shown in Table 6.2 cover MFI euro-denominated deposits belonging to households and NFCs resident in Malta. The household sector includes Non-Profit Institutions Serving Households (NPISH). NFCs include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all economic sectors.

Contribution to euro area M3 increases

Robust growth in residents' deposits also boosted the contribution of Maltese MFIs to euro area M3. These deposits remained the main contributor towards growth in M3 during the period reviewed (see Chart 6.4).[4] On the other hand, the contribution of deposits belonging to other euro area residents declined, while the impact of currency issued and of the remaining components of the domestic contribution was marginal, as in previous quarters. The annual growth rate of the domestic contribution to euro area M3 remained stable during the quarter at 13.7%.

Chart 6.4
CONTRIBUTIONS OF RESIDENT MFIs TO EURO AREA M3
(percentage points; annual percentage change)



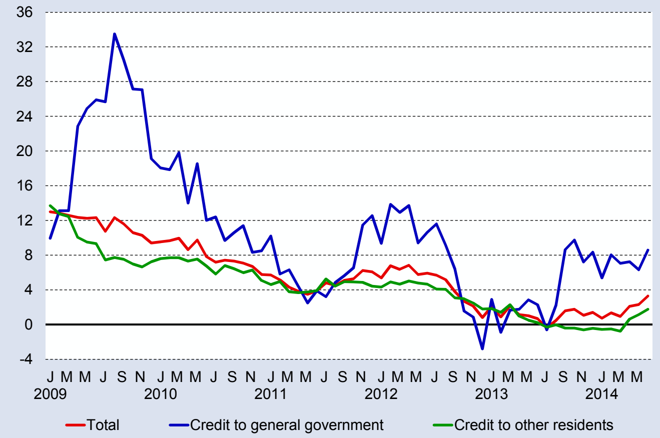
(1) The "other" category consists of loans granted to resident MFIs, repurchase agreements, money market fund shares/units and debt securities with a maturity of up to and including two years issued by MFIs.
Source: Central Bank of Malta.

Credit to residents rises

During the second quarter of 2014, credit granted by Maltese banks to residents grew at a faster pace following a period of low growth. The annual rate of credit growth rose to 3.3% in June, from 0.9% three months earlier, following an acceleration in credit granted both to general government and other residents (see Chart 6.5). Credit growth in Malta continued to exceed the corresponding rates in the euro area.

Credit granted to general government grew by 8.6% during the 12 months to June, up from 7.1% three months earlier. The pick-up during the quarter reflected an increase in banks' holdings of Malta Government Stocks (MGS), also through their participation on the primary market. Similarly, credit to residents other than general government, which mainly consists of credit to the private sector, expanded during the quarter under review. This was driven mainly by higher loans to households, non-bank financial intermediaries and public NFCs, notably in the energy sector and transportation & storage. In addition, although

Chart 6.5
CREDIT TO RESIDENTS OF MALTA
(annual percentage changes)



Source: Central Bank of Malta.

[4] The contribution of Maltese MFIs to euro area monetary aggregates comprises the notional issue of euro currency attributed to the Central Bank of Malta, deposits held by Maltese and other euro area residents (except those belonging to central governments and interbank deposits) with resident MFIs having terms to maturity of up to two years, as well as other monetary liabilities of Maltese MFIs towards euro area residents. Further information is given in the General Notes accompanying the Statistical Tables in this *Review*. Monetary statistics cover all MFIs resident in Malta.

loans granted to private NFCs contracted, they did so at a slower pace. Consequently, the annual rate of change of credit to other residents reached 1.8% in June, up from -0.8% three months earlier.

Bank lending to private NFCs declines at a slower pace

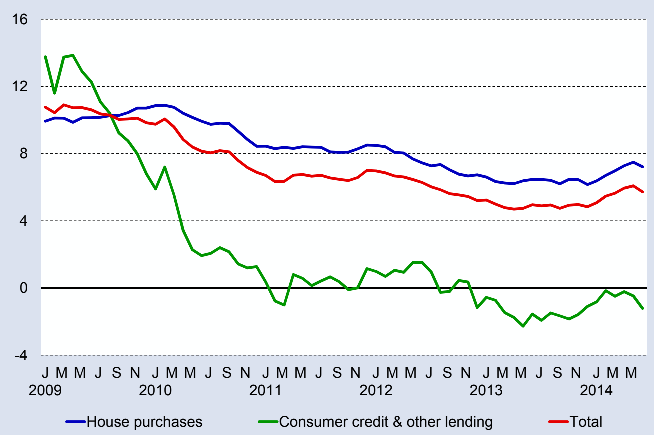
Loans granted to private NFCs contracted but at a slower pace, falling by 2.8% year-on-year in June, as against a 5.9% drop in March (see Table 6.3). The contraction was at a faster annual pace than in the euro area as a whole. Most of the decline was in lending to firms in the construction and accommodation & food service activity sectors. On the other hand, lending to the wholesale & retail trade and transportation & storage sectors increased.

Bank lending to households edges up

Lending to households, which is the other major category of credit to the private sector, expanded by 1.3% during the second quarter of 2014. The annual growth rate edged up to 5.7% in June from 5.6% in March as a result (see Chart 6.6). In comparison, lending to households in the euro area contracted on an annual basis during the same period.

Growth in lending to resident households stemmed from increased mortgage loans, which went up by 7.2%, year-on-year, in June from 7.0% in March. In contrast, consumer loans – which involve mainly the use of credit cards and overdraft facilities – contracted at a faster annual pace in June, falling by 1.2% as opposed to a drop of 0.5% in March.

Chart 6.6
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

Table 6.3
SECTORAL CONTRIBUTIONS TO YEAR-ON-YEAR GROWTH IN LOANS TO PRIVATE NFCs
Percentage points; annual percentage changes

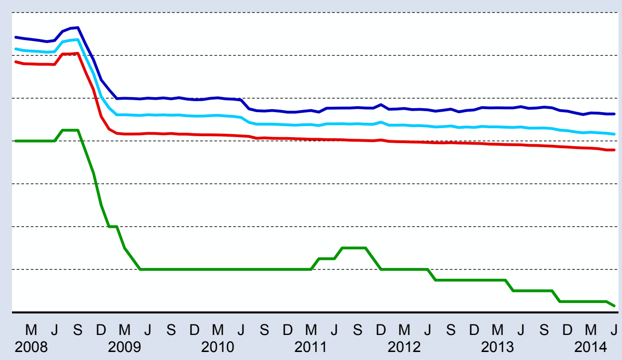
	All Private NFCs				
	2013			2014	
	June	Sep.	Dec.	Mar.	June
Accommodation and food service activities	1.5	-0.1	-0.2	-0.2	-2.1
Construction	-2.9	-3.8	-3.4	-3.0	-3.0
Manufacturing	-0.2	-0.1	-0.3	-1.2	-0.3
Real estate activities	0.6	0.6	0.6	0.2	0.2
Transportation and storage	-0.6	-0.3	-0.4	-0.2	1.0
Wholesale and retail trade	-2.0	-1.1	-1.2	-1.4	1.1
Other	0.7	0.0	0.1	-0.1	0.4
Total	**-2.9**	**-4.8**	**-4.9**	**-5.9**	**-2.8**

Source: Central Bank of Malta.

Rates on loans to Maltese residents decline

The weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs fell by 4 basis points to 4.16%, also reaching the lowest rate recorded since 2008 (see Chart 6.7). The biggest drop was in rates charged on consumer credit, which went down by 20 basis points to 5.32%. At the same time, rates paid by households on mortgages edged down to 3.30% from 3.32% in the previous quarter. Interest rates on loans to NFCs also shed 2 basis points to 4.63%.

Chart 6.7
INTEREST RATES ON LOANS TO MALTESE RESIDENTS[1]
(per cent per annum; end of period)



[1] Interest rates are based on the Monetary Financial Institutions' interest rates (MIR) on outstanding amounts.
Source: Central Bank of Malta.

Credit standards for enterprises and households remain unchanged

The Bank Lending Survey (BLS) conducted in July 2014 revealed that credit standards applied to lending to enterprises and households remained unchanged during the second quarter of the year.[5] Meanwhile, banks reported that demand for loans picked up somewhat during the quarter reviewed. Three out of the four surveyed banks reported an increase in the demand for loans by households – to finance house purchases – while one bank reported a rise in demand for loans by enterprises.

Looking ahead to the third quarter of 2014, banks expected standards applied to loans to NFCs and households to remain constant. Similarly, all respondents foresaw unchanged corporate and household demand for loans.

Credit granted to euro area residents outside Malta declines

Credit granted by resident MFIs to residents of euro area countries, excluding Malta, contracted during the second quarter of 2014, although to a lesser extent than in the corresponding quarter of 2013. As a result, credit to euro area residents outside Malta fell by €683.7 million during the year to June as opposed to a €1.1 billion drop in the year to March. This decline mainly reflected reduced lending by internationally-oriented banks operating in Malta to governments, non-bank financial intermediaries and private NFCs in other euro area countries.

Net claims on non-residents of the euro area fall

During the year to June 2014, resident MFIs' net claims on non-residents of the euro area contracted by €2.1 billion, or 19.9%, as a small number of internationally-oriented banks reduced the scale of their operations in Malta (see Table 6.4).

Gross claims on non-residents of the euro area contracted by 11.5% over this period because of reduced lending, particularly to MFIs and private NFCs, and of lower deposits held with foreign

[5] The BLS gauges credit demand and supply conditions. It is carried out as part of a quarterly exercise conducted by the Eurosystem across the entire euro area.

Table 6.4
NET CLAIMS ON NON-RESIDENTS OF THE EURO AREA
EUR millions; changes on a year earlier

	2013 June	2014 June	Amount	%
Net claims on non-residents of the euro area	**10,406.5**	**8,340.8**	**-2,065.8**	**-19.9**
Claims on non-residents of the euro area	34,047.7	30,124.3	-3,923.4	-11.5
Liabilities to non-residents of the euro area	23,641.2	21,783.6	-1,857.6	-7.9

Source: Central Bank of Malta.

MFIs. At the same time, liabilities fell by 7.9% following a drop in foreign loans taken up by resident banks, along with a reduction in repurchase agreements conducted with counterparties outside the euro area.

The money market

Domestic yields decline during the second quarter

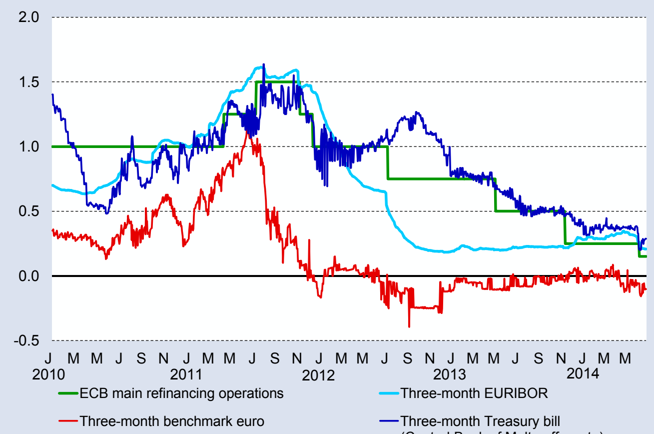
The ECB eased further its monetary policy stance during the second quarter of 2014, reducing the interest rate on its main refinancing operations by 10 basis points, to a new low of 0.15% in a move to fight deflation and spur lending. This fed into the three-month EURIBOR, which fell by 11 basis points to 0.21% at end-June (see Chart 6.8).[6]

The reduction in official interest rates was also reflected in money market rates in Malta. The primary market yield on Maltese three-month Treasury bills fell by 16 basis points during the quarter, reaching 0.21% by end-June.

A total of €261.7 million worth of Treasury bills were issued by the Maltese Government during the second quarter of 2014, €7.0 million less than in the previous quarter. More than half of the Treasury bills issued during the quarter had a six-month term to maturity while the remainder mainly consisted of three-month paper. Resident banks participated actively in the auctions and bought more than 90% of the total. The rest was taken up almost entirely by money market funds.

Meanwhile, turnover in the secondary Treasury bill market, which exhibits substantial volatility, amounted to €9.1 million in the second quarter of 2014, following two quarters without any trading.

Chart 6.8
MONEY MARKET INTEREST RATES
(percentages per annum; daily rates)



Sources: Central Bank of Malta; ECB; Reuters; Bloomberg; EURIBOR FBE.

[6] The Euro Interbank Offered Rate (EURIBOR) refers to rates at which a prime bank is willing to lend funds to another prime bank in euro on an unsecured basis.

The secondary market yield on German government three-month securities, which serves as a benchmark for the euro area, fell by 10 basis points, ending June at -0.10%. Similarly, the corresponding domestic yield quoted by the Central Bank of Malta continued on the downward trend seen since September 2012, falling by 8 basis points to 0.29%. As a result, the spread over the euro area benchmark widened by 2 basis points to 39 points at end-June (see Chart 6.8).

The capital market

Strong demand for government and corporate bonds in the primary market

During the second quarter of 2014, the Government raised additional funds through four MGS issues with a combined value of €234.9 million. Terms to maturity varied between four and 19 years. Three of these issues offered fixed-rate coupons ranging between 3.20% and 4.45%. The remaining bond offered a floating-rate coupon linked to the six-month EURIBOR.

In April the Government launched €35.0 million worth of MGS with an additional €20.0 million as an over-allotment option. The issue was split between the 3.20% MGS 2019 (V) Fungible Issue and the 4.45% MGS 2032 (II) Fungible Issue. Bids received amounted to €122.4 million and the over-allotment option was exercised in full. The amount was sold entirely by auction, predominantly to resident credit institutions and investment funds.

The remaining two issues were offered in June when the Government launched a combined €100.0 million worth of MGS, with a combined over-allotment option totalling €80.0 million. These issues too were well received and the over-allotment option was exercised in full. The issue included the floating-rate MGS 2018 (VII) and the 4.30% MGS 2033 (I). The former was acquired entirely by auction by resident credit institutions, while the latter was purchased at a fixed price, mainly by resident households and stockbrokers (on behalf of their clients).

Meanwhile, the corporate bond market saw seven new issues during the second quarter of 2014. In April Medserv plc offered a second tranche of bonds with a coupon of 6.00% and maturity in 2023. In May Pendergardens Developments plc offered two bonds worth €42.0 million, one offering a coupon of 5.50% and maturing in 2020, and the other offering a coupon of 6.00% and maturing in 2022. During the same month, Island Hotels Group Holdings plc issued €35.0 million worth of bonds offering a coupon of 6.00% and maturing in 2024. In June there were three further corporate issues. Mediterranean Investments Holdings plc offered €12.0 million worth of bonds, with a coupon of 6.00% and maturing in 2021. Furthermore, Mariner Finance plc tapped the bond market for the first time offering €35.0 million worth of bonds offering a coupon of 5.30% and maturing in 2024. Tumas Investments plc issued a bond offering a coupon of 5.00% and maturing also in 2024. Demand for all corporate issues was substantial.

In the secondary market, turnover for government bonds amounted to €219.8 million in the second quarter, €17.2 million more than in the previous quarter. The Central Bank of Malta, acting as market-maker, accounted for more than four-fifths of the value traded.

Government bond yields decline

Secondary market government bond yields fell during the second quarter of 2014, mirroring developments in the euro area as a whole. Yields on five-year paper dropped to 1.48% from 2.00% at the end of March. The equivalent benchmark yields for the euro area fell by 29 basis points to 0.47% (see Chart 6.9). At the same time, yields on ten-year domestic bonds declined further, falling by

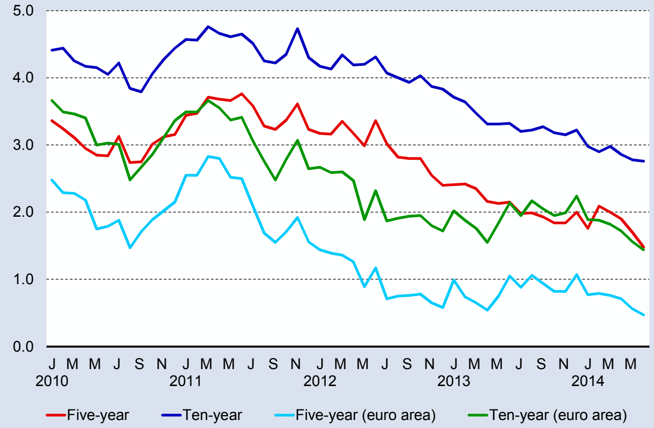
22 basis points, to 2.76%, while comparable yields for the euro area fell by 38 basis points. As a result, between March and June, the five-year differential narrowed to 101 basis points, while the ten-year differential expanded by 16 points to 132 points.

In the secondary corporate bond market, trading during the June quarter rose to €9.6 million, up from €6.7 million in the first quarter. Around two-fifths of the trading was concentrated on bonds issued by the financial sector, with securities issued by the construction, hospitality and property development sectors accounting for most of the remainder.

MSE share index continues on its downward path

Activity in the domestic equity market went down during the second quarter of 2014, with turnover falling to €11.0 million. There was a reduction both in shares traded and in most share prices. Indeed, the MSE share index shed 3.7% from its end-March level to end June at 3,297.6 (see Chart 6.10).

Chart 6.9
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

Chart 6.10
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)

Source: MSE.

NEWS NOTES

ECB monetary policy decisions

On 5 June the European Central Bank (ECB) lowered the interest rate on the main refinancing operations (MRO) of the Eurosystem by 10 basis points to 0.15%. In addition, the rates on the marginal lending facility and on the deposit facility were lowered to 0.40% and -0.10%, respectively, with the latter moving into negative territory for the first time. As a result, a symmetric corridor around the MRO rate was re-established, with a width of ±25 basis points.

In order to improve the workings of the monetary policy transmission mechanism and to spur lending, the ECB also announced two four-year targeted longer-term refinancing operations (TLTRO) to be conducted in September and December 2014. These operations will enable banks to borrow initially 7.0% of the total value of the loans already granted to the euro area non-financial private sector, excluding loans to households for house purchases. In addition, from March 2015 to June 2016, banks may take out further loans in relation to their net lending to the euro area non-financial private sector, excluding mortgage loans. The interest rate on the TLTROs will be fixed over the life of each operation at the MRO rate prevailing at the time of take-up, plus a fixed spread of 10 basis points.

The ECB also decided that MROs will continue to be conducted as fixed rate tender procedures with full allotment for as long as necessary, and at least until December 2016. The three-month longer-term refinancing operations to be allotted before the end of the reserve maintenance period ending in December 2016 will also be conducted as fixed rate tender procedures with full allotment. Furthermore, the Governing Council decided that additional assets, notably credit claims, could continue to be used as collateral in monetary policy operations at least until September 2018. The Bank also announced the suspension of the weekly fine-tuning operation sterilising the liquidity injected under the Securities Markets Programme.

On 3 July the ECB announced that as from January 2015 the frequency of the Governing Council's monetary policy meetings will change to a six-week cycle from the current monthly frequency. Reserve maintenance periods, during which banks are required on average to hold minimum reserves with the Eurosystem, will also be extended to six weeks. Furthermore, the Bank committed itself to publishing regular accounts of its monetary policy meetings as from January 2015.

Central Bank of Malta announcements

SEPA migration

On 1 May the Single Euro Payments Area (SEPA) migration in Malta for national credit transfers was completed and the legacy direct credit system closed down. Legacy direct debit arrangements ceased to operate from 1 August as mandated by the SEPA regulation. SEPA was designed as a market-oriented project, enabling credit transfers and direct debits in euro to take place without any distinction between national and cross-border transactions.

Issue of numismatic coins

On 14 May the Bank, along with MaltaPost, issued a numismatic silver coin and a silver stamp commemorating the 50th anniversary of Malta's independence. The coin depicts Dr George Borg Olivier, a former Prime Minister of Malta, waving the Independence Instruments on 21 September 1964. The obverse shows the coat-of-arms of the *Università* of Mdina – a municipal council that represented a form of autonomous government granted to the Maltese in the 15th century. The coin, which has a face value of €10, was engraved and designed by Noel Galea Bason and was minted at the Royal Dutch Mint.

On 23 May the Bank issued a numismatic coin commemorating the 100th anniversary of the commencement of World War I. The coin, which is available in both silver and brass, features on its reverse a nurse tending to a wounded soldier, recalling the humanitarian role played by Malta during the Great War, as well as a soldier and a red-coloured poppy. The obverse shows the emblem of Malta and the year of issue, 2014. The coins were struck at the Royal Belgian Mint, with the silver coin having a face value of €10 and the brass coin a face value of €5.

On 3 June the Bank issued a euro coin set dated 2014. The set incorporates the eight Maltese euro coins, as well as a €2 coin commemorating the 1964 Independence Constitution and a replica coin from the Arab period. All coins were struck at the Royal Dutch Mint.

On 30 June the Bank issued a numismatic coin depicting the Auberge d'Aragon, the fourth in the Bank's series featuring the Auberges of the Knights of St John. The coin, which is available in both gold and silver, features the facade of the Auberge d'Aragon on its reverse, while the obverse shows the emblem of Malta and the year of issue, 2014. The coins were struck at the Royal Belgian Mint, with the gold coin having a face value of €15 and the silver coin a face value of €10.

Fiscal and economic policy developments

Implementation of Budget measures

Act No. XII of 2014, dated 29 April 2014, amends various laws to bring into effect the measures announced in the Budget presented in November 2013. The Act also authorises the Government to borrow a sum of money not exceeding €650 million to finance the deficit on the Consolidated Fund, roll over maturing debt and facilitate the Government's debt management policy.

National Reform Programme

On 16 April the Government submitted the *National Reform Programme* (*NRP*) for Malta to the European Commission, setting out its economic plans in line with the Europe 2020 strategy and describing the implementation of the Country-Specific Recommendations that had been addressed to Malta by the ECOFIN Council in July 2013. These recommendations cover the sustainability of public finances; employment, education and training; energy; and financial stability. The programme also addresses issues related to the reduction of poverty, and research and innovation.

Update of the Stability Programme
On 30 April the Government submitted the sixth *Update of the Stability Programme* to the European Commission, setting out its budgetary objectives until 2017 and its strategy for correcting the excessive deficit in a sustainable manner. The *Update* foresees real gross domestic product (GDP) growth of 2.3% in 2014, which decelerates marginally to 2.1% in 2015 and to 1.9% in 2016–17. Economic growth over the period is expected to be primarily driven by domestic demand. Meanwhile, the general government deficit-to-GDP ratio is expected to gradually decline from 2.1% in 2014 to 0.3% in 2017. Government debt will also drop, from 69.4% of GDP in 2014 to 63.9% in 2017.

Commission recommendation on Malta's NRP and Update of the Stability Programme
On 2 June the European Commission issued a recommendation for a Council Recommendation with regard to Malta's *NRP* and delivered an opinion on Malta's *Update of the Stability Programme*. The Commission recommended that Malta takes action within the period 2014–15 to:

(i) correct its excessive deficit in a sustainable manner by 2014 and to ensure the medium-term sustainability of public finances;
(ii) step up the ongoing pension reform;
(iii) address labour market weaknesses by, for example, reducing the number of early school-leavers and increasing the participation of women in the workforce;
(iv) diversify the economy's energy mix;
(v) increase the efficiency of public procurement procedures, raise access to capital markets and carry out the planned judicial reform.

The ECOFIN Council approved these recommendations on 20 June. These were subsequently endorsed by the European Council on 26–27 June.

Asset repatriation programme
On 11 June the Government launched an asset repatriation programme through which individuals and companies with undeclared assets located both locally and abroad will be able to regularise their position. The scheme, which is voluntary, will be open for three months. Registration of assets will be made against a registration fee of 7.5% of the value of the asset, while a rate of 5.0% will apply in the case of repatriation of assets from abroad.

Capital market developments

Issue of Malta Government Stocks
On 23 May the Government, through Legal Notice 176 of 2014, announced the issue of two Malta Government Stocks (MGS) for a total amount of €100 million, subject to an over-allotment option of €80 million. The Treasury received bids totalling €322.6 million and exercised the over-allotment option in full. It allotted €150.7 million to the 4.30% MGS 2033 (I) at a price of €100.75 per €100 nominal. An additional €29.3 million was allotted to the

floating-rate MGS 2018 (VII), which was linked to the six-month EURIBOR plus a spread of 90 basis points. This MGS was issued at an initial price of €100.45 per €100 nominal.

Corporate bond issuance

On 9 April Medserv plc, which offers logistical support to the oil and gas industry, announced the issue of €7 million in secured notes, offering a 6.00% coupon rate. The notes, which will mature at par in 2023, were listed on the Malta Stock Exchange (MSE) on 8 May.

On 8 May Pendergardens Developments plc, a real estate development firm, announced the issue of secured bonds amounting to €42 million. The issue was divided into a 5.50% bond maturing in 2020 at par, and a 6.00% bond maturing in 2022 at par. The bonds were listed on the MSE on 5 June.

On 8 May Island Hotels Group Holdings plc, which is active in the tourism industry, announced a bond issue amounting to €35 million. The bonds, which will mature at par in 2024, were listed on the MSE on 9 June, offering a coupon rate of 6.00%.

On 4 June Mediterranean Investments Holding plc, a real estate investor and developer, announced a bond issue amounting to €12 million offering a 6.00% coupon rate. The bonds, which will mature at par in 2021, were listed on the MSE on 27 June.

