Central Bank of Malta

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ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
cos.	companies
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ecu	european currency unit
EMU	Economic and Monetary Union
ERM	exchange rate mechanism
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
ETC	Employment and Training Corporation
EU	European Union
FI	fungibility issue
GDP	gross domestic product
gov.	government
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
MFI	Monetary Financial Institution
MFSA	Malta Financial Services Authority
MSE	Malta Stock Exchange
NACE Rev. 1	Statistical classification of economic activities in the European Community
NPISH	Non-Profit Institutions Serving Households
NSO	National Statistics Office
OECD	Organisation for Economic Co-Operation and Development
OMFI	Other Monetary Financial Institution
OPEC	Organisation of Petroleum Exporting Countries
Q	quarter
UNDP	United Nations Development Programme
WTO	World Trade Organisation

ECONOMIC SURVEY

1. FOREWORD

On 2 May 2005, the Maltese lira entered the Exchange Rate Mechanism II (ERM II) of the European Union at a central parity rate of MTL/EUR 0.4293.[1] The Maltese Authorities decided to maintain the MTL/EUR exchange rate at the central parity rate in ERM II, eschewing the use of the permitted fluctuation bands. The change in the peg did not affect the level of the exchange rate of the Maltese lira, which entered the Mechanism at the MTL/EUR rate prevailing at the close of the previous trading day. Since entering ERM II, the MTL/EUR rate has remained unchanged from the central parity rate.

Prior to ERM II entry, on 8 April 2005, the Central Bank of Malta raised the central intervention rate by 25 basis points to 3.25%. The rate rise followed a decline in the Bank's net foreign assets during the final quarter of 2004 that continued in the following quarter. Although the loss of reserves reflected the effects of trade and capital liberalisation and a higher fuel import bill, the Bank considered that pressures on the balance of payments were being compounded by strong growth in credit to the personal sector. Hence, the increase in interest rates was intended to curb excessive credit growth, dampen inflationary pressures and help correct the existing imbalance between saving and spending.

During the remainder of the second quarter and throughout the third, the Bank left the central intervention rate unchanged, judging that it provided adequate support to the exchange rate. The entry of the Maltese lira into ERM II and the commitment of the Monetary Authorities to maintain the exchange rate for the lira against the euro at the agreed central parity rate had a positive impact on financial market sentiment. Indeed, after stabilising in May and June, the Bank's net foreign assets increased strongly in July and August, though this was also because of seasonal factors. In addition, the removal of the pound sterling and the US dollar – which offered relatively high interest rates – from the currency basket upon ERM II entry automatically led to an increase in the interest rate differential in favour of the Maltese lira.

Domestic money market interest rates rose in line with official rates in April, but then remained stable during the rest of the second quarter and into the third. As a result, and also because the corresponding euro interest rate declined slightly during this period, the three-month premium on the Maltese lira widened from 93 basis points at the end of March to 124 basis points five months later. The ten-year premium on the Maltese lira also widened, to 136 basis points in August from 110 basis points in March. In this case, however, this was because euro area bond yields fell faster than those on domestic bonds.

Monetary growth recovered during the second quarter, with broad money (M3) putting on 1.9% following a modest rise in the previous three months. Monetary expansion was driven almost entirely by growth in the net foreign assets of the banking system, with an additional contribution from domestic credit, which largely continued to reflect borrowing by the personal sector to finance the construction or purchase of houses. M3 contracted in July, mainly as a result of a shift by households from bank deposits into alternative assets, but rose again in August as the net foreign assets of the banking system increased further.

[1] The exchange rate is being quoted in terms of units of Maltese lira per euro.

Economic activity in Malta regained momentum during the second quarter of 2005, with real GDP expanding by 2.4% on a year earlier, up from an annual growth rate of 0.2% in the previous three months. The acceleration was driven by investment spending and inventory changes. In contrast, consumption and net exports continued to fall on an annual basis, although in each case the decline was less pronounced than that recorded in the first quarter.

Nominal GDP growth also picked up in the second quarter. Gross value added expanded by 4.1% on a year earlier as its two principal components, compensation of employees and operating surplus, increased. The rise in gross value added was spread across all the major sectors of the economy, although financial intermediation and the real estate, renting & other business activities sector posted especially strong gains. Mounting fuel costs, however, continued to weigh heavily on the economy, as shown by the losses recorded in the electricity, gas and water supply sector.

According to the Bank's latest business perceptions survey, the recovery in business confidence shown in the previous survey was not sustained.[2] Although most firms expected the general economic situation over the next six months to remain the same, the proportion of those expecting an improvement declined. The swing in sentiment was spread across both export- and domestically-oriented firms, with the manufacturing sector, in particular, being generally pessimistic. However, in terms of their own performance, the majority of respondents were anticipating an increase in activity, with turnover and profitability expected to rise.