On 5 June Mariner Finance plc, an operator of sea terminals, announced a bond issue amounting to €30 million. The bonds, which will mature at par in 2024, offer a coupon rate of 5.30%. They were listed on the MSE on 8 July.

On 26 June Tumas Investments plc, the financing arm of a property development and hospitality company, announced the early redemption of its €25 million 6.25% bond. It also announced a new €25 million bond issue, maturing in 2024 and offering a coupon on 5.00%. These bonds were listed on the MSE on 31 July.

Banking and finance legislation

Act No. XXII of 2014, dated 24 June, amends the Investment Services Act to cater for the implementation of recent European legislation, including the Capital Requirements Directive (CRDIV) and the Capital Requirements Regulation.

Legal Notices 145, 146, and 147 of 2014, dated 2 May, amend the Banking Act and the Investment Services Act through the implementation of a number of articles pertaining to Commission Regulation (EU) No 1031/2010, known as the Auctioning Regulation. The amendments allow credit institutions and holders of an investment services licence to apply for admission to bid directly in emission allowance auctions on behalf of their clients, subject to certain conditions. Furthermore, these bids should be authorised by the Malta Financial Services Authority (MFSA).

Double taxation agreements

Legal Notice 151 of 2014, dated 6 May, refers to a double taxation agreement between the Government of Malta and the Republic of Moldova. It declares relief from double taxation in relation to income tax imposed by the Republic of Moldova. The Agreement will come into effect at a later date to be agreed upon by the two parties.

Surrender of banking licence

On 30 May, the MFSA announced that Erste Bank (Malta) Limited had surrendered its licence to undertake credit institution activities in terms of the Banking Act. The surrender was entirely voluntary and did not result from any regulatory action taken by the MFSA. Therefore, the Bank ceased to be licensed by the MFSA with effect from 31 March 2014.

SELECTED INTERNATIONAL ECONOMIC AND FINANCIAL NEWS

Adoption of Directive establishing a framework for the recovery and resolution of credit institutions and investment firms

On 6 May the EU Council adopted a Directive (2014/59/EU) establishing a framework for the recovery and resolution of credit institutions and investment firms. The Directive harmonises national rules on bank recovery and resolution, and provides national authorities with common powers and instruments to pre-empt bank crises and to resolve failing financial institutions in an orderly manner, while it helps preserve essential bank operations, avoid contagion, and minimises taxpayer losses. The Directive establishes a range of instruments to tackle potential bank crises at three stages:

(i) preparatory and preventative;
(ii) early intervention;
(iii) resolution.

Member States will be required to set up *ex ante* resolution funds to ensure that resolution tools can be applied effectively. The Directive, which is an important step in the creation of a European banking union, was signed by the President of the Council and the President of the European Parliament on 15 May.

European Council (Economic and Financial Affairs)

On 14 April the ECOFIN Council adopted stronger EU rules to clamp down on insider dealing and market manipulation on securities markets. The new market abuse regulation extends the scope of earlier rules to include financial instruments traded on more recently created venues, such as multilateral trading facilities. In addition, a new directive establishes a framework for criminal sanctions. The Council also approved amendments to EU rules for the insurance industry relating to powers of the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.

On 13 May the ECOFIN Council adopted new rules to promote the integration, competitiveness and efficiency of EU financial markets, amending Directive 2004/39/EC on markets in financial instruments. The objective of these rules is to ensure that all organised trading is conducted on regulated trading venues.

On 21 May representatives of EU Member States, excluding Sweden and the United Kingdom, signed an inter-governmental agreement on contributions to a single resolution fund that will be established as part of Europe's banking union. The agreement complements the regulation on the creation of a Single Resolution Mechanism. The single resolution fund will be fully financed by bank contributions.

On 20 June the ECOFIN Council approved draft recommendations to 26 Member States on economic policies set out in their national reform programmes, as well as draft opinions on their fiscal policies as presented in their stability/convergence programmes. The Council also agreed on an amendment to EU tax rules to close a loophole that had allowed corporate groups to exploit mismatches between national tax rules to avoid paying taxes on some types of profits distributed within the group.

Euro adoption in Lithuania

On 20 June the ECOFIN Council adopted a recommendation approving Lithuania's adoption of the euro on 1 January 2015. The Council agreed with the Commission's assessment that Lithuania fulfils the necessary conditions for the adoption of the euro as its currency. This assessment draws on reports evaluating the degree of convergence prepared by the Commission and the ECB.

On 23 July the Council of the European Union approved Lithuania's request to join the euro area on 1 January 2015 at the irrevocably fixed exchange rate of €1 = 3.45280 Lithuanian litas. This follows the favourable opinion delivered by the ECB on 14 July and by the European Parliament on 16 July.

European Council Summit

On 26–27 June, during the quarterly summit of the European Council in Brussels, EU leaders agreed on the key priorities for the forthcoming five years. The priorities, which will guide the work of the European Union during the period, focus on:

(i) stronger economies with more jobs;
(ii) societies enabled to empower and protect citizens:
(iii) a secure energy and climate future;
(iv) a trusted area of fundamental freedoms;
(v) effective joint action in the world.

Meanwhile, on the economic front, the European Council generally endorsed Member States' country-specific recommendations, thus concluding the 2014 European Semester.

IMF Spring Meetings

On 10–12 April the International Monetary Fund held its annual spring meetings in Washington. The International Monetary and Financial Committee noted that global activity had continued to strengthen, though downside risks remained. Participants committed themselves to implementing measures to sustain economic growth, proceed with structural reforms, improve public finances, and promote financial stability. The committee also cautioned that monetary policy in major economies should be carefully calibrated and clearly communicated in cooperation with policymakers to help manage spillovers.

The G7

On 4–5 June the Group of Seven (G7) leaders met in Brussels. Participants agreed to present comprehensive growth strategies in the near future, with growth and jobs as top priorities. Financial sector reform, trade, energy security, climate change and development were also on the agenda. During the meeting, the G7 leaders expressed their support to the Ukrainian Government, while also commenting on other recent geopolitical developments.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics
(as at end-March 2014, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates[1]:	EUR 1 = USD 1.3788	
		EUR 1 = GBP 0.8282	
CLIMATE	Average temperature (2013):	Jan. - Mar.	13.6^{o}C
	Average temperature (2013):	July - Sep.	26.4^{o}C
	Annual rainfall (2013)		479.6mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at constant 2000 prices[2]		3.5%
	GDP per capita at current market prices[2]		EUR17,100
	GDP per capita in PPS relative to the EU-27 average (2012)		87.0%
	Ratio of gross general government debt to GDP[2] (2013)		72.6%
	Ratio of general government deficit to GDP[2] (2013)		2.8%
	RPI inflation rate (12-month moving average)		1.1%
	HICP inflation rate (12-month moving average)		0.8%
	Ratio of exports of goods and services to GDP[2]		81.9%
	Ratio of current account deficit to GDP[2]		3.5%
	Employment rate[3]		60.8%
	Unemployment rate[3]		6.0%
	Long term government bond yield		3.0%
POPULATION	Total Maltese and foreigners (2012)		421,364
	Males		209,880
	Females		211,484
	Age composition in % of population (2012)		
	0–14		14.6%
	15–64		68.3%
	65 +		17.2%
	Annual growth rate (2012)		0.9%
	Density per km^2 (2012)		1,333
HEALTH	Life expectancy at birth (2012)		80.1
	Males		78.0
	Females		82.2
	Crude birth rate, per 1,000 Maltese inhabitants (2012)		9.8
	Crude mortality rate, per 1,000 Maltese inhabitants (2012)		8.1
	Doctors (2013)		2,497
EDUCATION	Gross enrolment ratio (2011/2012)		70.8%
	Teachers per 1,000 students (2010/2011)[2]		147
ELECTRICITY	Domestic Consumption (million kwh) (2012)		525
WATER	Average daily consumption ('000 m^3) (2012)		84
LIVING STANDARDS	Human Development Index: rank out of 187 countries (2012)		32
	Mobile phone subscriptions per 100 population		126.9
	Internet subscribers per 100 population		34.4
	Private motor vehicle licences per 100 population		59.4

[1] End of month ECB reference rates.
[2] Provisional.
[3] Labour Force Survey.
Sources: Central Bank of Malta; Eurostat; Ministry for Finance; NSO; UNDP.

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at March 2014:

Akbank T.A.S.
AgriBank p.l.c. (from February 2013)
APS Bank Ltd.
Banif Bank Malta p.l.c.
Bank of Valletta p.l.c.
BAWAG Malta Bank Ltd.
Credit Europe NV (from March 2007)
Commbank Europe Ltd. (from September 2005)
Deutsche Bank Malta Ltd. (from March 2010)
Erste Bank (Malta) Ltd.
FCM Bank Limited (from November 2011)
Ferratum Bank Limited (from February 2013)
FIMBank p.l.c. (from August 2011)
HSBC Bank Malta p.l.c.
IIG Bank (Malta) Ltd. (from October 2010)
Investkredit International Bank p.l.c.
Izola Bank Ltd.
Lombard Bank Malta p.l.c.
Mediterranean Bank p.l.c. (from January 2006)
NBG Bank Malta Ltd. (from July 2005)
Nemea Bank Ltd (from December 2009)
Pilatus Bank Ltd (from March 2014)
Raiffeisen Malta Bank p.l.c.
Saadgroup Bank Europe Ltd. (from January 2009)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Novum Bank Limited (from October 2010)
Volksbank Malta Ltd.

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence, users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR1=MTL0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese liri into euro' which was published in the 2007:3 issue of the *Quarterly Review,* while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*. Detailed definitions of the concepts in each table can be found in the 'General Notes' section.

As from *Quarterly Review 2013:1*, the Central Bank of Malta discontinued to publish the weighted average deposit and lending rates in Table 1.21 - Other rates and indicators. Interest rates paid and charged by MFIs in Malta reported according to harmonised definition established by the ECB are shown in Table 1.18 - 'Monetary financial institutions interest rates on deposits and loans to residents of Malta', and Table 1.19 - 'Monetary financial institutions interest rates on deposits and loans to euro area residents'.

The statistical tables shown in the 'Statistical Tables' annex, including historical data, are provided in electronic format on the website of the Central Bank of Malta at www.centralbankmalta.org.

Table 1.1 Financial statement of the Central Bank of Malta[1] *(assets)*

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/ liabilities
	Gold	IMF-related assets[2]	Other[3]	Total				
2005	1.5	87.4	2,061.2	2,150.1	74.6	21.2	62.5	2,308.4
2006	2.7	84.8	2,123.6	2,211.1	70.5	70.5	62.3	2,414.4
2007	8.8	83.9	2,434.4	2,527.2	66.3	203.6	74.4	2,871.5

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
2010	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011	10.3	1,382.9	182.3	276.7	387.0	498.2	51.0	769.8	3,558.2
2012									
July	10.9	1,317.6	348.6	261.9	529.1	691.5	50.4	722.3	3,932.3
Aug.	9.8	1,341.1	367.4	286.5	516.1	636.6	50.4	747.5	3,955.4
Sep.	9.9	1,322.6	363.8	240.7	529.5	592.6	50.4	789.2	3,898.7
Oct.	10.4	1,268.3	362.3	222.6	479.7	648.3	50.4	740.8	3,782.9
Nov.	11.5	1,290.5	374.5	178.1	435.1	537.2	50.4	732.4	3,609.6
Dec.	13.4	1,305.0	382.7	224.2	512.1	378.2	52.8	736.2	3,604.4
2013									
Jan.	13.4	1,264.9	363.7	180.0	445.9	300.8	459.1	891.0	3,918.7
Feb.	14.4	1,178.8	374.1	178.7	435.5	337.7	449.2	889.2	3,857.6
Mar.	14.3	1,186.1	399.4	152.9	471.8	319.7	669.7	962.3	4,176.1
Apr.	17.1	1,166.9	425.0	153.1	466.9	304.8	478.0	955.9	3,967.8
May	17.0	1,292.1	421.4	158.7	446.8	331.4	428.9	973.9	4,070.1
June	12.6	1,295.2	434.9	114.2	431.4	381.4	428.3	983.6	4,081.4
July	12.6	1,287.6	461.2	114.1	417.7	296.4	415.7	964.9	3,970.1
Aug.	13.3	1,477.6	490.7	113.8	430.3	277.1	510.8	746.6	4,060.2
Sep.	14.2	1,467.9	492.2	110.4	413.3	197.1	511.4	746.6	3,953.0
Oct.	14.2	1,450.1	483.5	110.3	407.4	206.7	453.3	763.4	3,889.1
Nov.	14.2	1,435.3	488.8	110.2	433.7	201.7	191.6	807.3	3,682.7
Dec.	12.5	1,451.0	607.2	137.5	418.8	200.1	52.2	730.8	3,610.1
2014									
Jan.	12.5	1,414.5	472.0	100.4	463.7	198.1	53.1	807.5	3,521.8
Feb.	12.5	1,369.8	493.0	85.0	468.2	207.1	53.4	862.9	3,551.9
Mar.	13.5	1,321.1	619.4	201.4	677.9	217.1	53.4	917.8	4,021.5

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.
[2] Includes IMF reserve position and holdings of SDRs.
[3] Mainly includes cash and bank balances, placements with banks and securities.
[4] Including items in course of settlement.

Monetary, Banking and Financial Markets

Table 1.1 Financial statement of the Central Bank of Malta[1] *(liabilities)*

EUR millions

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2005	1,211.4	74.6	424.7	343.5	22.2	790.4	196.3	-	35.7
2006	1,173.9	70.5	660.8	248.2	41.0	950.0	181.0	-	38.9
2007	677.8	66.4	1,433.5	387.2	75.7	1,896.4	189.9	-	41.0

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations		Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
		Total	(of which): Minimum Reserve Requirements	Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008	693.1	483.5	474.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	447.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010	701.2	501.2	470.4	410.9	97.0	96.5	0.0	110.4	1,329.7	116.2	280.7
2011	737.6	1,101.1	431.6	438.6	86.5	122.5	0.0	113.2	557.9	103.1	297.1
2012											
July	745.2	519.3	224.3	480.8	93.2	106.0	0.0	115.0	1,474.3	98.1	300.3
Aug.	744.0	546.1	276.1	559.0	91.8	157.8	0.0	115.0	1,335.1	105.4	301.0
Sep.	740.8	1,028.3	254.6	697.5	85.1	180.4	0.0	113.8	631.4	116.8	304.6
Oct.	739.9	1,372.9	234.6	357.3	84.9	132.2	0.0	113.8	555.1	121.8	305.0
Nov.	738.5	1,304.8	247.0	457.8	93.3	167.7	77.3	113.8	224.3	126.2	305.8
Dec.	757.5	1,474.0	252.6	297.0	84.8	151.6	0.0	111.2	292.0	105.6	330.7
2013											
Jan.	732.5	1,356.7	249.1	344.9	458.1	135.8	254.3	111.2	96.5	123.8	304.8
Feb.	730.4	993.6	232.0	380.6	802.7	108.6	204.6	111.2	101.8	93.8	330.4
Mar.	743.8	1,351.1	738.5	416.8	688.7	168.7	156.9	111.6	113.5	96.0	329.0
Apr.	748.3	984.7	224.5	406.3	780.3	154.1	237.9	111.6	114.7	100.6	329.4
May	751.4	973.9	230.8	582.9	726.5	99.4	276.8	111.6	110.5	107.3	329.9
June	756.3	1,070.0	251.1	482.4	735.3	112.7	266.5	109.8	115.6	107.3	325.5
July	771.4	1,145.0	270.7	350.0	718.2	120.3	231.5	109.8	84.7	112.8	326.4
Aug.	772.3	1,060.6	213.4	488.0	763.2	117.0	238.5	109.8	65.7	117.8	327.3
Sep.	771.6	1,021.9	406.3	494.5	719.8	83.7	255.2	108.4	55.4	115.5	326.9
Oct.	776.4	985.7	241.7	400.3	758.5	75.0	298.3	108.4	38.1	121.2	327.2
Nov.	779.1	1,097.7	255.6	369.7	735.8	75.1	33.9	108.4	37.0	118.3	327.6
Dec.	803.2	1,144.0	327.3	340.0	1.8	61.1	0.0	106.7	709.8	115.7	327.6
2014											
Jan.	792.4	1,186.6	288.7	251.4	316.4	70.1	6.9	106.7	353.7	110.7	327.0
Feb.	793.6	1,453.6	292.8	412.9	58.2	63.4	1.4	106.7	230.7	87.8	343.6
Mar.	798.4	1,174.8	266.4	374.0	31.2	77.5	0.0	106.9	1,023.2	88.4	347.2

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.

[2] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key. This amount is purely notional and may not reflect the amount of currency in circulation in Malta; the series is not comparable with the data prior to January 2008. For 2008, remaining outstanding Maltese lira banknotes are included.

[3] Includes items in course of settlement.

[4] Includes provisions and revaluation accounts.

Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles[1] *(assets)*

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets[2]	Total		
2008	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
2009	0.4	5.4	214.7	220.2	1,069.8	355.4	246.9	1,672.1	1,380.8	3,273.4
2010	0.2	5.9	274.7	280.6	1,555.4	381.3	285.3	2,222.1	1,182.7	3,685.6
2011	0.1	6.2	343.9	350.1	1,910.9	434.4	301.8	2,647.1	612.9	3,610.3
2012	0.3	6.3	302.3	308.6	1,729.6	760.9	315.4	2,806.0	556.5	3,671.4
2013	0.3	6.6	331.8	338.4	1,673.8	1,146.2	291.5	3,111.5	308.4	3,758.5
2014										
Jan.	0.3	6.6	337.8	344.4	1,682.0	1,069.5	286.2	3,037.7	305.6	3,688.0
Feb.	0.2	6.8	343.2	350.0	1,648.6	1,087.9	289.3	3,025.8	328.7	3,704.7
Mar.	0.2	6.8	343.4	350.2	1,725.1	1,475.8	288.4	3,489.3	325.5	4,165.3

Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles[1] *(liabilities)*

EUR millions

End of period	Currency issued[4]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[3]
		Withdrawable on demand[5]	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities[2]	Total		
2008	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
2009	710.5	445.5	5.6	451.0	814.6	86.8	109.2	1,010.6	419.9	681.3
2010	742.1	489.1	8.2	497.2	1,225.2	97.1	108.0	1,430.3	438.1	577.8
2011	783.4	532.5	12.7	545.2	428.5	86.6	134.3	649.4	454.8	1,177.4
2012	807.9	335.3	17.4	352.7	201.3	84.9	93.6	379.8	490.9	1,640.1
2013	858.5	331.6	24.7	356.3	673.3	74.4	38.1	785.8	492.0	1,265.9
2014										
Jan.	847.3	241.2	25.2	266.4	325.9	86.5	348.9	761.3	493.9	1,319.1
Feb.	848.5	394.6	26.8	421.4	195.0	74.1	93.6	362.7	487.6	1,584.5
Mar.	853.4	380.2	0.0	380.2	982.5	79.1	65.3	1,126.8	482.8	1,322.0

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast).

[2] If the Central Bank of Malta issues less, or more, currency than the amount attributed to it under the banknote allocation key, the shortfall, or excess, will be reflected in intra-Eurosystem claims, or liabilities, respectively.

[3] Includes resident interbank transactions.

[4] This comprises the Bank's share of euro banknotes issued in 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. For 2008, the remaining outstanding Maltese lira banknotes and coins are included.

[5] For the purposes of this table deposits withdrawable on demand include deposits redeemable at notice.

Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles[1] *(assets)*

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
2008	600.6	7,150.4	1,342.9	115.3	6,153.2	25,468.7	847.3	32,469.1	797.8	42,476.2
2009	674.9	7,677.1	1,690.3	132.2	6,186.2	23,631.2	631.9	30,449.3	876.8	41,500.6
2010	599.6	8,075.5	1,781.1	141.9	9,366.9	28,681.7	650.4	38,699.0	909.3	50,206.4
2011	1,179.9	8,438.6	1,946.1	169.0	10,111.8	27,921.1	665.8	38,698.7	914.9	51,347.1
2012										
July	621.6	8,540.6	2,101.6	174.4	9,044.4	32,874.0	789.8	42,708.2	894.6	55,041.0
Aug.	700.8	8,542.4	2,114.7	175.1	8,521.2	32,058.4	814.6	41,394.2	922.6	53,849.8
Sep.	1,330.5	8,585.0	2,079.5	175.1	9,566.9	30,730.4	769.9	41,067.2	896.5	54,133.8
Oct.	1,509.3	8,545.0	2,023.0	175.6	9,228.9	30,162.0	721.2	40,112.0	892.3	53,257.2
Nov.	1,480.8	8,568.8	2,057.5	176.6	9,202.3	31,538.1	771.5	41,511.9	865.8	54,661.4
Dec.	1,644.2	8,567.6	1,939.0	176.0	8,776.0	30,810.7	721.1	40,307.9	892.2	53,526.9
2013										
Jan.	1,518.1	8,552.4	2,067.9	175.6	8,655.1	30,955.6	647.4	40,258.2	899.1	53,471.3
Feb.	1,136.6	8,577.4	2,066.0	175.9	8,595.6	32,034.2	663.4	41,293.2	923.6	54,172.8
Mar.	1,517.9	8,648.9	2,105.9	176.0	8,362.4	32,198.5	665.2	41,226.1	876.9	54,551.7
Apr.	1,116.6	8,553.0	2,105.6	181.2	8,126.0	30,951.8	610.9	39,688.7	860.3	52,505.5
May	1,113.0	8,534.4	2,131.7	181.1	8,365.8	32,485.2	622.2	41,473.2	858.0	54,291.3
June	1,208.8	8,530.7	2,133.9	182.1	8,119.1	32,187.2	606.5	40,912.8	878.0	53,846.3
July	1,279.0	8,503.4	2,108.3	178.4	8,152.6	32,723.3	698.2	41,574.0	884.3	54,527.5
Aug.	1,204.6	8,528.7	2,195.6	178.9	8,435.2	33,337.8	805.4	42,578.4	967.8	55,653.9
Sep.	1,120.1	8,532.9	2,280.2	180.3	7,527.8	33,648.7	764.4	41,940.9	924.8	54,979.1
Oct.	1,084.0	8,519.8	2,214.3	181.3	7,097.5	32,147.8	717.4	39,962.7	929.9	52,891.9
Nov.	1,232.7	8,529.9	2,176.0	181.4	7,326.5	30,160.7	716.3	38,203.5	953.6	51,277.0
Dec.	1,259.9	8,542.2	2,081.2	182.3	7,230.7	29,316.6	740.2	37,287.6	982.3	50,335.5
2014										
Jan.	1,310.8	8,512.7	2,151.4	182.4	8,295.9	29,984.2	851.2	39,131.3	979.2	52,267.8
Feb.	1,571.7	8,545.0	2,207.5	182.4	7,282.5	28,008.4	813.8	36,104.8	991.0	49,602.3
Mar.	1,305.0	8,597.7	2,232.5	177.5	7,363.1	28,461.0	711.7	36,535.8	956.2	49,804.8

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 figures also include assets of the MMFs.
[2] Include holdings of Maltese lira banknotes and coins up to 2008.
[3] Resident interbank claims are included in 'Other assets'.

Monetary, Banking and Financial Markets

Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles[1] *(liabilities)*

EUR millions

End of period	Deposits from residents of Malta[2]				External liabilities				Debt securites issued[4]	Capital & reserves	Other liabilities[2]
	Withdraw-able on demand	Redeem-able at notice	With agreed maturity	Total	Deposits from other residents of the euro area[3]	Deposits from non-residents of the euro area[3]	Other external liabilities[4]	Total			
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
2008	3,170.0	114.5	5,222.2	8,506.7	9,240.4	17,301.9	2,275.7	28,818.0	172.2	3,339.7	1,639.5
2009	3,705.3	111.6	4,789.0	8,605.9	7,772.1	16,973.4	1,205.3	25,950.9	253.4	4,120.5	2,569.9
2010	4,314.3	123.7	4,860.4	9,298.5	6,611.2	20,023.4	1,758.1	28,392.7	304.5	9,840.3	2,370.5
2011	4,686.6	122.6	5,096.6	9,905.8	6,901.8	16,889.2	5,679.9	29,470.9	354.3	9,815.5	1,800.6
2012											
July	4,971.9	141.2	5,095.3	10,208.4	6,260.6	18,897.3	6,900.0	32,057.9	395.6	10,274.7	2,104.5
Aug.	5,001.3	138.6	5,105.7	10,245.6	6,175.1	17,508.1	7,203.9	30,887.1	395.2	10,291.2	2,030.8
Sep.	5,036.7	144.0	5,099.2	10,280.0	6,369.7	17,621.9	7,184.8	31,176.5	394.6	10,245.4	2,037.4
Oct.	5,023.6	142.3	5,182.8	10,348.8	6,597.1	16,317.4	7,195.5	30,110.1	393.2	10,289.7	2,115.4
Nov.	5,020.8	149.6	5,147.0	10,317.4	6,908.3	17,322.5	7,312.4	31,543.2	390.8	10,449.2	1,960.8
Dec.	5,127.3	151.8	5,145.9	10,425.1	6,966.1	16,362.0	7,204.1	30,532.2	403.1	10,370.0	1,796.6
2013											
Jan.	5,165.0	156.9	5,194.2	10,516.2	6,548.2	16,468.1	7,479.1	30,495.3	402.5	10,351.6	1,705.7
Feb.	5,149.3	113.0	5,179.8	10,442.1	7,085.8	16,184.9	7,972.6	31,243.3	402.8	10,248.2	1,836.4
Mar.	5,262.0	116.4	5,205.6	10,584.0	7,356.3	15,897.9	8,381.6	31,635.8	403.3	10,198.0	1,730.6
Apr.	5,226.8	121.8	5,156.0	10,504.6	7,519.3	13,070.5	9,146.1	29,735.8	402.9	10,245.6	1,616.5
May	5,331.2	126.7	5,127.7	10,585.6	8,048.2	13,436.6	10,225.4	31,710.2	402.9	9,957.5	1,635.2
June	5,383.1	131.3	5,132.8	10,647.3	7,292.5	14,292.1	10,168.1	31,752.7	412.0	9,407.9	1,626.5
July	5,434.4	142.9	5,157.2	10,734.4	7,845.1	14,304.6	10,295.1	32,444.7	411.9	9,377.0	1,559.5
Aug.	5,565.7	148.0	5,176.8	10,890.5	7,747.3	15,998.6	9,843.4	33,589.3	411.9	9,148.7	1,613.4
Sep.	5,575.6	150.5	5,223.8	10,949.9	7,821.7	15,289.8	9,583.9	32,695.4	411.8	9,334.4	1,587.9
Oct.	5,743.4	156.2	5,239.2	11,138.8	7,472.6	15,272.9	9,583.5	32,329.0	382.4	7,506.4	1,535.7
Nov.	5,882.5	159.0	5,281.2	11,322.7	5,971.8	15,217.4	9,474.5	30,663.8	350.1	7,400.3	1,540.4
Dec.	5,842.0	169.3	5,333.3	11,344.6	5,623.5	14,755.6	9,583.6	29,962.7	350.1	7,139.2	1,538.9
2014											
Jan.	5,983.1	171.5	5,372.8	11,527.4	6,192.7	15,468.2	10,125.4	31,786.3	350.2	6,958.3	1,645.6
Feb.	5,875.8	169.6	5,431.8	11,477.1	5,789.6	14,395.1	10,098.8	30,283.5	350.2	5,746.7	1,744.8
Mar.	6,082.4	178.1	5,394.5	11,655.0	5,732.5	14,768.7	9,925.8	30,427.0	350.2	5,823.6	1,548.9

[1] Based on the instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 figures also include liabilities of the MMFs.

[2] Excludes inter-bank deposits. These are included, together with other resident inter-bank liabilities, in 'other liabilities'.

[3] Includes inter-bank deposits.

[4] Up to December 2007, debt securities held by non-residents are included under 'other external liabilities'. As from January 2008 they are included under 'debt securities issued'. For the purpose of this table, 'Other external liabilities' also include repos with non-residents.

Table 1.4a Monetary base and monetary aggregates

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							Total (M3)[1]
				Narrow money (M1)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)	
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)				
					Demand	Savings					
2005	1,211.4	315.7	1,527.1	1,162.2	727.0	2,001.0	3,890.2	73.3	3,121.5	7,085.0	7,085.0
2006	1,173.9	412.2	1,586.1	1,112.9	726.5	2,020.0	3,859.4	71.8	3,520.6	7,451.7	7,451.7
2007	677.8	1,110.0	1,787.8	610.2	806.3	2,278.9	3,695.4	105.3	4,474.6	8,275.3	8,275.3

Table 1.4b The contribution of resident MFIs to the euro area monetary aggregates

EUR millions

End of period	Broad money (M3)								
	Intermediate money (M2)							M3-M2[4]	Total (M3)[5]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]			
	Currency issued[2]	Overnight deposits[3]							
		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents		
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
2010	674.4	4,225.1	99.5	123.5	0.7	3,848.1	157.5	241.6	9,370.5
2011	710.6	4,590.9	124.1	122.5	2.6	3,693.1	228.2	204.3	9,676.3
2012	726.5	5,047.7	169.7	151.7	1.6	3,683.0	480.1	191.5	10,451.9
2013									
Jan.	716.8	5,094.3	191.6	156.8	1.5	3,725.2	360.6	195.7	10,442.6
Feb.	714.6	5,072.9	178.9	112.9	1.5	3,689.9	386.1	189.1	10,345.9
Mar.	721.9	5,195.2	190.2	113.3	1.5	3,711.1	454.3	195.5	10,583.1
Apr.	727.2	5,146.7	181.9	113.3	0.0	3,647.4	491.5	193.7	10,501.7
May	732.8	5,246.6	176.8	113.4	0.0	3,606.6	454.5	195.0	10,525.8
June	732.4	5,291.9	164.1	113.0	0.0	3,615.8	489.4	194.7	10,601.5
July	751.4	5,357.2	181.1	112.4	0.0	3,637.2	599.4	215.3	10,854.0
Aug.	755.5	5,474.8	193.6	111.7	0.0	3,662.8	604.1	227.0	11,029.4
Sep.	761.2	5,481.7	185.6	111.2	0.0	3,697.6	594.4	222.0	11,053.9
Oct.	762.4	5,651.8	188.9	109.5	0.0	3,699.5	685.9	202.7	11,300.8
Nov.	763.0	5,788.9	183.4	109.8	0.0	3,732.7	674.5	159.7	11,412.0
Dec.	778.7	5,771.0	176.0	113.0	0.0	3,783.7	838.4	165.4	11,626.3
2014									
Jan.	774.2	5,918.7	202.2	113.4	0.0	3,855.0	837.4	172.3	11,873.3
Feb.	774.1	5,805.0	192.6	111.1	0.0	3,923.2	853.7	153.0	11,812.8
Mar.	777.9	6,037.0	199.9	111.3	0.0	3,862.6	886.4	161.7	12,037.0

[1] M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years.

[2] This is not a measure of currency in circulation in Malta. It comprises the Central Bank's share of euro banknotes issued in 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 as reported in Table 1.2.

[3] Deposits with MFIs exclude interbank deposits and deposits held by central government.

[4] M3 - M2 comprises repurchase agreements that are not conducted through central counterparties and 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. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

[5] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate.

Monetary, Banking and Financial Markets

Table 1.5a Counterparts to the monetary aggregates

EUR millions

End of period	Domestic credit			Net foreign assets					Broad money (M3)	Other counterparts to broad money (net)[2]
	Net claims on central government[1]	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2005	1,031.2	5,110.6	6,141.8	2,260.2	87.8	19,340.5	17,297.9	4,215.0	7,085.0	3,271.8
2006	850.1	5,855.8	6,705.9	2,314.0	99.1	21,601.1	19,011.8	4,804.1	7,451.7	4,058.3
2007	1,023.8	6,404.9	7,428.7	2,633.0	100.1	27,947.3	25,330.1	5,150.1	8,275.3	4,303.6

Table 1.5b The contribution of resident MFIs to counterparts to euro area monetary aggregates

EUR millions

End of period	Broad money (M3)[4]	Credit counterpart[3]					External counterpart			Other counterparts (net)[2]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009	8,883.3	1,927.4	7,792.4	1,238.3	2,273.9	13,232.0	24,843.9	18,197.0	6,646.9	10,995.6
2010	9,370.5	2,091.0	8,188.1	1,794.9	2,392.7	14,466.7	29,948.7	21,765.5	8,183.3	13,279.4
2011	9,676.3	2,353.4	8,550.5	2,240.9	2,929.5	16,074.3	29,300.0	21,460.0	7,840.0	14,238.0
2012	10,451.9	2,287.1	8,704.1	1,261.1	3,351.0	15,603.3	32,576.8	22,473.6	10,103.2	15,254.6
2013										
Jan.	10,442.6	2,422.5	8,687.1	1,213.3	3,273.2	15,596.0	32,707.0	23,471.9	9,235.1	14,388.5
Feb.	10,345.9	2,422.0	8,713.7	1,147.1	3,375.6	15,658.4	33,814.6	23,801.8	10,012.8	15,325.3
Mar.	10,583.1	2,466.8	8,785.1	1,284.5	3,232.0	15,768.3	34,115.3	23,553.4	10,561.8	15,747.0
Apr.	10,501.7	2,476.7	8,692.2	1,313.8	3,070.5	15,553.2	32,821.4	21,534.2	11,287.2	16,338.7
May	10,525.8	2,502.2	8,670.8	1,485.8	2,956.2	15,614.9	34,358.5	22,890.7	11,467.8	16,556.8
June	10,601.5	2,506.1	8,665.6	1,484.0	2,577.2	15,233.0	34,047.7	23,641.2	10,406.5	15,038.0
July	10,854.0	2,486.8	8,633.2	1,472.1	2,552.7	15,144.8	34,674.4	23,759.0	10,915.4	15,206.1
Aug.	11,029.4	2,579.6	8,656.7	1,441.3	2,381.7	15,059.2	35,410.4	24,919.4	10,491.0	14,520.7
Sep.	11,053.9	2,665.5	8,660.7	1,438.1	2,348.6	15,112.9	35,657.8	23,550.8	12,107.0	16,166.1
Oct.	11,300.8	2,603.3	8,647.9	1,417.3	2,370.0	15,038.5	34,109.5	23,422.8	10,686.7	14,424.5
Nov.	11,412.0	2,571.3	8,655.7	1,286.3	2,051.6	14,565.0	32,180.2	23,001.0	9,179.2	12,332.3
Dec.	11,626.3	2,478.0	8,666.2	1,295.3	1,993.8	14,433.3	31,465.6	21,898.5	9,567.1	12,374.0
2014										
Jan.	11,873.3	2,552.5	8,638.5	1,402.0	2,024.9	14,618.0	32,166.5	23,366.4	8,800.1	11,544.8
Feb.	11,812.8	2,616.4	8,668.4	1,412.9	2,048.6	14,746.2	30,174.7	21,613.6	8,561.0	11,494.4
Mar.	12,037.0	2,640.7	8,717.2	1,384.4	2,079.7	14,822.0	30,910.5	21,969.1	8,941.5	11,726.5

[1] Central government deposits held with MFIs are netted from this figure.
[2] Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.
[3] Credit includes, besides lending, claims in the form of debt securities and shares and other equity.
[4] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate. As from December 2008 figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

Table 1.6a Currency in circulation

EUR millions

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2005	1,164.5	46.8	1,211.4	49.2	1,162.2
2006	1,125.4	48.6	1,173.9	61.0	1,113.0
2007	634.2	43.6	677.8	67.6	610.2

Table 1.6b Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item:Excess / shortfall (-) on the banknote allocation key[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009	673.4	37.2	-	70.7	639.8	95.1
2010	701.2	41.0	-	67.7	674.4	104.5
2011	737.6	45.8	-	72.8	710.6	130.0
2012	757.5	50.4	-	81.4	726.5	90.7
2013						
July	771.4	53.2	-	73.3	751.4	84.7
Aug.	772.3	54.2	-	71.0	755.5	65.7
Sep.	771.6	54.3	-	64.7	761.2	55.4
Oct.	776.4	54.6	-	68.5	762.4	38.1
Nov.	779.1	55.0	-	71.1	763.0	37.0
Dec.	803.2	55.3	-	79.8	778.7	37.4
2014						
Jan.	792.4	54.9	-	73.1	774.2	27.8
Feb.	793.6	54.8	-	74.3	774.1	35.8
Mar.	798.4	55.0	-	75.5	777.9	40.8

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB).

[2] For 2008 only, currency issued includes any outstanding Maltese lira banknotes and coins. A breakdown of Maltese lira banknotes and coins outstanding by denomination is shown in Table 1.7a (Denominations of Maltese currency issued and outstanding). For December 2008 the figure shown under "outstanding Maltese lira banknotes and coins" differs from that shown under the afore-mentioned table, due to the fact that all unredeemed Maltese lira coins were written off and transferred to the profit and loss account of the Central Bank of Malta at the end of 2008 (see more details in the notes to the financial statements of the Central Bank of Malta 2008).

[3] The difference between the value of euro banknotes allocated to the Bank in accordance with the banknote allocation key (based on its share in the ECB's capital) and the value of the euro banknotes that the Bank puts into circulation gives rise to intra-Eurosystem balances. If the value of the actual euro banknotes issued is below the value based on the capital share, the difference is recorded as a shortfall (-). If the value of the actual euro banknotes issued is above the value based on the capital share, the difference is recorded as an excess.

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10[2]	Lm5	Lm2	Total
2005	1,211.4	257.5	812.1	76.8	18.1	1,164.5
2006	1,173.9	240.5	785.0	80.9	18.9	1,125.4
2007	677.8	120.2	439.8	57.5	16.7	634.2
2008	90.5	11.3	35.4	9.5	7.5	63.8
2009	82.2	9.6	29.9	8.9	7.4	55.8
2010	49.9	8.4	25.7	8.5	7.3	49.9
2011	46.7	7.8	23.5	8.2	7.2	46.7
2012	44.6	7.3	22.1	8.1	7.2	44.6
2013	42.8	6.8	20.8	8.0	7.1	42.8
2014						
Mar.	42.2	6.7	20.4	8.0	7.1	42.2

[1] The denominations of coins consist of Lm1, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.

[2] Since February 2010 a change in the basis of reporting was carried out to include the 4th series of the Lm10 notes.

Table 1.7b Denominations of euro banknotes allocated to Malta[1]

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009	-3.8	35.1	331.4	214.3	23.2	50.4	117.9	768.5
2010	-6.3	21.7	328.9	235.2	1.2	54.7	170.3	805.7
2011	-9.4	9.6	326.8	266.1	-18.6	77.9	215.2	867.6
2012	-12.7	-4.1	309.1	294.3	-78.9	79.7	260.7	848.1
2013	-15.7	-18.4	273.5	356.2	-146.5	77.7	313.8	840.6
2014								
Mar.	-16.6	-21.8	266.7	369.1	-160.9	77.5	325.2	839.1

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB) adjusted for the excess / shortfall on the banknote allocation key. Figures represent the net issuance of currency notes, that is, the net amount of notes issued by (+), or the net amount paid into (-), the Bank.

Table 1.7c Denominations of euro coins issued by the Central Bank of Malta on behalf of the Treasury

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2008	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
2009	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.3	37.2
2010	0.0	0.6	1.2	2.0	3.4	5.4	9.2	19.1	41.0
2011	0.1	0.6	1.4	2.3	3.9	6.1	9.8	21.7	45.8
2012	0.1	0.7	1.5	2.5	4.1	6.5	10.2	24.7	50.4
2013	0.2	0.7	1.7	2.7	4.6	6.9	10.9	27.5	55.3
2014									
Mar.	0.2	0.7	1.7	2.7	4.6	6.8	10.7	27.6	55.0

Table 1.8 Deposits held with other monetary financial institutions by sector[1]

EUR millions

End of period	Resident deposits							Deposits held by non-residents of Malta		Total deposits
	General government[1]	Monetary financial institutions[2]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8
2007	126.8	106.1	198.6	137.8	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8
2008	101.5	878.8	249.2	146.1	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0
2009	123.4	1,575.1	263.9	122.7	1,417.1	6,678.8	10,181.0	7,839.7	17,628.8	35,649.5
2010	227.0	1,378.3	233.1	208.4	1,694.9	6,935.0	10,676.8	6,632.2	21,127.9	38,437.0
2011	239.0	763.6	279.6	229.7	1,912.7	7,244.8	10,669.4	8,046.4	20,748.6	39,464.4
2012	219.2	683.1	271.4	298.1	2,002.3	7,634.0	11,108.1	8,031.1	21,756.6	40,895.8
2013										
Jan.	218.0	596.2	266.7	314.7	2,028.7	7,688.0	11,112.4	7,640.7	22,057.4	40,810.5
Feb.	222.3	644.1	228.8	306.6	1,980.5	7,703.9	11,086.1	8,346.7	22,155.8	41,588.6
Mar.	211.2	573.9	222.2	271.5	2,066.9	7,812.3	11,157.9	8,822.9	22,115.9	42,096.7
Apr.	219.6	555.5	196.3	286.4	1,962.5	7,839.8	11,060.1	9,113.7	19,978.4	40,152.2
May	227.9	569.3	195.5	270.1	2,020.0	7,872.0	11,154.8	9,726.5	21,340.1	42,221.4
June	233.5	593.0	195.8	258.1	2,040.3	7,919.6	11,240.3	8,980.8	22,127.7	42,348.8
July	220.8	525.2	201.8	270.6	2,095.2	7,946.0	11,259.6	9,427.2	22,202.0	42,888.8
Aug.	234.1	515.0	233.7	272.8	2,147.8	8,002.0	11,405.4	9,432.8	23,302.3	44,140.6
Sep.	233.0	430.7	264.7	282.3	2,134.1	8,035.7	11,380.5	9,882.8	22,009.7	43,273.0
Oct.	237.2	407.6	258.6	332.0	2,216.2	8,094.8	11,546.4	9,684.3	21,817.5	43,048.2
Nov.	238.1	410.4	285.4	332.9	2,313.6	8,152.8	11,733.1	8,101.4	21,667.7	41,502.2
Dec.	206.2	446.4	317.8	326.0	2,274.4	8,220.2	11,791.0	7,841.8	21,330.1	40,962.9
2014										
Jan.	209.0	437.9	327.2	388.0	2,317.2	8,286.1	11,965.3	8,521.7	22,402.3	42,889.3
Feb.	210.6	408.3	357.7	358.3	2,320.5	8,229.9	11,885.4	8,457.0	20,959.6	41,302.1
Mar.	214.2	434.4	367.5	351.1	2,374.1	8,348.1	12,089.4	8,199.6	21,311.8	41,600.8

[1] Including extra-budgetary units.

[2] For the purposes of this table, deposits include interbank loans and uncleared effects.

Table 1.9 Deposits held with other monetary financial institutions by currency[1]

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL[2]	EUR	GBP	USD	Other	MTL[2]	EUR	Other		
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
2008		8,325.4	317.4	629.2	113.6		7,149.6	2,127.3	17,640.5	36,303.0
2009		9,319.8	401.0	381.5	78.7		5,489.8	2,349.9	17,628.8	35,649.5
2010		9,723.3	423.4	418.9	111.2		4,764.3	1,868.0	21,127.9	38,437.0
2011		9,592.4	518.9	454.4	103.7		5,857.6	2,188.8	20,748.6	39,464.4
2012		9,935.5	481.1	548.1	143.5		5,276.0	2,755.1	21,756.6	40,895.8
2013										
Jan.		9,958.0	447.8	570.3	136.3		5,149.1	2,491.6	22,057.4	40,810.5
Feb.		9,985.0	441.3	518.1	141.8		5,276.1	3,070.6	22,155.8	41,588.6
Mar.		10,052.8	494.0	472.3	138.8		5,326.6	3,496.3	22,115.9	42,096.7
Apr.		10,029.1	457.1	445.6	128.3		5,487.1	3,626.6	19,978.4	40,152.2
May		10,065.3	484.6	476.6	128.3		5,346.8	4,379.7	21,340.1	42,221.4
June		10,191.5	464.3	462.5	122.0		4,965.4	4,015.3	22,127.7	42,348.8
July		10,221.5	470.5	444.8	122.8		5,198.8	4,228.4	22,202.0	42,888.8
Aug.		10,306.0	485.1	479.3	135.1		5,425.8	4,007.0	23,302.3	44,140.6
Sep.		10,319.3	496.7	453.9	110.6		5,296.5	4,586.3	22,009.7	43,273.0
Oct.		10,444.1	479.2	514.3	108.9		5,092.9	4,591.4	21,817.5	43,048.2
Nov.		10,581.6	507.6	503.8	140.1		3,854.1	4,247.3	21,667.7	41,502.2
Dec.		10,635.5	515.6	480.4	159.5		3,623.0	4,218.7	21,330.1	40,962.9
2014										
Jan.		10,748.1	514.8	546.5	155.9		3,726.2	4,795.4	22,402.3	42,889.3
Feb.		10,652.9	572.8	512.2	147.5		3,526.8	4,930.2	20,959.6	41,302.1
Mar.		10,834.7	587.6	517.6	149.4		3,335.5	4,864.1	21,311.8	41,600.8

[1] Also includes loans granted to the reporting MFIs.

[2] Maltese lira-denominated deposits were redenominated as euro deposits from the beginning of 2008.

Table 1.10 Other monetary financial institutions' loans by size class[1]

EUR millions

End of period	Size classes[2]				
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	Total
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
2007	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
2008	658.2	2,646.3	2,117.9	20,593.7	26,016.0
2009	704.9	2,896.9	2,701.2	16,096.2	22,399.3
2010	758.2	3,242.9	2,138.5	18,901.8	25,041.4
2011	760.5	3,421.3	2,151.5	16,797.3	23,130.7
2012	754.6	3,580.7	2,308.6	15,271.8	21,915.6
2013					
Jan.	748.0	3,588.2	2,262.1	15,238.8	21,837.0
Feb.	746.2	3,594.5	2,279.5	15,379.3	21,999.6
Mar.	745.1	3,615.6	2,235.6	15,204.7	21,801.0
Apr.	745.6	3,610.1	2,186.9	14,559.4	21,102.0
May	748.5	3,630.3	2,143.6	14,196.4	20,718.8
June	752.1	3,636.7	2,139.0	13,751.0	20,278.8
July	749.2	3,648.6	2,086.2	13,553.4	20,037.4
Aug.	748.7	3,654.6	2,043.4	13,578.8	20,025.5
Sep.	753.3	3,672.1	2,021.4	13,342.3	19,789.1
Oct.	756.1	3,679.6	1,979.4	11,898.4	18,313.5
Nov.	757.1	3,691.6	1,934.7	11,373.3	17,756.6
Dec.	757.4	3,694.2	1,892.7	10,688.5	17,032.8
2014					
Jan.	756.6	3,696.2	1,873.6	10,514.2	16,840.5
Feb.	757.8	3,716.3	1,870.7	9,910.9	16,255.7
Mar.	759.2	3,729.2	1,897.3	9,766.2	16,151.9

[1] For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Loans exclude interbank claims.
[2] Amounts in euro are approximations.

Table 1.11 Other monetary financial institutions' loans to residents of Malta by economic activity[1]

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage, Information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals[2]				Other[3]	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2005	142.3	287.1	306.2	502.3	474.8	691.1	444.2	1,521.4	212.7	214.6	1,948.7	427.6	401.1	4,823.2
2006	188.9	340.7	266.7	586.4	492.9	715.0	612.8	1,769.9	250.4	230.7	2,251.1	380.7	421.3	5,414.0
2007	196.6	322.6	301.3	677.5	474.3	732.3	725.1	2,014.9	287.6	276.1	2,578.6	356.8	438.3	5,926.7
2008	333.1	429.2	340.6	730.4	457.4	757.1	931.3	2,219.8	329.9	307.8	2,857.5	333.9	634.1	6,536.4
2009	432.1	480.0	296.4	733.0	485.8	767.2	1,033.2	2,457.8	373.8	307.2	3,138.8	316.3	733.0	6,949.8
2010	502.0	511.8	283.5	1,113.8	446.3	825.2	392.2	2,666.0	365.4	323.4	3,354.8	646.5	740.5	7,335.5
2011	539.8	526.5	280.8	1,092.7	459.8	847.9	396.6	2,892.9	382.9	314.0	3,589.8	706.7	826.1	7,614.5
2012	280.1	502.0	308.8	1,024.0	468.2	829.9	423.4	3,088.2	387.1	301.5	3,776.8	955.4	794.4	7,774.2
2013														
Jan.	291.7	495.0	302.0	1,006.6	473.8	836.3	423.6	3,099.2	382.7	300.8	3,782.6	941.8	802.2	7,751.3
Feb.	296.7	496.6	326.9	980.8	477.1	848.9	416.3	3,107.2	380.8	299.6	3,787.5	951.6	808.6	7,773.8
Mar.	291.8	506.8	335.2	997.7	476.6	837.7	445.7	3,123.3	378.8	302.0	3,804.2	958.3	810.9	7,843.1
Apr.	277.3	479.2	327.4	984.2	473.7	806.7	441.8	3,132.8	378.6	300.3	3,811.7	951.5	789.9	7,763.6
May	273.4	480.9	304.0	974.1	544.0	742.3	434.5	3,153.7	379.9	298.2	3,831.8	949.9	788.2	7,746.7
June	264.8	478.6	329.0	968.2	527.1	745.2	412.2	3,176.1	382.3	301.1	3,859.6	948.6	778.5	7,754.8
July	268.0	479.9	303.3	958.2	523.0	727.5	432.1	3,193.3	381.6	298.4	3,873.4	938.7	772.5	7,731.4
Aug.	304.3	479.2	301.0	949.5	471.3	775.9	444.0	3,209.8	381.5	296.1	3,887.4	916.2	801.3	7,727.6
Sep.	294.0	489.7	304.6	909.0	460.8	794.5	452.9	3,224.0	383.5	297.8	3,905.3	922.7	794.5	7,739.1
Oct.	294.0	484.1	294.2	899.1	455.4	791.7	456.8	3,244.3	381.5	297.9	3,923.6	921.5	795.2	7,725.2
Nov.	293.6	480.7	295.0	890.1	459.5	790.8	459.3	3,261.2	382.4	298.8	3,942.5	918.5	790.9	7,739.1
Dec.	293.1	478.0	297.3	894.7	462.5	782.2	455.4	3,278.4	382.4	298.6	3,959.4	922.1	792.0	7,752.6
2014														
Jan.	297.0	463.3	294.8	887.9	460.2	760.8	454.2	3,296.9	381.0	296.7	3,974.6	920.3	795.3	7,717.6
Feb.	294.0	472.2	288.0	891.0	462.3	768.9	466.0	3,315.3	383.8	295.3	3,994.5	908.2	786.0	7,759.2
Mar.	299.2	473.8	289.0	882.9	467.6	784.7	465.0	3,341.0	383.4	293.9	4,018.4	917.2	792.3	7,805.5

[1] As from 2010, the statistical classification of loans by economic activity is based on NACE rev 2.
[2] Excluding loans to unincorporated bodies such as partnerships, sole proprietors and non-profit institutions. Loans to such bodies are classified by their main activity.
[3] Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial and insurance activities (including interbank loans), professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services activities and extra-territorial bodies & organisations.