During the second quarter, although increased economic activity appears to have been translated into additional jobs, unemployment also rose. The results of the latest Labour Force Survey show that the labour force expanded by 2.1% during the second quarter of 2005 compared to the same period a year earlier. Although the employed population increased by 1.6%, mainly reflecting increased part-time employment in the private sector, the number of the unemployed rose even more rapidly. Consequently, the unemployment rate, which had dropped in the previous two quarters, went up to 7.8%. The Survey data, however, contrast with information on the number of registered unemployed, which dropped significantly between March and June.

Inflation was broadly stable during the second quarter, with food and fuel prices being the primary sources of inflationary pressures during the year to June. The twelve-month moving average inflation rate, based on the Retail Prices Index, edged up to 2.9% in June. The year-on-year inflation rate was more volatile during the quarter, but ended June at 2.9%, down from 3.1% three months earlier. Inflation eased slightly going into the third quarter, with the twelve-month moving average rate and the year-on-year rate dropping to 2.7% and 2.5%, respectively, in August.

The deficit on the current account of the balance of payments widened during the second quarter of 2005, rising to Lm43.9 million from Lm22.9 million a year earlier. This mainly resulted from a shift in the income account, which swung into deficit as a result of increased profits recorded by foreign-owned firms operating in Malta. To a lesser extent, the widening also reflected a larger merchandise trade gap. Together, these factors outweighed a higher surplus on services and a smaller deficit on the current transfers account. After excluding movements in international reserves, net outflows on the capital and financial account declined, partly because of increased receipts of official

[2] The survey was carried out between July and August 2005.

transfers from Italy and the EU. Data for July show a marginal narrowing of the trade gap, as imports fell faster than exports.

The Government continued to pursue its fiscal consolidation programme, and the available information points to a narrowing of the general government deficit during the first quarter of the year. Similarly, during the first half of the year, the deficit on the Consolidated Fund narrowed by Lm2.6 million to Lm94.8 million compared to a year earlier, as revenue expanded more rapidly than expenditure. The pace of fiscal consolidation appears to have picked up going into the third quarter, with the Consolidated Fund deficit contracting further.

2. THE INTERNATIONAL ENVIRONMENT

The world economy

Preliminary estimates from the main industrial countries indicate that in the second quarter of the year overall economic growth lost some momentum. This was mainly attributable to the persistently high level of crude oil prices. Global economic growth continued to be driven by the United States and China, which are also mainly responsible for the current large external imbalances. Nevertheless, according to the IMF's latest *World Economic Outlook*, published in September, the global economy remains on a strong growth path, which is set to continue in 2006.

Economic and monetary developments in the major economies

The United States economy continued to grow at 3.6% during the June quarter, the same rate as in the first quarter, driven by buoyant domestic demand, although the latter contributed, in turn, to the continued dampening effect on growth of a negative trade balance (see Table 2.1). At the same time, growth in the industrial sector was generally weaker, with the contribution of domestic investment turning negative, though this seems to have been related to a fall in inventories. Although the high price of oil had a negative impact on final demand, it did not translate into higher consumer prices. In fact, the US inflation rate eased to 2.9% in the second quarter, from 3% in the first (see Table 2.2). Labour market activity improved during the quarter, leading to an easing of the unemployment rate to 5.1%, from 5.3% in the March quarter.

Against this background, the US Federal Open Market Committee continued to tighten its monetary policy stance, raising the target for the federal funds rate twice by 25 basis points during the quarter, bringing it up to 3.25% (see Chart 2.1). The Committee felt that, with appropriate monetary policy action, the upside and downside risks to the attainment of both

Table 2.1
REAL GDP
% change compared with the same period a year earlier

	2004				2005		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3[1]
United States	4.7	4.6	3.8	3.8	3.6	3.6	3.5
Euro area	1.6	2.1	1.8	1.5	1.4	1.2	1.3
EU - 25	1.9	2.4	2.2	1.9	1.6	1.3	n/a
United Kingdom	3.4	3.7	3.1	2.7	2.1	1.8	2.3
Japan	4.5	3.2	2.6	0.6	1.3	1.4	1.5

[1] Forecasts.
Sources: Bank of Japan; Bureau of Economic Analysis, US; Consensus Forecasts; Eurostat; National Statistics, UK.