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta							Lending to non-residents of Malta		Total lending
	General government[1]	Monetary financial institutions[2]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8
2007	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0
2008	111.4	613.0	21.6	14.3	3,801.0	3,202.2	7,763.4	3,454.6	20,129.5	31,347.5
2009	111.0	649.0	22.3	10.9	4,034.6	3,498.5	8,326.1	2,900.0	16,825.4	28,051.5
2010	118.6	586.6	14.0	165.8	4,052.4	3,724.8	8,662.1	6,371.9	18,757.3	33,791.4
2011	150.5	1,176.7	2.6	179.5	4,153.9	3,952.2	9,615.4	6,324.2	17,368.4	33,308.0
2012	130.3	1,616.3	4.0	423.7	3,886.4	4,123.3	10,183.9	5,723.0	17,480.6	33,387.5
2013										
Jan.	129.7	1,501.3	2.1	420.0	3,877.6	4,123.1	10,053.7	5,695.6	18,026.1	33,775.4
Feb.	130.6	1,133.6	2.4	422.0	3,894.0	4,128.4	9,711.0	5,597.6	18,311.4	33,620.0
Mar.	131.0	1,501.7	2.1	423.1	3,944.4	4,148.3	10,150.5	5,240.9	18,575.4	33,966.8
Apr.	132.6	1,091.3	2.1	417.3	3,848.7	4,152.3	9,644.4	4,940.5	17,603.5	32,188.4
May	133.9	1,078.6	2.1	412.5	3,813.5	4,172.4	9,613.0	5,228.5	18,510.6	33,352.1
June	134.7	1,179.0	2.4	407.0	3,789.5	4,197.1	9,709.7	5,351.2	17,863.1	32,924.1
July	134.9	1,244.0	2.1	402.6	3,753.1	4,210.8	9,747.4	5,451.4	18,169.7	33,368.4
Aug.	137.7	1,175.4	2.1	400.0	3,766.2	4,222.6	9,704.1	5,915.2	18,435.7	34,055.0
Sep.	138.7	1,104.7	3.3	402.9	3,746.2	4,241.9	9,637.7	5,009.2	18,308.8	32,955.7
Oct.	139.3	1,079.0	6.9	400.3	3,714.2	4,259.1	9,598.7	4,650.5	17,381.3	31,630.5
Nov.	140.9	1,225.4	3.7	399.5	3,710.3	4,275.5	9,755.4	5,069.1	16,413.2	31,237.7
Dec.	142.8	1,248.1	2.4	397.2	3,711.0	4,288.9	9,790.3	4,940.9	15,740.4	30,471.5
2014										
Jan.	143.6	1,282.3	2.4	400.4	3,665.1	4,301.2	9,795.0	5,903.4	15,709.4	31,407.8
Feb.	144.8	1,547.3	2.1	391.5	3,686.8	4,319.8	10,092.3	5,033.8	14,069.6	29,195.6
Mar.	145.2	1,279.8	3.0	391.9	3,703.3	4,354.4	9,877.6	5,040.1	13,956.1	28,873.8

[1] Includes the extra-budgetary units.

[2] For the purposes of this table, loans include interbank deposits.

Table 1.13 Other monetary financial institutions' loans by currency and original maturity to residents of Malta

EUR millions

End of period	Lending to residents of Malta															Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors[1]			
	MTL[2]		EUR		Other		MTL[2]		EUR		Other		MTL[2]	EUR	Other	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year				
2005	860.7	1,568.3	17.3	263.3	18.5	10.2	204.2	1,943.2	1.4	15.0	0.1	2.4	696.7	86.4	19.0	5,706.7
2006	905.7	1,689.6	69.9	395.1	21.1	11.3	218.5	2,289.2	2.3	29.6	0.1	3.1	713.6	156.9	22.1	6,528.2
2007	858.3	1,802.5	108.1	450.0	36.6	10.2	241.5	2,616.0	2.0	34.4	1.0	3.5	963.8	744.6	20.3	7,892.6
2008			1,133.1	2,608.2	40.7	19.0			275.7	2,921.9	1.3	3.4		725.2	35.0	7,763.4
2009			1,152.8	2,811.7	39.4	30.6			281.6	3,207.1	1.5	8.2		765.5	27.6	8,326.1
2010			1,178.1	2,760.3	70.1	44.0			269.2	3,444.8	1.7	9.1		846.7	38.3	8,662.1
2011			1,050.2	2,966.3	87.7	49.7			277.2	3,662.6	2.5	9.9		1,485.0	24.2	9,615.4
2012			964.3	2,787.9	88.1	46.1			270.6	3,845.8	3.1	3.7		2,094.6	79.7	10,183.9
2013																
Jan.			974.0	2,771.7	87.9	44.1			264.0	3,853.1	2.3	3.8		1,980.6	72.4	10,053.7
Feb.			988.2	2,764.5	118.4	22.9			262.8	3,859.5	2.4	3.6		1,624.9	63.7	9,711.0
Mar.			1,019.2	2,786.7	115.8	22.8			264.1	3,877.7	2.9	3.6		1,989.5	68.3	10,150.5
Apr.			989.9	2,745.4	91.3	22.0			262.4	3,883.7	2.7	3.6		1,593.7	49.7	9,644.4
May			971.2	2,725.0	73.2	44.0			262.8	3,903.4	2.7	3.5		1,577.2	50.0	9,613.0
June			948.7	2,730.0	67.1	43.7			263.1	3,927.6	2.9	3.5		1,672.2	51.0	9,709.7
July			931.3	2,712.6	69.7	39.5			259.6	3,945.0	2.8	3.4		1,733.3	50.3	9,747.4
Aug.			948.5	2,708.0	70.0	39.7			255.2	3,961.3	2.8	3.3		1,661.6	53.7	9,704.1
Sep.			954.2	2,683.6	67.3	41.2			257.8	3,977.9	2.7	3.5		1,608.2	41.4	9,637.7
Oct.			933.7	2,670.7	69.6	40.1			256.7	3,996.3	2.6	3.4		1,600.3	25.2	9,598.7
Nov.			940.5	2,664.5	65.0	40.3			256.5	4,013.0	2.6	3.5		1,733.5	36.0	9,755.4
Dec.			947.6	2,655.4	71.1	36.8			255.4	4,027.5	2.5	3.5		1,748.1	42.3	9,790.3
2014																
Jan.			912.7	2,650.6	64.6	37.2			253.1	4,041.9	2.7	3.5		1,791.9	36.7	9,795.0
Feb.			915.7	2,667.9	65.9	37.3			254.0	4,059.8	2.6	3.5		2,054.5	31.2	10,092.3
Mar.			923.9	2,676.9	65.2	37.2			251.9	4,096.6	2.4	3.5		1,782.4	37.5	9,877.6

[1] For the purposes of this table, loans include interbank deposits.

[2] Maltese lira-denominated loans were redenominated as euro loans from the beginning of 2008.

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1] *(assets)*

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2005	52.2	34.5	624.0	7.9	232.4	350.4	32.7	1,334.1
2006	20.8	50.9	690.2	7.0	204.4	431.6	16.6	1,421.4
2007	32.6	3.4	498.8	6.4	195.3	410.4	12.0	1,159.0
2008	18.8	2.4	421.7	3.9	128.0	299.1	9.4	883.3
2009	33.3	15.4	403.2	4.8	139.3	318.6	5.6	920.2
2010	48.5	8.6	405.9	4.5	144.5	340.5	6.9	959.4
2011	46.2	0.0	354.2	11.1	127.6	308.4	8.0	855.5
2012	52.1	0.5	406.8	4.4	143.8	355.4	9.7	972.8
2013	50.4	11.3	376.5	24.7	168.7	205.2	4.1	841.0
2014								
Mar.	48.5	15.0	469.1	25.3	193.3	366.7	12.2	1,130.0

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1] *(liabilities)*

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2005	0.2	1,322.5	4.1	7.4	1,334.1
2006	0.4	1,406.4	11.0	3.6	1,421.4
2007	0.3	1,147.6	7.8	3.3	1,159.0
2008	1.9	870.2	6.9	4.2	883.3
2009	2.1	902.0	10.8	5.3	920.2
2010	1.8	910.3	42.9	4.4	959.4
2011	0.1	833.9	18.0	3.5	855.5
2012	0.2	952.9	15.4	4.4	972.8
2013	0.2	809.8	29.3	1.7	841.0
2014					
Mar.	0.2	1,115.0	13.3	1.4	1,130.0

[1] Comprising the resident investment funds (IFs). The smallest IFs in terms of total assets (i.e. those IFs that contribute to 5% or less to the quarterly aggregated balance sheet of the total IFs' assets in terms of stocks) are estimated.

[2] Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.

[3] Includes debtors, currency (both euro and foreign), prepayments and other assets.

[4] Includes share capital and reserves.

[5] Includes loans, creditors, accruals, shareholders' units/ funds and other liabilities to non-resident counterparties.

[6] Includes creditors, accruals and other liabilities.

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1] *(assets)*

EUR millions

End of period	Currency and Deposits[2]	Holdings of securities other than shares	Holdings of shares and other equity	External assets[3,8]	Fixed and other assets[4,8]	Total assets
2005	61.7	347.6	161.0	358.1	192.1	1,120.5
2006	103.0	373.8	173.3	462.0	209.8	1,321.9
2007	193.9	418.5	189.4	482.9	244.5	1,529.2
2008	222.6	442.6	156.5	481.0	266.9	1,569.6
2009	252.9	486.0	184.6	622.3	265.6	1,811.4
2010	247.8	547.4	189.8	778.7	275.3	2,039.0
2011	264.3	510.8	181.0	837.0	289.4	2,082.5
2012	207.4	574.3	185.9	963.4	327.5	2,258.4
2013	298.2	525.0	213.4	1,050.3	342.3	2,429.2
2014						
Mar.	312.1	531.8	216.6	1,078.1	342.6	2,481.3

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1] *(liabilities)*

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6,8]	Other liabilities[7,8]	Total liabilities
2005	17.1	177.5	863.0	17.1	45.7	1,120.5
2006	21.1	205.1	1,027.1	15.7	52.9	1,321.9
2007	21.3	238.9	1,196.7	15.6	56.7	1,529.2
2008	24.9	229.2	1,229.3	34.3	52.0	1,569.6
2009	20.6	265.0	1,430.7	37.7	56.9	1,811.0
2010	22.6	289.2	1,628.6	45.1	53.6	2,039.0
2011	11.7	292.1	1,683.0	45.0	50.8	2,082.5
2012	13.3	313.0	1,825.1	48.2	58.8	2,258.4
2013	5.2	335.1	1,971.3	50.6	67.0	2,429.2
2014						
Mar.	5.2	337.2	2,016.7	52.3	69.8	2,481.3

[1] Comprising the resident insurance companies.
[2] Includes loans.
[3] Includes deposits, securities, investment fund shares/units, financial derivatives and other assets with non-resident counterparties.
[4] Mainly includes financial derivatives with resident counterparties, non-financial assets including fixed assets, other assets and accruals.
[5] Comprising investment linked life-assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves.
[6] Includes loans, securities, financial derivatives and other accounts payable to non-resident counterparties.
[7] Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.
[8] Following a reclassification exercise, as from Q1 2009, certain instruments were shifted from "External Assets" to the "Fixed and other assets" column.

Table 1.16 Debt securities, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes[3]
	General government	Financial corporations[2]	Non-financial corporations[2]	Total	General government	Financial corporations[2]	Non-financial corporations[2]	Total	
2005	3,064.4	160.3	649.6	3,874.4	129.3	-45.8	-17.1	66.4	50.6
2006	2,998.1	104.9	593.0	3,696.0	-66.3	-52.3	-17.5	-136.1	-42.3
2007	3,116.3	162.0	625.0	3,903.2	118.2	60.0	68.1	246.3	-39.1
2008	3,328.3	189.4	665.4	4,183.1	211.9	26.0	22.6	260.5	19.3
2009	3,698.3	271.1	667.7	4,637.1	370.1	82.8	1.5	454.4	-0.3
2010	3,989.2	323.0	743.2	5,055.4	290.9	54.5	62.9	408.3	10.0
2011	4,312.1	372.7	745.6	5,430.4	322.9	49.1	-4.4	367.5	7.3
2012	4,505.8	658.0	486.6	5,650.4	193.7	47.8	-17.7	223.8	-3.8
2013	4,859.0	620.3	442.5	5,921.8	353.3	-43.9	-35.6	273.6	-2.2
2014									
Q1	5,113.5	650.4	439.6	6,203.5	254.5	30.0	-3.0	281.6	0.2

[1] Amounts are at nominal prices.

[2] As from March 2012 debt securities issued by holding companies have been reclassified from Non-Financial Corporations to Financial Corporations in terms of NACE Rev 2.

[3] Net valuation changes reflect exchange rate changes.

Sources: Central Bank of Malta; MSE.

Table 1.17 Quoted shares, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period			Net issues during period			Net valuation changes[2]
	Financial corporations	Non-financial corporations	Total	Financial corporations	Non-financial corporations	Total	
2005	2,673.4	800.8	3,474.2	2.2	20.0	22.2	1,337.5
2006	2,657.4	758.2	3,415.7	0.8	53.3	54.1	-112.7
2007	2,690.1	1,163.9	3,854.0	9.9	387.3	397.2	41.2
2008	1,585.2	981.4	2,566.7	2.1	38.2	40.3	-1,327.6
2009	1,863.3	980.6	2,844.0	42.1	36.4	78.5	198.8
2010	2,034.1	1,188.1	3,222.2	0.3	214.2	214.5	163.7
2011	1,618.5	1,022.7	2,641.3	0.2	11.1	11.3	-592.3
2012	1,687.5	1,066.9	2,754.5	15.6	3.2	18.7	94.4
2013	1,861.4	1,346.7	3,208.1	36.3	58.3	94.5	359.1
2014							
Q1	1,706.0	1,276.0	2,981.9	0.1	0.1	0.2	-226.4

[1] Amounts are at market prices.

[2] Net valuation changes reflect market price and exchange rate changes.

Sources: Central Bank of Malta; MSE.

Table 1.18 Monetary financial institutions' interest rates on deposits and loans to residents of Malta[1]

% per annum	2008	2009	2010	2011	2012	2013	2014 Jan.	Feb.	Mar.
NEW BUSINESS									
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**1.94**	**2.02**	**1.83**	**1.87**
Households and NPISH									
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.38	2.11	2.21	2.06	2.06
up to 1 year	3.06	1.95	2.03	1.99	1.91	1.84	1.88	1.77	1.81
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	2.66	2.86	2.93	2.74
over 2 years	4.77	3.44	3.86	3.65	3.80	3.14	2.86	2.92	2.93
Non-financial corporations									
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.72	1.60	1.53	1.35	1.30
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.22**	**3.77**	**4.31**	**4.24**	**4.41**
Households and NPISH	4.88	4.49	4.20	3.82	4.00	3.54	3.80	3.70	3.63
Lending for house purchase	3.84	3.51	3.43	3.38	3.40	3.03	3.10	3.08	3.00
Consumer credit	6.12	6.02	5.81	5.04	5.66	5.32	5.40	4.76	5.31
Other lending	6.44	5.56	5.86	5.60	5.61	5.21	5.16	5.65	5.35
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.52	3.64	3.62	3.62
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.28	3.34	3.38	3.32
Consumer credit	6.25	6.10	5.89	5.12	5.64	5.34	5.44	4.78	5.34
Non-financial corporations									
Loans	5.50	4.95	4.86	4.28	4.26	3.89	4.56	4.47	5.06
OUTSTANDING AMOUNTS									
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.41**	**1.37**	**1.37**	**1.34**
Households and NPISH	2.74	1.57	1.50	1.54	1.56	1.57	1.52	1.53	1.50
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.32	0.35	0.30	0.29	0.27
Savings deposits redeemable at notice[3,4]	2.05	1.68	1.59	1.51	1.54	1.93	1.92	1.77	1.92
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.55	1.45	1.43	1.41
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.47	2.52	2.49	2.48	2.47
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.07	2.04	2.04	2.03
over 2 years	3.19	3.06	3.16	3.21	3.42	3.55	3.55	3.54	3.54
Non-financial corporations	1.73	0.86	0.81	0.84	0.79	0.72	0.68	0.68	0.69
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.30	0.26	0.26	0.26
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.11	2.04	2.02	2.00	2.05
up to 2 years	3.39	1.89	1.97	2.00	1.99	1.91	1.89	1.87	1.93
over 2 years	3.26	3.35	3.24	3.13	3.06	3.12	3.10	3.09	3.09
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.32**	**4.24**	**4.21**	**4.19**	**4.20**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.85	3.84	3.83
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.33	3.33	3.32
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.59	5.55	5.55	5.52	5.52
Non-financial corporations[5]	5.43	4.96	4.67	4.85	4.73	4.70	4.66	4.62	4.65
Revolving loans and overdrafts									
Households and NPISH	7.16	6.44	5.75	6.12	5.84	5.78	5.80	5.79	5.80
Non-financial corporations	5.30	5.08	5.03	5.07	5.26	5.18	5.20	5.18	5.17

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits to/from households and non-financial corporations resident in Malta. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned. Weighted average rates as at end of period while headline indicators are composite rates.

[2] The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.19 Monetary financial institutions' interest rates on deposits and loans to euro area residents[1]

% per annum	2008	2009	2010	2011	2012	2013	2014		
							Jan.	Feb.	Mar.
NEW BUSINESS									
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.13**	**2.47**	**2.39**	**1.83**	**1.62**
Households and NPISH									
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.38	2.10	2.22	2.06	2.05
up to 1 year	3.05	1.97	1.96	1.99	1.93	1.83	1.90	1.76	1.82
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	2.68	2.88	2.95	2.74
over 2 years	4.77	3.44	3.86	3.65	3.80	3.14	2.87	2.92	2.93
Non-financial corporations									
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.80	2.67	2.53	1.46	1.35
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**3.51**	**4.13**	**4.11**	**4.24**
Households and NPISH	4.88	4.48	4.20	3.81	4.00	3.48	3.74	3.62	3.55
Lending for house purchase	3.84	3.51	3.42	3.38	3.40	3.05	3.12	3.08	3.00
Consumer credit	6.12	6.01	5.81	5.04	5.66	4.40	4.68	4.12	4.56
Other lending	6.43	5.56	5.86	5.60	5.61	5.13	5.16	5.65	5.35
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.45	3.58	3.53	3.54
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.30	3.37	3.38	3.32
Consumer credit	6.25	6.09	5.89	5.12	5.64	4.41	4.72	4.14	4.59
Non-financial corporations									
Loans	4.93	4.42	4.52	4.20	4.18	3.53	4.29	4.30	4.70
OUTSTANDING AMOUNTS									
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.43**	**1.39**	**1.35**	**1.35**	**1.32**
Households and NPISH	2.74	1.58	1.49	1.54	1.56	1.57	1.53	1.53	1.50
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.35	0.30	0.29	0.27
Savings deposits redeemable at notice[3,4]	2.09	1.70	1.69	1.63	1.61	2.04	1.99	1.81	2.02
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.55	1.45	1.43	1.41
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.48	2.52	2.49	2.49	2.48
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.08	2.05	2.05	2.04
over 2 years	3.24	3.10	3.16	3.22	3.44	3.56	3.57	3.56	3.56
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.77	0.72	0.71	0.73
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.29	0.30	0.26	0.24	0.25
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	1.55	1.51	1.50	1.55
up to 2 years	3.57	1.93	1.71	1.93	1.96	1.45	1.41	1.41	1.46
over 2 years	3.28	3.13	3.33	2.99	2.95	2.81	2.78	2.77	2.77
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.19**	**4.19**	**4.16**	**4.14**	**4.16**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	5.45	3.83	3.83
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.33	3.33	3.33
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.59	5.53	5.53	5.50	5.49
Non-financial corporations[5]	5.20	4.40	4.54	4.66	4.39	4.51	4.47	4.44	4.48
Revolving loans and overdrafts									
Households and NPISH	7.16	6.45	5.76	6.12	5.84	5.79	5.81	5.79	5.80
Non-financial corporations	5.14	5.08	5.02	5.07	5.25	5.16	5.19	5.17	5.16

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits vis-à-vis households and non-financial corporations with residents of Malta and other Monetary Union Member States. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned. Weighted average rates as at end of period while headline indicators are composite rates.

[2] The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.20 Key European Central Bank, money market interest rates and other indicators

	2008	2009	2010	2011	2012	2013	2014
							Mar.
INTEREST RATES (%)[1]							
Key ECB interest rates[2]							
Marginal lending facility	3.00	1.75	1.75	1.75	1.50	0.75	0.75
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	0.75	0.25	0.25
Deposit facility	2.00	0.25	0.25	0.25	0.00	0.00	0.00
Money market rates (period averages)							
Overnight deposit (EONIA)	3.86	0.72	0.44	0.87	0.23	0.09	0.18
Rates for fixed term deposits (EURIBOR)							
1 month	4.27	0.90	0.57	1.18	0.33	0.13	0.22
3 months	4.63	1.23	0.81	1.39	0.57	0.22	0.30
6 months	4.72	1.44	1.08	1.64	0.83	0.34	0.40
1 year	4.81	1.62	1.35	2.01	1.11	0.54	0.56
Government securities							
Treasury bills (primary market)							
1 month	-	-	-	1.20	-	-	-
3 month	3.65	1.40	0.99	0.82	0.85	0.39	0.37
6 month	2.75	1.52	1.10	1.33	1.15	0.44	0.64
1 year	-	-	-	-	-	-	-
Treasury bills (secondary market)							
1 month	2.64	1.36	0.77	0.85	0.94	0.40	0.32
3 month	2.64	1.40	0.94	0.97	1.00	0.40	0.37
6 month	2.65	1.46	1.23	0.99	1.05	0.54	0.61
1 year	2.73	1.69	1.28	1.26	1.26	0.70	0.66
Government long-term debt securities (period averages)							
2 year	3.43	2.41	1.88	2.41	1.90	1.00	0.85
5 year	4.01	3.66	3.05	3.48	3.01	2.13	2.00
10 year	4.53	4.54	4.19	4.49	4.13	3.36	3.01
15 year	4.76	4.96	n/a	n/a	n/a	4.35	4.16
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,095	3,212	3,686	3,424

[1] End of period rates unless otherwise indicated. As from *Quarterly Review 2013:1* , the publishing of the weighted average deposit and lending rates was discontinued. Interest rates paid and charged by MFIs in Malta reported according to harmonised definition established by the ECB are shown in Table 1.18 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Residents of Malta'.

[2] As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates on its operations. The financial market interest rates shown from that date are the key interest rates determined by the ECB for central bank operations throughout the euro area.

Note: '-' denotes that no transactions occurred during the reference period.
'n/a' denotes that no bond qualifies as a 15-year benchmark.

Table 1.21 Non-consolidated financial accounts of the Maltese economy *(financial assets)*

EUR millions

Issuing sectors broken down by financial instrument	2006	2007	2008	2009	2010	2011	2012
Total economy	**86,050**	**102,816**	**113,280**	**114,011**	**133,724**	**136,499**	**142,643**
Monetary gold and SDRs	42	50	17	110	115	118	120
Currency	1,134	630	671	721	747	798	814
Deposits	23,965	31,551	39,137	38,493	41,515	42,547	43,875
Debt securities	15,873	14,962	14,447	17,045	20,753	22,917	26,207
Loans	25,355	33,958	36,357	33,476	39,760	38,863	38,485
Shares and other equity	13,427	14,029	13,637	15,462	21,584	21,415	22,116
Insurance technical reserves	1,021	1,199	1,222	1,423	1,623	1,678	1,821
Other accounts receivable	5,232	6,437	7,792	7,281	7,628	8,164	9,206
Financial corporations[1]	**34,863**	**42,566**	**47,223**	**47,277**	**55,899**	**56,680**	**59,468**
Monetary gold and SDRs	42	50	17	110	115	118	120
Currency	82	86	83	87	82	92	94
Deposits	3,506	5,868	6,897	7,825	2,488	2,574	2,886
Debt securities	14,081	13,057	12,038	14,453	17,856	19,748	22,752
Loans	15,336	21,675	26,487	22,735	33,350	32,207	31,587
Shares and other equity	1,533	1,464	1,231	1,524	1,605	1,566	1,622
Insurance technical reserves	3	2	1	2	3	2	2
Other accounts receivable	279	364	469	541	401	374	405
General government	**1,510**	**1,662**	**1,610**	**1,780**	**1,943**	**2,161**	**2,461**
Currency	0	0	0	0	0	0	0
Deposits	432	488	476	577	589	655	424
Debt securities	0	0	0	0	0	0	0
Loans	26	27	33	30	63	148	268
Shares and other equity	843	836	740	798	856	844	1,097
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts receivable	209	311	361	375	435	514	671
Non-financial corporations[2]	**10,483**	**11,828**	**12,695**	**14,080**	**15,203**	**16,200**	**16,341**
Currency	20	25	34	57	40	36	36
Deposits	1,196	1,486	1,432	1,620	1,932	2,235	2,430
Debt securities	71	82	80	80	80	87	91
Loans	2,349	2,670	3,228	3,771	4,338	4,735	4,761
Shares and other equity	3,281	3,722	3,852	4,220	4,412	4,727	4,528
Insurance technical reserves	29	18	17	59	57	48	49
Other accounts receivable	3,536	3,826	4,051	4,273	4,344	4,333	4,446
Households and non-profit institutions	**13,178**	**13,523**	**13,815**	**14,805**	**15,608**	**15,911**	**16,673**
Currency	1,032	520	553	576	626	670	684
Deposits	6,140	7,000	7,246	7,163	7,406	7,698	8,068
Debt securities	1,445	1,516	1,650	1,970	2,179	2,392	2,573
Loans	431	456	440	572	683	581	581
Shares and other equity	2,986	2,674	2,546	3,016	2,958	2,726	2,803
Insurance technical reserves	989	1,179	1,204	1,362	1,562	1,628	1,770
Other accounts receivable	155	178	176	144	194	216	195
Rest of the world	**26,017**	**33,237**	**37,937**	**36,070**	**45,072**	**45,546**	**47,699**
Currency	-	-	-	-	-	-	-
Deposits	12,691	16,708	23,086	21,308	29,101	29,384	30,067
Debt securities	275	308	679	542	638	690	791
Loans	7,212	9,129	6,169	6,368	1,325	1,192	1,287
Shares and other equity	4,785	5,333	5,269	5,905	11,754	11,552	12,065
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts receivable	1,053	1,758	2,734	1,948	2,254	2,727	3,489

[1] Including the international banking institutions.

[2] Including the subsidiary holding corporations.

Table 1.21 Non-consolidated financial accounts of the Maltese economy *(liabilities)*

EUR millions

Issuing sectors broken down by financial instrument	2006	2007	2008	2009	2010	2011	2012
Total economy	**86,008**	**102,766**	**113,263**	**113,901**	**133,609**	**136,381**	**142,523**
Currency	1,134	630	671	721	747	798	814
Deposits	23,965	31,551	39,137	38,493	41,515	42,547	43,875
Debt securities	15,873	14,962	14,447	17,045	20,753	22,916	26,207
Loans	25,355	33,958	36,357	33,476	39,760	38,863	38,485
Shares and other equity	13,427	14,029	13,637	15,462	21,584	21,415	22,115
Insurance technical reserves	1,021	1,198	1,222	1,423	1,623	1,678	1,821
Other accounts payable	5,232	6,437	7,792	7,281	7,628	8,164	9,207
Net Financial Assets/Liabilities	*42*	*50*	*17*	*110*	*115*	*118*	*120*
Financial corporations[1]	**35,777**	**43,408**	**47,699**	**47,604**	**56,356**	**57,061**	**59,421**
Currency	1,113	610	629	673	701	738	758
Deposits	20,865	26,683	33,428	32,557	40,573	41,499	42,845
Debt securities	143	221	506	478	612	752	865
Loans	6,289	7,969	5,040	5,176	52	57	70
Shares and other equity	5,997	5,777	5,436	6,667	12,221	11,797	12,462
Insurance technical reserves	1,021	1,198	1,222	1,423	1,623	1,678	1,821
Other accounts payable	349	950	1,437	629	574	541	600
Net Financial Assets/Liabilities	*-915*	*-842*	*-476*	*-327*	*-458*	*-381*	*47*
General government	**3,923**	**4,015**	**4,513**	**4,800**	**5,134**	**5,566**	**5,961**
Currency	-	8	31	37	41	46	50
Deposits	-	-	-	-	-	-	-
Debt securities	3,297	3,309	3,663	3,994	4,307	4,625	4,890
Loans	266	273	284	237	237	260	346
Shares and other equity	-	-	-	-	-	-	-
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	360	425	535	532	549	634	674
Net Financial Assets/Liabilities	*-2,413*	*-2,352*	*-2,903*	*-3,021*	*-3,192*	*-3,404*	*-3,499*
Non-financial corporations[2]	**15,533**	**17,357**	**18,757**	**20,219**	**21,800**	**22,755**	**22,623**
Currency	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Debt securities	507	550	522	690	776	757	750
Loans	6,404	7,056	7,963	8,929	9,747	10,152	9,863
Shares and other equity	5,839	6,626	6,820	7,094	7,510	7,870	7,824
Insurance technical reserves	-	1	-	-	-	-	-
Other accounts payable	2,783	3,124	3,453	3,507	3,766	3,976	4,185
Net Financial Assets/Liabilities	*-5,051*	*-5,529*	*-6,063*	*-6,140*	*-6,597*	*-6,555*	*-6,282*
Households and non-profit institutions	**3,415**	**3,749**	**4,147**	**4,561**	**4,820**	**5,047**	**5,164**
Currency	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Loans	2,636	2,977	3,308	3,649	3,884	4,092	4,262
Shares and other equity	-	-	-	-	-	-	-
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	779	771	839	912	936	955	902
Net Financial Assets/Liabilities	*9,762*	*9,774*	*9,668*	*10,243*	*10,788*	*10,864*	*11,510*
Rest of the world	**27,359**	**34,238**	**38,146**	**36,716**	**45,498**	**45,952**	**49,355**
Currency	21	12	10	10	5	14	6
Deposits	3,100	4,868	5,709	5,935	942	1,047	1,029
Debt securities	11,926	10,883	9,756	11,883	15,056	16,782	19,702
Loans	9,760	15,683	19,762	15,484	25,840	24,303	23,944
Shares and other equity	1,592	1,626	1,381	1,702	1,853	1,748	1,829
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	960	1,167	1,527	1,702	1,802	2,058	2,845
Net Financial Assets/Liabilities	*-1,342*	*-1,001*	*-209*	*-647*	*-426*	*-406*	*-1,656*

[1] Including the international banking institutions.

[2] Including the subsidiary holding corporations.

Government Finance

Table 2.1 General government revenue and expenditure[1]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	Current	Capital	Total	Current	Capital	Total		
2005	1,836.3	172.9	2,009.2	1,909.4	241.8	2,151.2	-142.1	35.8
2006	1,938.0	167.8	2,105.8	2,002.1	244.7	2,246.7	-140.9	38.8
2007	2,130.7	70.6	2,201.3	2,107.5	222.1	2,329.6	-128.4	52.9
2008	2,258.5	47.0	2,305.5	2,383.6	195.7	2,579.2	-273.7	-87.1
2009	2,248.9	63.8	2,312.7	2,348.2	183.5	2,531.7	-219.0	-35.6
2010	2,319.2	114.7	2,433.9	2,438.1	219.5	2,657.6	-223.7	-37.6
2011	2,465.7	117.7	2,583.4	2,554.0	213.0	2,767.0	-183.6	17.0
2012	2,592.2	150.5	2,742.7	2,722.5	244.9	2,967.4	-224.7	-11.4
2013	2,799.2	152.2	2,951.5	2,854.6	300.7	3,155.2	-203.8	13.4
2013								
Q1	645.8	21.8	667.6	686.7	88.1	774.9	-107.3	-51.3
Q2	684.1	32.1	716.2	701.5	50.1	751.6	-35.4	17.7
Q3	642.8	39.3	682.1	708.1	68.8	776.9	-94.7	-37.5
Q4	826.5	59.0	885.6	758.3	93.7	851.9	33.6	84.6
2014								
Q1	648.8	37.9	686.7	739.0	80.1	819.1	-132.4	-76.0

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2005	559.5	718.2	380.2	95.0	69.5	14.0	1,836.3	17.5	155.4	172.9	2,009.2	1,675.3
2006	609.8	759.3	389.8	96.8	63.5	18.9	1,938.0	14.7	153.2	167.8	2,105.8	1,773.4
2007	726.0	802.1	398.3	110.0	72.8	21.6	2,130.7	15.7	54.9	70.6	2,201.3	1,942.0
2008	742.8	833.3	432.0	153.4	70.4	26.6	2,258.5	15.1	31.9	47.0	2,305.5	2,023.1
2009	795.4	811.5	434.9	116.9	69.3	20.9	2,248.9	14.0	49.8	63.8	2,312.7	2,055.8
2010	807.8	846.5	456.5	102.7	84.4	21.3	2,319.2	14.7	100.0	114.7	2,433.9	2,125.5
2011	849.4	907.0	486.7	121.5	79.4	21.6	2,465.7	14.8	102.9	117.7	2,583.4	2,257.9
2012	934.9	918.2	504.3	111.9	89.9	33.0	2,592.2	16.1	134.4	150.5	2,742.7	2,373.6
2013	1,043.3	967.7	524.8	134.3	96.1	33.0	2,799.2	12.7	139.5	152.2	2,951.5	2,548.5
2013												
Q1	246.6	203.3	122.3	30.9	34.8	8.0	645.8	2.7	19.1	21.8	667.6	574.8
Q2	278.2	228.7	125.8	27.2	17.3	6.9	684.1	3.1	29.0	32.1	716.2	635.8
Q3	203.5	261.0	121.1	31.4	17.2	8.7	642.8	2.3	37.0	39.3	682.1	587.9
Q4	315.0	274.7	155.7	44.9	26.8	9.5	826.5	4.6	54.4	59.0	885.6	750.0
2014												
Q1	207.6	239.7	131.8	25.3	35.2	9.2	648.8	2.5	35.4	37.9	686.7	581.6

[1] Based on ESA95 methodology. Data are provisional.

[2] Deficit(-)/surplus(+) excluding interest paid.

[3] The fiscal burden comprises taxes and social security contributions.

Sources: Eurostat; NSO.

Table 2.3 General government expenditure by main components[1,2]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total [2]	
2005	668.3	642.7	177.8	238.2	101.2	81.2	1,909.4	227.7	48.7	241.8	2,151.2
2006	678.4	666.5	179.7	285.6	109.4	82.4	2,002.1	204.7	47.9	244.7	2,246.7
2007	706.9	718.6	181.3	295.8	112.1	92.9	2,107.5	206.0	43.2	222.1	2,329.6
2008	831.5	756.6	186.6	383.8	125.1	99.9	2,383.6	139.1	48.3	195.7	2,579.2
2009	830.3	809.4	183.4	347.8	64.0	113.2	2,348.2	137.2	58.8	183.5	2,531.7
2010	841.9	845.1	186.1	376.3	66.9	121.9	2,438.1	134.2	81.0	219.5	2,657.6
2011	871.4	882.7	200.6	414.6	65.1	119.6	2,554.0	166.1	50.4	213.0	2,767.0
2012	912.8	929.7	213.2	461.5	76.9	128.4	2,722.5	206.9	67.0	244.9	2,967.4
2013	970.9	969.2	217.2	452.2	80.3	164.9	2,854.6	201.8	92.8	300.7	3,155.2
2013											
Q1	237.1	230.5	56.0	110.7	17.6	34.8	686.7	41.3	47.2	88.1	774.9
Q2	240.5	255.3	53.0	101.3	16.8	34.7	701.5	44.6	5.9	50.1	751.6
Q3	248.6	241.5	57.2	106.8	22.4	31.6	708.1	52.1	14.3	68.8	776.9
Q4	244.6	241.9	50.9	133.5	23.5	63.8	758.3	63.9	25.4	93.7	851.9
2014											
Q1	255.5	251.6	56.5	106.7	21.3	47.4	739.0	57.9	20.7	80.1	819.1

[1] Based on ESA95 methodology. Data are provisional.

[2] Includes acquisitions less disposals of non-financial non-produced assets.

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2005	326.6	43.7	76.2	305.0	73.7	35.7	309.0	31.6	272.6	677.0	2,151.2
2006	348.0	37.1	75.9	310.4	82.0	37.1	325.6	29.1	287.0	714.5	2,246.7
2007	351.6	35.6	80.3	319.4	93.2	33.6	315.7	31.6	295.9	772.8	2,329.6
2008	398.6	38.1	86.1	434.5	94.4	40.2	322.9	36.4	311.7	816.3	2,579.2
2009	434.7	53.9	89.6	289.0	96.5	16.9	315.3	43.0	321.4	871.3	2,531.7
2010	404.0	50.4	92.4	299.3	128.4	17.4	346.7	50.0	362.3	906.6	2,657.6
2011	439.0	56.0	94.6	317.1	87.4	19.7	369.5	56.9	381.7	945.2	2,767.2
2012	456.5	50.7	102.2	357.0	100.5	28.0	397.7	63.4	405.4	1006.3	2,967.7

[1] Based on Classification of Functions of Government (COFOG). Data are provisional.

Sources: Eurostat; NSO.

Table 2.5 General government financial balance sheet[1]

EUR millions

Period	Financial assets						Financial liabilities					Net financial worth
	Currency and deposits	Securities other than shares	Loans	Shares and other equity	Other accounts receivable	Total	Currency and deposits	Securities other than shares	Loans	Other accounts payable	Total	
2005	399.1	0.0	29.2	1,117.8	218.3	1,764.4	0.0	3,420.9	300.5	332.0	4,053.4	-2,289.0
2006	431.9	0.0	26.4	842.6	208.0	1,509.0	0.0	3,297.4	265.5	359.0	3,921.9	-2,413.0
2007	487.9	0.0	27.5	836.1	309.7	1,661.2	8.3	3,308.6	272.8	424.1	4,013.9	-2,352.6
2008	476.6	0.0	32.8	739.8	361.7	1,610.9	31.2	3,662.9	284.1	535.3	4,513.4	-2,902.5
2009	577.6	0.0	29.5	797.8	377.0	1,781.9	37.2	3,994.2	237.4	531.6	4,800.5	-3,018.5
2010	589.2	0.0	63.1	855.5	440.1	1,947.9	41.0	4,307.5	237.4	549.9	5,135.8	-3,187.9
2011	656.0	0.0	147.9	843.8	522.0	2,169.7	45.8	4,625.0	260.2	638.8	5,569.8	-3,400.1
2012	427.5	0.0	268.1	1,100.0	701.4	2,497.0	50.4	4,889.6	345.9	704.5	5,990.5	-3,493.5
2013												
Mar.	545.3	0.0	279.8	1,104.2	757.5	2,686.7	50.8	5,242.7	350.7	671.8	6,316.1	-3,629.3
June	616.5	0.0	300.5	1,117.8	792.3	2,827.1	52.3	5,370.1	365.4	729.8	6,517.7	-3,690.5
Sep.	662.6	0.0	304.2	1,138.4	770.4	2,875.6	54.3	5,486.0	368.6	713.6	6,622.4	-3,746.8
Dec.	415.1	0.0	313.9	1,160.6	758.2	2,647.8	55.3	5,294.1	375.9	654.1	6,379.5	-3,731.6
2014												
Mar.	419.5	0.0	304.6	1,156.2	853.3	2,733.7	55.0	5,613.0	377.3	589.8	6,635.1	-3,901.5

[1] Based on ESA95 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

Table 2.6 General government deficit-debt adjustment[1,2]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment: Transactions in main financial assets: Currency and deposits	Loans	Debt securities	Shares and other equity	Valuation effects and other changes in volume	Other[2]	Total
2005	106.0	-142.1	93.0	-0.1	0.0	-55.4	-23.4	-50.0	-36.0
2006	-101.7	-140.9	67.3	-2.8	0.0	-219.4	-1.2	-86.7	-242.7
2007	131.4	-128.4	60.3	1.1	0.0	-32.1	-7.8	-18.3	3.0
2008	247.5	-273.7	-5.9	5.3	0.0	-5.1	20.3	-40.9	-26.3
2009	330.0	-219.0	135.8	-3.3	0.0	-0.9	-1.0	-19.6	111.0
2010	295.1	-223.7	52.1	33.5	0.0	-0.8	0.2	-13.7	71.4
2011	349.6	-183.6	70.3	84.8	0.0	16.1	5.1	-10.3	165.9
2012	264.0	-224.7	-231.5	120.2	0.0	44.0	-0.7	107.3	39.3
2013	371.9	-203.8	-9.1	45.8	0.0	23.2	1.8	106.3	168.1
2013									
Q1	300.0	-107.3	119.0	11.7	0.0	-1.6	-4.8	68.4	192.7
Q2	124.4	-35.4	73.3	20.7	0.0	11.9	3.8	-20.7	89.0
Q3	113.4	-94.7	46.1	3.7	0.0	0.3	-2.6	-28.8	18.7
Q4	-165.8	33.6	-247.4	9.8	0.0	12.7	5.4	87.4	-132.2
2014									
Q1	257.2	-132.4	4.3	-9.4	0.0	-4.4	-2.5	136.7	124.8

[1] Based on ESA95 methodology. Data are provisional.
[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities: Short-term	Debt securities: Long-term	Debt securities: Total	Loans: Short-term	Loans: Long-term	Loans: Total	Total general government debt[1]	Government guaranteed debt[2]
2005	-	443.1	2,614.4	3,057.5	76.8	221.1	297.9	3,355.3	612.4
2006	-	373.8	2,617.4	2,991.2	24.5	238.0	262.4	3,253.6	555.1
2007	8.3	354.9	2,753.3	3,108.3	31.0	237.5	268.5	3,385.1	602.8
2008	31.2	365.8	2,954.4	3,320.2	70.4	210.7	281.1	3,632.5	684.8
2009	37.2	474.1	3,216.4	3,690.5	34.8	200.1	234.9	3,962.6	857.8
2010	41.0	377.8	3,603.6	3,981.4	40.7	194.7	235.4	4,257.7	991.1
2011	45.8	257.1	4,046.3	4,303.5	51.3	206.6	257.9	4,607.3	1,068.9
2012	50.4	154.1	4,322.8	4,476.9	79.0	264.9	343.9	4,871.2	1,186.0
2013									
Mar.	50.8	288.6	4,483.1	4,771.7	77.7	270.9	348.6	5,171.2	1,190.5
June	52.3	335.9	4,543.1	4,879.0	80.1	284.1	364.2	5,295.5	1,185.4
Sep.	54.3	422.7	4,564.7	4,987.3	80.0	287.3	367.3	5,408.9	1,197.7
Dec.	55.3	248.1	4,565.6	4,813.7	83.2	290.9	374.1	5,243.1	1,192.8
2014									
Mar.	55.0	367.2	4,702.5	5,069.7	84.6	290.9	375.5	5,500.3	1,153.6

[1] In line with the Maastricht criterion, which defines general government debt as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. Data are provisional.
[2] Represents outstanding balances on general government guaranteed debt.
Sources: Eurostat; NSO.

Table 2.8 Treasury bills issued and outstanding[1]

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding[2] and held by		
		OMFIs[3]	Others[4]	Total	MFIs	Others[4]	Total
2005	1,204.7	831.0	245.3	1,076.3	351.5	91.5	443.0
2006	992.0	522.5	400.2	922.7	249.7	124.2	373.9
2007	1,129.5	823.7	287.0	1,110.7	278.6	76.3	354.9
2008	1,018.9	349.2	683.4	1,032.6	126.4	239.5	365.8
2009	1,516.6	1,033.9	591.0	1,624.8	327.3	146.8	474.1
2010	1,341.6	1,091.7	153.2	1,245.2	319.9	57.9	377.8
2011	1,004.8	839.9	45.1	885.0	224.0	33.9	257.9
2012							
Jan.	98.1	56.9	0.0	56.9	195.7	20.9	216.7
Feb.	67.3	48.4	1.1	49.4	171.3	27.5	198.8
Mar.	18.8	33.3	3.8	37.1	175.3	41.8	217.1
Apr.	70.1	76.4	0.5	76.9	181.3	42.5	223.9
May	32.4	68.7	1.4	70.0	215.5	46.0	261.5
June	34.6	26.3	2.9	29.2	210.1	46.0	256.1
July	101.6	121.1	1.2	122.3	223.4	53.4	276.7
Aug.	93.0	107.0	1.3	108.4	234.4	57.7	292.1
Sep.	52.8	80.3	0.8	81.1	264.4	56.0	320.4
Oct.	99.0	36.1	0.1	36.2	210.6	47.0	257.5
Nov.	132.7	122.4	6.4	128.8	206.3	47.3	253.6
Dec.	148.5	41.5	2.6	49.1	124.0	30.1	154.1
2013							
Jan.	63.5	179.1	0.6	179.7	227.5	42.8	270.3
Feb.	4.1	25.9	2.0	27.9	248.5	45.6	294.1
Mar.	51.8	46.3	0.0	46.3	251.8	37.3	288.6
Apr.	98.1	101.8	0.0	101.8	247.5	44.8	292.3
May	22.3	71.0	8.2	79.2	299.5	49.7	349.2
June	49.8	36.5	0.0	36.5	289.5	46.4	335.9
July	129.8	74.1	0.0	74.1	236.5	43.7	280.2
Aug.	64.8	176.4	0.4	176.8	340.0	52.2	392.2
Sep.	66.5	96.9	0.0	96.9	366.0	56.7	422.7
Oct.	98.4	120.2	0.0	120.2	384.0	60.5	444.5
Nov.	212.1	96.0	0.0	96.0	284.5	43.9	328.4
Dec.	166.9	86.3	0.4	86.7	217.0	31.1	248.1
2014							
Jan.	69.0	106.5	0.0	106.5	259.0	26.7	285.7
Feb.	13.0	91.0	0.0	91.0	314.5	49.2	363.7
Mar.	67.7	71.2	0.0	71.2	315.0	52.2	367.2

[1] Amounts are at nominal prices.
[2] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).
[3] As from December 2008, issues in the primary market taken up by money market funds were reclassified from 'Others' to 'OMFIs'.
[4] Includes the Malta Government sinking fund.
Sources: Central Bank of Malta; The Treasury.

Table 2.9 Treasury bills issued and outstanding[1] *(as at end-March 2014)*

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding[4]
				OMFIs[2]	Others[3]	MFIs	Others[3]	
04/Oct/2013	04/Apr/2014	0.608	0.298	17.5	0.0	9.5	8.0	17.5
10/Jan/2014	11/Apr/2014	0.320	0.306	5.0	0.0	5.0	0.0	5.0
11/Oct/2013	11/Apr/2014	0.570	0.306	2.0	0.0	2.0	0.0	2.0
17/Jan/2014	17/Apr/2014	0.315	0.311	36.0	0.0	33.0	3.0	36.0
24/Jan/2014	25/Apr/2014	0.317	0.320	29.0	0.0	20.5	8.5	29.0
02/Aug/2013	02/May/2014	0.645	0.325	35.0	0.0	30.0	5.0	35.0
07/Feb/2014	09/May/2014	0.362	0.330	19.0	0.0	17.0	2.0	19.0
09/Aug/2013	09/May/2014	0.663	0.330	25.0	0.0	25.0	0.0	25.0
14/Feb/2014	16/May/2014	0.365	0.335	7.0	0.0	6.0	1.0	7.0
21/Feb/2014	23/May/2014	0.397	0.340	6.0	0.0	6.0	0.0	6.0
28/Feb/2014	30/May/2014	0.360	0.346	1.0	0.0	1.0	0.0	1.0
07/Mar/2014	06/Jun/2014	0.390	0.351	13.5	0.0	13.5	0.0	13.5
06/Sep/2013	06/Jun/2014	0.599	0.351	3.0	0.0	3.0	0.0	3.0
14/Mar/2014	13/Jun/2014	0.379	0.356	5.5	0.0	5.5	0.0	5.5
21/Mar/2014	20/Jun/2014	0.365	0.361	1.0	0.0	1.0	0.0	1.0
20/Dec/2013	20/Jun/2014	0.436	0.361	9.0	0.0	9.0	0.0	9.0
28/Mar/2014	27/Jun/2014	0.366	0.366	1.2	0.0	0.5	0.7	1.2
25/Oct/2013	25/Jul/2014	0.604	0.442	5.5	0.0	5.5	0.0	5.5
31/Jan/2014	01/Aug/2014	0.544	0.461	22.5	0.0	22.5	0.0	22.5
07/Feb/2014	08/Aug/2014	0.636	0.480	27.0	0.0	21.0	6.0	27.0
14/Feb/2014	14/Aug/2014	0.642	0.496	13.5	0.0	7.0	6.5	13.5
21/Feb/2014	22/Aug/2014	0.681	0.518	14.0	0.0	6.0	8.0	14.0
28/Feb/2014	29/Aug/2014	0.690	0.537	3.5	0.0	3.5	0.0	3.5
12/Dec/2013	12/Sep/2014	0.584	0.575	10.5	0.0	10.5	0.0	10.5
21/Mar/2014	19/Sep/2014	0.675	0.594	26.5	0.0	25.0	1.5	26.5
28/Mar/2014	26/Sep/2014	0.640	0.613	23.5	0.0	21.5	2.0	23.5
03/Jan/2014	03/Oct/2014	0.520	0.616	3.0	0.0	3.0	0.0	3.0
10/Jan/2014	10/Oct/2014	0.500	0.619	2.0	0.0	2.0	0.0	2.0
Total				367.2	0.0	315.0	52.2	367.2

[1] Amounts are at nominal prices.

[2] OMFIs include the money market funds.

[3] Includes the Malta Government sinking fund.

[4] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).

Sources: Central Bank of Malta; The Treasury.