Table 2.2
CONSUMER PRICE INDEX
% change compared with the same period a year earlier

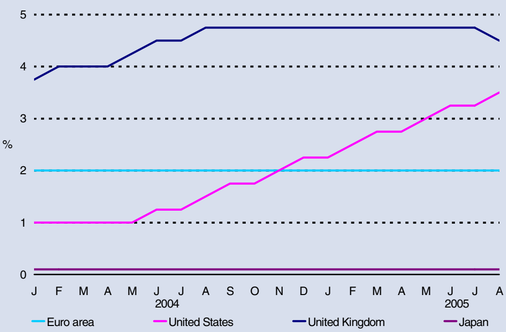
	2004				2005		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3[1]
United States	1.7	3.3	2.5	3.3	3.1	2.9	3
Euro area	1.7	2.3	2.2	2.3	2.0	2.1	1.9
United Kingdom	1.3	1.4	1.2	1.4	1.7	1.9	1.9
Japan	-0.1	-0.3	-0.1	0.5	-0.2	-0.1	-0.1

[1] Forecasts.
Sources: Consensus Forecasts; Eurostat; US Bureau of Labor Statistics; Bank of Japan.

sustainable growth and price stability should be kept roughly equal.

Preliminary data for the second quarter of 2005 confirm that euro area growth remains subdued, easing to 1.2% from 1.4% in the first quarter. High and rising oil prices, in particular, weighed on domestic demand and confidence, and growth in the volume of retail trade slipped to 0.9% in June following the 1.9% growth registered in May. However, some indicators showed a slight improvement as investment benefited from favourable conditions. After falling in May, new industrial orders rose by 4.9% in June, while industrial production also improved. On the external side, continued growth in global demand helped boost the area's trade surplus over the last few months, though this still remained lower than last year's surplus for the same period. The area-wide unemployment rate remained unchanged at 8.7% in May and June, but following the hike in oil prices inflation edged up to 2.1% during the second quarter, from 2% in the first.

Chart 2.1
OFFICIAL INTEREST RATES
(end of period)



Source: Central banks

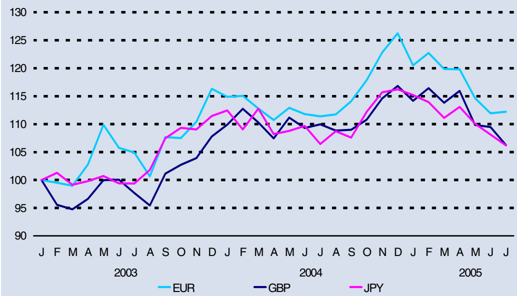
The ECB left the minimum bid rate on its main refinancing operations unchanged at 2% during the second quarter of 2005 and in the first months of the third. The Bank's Governing Council concluded that the monetary policy stance was appropriate given the upside risks to price stability emanating from higher oil prices. The ECB pointed out that interest rates were low, and were lending support to economic growth. Its monetary policy stance was also managing to keep inflation expectations in line with price stability.

In the United Kingdom, output growth slowed to 1.8% in the second quarter, reflecting subdued private consumption. Industrial output also dampened growth, as industrial production fell by 1.9% in June while inventories were run down. On the external side exports grew faster than imports during the quarter, causing the trade balance to improve. The unemployment rate, at 4.7%, was up slightly from the previous quarter but lower than a year earlier. Higher oil prices seem to have contributed to an increase in UK inflation, which rose to 1.9% in the second quarter, from the 1.7% in the first.

Against this background, the Bank of England left the repo rate unchanged at 4.75% throughout the second quarter. But the slowdown in activity during the first half of the year prompted the Bank to cut interest rates by 25 basis points to 4.5% at its August meeting.

In the second quarter of 2005, Japan's economy

Chart 2.2
EXCHANGE RATE MOVEMENTS OF SELECTED CURRENCIES AGAINST THE US DOLLAR*
(index of end-of-month rates, Jan-2003=100)



*A higher index reflects a nominal appreciation of the currency against the US dollar.
Source: Reuters

gathered momentum, recording a 1.4% growth in GDP. This rebound was mainly driven by strong private consumption and non-residential investment. In the external sector, import growth outpaced that of exports, reflecting a slowdown in trade with China. The pick-up in the Japanese

Table 2.3
EXCHANGE RATES OF SELECTED CURRENCIES AGAINST THE US DOLLAR - SECOND QUARTER 2005

	USD/EUR	USD/GBP	JPY/USD
Average for April	1.2943	1.8952	107.30
Average for May	1.2700	1.8573	106.62
Average for June	1.2169	1.8193	108.63
Average for the quarter	1.2604	1.8573	107.52
Opening rate on 30.06.05	1.2096	1.8079	110.19
Opening rate on 30.03.05	1.2954	1.8797	107.23
Lowest exchange rate during the quarter[1]	1.2032 (24 June)	1.8059 (14 June)	104.36 (05 May)
Highest exchange rate during the quarter[1]	1.3102 (21 Apr.)	1.9202 (21 Apr.)	110.19 (30 June)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from opening rate on 30.03.05 to opening rate on 30.06.05	-6.6	-3.8	-2.8

[1] The high/low exchange rates are daily opening rates of the relevant currencies.
Source: Reuters.

economy was also reflected in the labour market, where the unemployment rate eased to 4.3% from 4.6% in the first quarter. As for consumer price developments, Japanese CPI inflation, though remaining negative, improved to -0.1%, from -0.2% in the first quarter.