Government Finance

Table 2.10 Malta government long-term debt securities outstanding[1] *(as at end-March 2014)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by		Amount
						MFIs[6]	Others	
6.45	2014 (II)[4]	2001	100	0.73	24/05 - 24/11	42.7	27.2	69.9
5.10	2014 (III)[4]	03/04/06/07/08	100/103.25/103.64/ 105.5	0.47	06/01 - 06/07	60.0	179.0	238.9
7.00	2014 (IV)[3]	2004	100	0.75	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	0.76	10/06 - 10/12	37.2	32.7	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	0.76	09/04 - 09/10	40.5	76.0	116.5
7.00	2015 (III)[3]	27/06/1905	100	0.78	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	0.78	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI)[4]	2010	100	0.77	03/06 - 03/12	48.7	82.9	131.5
6.65	2016 (I)[4]	2001	100	0.83	28/03 - 28/09	12.0	57.9	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	1.02	26/05 - 26/11	78.0	108.3	186.4
7.00	2016 (III)[3]	2006	100	1.05	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[3]	2011	100.93	0.94	16/02 - 16/08	133.1	25.1	158.1
3.75	2017 (IV)[4]	2012	102	1.27	20/02 - 20/08	44.3	27.6	72.0
7.00	2017 (I)[3]	2007	100	1.40	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	1.40	30/06 - 30/12	0.0	10.3	10.3
4.25	2017 (III)[4]	11/12	100/100.75/104.97/ 103.75/104.01	1.35	06/05 - 06/11	163.5	100.3	263.9
3.85	2018 (V)[4]	2012	105.26	1.52	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	1.62	15/01 - 15/07	77.6	85.5	163.1
7.00	2018 (II)[3]	2008	100	1.81	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	1.81	30/06 - 30/12	0.0	6.5	6.5
3.20	2019 (V)[4]	2013	105.12	2.00	31/01 - 31/07	66.5	17.3	83.7
3.20	2019 (V) FI R[4]	2014	105.50	2.00	31/01 - 31/07	0.0	1.2	1.2
3.20	2019 (V) FI I[4]	2014	106.06	2.00	31/01 - 31/07	6.0	0.0	6.0
6.60	2019 (I)	1999	100	2.03	01/03 - 01/09	45.6	56.9	102.5
3.00	2019 (III)	2013	100	2.05	22/03 - 22/09	82.1	40.4	122.5
7.00	2019 (II)[3]	2009	100	2.11	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	2.24	10/06 - 10/12	12.0	40.4	52.4
4.60	2020 (II)[4]	2009	100	2.21	25/04 - 25/10	61.0	97.3	158.3
3.35	2020 (IV)[4]	2013	105.06	2.28	31/01 - 31/07	64.0	0.0	64.0
7.00	2020 (III)[3]	2010	100	2.39	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	2.56	08/02 - 08/08	159.3	299.5	458.8
7.00	2021 (II)[4]	2011	100	2.66	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[4]	2011	100	2.66	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	2.81	16/02 - 16/08	11.3	59.8	71.0
4.30	2022 (II)[4]	2012	100.31	2.75	15/05 - 15/11	127.1	113.1	240.2
7.00	2022 (III)[3]	2012	100	2.88	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	2.98	06/01 - 06/07	20.4	58.4	78.8
7.00	2023 (II)[3]	2013	100	3.08	18/05 - 18/11	0.0	2.4	2.4
3.30	2024 (I)[4] R	2014	100.25	3.18	12/05 - 12/11	0.0	21.5	21.6
3.30	2024 (I)[4] I	2014	101	3.18	12/05 - 12/11	0.0	2.5	2.5
4.80	2028 (I)	2012	101.04	4.05	11/03 - 11/09	24.2	82.8	107.0
4.50	2028 (II)	2013	100	4.06	25/04 - 25/10	45.9	240.7	286.7
5.10	2029 (I)[4]	2012	101.12/101	4.12	01/04 - 01/10	16.8	62.3	79.1
5.25	2030 (I)[4]	2010	100	4.18	23/06 - 23/12	116.3	323.9	440.2
5.20	2031 (I)[4] I	2011	102.88	4.30	16-03 - 16/09	29.7	171.7	201.3
4.65	2032 (I)[4] R	2013	103.03	4.38	22/01 - 22/07	15.5	124.9	140.5
4.45	2032 (II)[3] R	2014	100.25	4.39	03/03 - 03/09	0.0	128.7	128.7
F.R. 6-mth Euribor[7]	2014 (V)[4]	2011	100.28	0.766[8], 34.21[9]	23/05 - 23/11	24.0	0.0	24.0
F.R. 6-mth Euribor[7]	2015 (V)[4]	2009	100	1.700[8], 2.18[9]	25/04 - 25/10	13.5	16.3	29.8
F.R. 6-mth Euribor[7]	2017 (V)[4]	2012	100.2	1.287[8], 62.65[9]	05/03 - 05/09	25.0	0.0	25.0
F.R. 6-mth Euribor[7]	2018 (IV)[4]	2012	99.33	1.487[8], 83.42[9]	05/03 - 05/09	30.5	0.9	31.4
F.R. 6-mth Euribor[7]	2018 (VI)[4]	2013	100.09	1.320[8], 84.29[9]	25/03 - 25/09	26.3	12.7	39.0
F.R. 6-mth Euribor[7]	2019 (IV)[4]	2013	100.31	1.420[8], 99.79[9]	25/03 - 25/09	34.8	6.0	40.8
Total						1,911.3	2,835.0	4,746.3

[1] Amounts are at nominal prices.

[2] The price for new issues prior to 2008 is denominated in Maltese lira.

[3] Coupons are reviewable every two years and will be set one percentage point less than the normal maximum lending rate allowed at law subject to a minimum of 7%. Redemption proceeds are payable at €110 per €100 nominal.

[4] Fungible issue, that is, the Accountant General reserves the right to issue, in future, additional amounts of the present stock. In the event of such future issues, these would be amalgamated with the existing stock.

[5] ISMA yields are based on secondary market prices. Securities not available for trading by the end of the reference period are denoted as not available (N/A).

[6] Comprising of Resident of Malta MFIs.

[7] Floating Rate (F.R.) MGS linked to the six-month Euribor plus a fixed spread until maturity (quoted margin). The interest rate will be reset semi-annually in accordance with the applicable six-month Euribor rate in effect two business days prior to relative coupon period each year. Interest for each period and accrued interest will be calculated on an Actual/360 day basis. The formula for Simple Margin calculation = Spread + [(100/Clean Price) x (100-Clean Price) / Maturity in Yrs)].

[8] Consists of the reset coupon expressed as a percentage per annum.

[9] Consists of the simple margin expressed in basis points.

Sources: Central Bank of Malta; MSE.

Table 2.11 Malta government long-term debt securities outstanding by remaining term to maturity[1]

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
2007	93.2	1,037.4	889.6	662.5	78.8	2,761.4
2008	208.2	969.7	1,115.7	668.9	0.0	2,962.5
2009	191.1	1,552.8	774.4	705.8	0.0	3,224.2
2010	128.4	1,810.9	767.9	608.7	295.5	3,611.5
2011	439.0	1,705.8	1,194.5	149.9	565.0	4,054.2
2012	370.3	1,650.1	1,424.8	78.8	827.7	4,351.6
2013						
Mar.	387.5	1,625.6	1,469.4	78.8	982.7	4,544.0
June	274.9	1,747.1	1,386.3	78.8	1,114.3	4,601.4
Sep.	244.9	1,980.5	1,311.4	107.0	1,007.3	4,651.1
Dec.	361.3	1,500.6	1,494.3	393.7	861.1	4,610.9
2014						
Mar.	336.8	1,541.3	1,460.7	417.7	989.8	4,746.3

[1] Calculations are based on the maximum redemption period of each stock. With respect to the quarterly statistics in this table, the remaining term to maturity classification is applicable as from the end of the reference quarter.

Sources: Central Bank of Malta; MSE.

Table 2.12 General government external loans by currency[1] and remaining term to maturity[2]

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009[3]	1.7	98.9	0.0	1.0	0.0	0.7	102.3
2010[3]	0.5	85.6	0.0	0.9	0.0	0.7	87.7
2011[3]	1.3	87.6	0.0	0.7	0.0	0.5	90.1
2012[3]	0.3	196.8	0.0	0.5	0.1	0.2	197.9
2013[3]	0.0	216.6	0.0	0.4	0.0	0.2	217.2
2013[3]							
Mar.	0.3	198.7	0.0	0.6	0.1	0.2	199.8
June	0.0	215.9	0.0	0.5	0.0	0.2	216.6
Sep.	0.0	215.9	0.0	0.4	0.0	0.2	216.6
Dec.	0.0	216.6	0.0	0.4	0.0	0.2	217.2
2014[3]							
Mar.	0.0	222.8	0.0	0.4	0.0	0.2	223.4

[1] Converted into euro using the ECB official rate as at end of reference period.

[2] Including external loans of extra budgetary units. Short-term maturity refers to loans falling due within one year from the end of the reference quarter, whereas long-term maturity refers to loans falling due after more than one year from the end of the reference quarter.

[3] Provisional.

Exchange Rates, External Transactions and Positions

Table 3.1a Euro exchange rates against the major currencies[1] *(end of period)*

Period	USD	GBP	JPY	CHF	AUD	CAD
2005	1.1797	0.6853	138.90	1.5551	1.6109	1.3725
2006	1.3170	0.6715	156.93	1.6069	1.6691	1.5281
2007	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2008	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
2009	1.4406	0.8881	133.16	1.4836	1.6008	1.5128
2010	1.3362	0.8608	108.65	1.2504	1.3136	1.3322
2011	1.2939	0.8353	100.20	1.2156	1.2723	1.3215
2012	1.3194	0.8161	113.61	1.2072	1.2712	1.3137
2013						
Jan.	1.3550	0.8570	123.32	1.2342	1.3009	1.3577
Feb.	1.3129	0.8630	121.07	1.2209	1.2809	1.3461
Mar.	1.2805	0.8456	120.87	1.2195	1.2308	1.3021
Apr.	1.3072	0.8443	127.35	1.2238	1.2649	1.3213
May	1.3006	0.8537	130.47	1.2406	1.3540	1.3434
June	1.3080	0.8572	129.39	1.2338	1.4171	1.3714
July	1.3275	0.8735	130.00	1.2317	1.4725	1.3669
Aug.	1.3235	0.8540	130.01	1.2310	1.4820	1.3936
Sep.	1.3505	0.8361	131.78	1.2225	1.4486	1.3912
Oct.	1.3641	0.8502	133.99	1.2333	1.4353	1.4251
Nov.	1.3611	0.8328	139.21	1.2298	1.4934	1.4394
Dec.	1.3791	0.8337	144.72	1.2276	1.5423	1.4671
2014						
Jan.	1.3516	0.8214	138.13	1.2220	1.5516	1.5131
Feb.	1.3813	0.8263	140.63	1.2153	1.5414	1.5357
Mar.	1.3788	0.8282	142.42	1.2194	1.4941	1.5225

[1] Denote units of currency per one euro.

Source: ECB.

Table 3.1b Euro exchange rates against the major currencies ***(averages for the period)***[1]

Period	USD	GBP	JPY	CHF	AUD	CAD
2005	1.2441	0.6838	136.85	1.5483	1.6320	1.5087
2006	1.2556	0.6817	146.02	1.5729	1.6668	1.4237
2007	1.3705	0.6843	161.25	1.6427	1.6348	1.4678
2008	1.4708	0.7963	152.45	1.5874	1.7416	1.5594
2009	1.3948	0.8909	130.34	1.5100	1.7727	1.5850
2010	1.3257	0.8578	116.24	1.3803	1.4423	1.3651
2011	1.3920	0.8679	110.96	1.2326	1.3484	1.3761
2012	1.2848	0.8109	102.49	1.2053	1.2407	1.2842
2013	1.3281	0.8493	129.66	1.2311	1.3777	1.3684
2013						
Jan.	1.3288	0.8327	118.34	1.2288	1.2658	1.3189
Feb.	1.3359	0.8625	124.40	1.2298	1.2951	1.3477
Mar.	1.2964	0.8600	122.99	1.2266	1.2537	1.3285
Apr.	1.3026	0.8508	127.54	1.2199	1.2539	1.3268
May	1.2982	0.8491	131.13	1.2418	1.3133	1.3257
June	1.3189	0.8519	128.40	1.2322	1.3978	1.3596
July	1.3080	0.8619	130.39	1.2366	1.4279	1.3619
Aug.	1.3310	0.8590	130.34	1.2338	1.4742	1.3853
Sep.	1.3348	0.8417	132.41	1.2338	1.4379	1.3817
Oct.	1.3635	0.8472	133.32	1.2316	1.4328	1.4128
Nov.	1.3493	0.8378	134.97	1.2316	1.4473	1.4145
Dec.	1.3704	0.8364	141.68	1.2245	1.5243	1.4580
2014						
Jan.	1.3610	0.8267	141.47	1.2317	1.5377	1.4884
Feb.	1.3658	0.8251	139.35	1.2212	1.5222	1.5094
Mar.	1.3823	0.8317	141.48	1.2177	1.5217	1.5352

[1] Calculated on the arithmetic mean of the daily ECB reference exchange rates.

Source: ECB.

Table 3.2 Balance of payments - current, capital and financial accounts *(transactions)*

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		Credit	Debit
2005[1]	2,083.2	2,987.5	1,617.2	969.5	973.9	1,173.5	277.5	241.6	-420.4	165.9	10.2
2006[1]	2,575.5	3,541.1	2,049.3	1,407.7	1,462.4	1,636.2	417.0	423.4	-504.1	158.3	5.6
2007[1]	2,699.8	3,623.7	2,439.0	1,584.7	1,973.6	2,098.4	640.1	668.6	-222.8	75.5	6.8
2008[1]	2,526.0	3,759.7	2,929.2	1,825.2	2,212.8	2,374.3	902.6	909.1	-297.8	32.4	11.6
2009[1]	2,030.2	3,127.9	2,817.5	1,836.4	1,653.4	2,088.7	1,428.3	1,387.9	-511.6	80.8	9.1
2010[1]	2,607.0	3,793.9	3,246.8	2,095.9	1,633.9	2,060.5	1,295.2	1,255.4	-422.9	150.0	25.6
2011[1]	2,924.8	4,069.9	3,566.4	2,231.9	1,657.8	2,000.9	892.8	863.0	-123.9	98.9	21.8
2012[1]	3,292.1	4,298.2	3,771.3	2,327.4	1,841.9	2,284.1	949.3	884.9	60.1	141.4	6.8
2013[1]	2,945.6	3,967.2	3,786.1	2,326.7	1,662.6	2,104.8	932.4	862.7	65.3	136.2	6.7
2013[1]											
Q1	749.6	996.9	793.2	559.3	432.5	560.1	259.1	235.3	-117.3	18.5	1.8
Q2	692.5	936.1	965.9	584.7	413.5	520.7	228.2	205.9	52.7	29.7	1.6
Q3	792.4	1,116.8	1,151.5	608.6	425.6	488.5	214.3	206.9	162.9	36.8	1.6
Q4	711.1	917.4	875.6	574.0	391.0	535.5	230.9	214.6	-33.0	51.2	1.6
2014[1]											
Q1	643.1	927.2	807.5	557.8	368.3	410.0	226.3	212.7	-62.6	30.7	1.8

EUR millions

Period	Financial account [1]										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2005[2]	16.6	543.5	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	299.8	-35.1
2006[2]	-23.8	1,469.6	-1,965.1	-15.3	40.5	-15.6	-3,291.2	4,199.4	-83.0	315.5	36.0
2007[2]	-5.0	557.0	366.0	-0.2	-127.9	251.1	-7,617.8	7,101.8	-326.5	198.6	-44.4
2008[2]	-312.0	644.0	201.6	167.0	27.9	-372.2	-4,416.4	4,170.2	108.7	218.7	58.3
2009[2]	-98.2	296.3	-1,906.6	-25.7	-6.7	-112.1	4,093.2	-2,253.4	-2.4	-15.6	455.5
2010[1]	-98.1	697.8	-3,212.0	1.8	-40.0	67.8	550.9	1,769.1	-23.6	-286.3	584.7
2011[1]	-2.8	200.4	-3,104.0	-0.4	-13.3	37.6	1,497.1	1,062.9	52.9	-269.7	316.5
2012[1]	35.6	70.0	-1,611.7	11.0	-19.1	44.4	20.2	1,033.2	-121.4	-537.8	343.1
2013[2]	13.9	-1,574.7	-2,358.1	61.1	-103.0	25.8	1,110.5	2,706.2	38.8	-79.4	-115.4
2013[2]											
Q1	-5.2	-53.5	-481.7	45.7	24.0	-12.0	-933.6	1,330.1	45.8	-40.4	141.0
Q2	20.5	111.5	-1,754.8	2.7	20.1	5.0	165.5	1,438.3	15.2	23.9	-104.7
Q3	-0.1	188.4	-1,751.2	10.2	-159.2	59.3	-697.0	2,114.2	0.9	-234.4	36.3
Q4	-1.3	-1,821.1	1,629.6	2.5	12.1	-26.5	2,575.7	-2,176.4	-23.1	171.5	-188.0
2014[2]											
Q1	86.8	-1,267.4	-1,306.2	3.8	-2.7	59.0	1,720.9	898.3	-263.6	-71.1	104.8

[1] A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.

[2] Provisional.

Source: NSO.

Table 3.3 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets[2]	
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
2012[3]	12.0	106.1	55.8	81.7	271.2	6.9	533.8
2013[3]							
July	12.7	102.0	58.4	7.2	246.9	0.3	427.6
Aug.	13.4	102.4	57.9	17.5	246.9	4.0	442.0
Sep.	12.6	101.7	57.5	13.4	242.8	5.8	433.7
Oct.	12.4	100.9	57.0	8.6	241.3	4.8	425.0
Nov.	11.6	100.9	57.1	49.3	233.8	1.1	453.9
Dec.	11.1	100.1	57.7	32.2	230.0	4.3	435.4
2014[3]							
Jan.	11.7	101.5	58.5	51.5	268.8	-2.3	489.7
Feb.	12.2	100.3	57.7	26.9	284.6	3.4	485.1
Mar.	11.9	100.3	57.7	236.6	284.8	3.3	694.6

[1] From 2008, official reserve assets correspond to the eurosystem definition of reserves which excludes holdings denominated in euro and/or vis-à-vis euro area residents. These re-classified assets will appear elsewhere in the financial statement of the Central Bank of Malta.

[2] Comprising net gains or losses on financial derivatives.

[3] Provisional.

Table 3.4 International investment position (IIP) - *(end of period amounts)*

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2005[1]	840.5	3,645.5	10,053.9	413.0	42.3	44.2	9,595.9	16,839.5	2,188.9	1,779.4
2006[1]	866.9	4,954.9	11,371.0	408.1	34.4	49.3	12,290.1	19,969.4	2,240.6	1,421.3
2007[1]	838.3	5,537.5	10,694.7	406.9	106.8	79.1	19,498.0	26,563.8	2,561.4	1,111.9
2008[1]	900.2	5,704.0	10,188.1	551.0	276.8	281.7	25,890.5	30,709.6	268.3	277.6
2009[1]	1,212.2	6,287.5	12,441.5	502.1	138.2	177.8	21,677.1	28,126.0	373.7	749.2
2010[1]	1,286.2	12,173.3	15,577.4	506.2	217.3	307.6	26,987.9	30,961.1	404.9	525.6
2011[1]	1,081.3	12,024.3	17,169.4	472.0	301.4	377.3	25,702.3	31,323.7	395.9	452.9
2012[1]	1,118.3	12,605.1	20,040.0	458.9	302.9	455.1	25,531.8	32,421.3	533.8	1,586.4
2013[1]										
Mar.	1,127.9	12,500.8	20,524.1	528.6	272.1	434.0	26,732.6	34,207.3	486.7	1,472.6
June	1,098.4	11,763.7	21,039.8	532.2	228.5	379.9	25,919.2	34,650.8	449.3	1,408.6
Sep.	1,110.5	11,731.6	21,797.5	530.5	364.3	412.5	26,169.2	35,533.5	433.7	1,667.1
Dec.	1,111.9	9,613.2	19,688.0	528.9	343.0	358.5	23,300.8	32,664.1	435.4	1,714.4

[1] Provisional.

Source: NSO.

Table 3.5a Gross external debt by sector, maturity and instrument[1]

EUR millions

	2009[2]	2010[2]	2011[2]	2012[2]	2013[2]	2014[2] Mar.
General Government	393.8	376.7	420.5	592.8	652.6	603.0
Short-term	193.4	185.1	222.4	276.8	265.3	213.2
Money market instruments	31.4	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	162.0	185.1	222.4	276.8	265.3	213.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	200.4	191.6	198.1	316.0	387.3	389.8
Bonds and notes	98.1	103.9	106.6	116.9	162.9	165.5
Loans	102.3	87.7	90.1	197.9	223.5	223.5
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	1.4	1.1	0.9	0.8
Monetary Authorities	826.3	1,228.9	426.0	206.0	674.6	1,014.3
Short-term	826.3	1,228.9	426.0	206.0	674.6	1,014.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits (incl. repos)	826.3	1,228.9	426.0	206.0	674.6	1,013.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.5
Long-term	0.0	0.0	0.0	0.0	0.0	0.0
OMFIs[3]	25,835.3	28,068.4	29,077.6	30,059.4	29,595.0	29,998.1
Short-term	20,616.8	21,558.3	22,525.7	24,315.0	24,747.2	25,552.8
Money market instruments	3.4	0.0	0.0	0.0	0.0	0.0
Loans	7,299.9	4,753.7	6,865.8	6,687.6	7,027.2	7,318.6
Currency and deposits	13,181.4	16,623.0	15,544.7	17,499.2	17,422.4	17,863.0
Other debt liabilities	132.1	181.6	115.2	128.2	297.6	371.1
Long-term	5,218.5	6,510.1	6,551.9	5,744.4	4,847.8	4,445.3
Bonds and notes	13.9	14.9	4.0	4.5	6.8	9.3
Loans	5,111.1	6,495.2	6,548.0	5,739.8	4,841.0	4,436.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	93.4	0.0	0.0	0.0	0.0	0.0
Other Sectors[4]	1,426.0	1,618.2	1,728.8	1,901.7	2,124.7	2,209.1
Short-term	726.6	864.3	958.1	1,144.0	1,363.1	1,439.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	30.7	14.1	18.3	25.7	32.2	32.1
Currency and deposits	112.0	112.9	123.2	133.8	144.4	147.0
Trade credits	583.9	737.4	816.6	984.5	1,186.5	1,260.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	699.4	753.9	770.7	757.7	761.6	769.8
Bonds and notes	210.6	212.4	218.6	217.1	213.2	216.4
Loans	453.7	527.7	542.1	524.9	523.5	530.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	35.0	13.8	10.0	15.7	24.9	23.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,485.0	1,714.0	1,981.1	2,428.7	2,823.7	2,908.1
Debt liabilities to affiliated enterprises	92.8	112.5	129.0	139.4	158.7	165.7
Debt liabilities to direct investors	1,392.2	1,601.5	1,852.1	2,289.3	2,665.0	2,742.4
Gross External Debt	**29,966.5**	**33,006.2**	**33,634.0**	**35,188.6**	**35,870.6**	**36,732.7**
of which: OMFIs	**25,835.3**	**28,068.4**	**29,077.6**	**30,059.4**	**29,595.0**	**29,998.1**
Gross External Debt excluding OMFIs' debt liabilities	**4,131.2**	**4,937.8**	**4,556.4**	**5,129.2**	**6,275.6**	**6,734.6**

[1] Gross external debt illustrates only a fraction of the overall International Investment Position of Malta with other countries. Gross external debt data do not comprise Malta's claims vis-à-vis other countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found in Table 3.4. Moreover, Malta's net external debt position is shown in Table 3.5b.

[2] Provisional.

[3] The debt of the OMFIs is fully backed by foreign assets.

[4] Comprising the non-monetary financial institutions, insurance companies, non-financial corporations, households and NPISH.

Table 3.5b Net external debt by sector, maturity and instrument[1]

EUR millions

	2009[2]	2010[2]	2011[2]	2012[2]	2013[2]	2014[2] Mar.
General Government	369.0	288.3	294.8	246.4	259.3	248.4
Short-term	168.6	129.9	177.2	153.7	154.1	93.7
Money market instruments	31.4	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-0.1	-0.3	-0.2	-0.2	-0.2	-0.1
Trade credits	137.2	130.2	177.4	153.8	154.3	93.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	200.4	158.4	117.6	92.8	105.1	154.7
Bonds and notes	98.1	103.9	106.6	116.9	162.9	165.5
Loans	102.3	67.9	23.9	11.3	0.3	0.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	-13.4	-12.7	-11.0	-9.7	-9.4
Other Debt Liabilities	0.0	0.0	-0.3	-24.5	-48.4	-1.7
Monetary Authorities	-678.4	-754.8	-1,942.8	-2,394.5	-1,998.7	-2,054.3
Short-term	557.2	968.6	119.4	-19.3	382.1	561.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits (incl. repos)	557.2	968.6	119.4	-19.3	382.1	561.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.5
Long-term	-1,235.5	-1,723.4	-2,062.2	-2,375.2	-2,380.8	-2,615.9
Bonds and notes	-1,222.3	-1,709.2	-2,045.8	-2,359.5	-2,365.2	-2,599.8
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	-13.2	-14.2	-16.3	-15.8	-15.6	-16.1
OMFIs	-4,047.9	-9,690.0	-8,388.6	-9,451.3	-6,775.4	-5,754.8
Short-term	14,057.2	12,029.9	13,046.0	14,210.7	13,037.1	15,105.5
Money market instruments	-198.8	-173.3	-2.0	-0.1	-20.2	-58.4
Loans	6,049.5	3,669.3	8,391.3	7,692.4	7,632.4	8,459.6
Currency and deposits	8,167.8	8,457.6	4,590.3	6,482.1	5,214.8	6,409.4
Other debt liabilities	38.7	76.3	66.4	36.3	210.1	295.0
Long-term	-18,105.1	-21,719.9	-21,434.6	-23,661.9	-19,812.5	-20,860.3
Bonds and notes	-9,535.1	-12,141.3	-13,568.9	-16,079.8	-15,497.2	-16,526.8
Loans	-8,598.3	-9,578.6	-7,865.7	-7,582.1	-4,315.3	-4,333.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	28.3	0.0	0.0	0.0	0.0	0.0
Other Sectors[3]	-708.6	-487.9	-595.3	-702.2	-514.1	-769.6
Short-term	-554.0	-357.5	-420.9	-426.6	-394.7	-493.2
Money market instruments	-0.8	-0.9	0.0	0.0	0.0	0.0
Loans	-15.2	-20.7	-29.8	-33.6	-18.4	-17.1
Currency and deposits	-550.9	-569.1	-625.0	-657.9	-732.4	-877.9
Trade credits	12.9	233.2	233.9	264.9	356.1	401.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	-154.6	-130.4	-174.3	-275.6	-119.3	-276.4
Bonds and notes	-560.1	-585.8	-641.4	-731.1	-582.5	-743.3
Loans	377.1	450.1	464.6	447.1	446.6	452.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	35.0	11.9	9.1	15.0	23.2	21.4
Other debt liabilities	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6
Direct Investment: Intercompany Lending	**170.2**	**244.9**	**391.2**	**440.3**	**642.0**	**613.4**
Debt Liabilities to affiliated enterprises	**-369.3**	**-367.2**	**-229.8**	**-245.1**	**-230.7**	**-230.9**
Debt Liabilities to direct investors	**539.4**	**612.1**	**621.0**	**685.4**	**872.7**	**844.3**
Net External Debt	**-4,895.7**	**-10,399.6**	**-10,240.7**	**-11,861.3**	**-8,386.9**	**-7,717.0**
of which: OMFIs	**-4,047.9**	**-9,690.0**	**-8,388.6**	**-9,451.3**	**-6,775.4**	**-5,754.8**
Net External Debt Excluding OMFIs	**-847.8**	**-709.6**	**-1,852.1**	**-2,410.0**	**-1,611.5**	**-1,962.2**

[1] A negative figure denotes a net asset position.
[2] Provisional.
[3] Comprising the non-monetary financial institutions, insurance companies, non-financial corporations, households and NPISH.

Table 3.6 Malta's foreign trade[1]

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2005	1,959.1	3,117.2	(1,158.1)
2006	2,499.9	3,537.1	(1,037.2)
2007	2,597.4	3,603.9	(1,006.5)
2008[2]	2,455.8	3,897.2	(1,441.4)
2009[2]	2,087.4	3,475.2	(1,387.8)
2010[2]	2,809.3	4,330.3	(1,520.9)
2011[2]	3,819.0	5,339.4	(1,520.4)
2012[2]	4,438.6	6,187.2	(1,748.6)
2013[2]	3,922.4	5,675.9	(1,753.4)
2013[2]			
Jan.	300.8	413.6	(112.8)
Feb.	321.7	417.2	(95.4)
Mar.	377.8	454.1	(76.3)
Apr.	365.2	655.0	(289.8)
May	343.3	515.6	(172.3)
June	263.6	455.0	(191.4)
July	294.5	594.2	(299.6)
Aug.	303.3	456.2	(152.9)
Sep.	404.7	463.7	(58.9)
Oct.	244.0	414.1	(170.2)
Nov.	355.4	377.1	(21.7)
Dec.	348.0	460.1	(112.1)
2014[2]			
Jan.	347.7	448.6	(100.9)
Feb.	279.0	401.4	(122.4)
Mar.	321.7	455.8	(134.2)

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.
[2] Provisional.
Source: NSO.

Table 3.7 Direction of trade - exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
2005	283.8	236.3	100.5	92.9	713.5	216.2	75.0	1,004.7	460.9	263.9	229.6	1,959.1
2006	326.7	283.0	85.6	164.1	859.4	213.2	82.3	1,154.9	631.4	275.5	438.1	2,499.9
2007	271.3	306.8	90.8	131.7	800.5	222.1	86.2	1,108.8	719.9	246.7	522.1	2,597.4
2008[2]	237.3	270.4	114.6	99.9	722.2	165.4	66.5	954.2	713.9	183.0	604.7	2,455.8
2009[2]	187.4	222.0	105.2	141.9	656.5	100.5	63.8	820.7	528.1	152.3	586.2	2,087.4
2010[2]	238.6	281.6	157.6	229.0	906.8	131.4	111.0	1,149.1	686.5	196.1	777.6	2,809.3
2011[2]	244.9	326.2	171.2	291.3	1,033.6	150.4	117.8	1,301.9	1,092.1	169.0	1,256.0	3,819.0
2012[2]	296.9	358.3	174.2	212.6	1,042.0	124.6	129.2	1,295.8	1,020.4	198.0	1,924.4	4,438.6
2013[2]	251.3	348.6	154.0	196.2	950.0	107.6	184.3	1,242.0	1,060.7	170.0	1,449.8	3,922.4
2013[2]												
Jan.	22.1	24.9	9.2	22.5	78.7	8.6	5.8	93.2	76.1	14.9	116.5	300.8
Feb	20.0	26.3	9.3	14.7	70.3	10.9	14.9	96.1	124.4	13.6	87.6	321.7
Mar.	21.7	29.3	13.0	25.4	89.5	9.6	12.3	111.3	91.5	14.1	160.9	377.8
Apr.	17.0	32.2	9.0	21.8	80.0	7.7	13.2	100.9	67.4	30.0	166.9	365.2
May	21.2	33.6	9.4	32.0	96.2	8.5	16.8	121.5	117.7	12.2	91.7	343.3
June	19.6	28.8	16.1	9.2	73.8	7.5	13.3	94.5	71.7	13.9	83.4	263.6
July	25.1	31.3	8.5	25.3	90.2	9.4	15.9	115.5	56.5	10.8	111.7	294.5
Aug.	17.9	23.2	5.6	6.4	53.1	9.8	25.4	88.3	86.9	13.0	115.1	303.3
Sep.	23.0	45.8	7.5	7.9	84.2	6.9	14.6	105.7	91.4	14.1	193.5	404.7
Oct.	18.5	26.1	8.3	5.9	58.8	9.1	9.8	77.6	51.2	12.7	102.4	244.0
Nov.	16.9	29.7	10.4	14.9	71.9	13.2	13.8	98.9	137.8	10.0	108.8	355.4
Dec.	28.2	17.3	47.7	10.1	103.3	6.5	28.4	138.3	88.0	10.6	111.2	348.0
2014[2]												
Jan.	18.5	33.4	10.0	8.4	70.2	7.4	14.8	92.5	66.9	43.7	144.5	347.7
Feb.	16.9	28.7	21.5	28.2	95.3	5.5	8.7	109.5	59.8	14.3	95.4	279.0
Mar.	13.4	24.9	14.1	16.6	69.0	8.5	13.6	91.1	79.5	9.6	141.4	321.7

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.
[2] Provisional.
Source: NSO.

Table 3.8 Direction of trade - imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):											
	France	Germany	Italy	Other euro area	Total	UK	Other EU	Total	Asia	USA	Others	
2005	291.3	280.1	956.7	334.8	1,862.9	335.9	67.1	2,266.0	417.6	162.3	271.3	3,117.2
2006	405.9	263.2	1,015.2	370.2	2,054.5	344.5	72.6	2,471.6	635.0	179.5	250.9	3,537.1
2007	420.1	290.5	902.7	375.3	1,988.6	499.6	103.4	2,591.6	597.2	206.5	208.6	3,603.9
2008[2]	381.4	267.6	1,027.5	484.6	2,161.0	457.5	137.2	2,755.8	597.8	86.8	456.8	3,897.2
2009[2]	338.9	272.4	861.3	463.3	1,936.0	380.3	109.6	2,425.8	457.7	124.7	467.0	3,475.2
2010[2]	338.5	295.2	1,066.2	495.2	2,195.1	359.7	161.8	2,716.6	611.7	92.8	909.2	4,330.3
2011[2]	376.1	317.6	1,445.9	525.5	2,665.2	362.6	329.7	3,357.5	641.9	225.3	1,114.7	5,339.4
2012[2]	369.1	319.9	1,987.1	659.3	3,335.4	372.6	241.9	3,949.9	769.9	134.1	1,333.3	6,187.2
2013[2]	283.0	320.3	1,403.6	670.8	2,677.8	307.5	296.0	3,281.3	827.6	187.9	1,379.1	5,675.9
2013[2]												
Jan.	24.5	37.3	85.1	28.0	174.9	22.0	12.4	209.4	60.7	6.3	137.2	413.6
Feb	20.2	25.4	79.6	31.4	156.5	23.6	13.3	193.3	68.1	11.6	144.2	417.2
Mar.	23.4	25.9	132.1	57.8	239.2	26.4	21.6	287.2	59.7	4.3	103.0	454.1
Apr.	22.3	32.1	122.3	132.3	308.9	31.9	34.8	375.6	158.8	10.6	110.1	655.0
May	18.3	27.7	189.1	54.2	289.2	35.4	14.4	339.0	43.9	16.2	116.4	515.6
June	32.8	23.3	130.8	45.1	232.0	19.4	8.0	259.4	66.3	14.1	115.2	455.0
July	38.3	26.9	167.4	50.5	283.1	28.2	35.9	347.3	67.1	5.1	174.7	594.2
Aug.	20.9	20.9	132.6	53.6	228.0	21.2	48.2	297.4	58.2	12.7	87.9	456.2
Sep.	20.8	25.0	116.0	61.6	223.4	26.5	48.4	298.4	94.3	5.7	65.4	463.7
Oct.	24.6	23.9	77.9	47.3	173.7	24.8	21.3	219.8	66.3	5.8	122.3	414.1
Nov.	20.1	24.7	86.4	47.6	178.7	24.5	18.8	222.0	42.7	42.7	69.7	377.1
Dec.	16.8	27.3	84.3	61.5	190.0	23.7	18.8	232.5	41.7	52.9	133.0	460.1
2014[2]												
Jan.	13.5	20.4	80.6	27.4	141.8	32.1	23.8	197.7	62.0	58.1	130.7	448.6
Feb.	19.9	26.6	96.5	46.9	189.8	24.8	48.1	262.7	33.4	34.3	71.0	401.4
Mar.	10.3	30.3	92.6	66.0	199.2	22.9	31.0	253.1	44.1	27.8	130.8	455.8

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.

[2] Provisional.

Source: NSO.

Real Economy Indicators

Table 4.1a Gross domestic product, gross national income and expenditure components *(at current market prices)*[1]

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net		
2005	3,116.5	941.2	1,047.6	-12.1	5,093.1	3,700.3	3,855.6	-155.3	4,937.8	4,720.0
2006	3,305.1	1,011.1	1,108.1	29.7	5,454.0	4,621.5	4,868.8	-247.3	5,206.7	5,018.7
2007	3,400.0	1,041.9	1,175.2	27.8	5,644.9	5,138.8	5,208.3	-69.5	5,575.4	5,433.7
2008	3,656.3	1,221.3	1,098.4	95.7	6,071.6	5,475.4	5,583.5	-108.1	5,963.5	5,766.5
2009	3,778.7	1,230.6	1,003.2	79.2	6,091.8	4,870.8	5,006.5	-135.7	5,956.0	5,511.6
2010	3,848.0	1,291.7	1,285.9	66.1	6,491.7	5,853.8	5,889.8	-36.0	6,455.7	6,028.9
2011	4,012.7	1,348.8	1,019.1	121.1	6,501.7	6,511.7	6,322.1	189.6	6,691.3	6,346.5
2012	4,086.4	1,449.9	1,054.3	-36.4	6,554.3	6,979.9	6,645.8	334.1	6,888.4	6,449.2
2013	4,214.7	1,491.8	1,093.1	69.4	6,869.0	6,686.8	6,335.1	351.8	7,220.7	6,784.6
2013										
Q1	1,009.3	367.8	262.8	80.1	1,720.1	1,528.6	1,561.2	-32.6	1,687.5	1,561.8
Q2	1,035.6	369.5	262.0	29.2	1,696.2	1,644.6	1,528.8	115.8	1,812.1	1,703.4
Q3	1,087.9	371.7	254.2	-3.9	1,709.9	1,930.7	1,734.6	196.2	1,906.1	1,842.7
Q4	1,081.9	382.8	314.1	-36.0	1,742.7	1,582.9	1,510.5	72.4	1,815.1	1,676.8
2014										
Q1	1,032.8	391.9	312.4	62.9	1,800.0	1,458.8	1,487.8	-29.0	1,771.0	1,732.6

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Source: NSO.

Table 4.1b Gross domestic product and expenditure components *(at constant 2000 prices)*[1]

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net	
2005	2,833.6	790.1	1,007.9	-11.1	4,620.5	3,744.5	3,973.9	-229.4	4,391.0
2006	2,956.7	835.6	1,003.9	25.9	4,822.2	4,297.6	4,615.4	-317.8	4,504.4
2007	2,980.4	839.6	1,023.6	23.4	4,867.0	4,458.0	4,637.3	-179.3	4,687.7
2008	3,103.9	945.9	884.4	82.1	5,016.3	4,550.6	4,697.1	-146.5	4,869.7
2009	3,123.6	920.6	758.9	63.8	4,866.9	4,167.8	4,301.9	-134.2	4,732.7
2010	3,090.6	936.6	926.3	49.1	5,002.6	4,821.2	4,891.2	-70.0	4,932.6
2011	3,193.4	971.2	694.3	88.7	4,947.6	4,987.4	4,927.1	60.4	5,008.0
2012	3,188.0	1,024.8	686.2	-27.5	4,871.6	5,426.6	5,251.5	175.1	5,046.7
2013	3,260.8	1,025.4	682.1	54.5	5,022.9	5,245.5	5,088.2	157.2	5,180.1
2013									
Q1	794.5	255.1	166.1	62.7	1,278.5	1,210.2	1,284.7	-74.5	1,204.0
Q2	795.2	253.1	166.9	22.3	1,237.4	1,279.5	1,232.9	46.6	1,284.0
Q3	831.9	253.2	161.7	-2.9	1,243.9	1,507.0	1,392.2	114.7	1,358.7
Q4	839.2	264.1	187.4	-27.7	1,263.1	1,248.8	1,178.4	70.4	1,333.4
2014									
Q1	806.2	266.3	197.0	48.9	1,318.4	1,134.5	1,207.2	-72.7	1,245.7

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Source: NSO.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	145.0	1,170.6
2006	73.4	125.8	112.5	151.1	462.9	431.3	79.3	973.5	150.7	1,124.2
2007	75.1	130.1	113.7	177.8	496.7	482.4	103.5	1,082.6	160.9	1,243.5
2008	81.1	150.8	144.5	205.4	581.7	454.4	97.4	1,133.6	157.3	1,290.9
2009	71.9	127.4	161.7	197.8	558.8	398.5	87.0	1,044.3	138.1	1,182.5
2010	86.5	126.2	221.0	211.1	644.9	415.2	103.5	1,163.6	176.7	1,340.3
2011	103.7	134.4	201.6	213.1	652.8	438.7	116.7	1,208.2	206.8	1,415.0
2012	107.9	137.5	202.2	205.4	653.1	441.3	132.3	1,226.7	216.8	1,443.4
2013	116.5	147.1	233.8	210.3	707.7	454.6	154.4	1,316.7	265.4	1,582.2
2013										
Jan.	3.7	7.9	12.1	7.1	30.9	18.3	4.1	53.3	11.6	64.9
Feb.	2.6	7.7	9.9	5.9	26.1	21.9	2.9	51.0	10.5	61.4
Mar.	6.3	12.1	12.5	11.0	41.9	29.7	4.5	76.1	13.1	89.3
Apr.	11.2	13.1	21.0	20.3	65.6	39.1	13.0	117.7	15.5	133.2
May	16.0	11.9	18.0	25.2	71.1	43.1	17.6	131.8	23.6	155.4
June	12.2	13.0	21.5	21.3	67.9	48.4	17.3	133.5	29.3	162.9
July	12.4	10.9	26.4	26.5	76.1	48.6	21.0	145.7	36.2	181.9
Aug.	19.7	16.6	42.4	30.9	109.6	55.0	20.3	185.0	33.3	218.3
Sep.	11.6	17.5	25.3	24.0	78.4	49.2	19.9	147.5	28.9	176.4
Oct.	11.2	19.2	17.8	20.6	68.8	51.6	21.6	142.0	31.3	173.3
Nov.	5.9	11.6	13.8	11.2	42.5	30.6	8.4	81.5	18.4	99.9
Dec.	3.8	5.5	13.1	6.3	28.8	19.1	3.7	51.5	13.8	65.3
2014										
Jan.	3.6	5.6	11.3	7.7	28.1	19.7	4.9	52.7	16.8	69.5
Feb.	3.4	4.6	9.9	7.1	25.0	23.7	3.7	52.5	12.8	65.3
Mar.	7.1	12.5	16.4	9.7	45.8	29.5	5.9	81.2	16.6	97.8

[1] Based on the NSO's inbound tourism survey. Data refer to tourist departures by air and sea.

Source: NSO.

Real Economy Indicators

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	103.6	42.6	146.2	97.8	41.0	138.8	5.7	5.5	1.6	3.7	7.3	5.0
2006	103.7	43.8	147.5	98.1	42.1	140.2	5.5	5.3	1.7	3.8	7.1	4.8
2007	103.9	45.3	149.3	98.9	43.8	142.7	4.9	4.7	1.5	3.4	6.4	4.3
2008	104.7	47.4	152.1	99.9	46.0	145.9	4.8	4.5	1.4	2.9	6.1	4.0
2009	104.3	48.5	152.8	98.6	46.8	145.5	5.7	5.5	1.7	3.5	7.4	4.8
2010	104.0	49.7	153.7	98.6	48.3	146.8	5.4	5.2	1.5	2.9	6.9	4.5
2011[3]	104.5	51.9	156.3	99.3	50.5	149.8	5.2	5.0	1.4	2.7	6.6	4.2
2012[3]	105.1	54.0	159.1	99.8	52.5	152.3	5.3	5.0	1.5	2.8	6.8	4.3
2013[3]	106.8	57.3	164.2	101.2	55.6	156.8	5.6	5.3	1.8	3.1	7.4	4.5
2013[3]												
Jan.	106.2	56.1	162.3	100.7	54.4	155.1	5.6	5.2	1.7	3.0	7.2	4.5
Feb.	106.4	56.3	162.7	100.8	54.6	155.4	5.6	5.3	1.7	3.0	7.3	4.5
Mar.	106.2	56.4	162.6	100.6	54.7	155.3	5.6	5.3	1.7	3.1	7.4	4.5
Apr.	105.6	56.4	162.0	100.1	54.7	154.9	5.5	5.2	1.7	3.0	7.2	4.4
May	105.7	56.5	162.2	100.1	54.8	154.9	5.6	5.3	1.7	3.0	7.3	4.5
June	106.1	56.9	163.0	100.5	55.2	155.7	5.6	5.2	1.7	3.0	7.3	4.5
July	107.1	57.8	164.9	101.6	56.0	157.6	5.5	5.2	1.8	3.1	7.3	4.4
Aug.	107.3	57.9	165.2	101.6	56.1	157.7	5.7	5.3	1.8	3.1	7.5	4.5
Sep.	107.3	58.0	165.3	101.6	56.1	157.7	5.7	5.3	1.9	3.3	7.6	4.6
Oct.	108.0	58.6	166.6	102.2	56.7	159.0	5.7	5.3	1.9	3.2	7.6	4.6
Nov.	108.0	58.6	166.7	102.2	56.8	159.1	5.8	5.4	1.8	3.1	7.6	4.6
Dec.	107.7	58.6	166.3	102.1	56.8	158.9	5.6	5.2	1.8	3.0	7.4	4.4
2014[3]												
Jan.	108.5	59.2	167.7	102.6	57.3	159.9	5.9	5.4	1.9	3.2	7.8	4.6
Feb.	108.8	59.5	168.3	103.0	57.6	160.5	5.8	5.4	1.9	3.2	7.8	4.6
Mar.	108.9	59.6	168.5	103.1	57.8	160.8	5.8	5.3	1.9	3.1	7.6	4.5

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: ETC.

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	113.0	54.2	167.2	106.3	50.0	156.4	6.7	5.9	4.1	7.6	10.8	6.5
2008	113.5	57.2	170.7	107.1	53.2	160.4	6.4	5.7	3.9	6.9	10.4	6.1
2009	115.0	58.3	173.3	107.4	53.9	161.3	7.6	6.6	4.4	7.6	12.0	6.9
2010	116.2	60.5	176.7	108.3	56.2	164.4	7.9	6.8	4.3	7.1	12.2	6.9
2011[3]	117.5	62.8	180.3	110.3	58.3	168.6	7.2	6.2	4.4	7.0	11.7	6.5
2012[3]	116.5	68.0	184.5	109.7	63.0	172.6	6.8	5.9	5.0	7.3	11.8	6.4
2013[3]	118.4	70.5	188.9	110.7	66.1	176.7	7.7	6.5	4.5	6.3	12.2	6.4
2013[3]												
Q1	115.0	68.3	183.3	107.9	64.4	172.3	7.2	6.2	3.9	5.6	11.0	6.0
Q2	118.8	70.8	189.6	110.6	66.2	176.9	8.2	6.9	4.6	6.5	12.8	6.7
Q3	120.3	72.0	192.3	112.4	67.1	179.5	7.9	6.6	4.9	6.8	12.8	6.7
Q4	119.3	71.1	190.4	111.7	66.5	178.2	7.6	6.3	4.6	6.4	12.1	6.4
2014[3]												
Q1	116.5	70.3	186.9	109.1	66.5	175.6	7.4	6.4	3.8	5.4	11.3	6.0

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: NSO.

Table 4.5 Property prices index based on advertised prices *(base 2000 = 100)*[1]

Period	Total	Apartments	Maisonettes	Terraced houses	Others[2]
2005	170.9	173.7	176.7	188.9	160.3
2006	177.0	178.3	187.0	196.2	175.0
2007	178.9	183.3	181.4	205.3	171.9
2008	174.1	172.7	181.4	201.5	173.7
2009	165.3	162.2	173.7	207.8	169.6
2010	167.1	166.4	171.8	199.4	178.5
2011	169.3	173.0	174.5	197.6	172.5
2012	170.1	172.5	173.5	185.5	172.4
2013	173.7	175.1	184.5	193.0	179.7
2013					
Q1	171.8	176.8	177.3	185.1	174.1
Q2	169.2	170.1	188.4	186.0	169.4
Q3	173.5	176.9	183.7	194.5	174.4
Q4	180.1	176.7	188.5	206.3	201.0
2014					
Q1	183.4	187.3	180.8	205.6	196.7

[1] As the statistical methodologies underpinning the total and the components are different, the change in the components does not necessarily reflect the change in the total.
[2] Consists of town houses, houses of character and villas.
Source: Central Bank of Malta estimates.

Table 4.6 Development permits for commercial, social and other purposes[1]

Period	Commercial and social								Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking	Total		
2005	293	33	217	16	25	43	103	730	2,980	3,710
2006	267	38	169	9	26	30	84	623	3,129	3,752
2007	325	27	185	8	14	30	60	649	3,018	3,667
2008	182	29	137	6	14	8	66	442	2,475	2,917
2009	160	31	123	6	20	23	47	410	2,281	2,691
2010	293	55	231	10	46	118	79	832	1,522	2,354
2011	192	33	256	4	47	74	49	655	1,065	1,720
2012	169	33	247	17	32	87	58	643	955	1,598
2013	123	33	266	15	49	43	47	576	964	1,540

[1] Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis. Excludes applications for dwellings and minor works on dwellings.

[2] Includes quarrying.

[3] Including the construction of offices, shops and retail outlets, warehouses, mixed offices and retail outlets, mixed residential premises, offices and retail outlets, mixed residential premises and retail outlets.

[4] Including the construction of premises related to the provision of community and health, recreational and educational services.

[5] Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works, infrastructure, monuments, embellishment projects, boathouses and yacht marinas, light industry, waste management facilities and others.

Source: Malta Environment & Planning Authority.

Table 4.7 Development permits for dwellings, by type[1]

Period	Number of permits[2]			Number of units[3]				
	New dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2005	1,852	570	2,422	7,539	1,058	363	121	9,081
2006	2,502	492	2,994	8,961	932	375	141	10,409
2007	2,636	411	3,047	10,252	696	257	138	11,343
2008	1,770	375	2,145	6,184	361	164	127	6,836
2009	1,241	368	1,609	4,616	400	182	100	5,298
2010	1,499	1,020	2,519	3,736	375	227	106	4,444
2011	1,159	832	1,991	3,276	401	191	87	3,955
2012	958	700	1,658	2,489	298	202	75	3,064
2013	1,004	808	1,812	2,062	350	209	84	2,705

[1] Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis.

[2] Total for permits granted is irrespective of the number of units.

[3] Data comprise the actual number of units (e.g. a block of apartments may consist of several units).

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Table 4.8 Inflation rates measured by the Retail Price Index[1] *(base 1946 = 100)*

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
			(continued)		
1946	100.00	-	1980	366.06	15.76
1947	104.90	4.90	1981	408.16	11.50
1948	113.90	8.58	1982	431.83	5.80
1949	109.70	-3.69	1983	428.06	-0.87
1950	116.90	6.56	1984	426.18	-0.44
1951	130.10	11.29	1985	425.17	-0.24
1952	140.30	7.84	1986	433.67	2.00
1953	139.10	-0.86	1987	435.47	0.42
1954	141.20	1.51	1988	439.62	0.95
1955	138.80	-1.70	1989	443.39	0.86
1956	142.00	2.31	1990	456.61	2.98
1957	145.70	2.61	1991	468.21	2.54
1958	148.30	1.78	1992	475.89	1.64
1959	151.10	1.89	1993	495.59	4.14
1960	158.80	5.10	1994	516.06	4.13
1961	164.84	3.80	1995	536.61	3.98
1962	165.16	0.19	1996	549.95	2.49
1963	168.18	1.83	1997[2]	567.95	3.27
1964	172.00	2.27	1998	580.61	2.23
1965	174.70	1.57	1999	593.00	2.13
1966	175.65	0.54	2000	607.07	2.37
1967	176.76	0.63	2001	624.85	2.93
1968	180.42	2.07	2002	638.54	2.19
1969	184.71	2.38	2003	646.84	1.30
1970	191.55	3.70	2004	664.88	2.79
1971	196.00	2.32	2005	684.88	3.01
1972	202.52	3.33	2006	703.88	2.77
1973	218.26	7.77	2007	712.68	1.25
1974	234.16	7.28	2008	743.05	4.26
1975	254.77	8.80	2009	758.58	2.09
1976	256.20	0.56	2010	770.07	1.51
1977	281.84	10.01	2011	791.02	2.72
1978	295.14	4.72	2012	810.16	2.42
1979	316.21	7.14	2013	821.34	1.38

[1] The Index of Inflation (1946 = 100) is compiled by the NSO on the basis of the Retail Price Index in terms of Article 13 of the Housing (Decontrol) Ordinance, Cap. 158.

[2] Following the revision of utility rates in November 1998, the index and the rate of inflation for the year 1997 were revised to 567.08 and 3.11% respectively. Consequently, the rate of inflation for 1998 would stand at 2.39%.

Table 4.9 Main categories of Retail Price Index *(base December 2009 = 100)*

Period	All Items Index	12-month moving average rates of change (%)[1]										
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	HH equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2005	90.1	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	92.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	93.8	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008	97.8	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
2009	99.8	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
2010	101.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
2011	104.1	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2012	106.6	2.4	4.7	4.4	-1.7	0.4	1.3	2.1	2.1	1.1	1.2	4.4
2013	108.1	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5
2013												
Jan.	106.6	2.5	4.9	4.4	-1.5	0.5	1.4	2.1	2.0	1.3	1.5	4.1
Feb.	106.7	2.4	4.8	4.2	-1.0	0.7	1.4	2.0	1.7	1.4	1.7	3.9
Mar.	107.2	2.4	4.7	4.1	-0.6	0.8	1.3	1.9	1.6	1.6	1.9	3.6
Apr.	108.1	2.3	4.8	4.0	0.0	1.0	1.1	1.9	0.9	1.7	2.2	3.2
May	108.6	2.3	4.9	4.0	0.2	1.2	0.9	2.0	0.7	1.8	2.3	2.9
June	108.5	2.3	5.3	4.0	0.4	1.4	0.6	1.7	0.2	1.8	2.3	2.6
July	108.3	2.3	5.5	3.9	0.9	1.3	0.4	1.5	0.0	1.9	2.3	2.2
Aug.	108.1	2.2	5.8	3.9	0.5	1.2	0.3	1.5	-0.3	2.0	2.2	2.0
Sep.	108.3	2.0	5.8	3.9	0.5	1.2	0.2	1.3	-0.9	2.1	2.2	1.5
Oct.	108.5	1.8	5.5	3.9	0.2	1.1	0.0	1.3	-1.5	2.2	2.2	1.2
Nov.	108.6	1.5	5.1	3.9	0.4	1.1	-0.2	1.3	-2.0	2.2	2.2	0.9
Dec.	109.5	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5
2014												
Jan.	107.3	1.2	4.4	4.5	0.0	1.0	-0.6	1.4	-2.4	2.2	2.2	0.3
Feb.	107.8	1.2	4.0	4.8	-0.1	0.9	-0.6	1.4	-2.2	2.1	2.2	0.1
Mar.	108.4	1.1	3.7	5.1	-0.1	0.8	-0.6	1.5	-2.2	2.0	2.2	-0.1

[1] 12-month moving average rates of change in the RPI sub-indices are compiled by the Central Bank of Malta.

Source: NSO.

Table 4.10 Main categories of Harmonised Index of Consumer Prices *(base 2005 = 100)*

Period	All Items Index	12-month moving average rates of change (%)											
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2008	108.1	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
2009	110.1	1.8	6.4	3.6	-0.4	7.0	1.0	4.4	-4.3	-1.3	-0.6	6.9	1.3	2.2
2010	112.4	2.0	1.1	3.3	-2.3	10.1	1.1	2.0	2.2	-6.0	-1.7	7.8	5.5	3.4
2011	115.2	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2012	118.9	3.2	5.7	4.2	-1.5	0.4	3.2	1.7	4.8	-6.6	0.6	3.6	6.1	2.1
2013	120.1	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-0.9	-8.8	2.2	4.4	-1.0	1.7
2013														
Jan.	115.9	3.3	5.7	4.1	-1.1	0.5	3.2	1.8	4.5	-6.8	0.9	3.3	6.3	2.0
Feb.	115.9	3.2	5.5	3.9	-0.6	0.6	3.2	2.0	4.1	-7.0	1.2	3.1	6.2	2.0
Mar.	117.2	3.1	5.4	3.8	-0.2	0.7	3.2	2.1	3.9	-7.2	1.5	2.8	5.7	1.9
Apr.	120.6	2.9	5.4	3.8	0.4	0.7	3.2	2.1	3.0	-7.2	1.8	2.8	4.7	1.9
May	121.9	2.6	5.4	4.1	0.6	0.8	3.2	2.1	2.5	-7.4	2.1	2.8	3.5	1.8
June	123.0	2.3	5.4	4.3	0.9	0.8	3.0	2.1	1.9	-7.8	2.3	2.9	2.2	1.8
July	123.1	2.0	5.5	4.5	1.4	0.8	2.8	2.1	1.7	-8.1	2.4	2.9	0.9	1.8
Aug.	122.9	1.8	5.6	4.7	1.2	0.7	2.6	2.0	1.3	-8.4	2.4	2.9	0.2	1.8
Sep.	122.0	1.6	5.5	4.9	1.1	0.6	2.3	2.0	0.7	-8.7	2.4	3.0	0.1	1.7
Oct.	121.2	1.4	5.2	5.1	0.8	0.6	2.1	2.0	0.1	-9.2	2.4	3.5	-0.1	1.7
Nov.	118.5	1.1	4.8	5.3	1.0	0.7	1.9	1.9	-0.4	-9.7	2.3	3.9	-0.7	1.8
Dec.	118.8	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-0.9	-8.8	2.2	4.4	-1.0	1.7
2014														
Jan.	116.9	0.9	4.0	6.9	0.5	0.6	1.7	1.7	-1.2	-8.1	2.0	4.9	-1.1	1.5
Feb.	117.8	0.8	3.6	7.7	0.3	0.6	1.7	1.6	-1.2	-7.4	1.9	5.4	-0.9	1.2
Mar.	118.9	0.8	3.3	8.4	0.4	0.6	1.8	1.5	-1.3	-6.6	1.7	5.9	-0.7	1.1

Sources: NSO; Eurostat.

GENERAL NOTES

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR 1 = MTL 0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese lira into euro' which was published in the 2007:3 issue of the *Quarterly Review*, while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*.

Part 1 Monetary, Banking, Investment Funds and Financial Markets

General monetary statistical standards

Since January 2008, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2008/32 (Recast) concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the *European System of Accounts (ESA 1995)*. Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's *Monetary and Financial Statistics Manual* (2000).

Institutional balance sheets and financial statements

The financial statement of the Central Bank of Malta published in Table 1.1 is based on accounting principles as established in ECB Guideline 2006/16 (as amended) of 10 November 2006 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in Table 1.2, which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast) of 19 December 2008. Important changes to data on currency issued and reserve assets following the adoption of the euro are explained below in the 'measures of money' and in the 'external statistics' section, respectively.

The aggregated balance sheet of the other monetary financial institutions is also based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast).

Determination of 'residence'

Monetary data are based on the classification of transactions and positions by the residence of the transactor or holder. A transactor is an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. The internationally agreed residence criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'. The term 'centre of economic interest' usually indicates that there exists some location within an economic territory on or from which a unit engages, and intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). Transactors with their 'centre of economic interest' outside the said territory are considered to be non-residents. Diplomatic bodies, embassies, consulates and other entities of foreign governments are considered to be residents of the country they represent.

In national monetary statistics, the key distinction up to December 2007 was between residents and non-residents of Malta. Although that distinction remains relevant for national statistical purposes, the key distinction now, in particular for the purposes of Malta's contribution to euro area monetary aggregates shown in Table 1.4 and in other tables, is between residence in Malta or elsewhere in the euro area and residence outside the euro area.

Sector classification

In accordance with ESA 95 and ECB Regulation 2008/32 (Recast), the main sectors of the Maltese (and euro area) economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Monetary financial institutions (MFIs)
(b) Other financial intermediaries and financial auxiliaries
(c) Insurance corporations and pension funds
(d) General government
(e) Non-financial corporations
(f) Households and non-profit institutions serving households (NPISH).

Entities that are considered to be non-residents are classified in the 'external sector' or the 'rest of the world'. As noted above, in many statistical tables in this *Quarterly Review*, and starting with data for 2008, they are split into other euro area residents and non-residents of the euro area (and may be further sub-classified by sector according to their primary activity).

(a) **Monetary financial institutions** (MFIs) consist of:

i. **The central bank**, which is the national financial institution that exercises control over key aspects of the financial system, issues currency, conducts financial market operations, and holds the international reserves of the country. The Central Bank of Malta is part of the Eurosystem, which comprises the ECB and the NCBs of the member countries of the euro area.

ii. **Other monetary financial institutions** (OMFIs), consist almost entirely of credit institutions. The business of OMFIs is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. Credit institutions licensed in Malta comprise banks licensed by the competent authority under the Banking Act (Cap. 371). In accordance with the Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006, a credit institution is "an undertaking whose business is to receive deposits or other repayable funds from the public - including the proceeds arising from the sales of bank bonds to the public - and to grant credit for its own account". OMFIs include the Maltese branches and subsidiaries of banks with headquarters abroad. Money Market Funds (MMFs) fulfil the MFI definition and the agreed conditions for liquidity and are therefore included in the OMFI sector. MMFs are defined as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments.

(b) **Other financial intermediaries and financial auxiliaries**

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: long-term financing, financial leasing, factoring, security and derivative dealing, receiving deposits and/or close substitutes for deposits from MFIs only (and not from the public), and managing investment trusts, unit trusts and other collective investment schemes (collectively termed investment funds).

Financial auxiliaries are companies that are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediaries themselves. The following are examples of companies classified in this sector: insurance, loan and securities brokers, investment advisers, flotation companies that manage issues of securities, central supervisory authorities of financial intermediaries and financial markets when these are separate institutional units, managers of pension funds and mutual funds and companies providing stock exchange and insurance exchange services.

(c) **Insurance corporations and pension funds**

This sector comprises non-monetary financial corporations principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance corporations consist of incorporated, mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or groups of units. Pension funds provide retirement benefits for specific groups of employees.

The sector **financial corporations** consists of all corporations which are principally engaged in financial intermediation and/or in anxiliary financial activities i.e. they include monetary financial institutions, other financial intermediaries/financial auxiliaries and insurance corporations/pension funds.

(d) **General government**

General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Broadly speaking, non-market production means that the entity does not charge “economically significant” prices such that sales cover at least 50% of production costs. The sector is sub-divided into:

i. **Central government**, which includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory of the country. Central government thus includes departments, ministries, and offices of government located in the country together with embassies, consulates, military establishments and other institutions of government located outside the country. Also included in the central government sector are extra-budgetary units, also termed public non-market units. These comprise institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or that are involved in the redistribution of national income and wealth.

ii. **Other general government**, which in Malta comprises the local government sector only. Local government includes administrative departments, councils or agencies whose competence covers only a restricted part of the economic territory of the country.

The **public sector** (which is not an institutional sector in the ESA 95) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 95), the latter being those companies that are owned by government or are subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging "economically significant" prices such that sales cover at least 50% of production costs).

(e) **Non-financial corporations**

This sector comprises corporations engaged principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities, which are subdivided into:

i. **Public non-financial corporations**, i.e. companies that are subject to control by government units - see the notes on financial corporations for a definition of control.

ii. **Private non-financial corporations,** i.e. companies that are controlled by non-government units, whether resident or non-resident.

(f) **Households and non-profit institutions serving households (NPISH)**

This sector comprises individuals or groups of individuals that are consumers and producers of goods and non-financial services exclusively intended for their own final consumption. It includes also non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households (churches, clubs, societies, trade unions, etc.) and market-producing cooperatives, partnerships and sole proprietorships that are not recognised as independent legal entities. Thus many small businesses are included in the household sector.

Classification of economic activities

The classification of economic activities follows the standards of Regulation EC No 1893/2006 of the European Parliament and of the Council of 20 December 2006, entitled "Statistical classification of economic activities in the European Community'', known by the acronym NACE Rev. 2.

Measures of money

Until the end of 2007, the Central Bank of Malta compiled data on the following monetary aggregates: the monetary base (M0), narrow money (M1), intermediate money (M2) and broad money (M3). The **monetary base (M0)** consisted of currency in issue and OMFI deposits with the Bank. **Narrow money (M1)** included the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. **Intermediate money (M2)** comprised M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years. **Broad money (M3)** comprised M2 and the

OMFIs' repurchase agreements with the non-bank sector and their debt securities issued with an agreed maturity of up to and including two years and held by the non-bank sector.

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Maltese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem[1] in the total issue of banknotes in the area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column 'Banknotes in circulation' in the Financial Statements of the Bank will be a notional amount conforming to the banknote allocation key, and may be quite different from the amount of euro banknotes in the hands of Maltese residents. Moreover, Maltese residents' holdings of M3 within the euro area aggregate will include their holdings of deposits and other monetary instruments issued by MFIs anywhere in the euro area, the amount of which is not known.

The *Quarterly Review* Table 1.4b shows the contribution of Maltese MFIs to the euro area totals. This comprises the notional issue of euro currency attributed to the Bank according to the banknote allocation key, plus the issue of coins (where the Central Bank acts as agent of the Treasury), and, for 2008 only, remaining amounts of Maltese lira currency notes outstanding *less* holdings of euro banknotes and coins and, for 2008 only, of Maltese lira currency reported by MFIs in Malta; deposits held by Maltese residents and by residents of other euro area countries with MFIs in Malta excluding any holdings belonging to central governments (since central government holdings of deposits are excluded from the ECB's monetary aggregates) and any interbank deposits; repurchase agreements that are not conducted through central counterparties; any marketable instruments of the kind included in euro area M3 issued by MFIs in Malta *less* holdings by Maltese MFIs of such instruments issued by MFIs resident anywhere in the euro area (because Maltese MFIs may hold more of these instruments than they issued, this part of the Maltese contribution to euro area M3 may be negative); and MMFs shares/units issued *less* holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro-area. Similarly, the 'credit counterpart' to euro area M3 contributed by Maltese MFIs (Table 1.5b) comprises all Maltese MFI lending (including through the acquisition of securities in any form) to Maltese and all other euro area residents (other than MFIs). The so-called 'external counterpart' will be limited to their net claims on non-residents of the euro area[2]. 'Other counterparts (net)' comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs (Tables 1.2-1.3), with details of OMFIs' deposits and loans in Tables

[1] The Eurosystem comprises the ECB and the national central banks of the other EU Member States in the euro area.

[2] This is Maltese MFIs' (including the Central Bank of Malta's) claims on non-residents of the euro area, minus their liabilities to non-residents of the euro area, in all forms and in foreign currency as well as in euro.

1.8-1.13. The local credit institutions must submit data to the Central Bank of Malta not later than fifteen calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions compile monthly financial information in line with ECB Regulation 2008/32 (Recast). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

MFIs report stock positions, which are outstanding balances as at the end of the reference period, and for certain items transactions during the period. They show separately positions and transactions with residents of Malta, with residents of other euro area countries, and with non-residents of the euro area. Assets and liabilities are generally reported at market or fair value and on an accruals basis; deposits and loans are reported at nominal value. Thus, the effects of transactions and other events are recognised when they occur rather than when cash is received or paid. Transactions are recorded at the time of change in ownership of a financial asset. In this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by another. Instruments are reported in accordance with their maturity at issue, i.e. by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed, or can be redeemed only with some significant penalty.

All financial assets and liabilities are reported on a gross basis. Loans - which include overdrafts, bills discounted and any other facility whereby funds are lent - are reported gross of all related provisions, both general and specific. Claims include assets in the form of loans, deposits and repurchase agreements (or repos). Financial assets and liabilities that have demonstrable value - as well as non-financial assets - are considered as on-balance sheet items. Other financial instruments, whose value is conditional on the occurrence of uncertain future events, such as contingent instruments, are not recorded on the statistical balance sheet.

Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19th working day of the month following the reference month. The ECB also publishes a more detailed monetary data on a quarterly basis. The Maltese contribution to the monthly aggregates is then posted on the Central Bank of Malta’s website. When first published, monetary statistics are considered provisional since the Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting procedures. The ECB accepts revisions to the previous month’s data with each monthly submission; revisions to earlier periods are normally submitted with the next provision of quarterly data. Malta’s contributions to the euro area aggregates published by the Central Bank of Malta must be consistent with the latest euro area aggregates published by the ECB. Subsequently, such provisional data are released to the press by the Central Bank of Malta on a monthly basis and in more detail in the Central Bank of Malta’s *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. When major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

Investment funds

The investment funds sector consists of collective investment schemes licensed by the MFSA; the data in Table 1.14 comprise all those funds whose centre of economic interest is based locally. It excludes all money market funds as according to ECB Regulation 2008/32 (Recast) these form part of the MFI sector. The balance sheet is aggregated, not consolidated, and therefore includes, among the assets and liabilities, holdings by investment funds of shares/units issued by other investment funds.

Insurance corporations

Table 1.15 shows the aggregated statement of assets and liabilities of the insurance corporations resident in Malta. The statistical information excludes those corporations dealing predominantly with non-residents. The insurance corporations sector comprises non-monetary financial institutions principally engaged in financial intermediation as the consequence of the pooling of risk. Therefore, the principal function of insurance corporations is the provision of life, accident, health, fire and/or other forms of insurance. Such statistics are based on standards specified in ESA 1995, while accounting rules are those laid down in the relevant national law implementing the European Council Directive 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings. All financial assets and liabilities are reported on a gross basis and are generally valued at market or fair value.

Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.18 and 1.19 relate to the interest rates which are applied by resident credit institutions to euro denominated deposits and loans vis-à-vis non-financial corporations and households (including non-profit organisations) resident in Malta and in the euro area. MIR statistics are compiled in accordance with Regulation ECB/2009/7 (as amended) of 31 March 2009 and are therefore harmonised across the euro area. Interest rates are shown for both outstanding amounts and new business. Outstanding amounts cover the stock of all kinds of deposits and loans granted to households and non-financial corporations. New business consists of any new agreement between the household or non-financial corporation and the bank during the period under review. Two types of interest rates are quoted: (a) the Annualised Agreed Rate (AAR) and (b) the Annual Percentage Rate of Charge (APRC). The AAR is the rate which is agreed between the customer and the bank, quoted in percentage per annum. This rate covers all interest payments, excluding any other charges that may apply on deposits and loans. The APRC covers only two categories, namely lending for house purchase and consumer credit. It is the annual percentage rate that covers the total costs of the credit to the consumer such as the cost of inquiries, administration, guarantees, legal fees and other additional costs associated with the transaction.

As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates for its operations as the Maltese money market became part of the integrated euro area-wide interbank market. Thus, as from that date, the financial market interest rates shown in Table 1.20 are the key interest rates determined by the ECB for central bank operations throughout the euro area, and overnight (EONIA) and fixed-term (EURIBOR) rates on wholesale business in euro-denominated deposits as reported daily by a panel of active institutions in the euro area interbank market.

All outstanding Treasury bills and government securities denominated in Maltese lira were redenominated in euro at the beginning of 2008. The primary market rates on Treasury bills are the weighted averages of the rates attached to the bills that are taken up by bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign means that no transactions occurred during the reference period.

Interest rates on Malta Government long-term debt securities represent average International Securities Market Association (ISMA) redemption yields on applicable stocks with the periods specified referring to the remaining term to maturity. ISMA yields are quoted on the basis of an annual compounding period, irrespective of how many coupon periods per annum the stock has. The MSE share index is based on the last closing trade prices of the shares of all eligible companies weighted by their current market capitalisation. The index has a base of 1,000 on 27 December 1995.

Debt securities as presented in Table 1.16 comprise all financial assets that are usually negotiable and traded on recognized stock exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares included in Table 1.17 cover all shares whose prices are quoted on the Malta Stock Exchange. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Part 2 Government Finance

Tables in this section show the general government fiscal position compiled on the basis of ESA 95 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function (Table 2.4) is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays.

Table 2.6 on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatisation receipts or the utilisation of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government (Table 2.7), which mainly relate to the debts of non-financial public sector corporations. Government-guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government, which loans already feature in the calculation of government external debt. Government-guaranteed debt includes guarantees issued by the extra-budgetary units but excludes guarantees issued to them as they already feature in the general government debt. The methodology underlying the compilation of data on the external loans of general government sector in Table 2.12 is generally consistent with the IMF's "External debt statistics - guide for compilers and users". Debt is recognised when disbursement of funds is effected.

Part 3 Exchange Rates, External Transactions and Positions

From 2008, statistics on exchange rates (Tables 3.1a-3.1b) show the end-of-period and the average bilateral exchange rates of the euro against other selected major currencies. The euro exchange reference rates are published by the ECB on a daily basis normally at 1415hrs.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics (Tables 3.2-3.4) are generally in line with the *IMF Balance of Payments Manual* (BPM5) and in accordance with ECB Guideline 2004/15 (as amended). Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices. Up to the end of 2007, official reserve assets (Table 3.3) comprised gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside Malta, mainly central banks, other banks and governments, in line with the *IMF's Balance of Payments Manual* (BPM5). From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

Latest trade data are based on the respective NSO press release.

The concepts used in the compilation of gross and net external debt generally comply with the IMF's *"External debt statistics – guide for compilers and users (2003)"*. Gross external debt data are fully reconcilable with the data shown in the IIP. The external debt of the MFIs is also being shown separately as a memorandum item as such debt is fully backed by foreign assets of these institutions. The net external debt position is equal to gross external debt less gross external assets in the form of debt instruments.

Part 4 Real Economy

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 95 standards except for the labour market indicators in Table 4.3, which are based on the ETC's administrative records, and the RPI (Tables 4.8-4.9). Data on development permits (Tables 4.6-4.7) are taken from the Malta Environment and Planning Authority (MEPA).

Labour market statistics comprise those compiled on the basis of the NSO's Labour Force Survey (LFS) and the ETC's administrative records. The LFS is based on a random sample of private households using concepts and definitions outlined by Eurostat according to methodologies established by the International Labour Organisation (ILO). From March 2004, data are based on a weekly survey carried out throughout the reference quarter; from June 2005 data are weighted using a new procedure and are thus not strictly comparable with earlier figures. The labour market data based on the administrative records of the ETC represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with the ETC itself. ETC data on unemployment are based on the number of persons registering for work under Parts 1 and 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2008/9. The HICP, by contrast, (Table 4.10) covers all household final consumption expenditure irrespective of nationality or residence status. Consequently, the HICP uses weights that cover not only resident private and institutional household expenditure but also expenditure by tourists in Malta. The differences in these weighting schemes account for the significant monthly disparities between the RPI and the HICP. The sources of data used in the compilation of the Central Bank of Malta's property prices index (Table 4.5) are the advertisements for the sale of properties in all localities in Malta and Gozo carried in the property section of a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month of that quarter. The property types include flats and maisonettes, both in shell and in finished form, together with terraced houses, townhouses, houses of character and villas. Indices for each property type are derived on the basis of median prices weighted by the number of observations in each property category. The overall index is a Fischer chained index, calculated as the square root of the product of the chained Laspeyres and the chained Paasche indices. Annual data are derived as an average of the quarterly indices. Prices of commercial properties are excluded from the index.