Against this background, the Bank of Japan decided to maintain its current stance of monetary easing.

Foreign exchange markets

The second quarter of 2005 was characterized by a broad-based depreciation of the euro against the other major currencies. In terms of the US dollar, in particular, the euro weakened by 6.6% during the quarter (see Chart 2.2 and Table 2.3)

In the beginning of April, the widening of the interest rate differential between the United States and the euro area caused the euro to lose further ground against the dollar. At the same time, heightened expectations of an imminent increase in exchange rate flexibility in the Asian area resulted in an appreciation of the Japanese yen against the European unit. On the other hand, the publication of data pointing to a slowdown in the UK economy caused the euro to appreciate vis-à-vis the pound sterling.

In May, data confirming solid and robust economic momentum in the US caused the euro to depreciate further against the dollar. This trend was accentuated in June, following the French and Dutch rejection of the proposed European Constitution, with the euro trading at around USD1.2169 (see Table 2.3). In the aftermath of the negative referendum results, the euro lost ground even against sterling. The depreciation against the British currency, however, was reversed towards the beginning of July, following the terrorist attacks in London, which caused a sharp appreciation of the euro in terms of the pound.

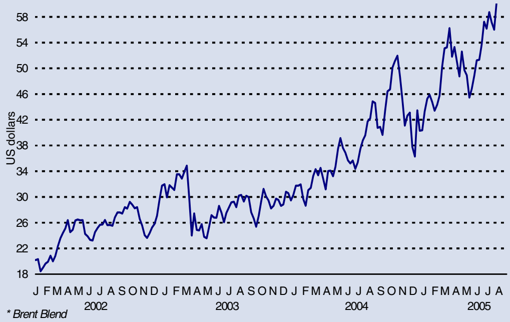
After depreciating against the yen in early June, the euro started to appreciate against the Japanese currency on market expectations of a change in the Chinese exchange rate regime, which would have an adverse impact on the yen. This was the main factor behind the 2.8% depreciation of the yen against the US dollar over the second quarter.

Commodities

In early April, limited spare capacity and buoyant demand, together with security concerns over supplies, temporarily pushed the price of Brent crude oil up to an all-time high of USD57 (see Chart 2.3). Oil prices then fell through most of May, amid considerable volatility, as demand pressure from China abated and supply capacity improved. But oil surged once again in June, reaching a new all-time high of USD58.5 towards the end of the month, as buoyant demand combined with a tight market and security concerns kept upward pressure on prices. These pressures continued throughout July and August, pushing oil prices up to the USD68 mark.

Meanwhile, during the June quarter, the prices of non-energy commodities eased from the peak levels reached in March, mainly reflecting a decline

Chart 2.3
OIL ($/BARREL)*
(end of week)

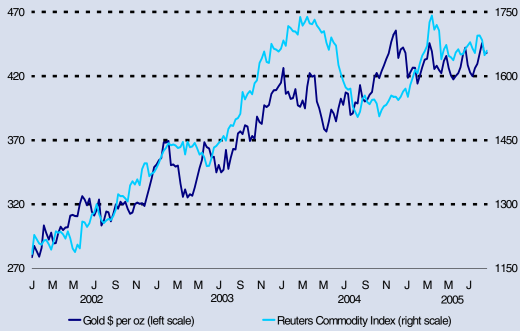


** Brent Blend*
Source: Reuters

in food and beverage prices which outweighed an increase in those of industrial raw materials. These developments were reflected in the movements of the Reuters Commodity Index,[1] which fell by 2.68% during the quarter (see Chart 2.4).

April was a bullish month for gold, with prices displaying an upward trend as expectations of a possible Chinese yuan revaluation increased the demand for the metal as a safe haven asset (see Chart 2.4). Following the rise of the dollar in May, however, the price of gold retreated to USD418.4 per ounce at the end of May, before putting in a very strong performance in mid-June, when it hit a new high of USD441 per ounce following the rejection of the European Constitution by the French and the Dutch electorates. This surge in the gold price was short-lived, however, and towards end-June prices eased once more to USD435 per ounce, reflecting the dollar's appreciation.

Chart 2.4
COMMODITY PRICES
(end of week)



Source: Reuters

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[1] The Reuters Commodity Index is a weighted index of the prices of seventeen commodities including food, beverages, vegetable oils, agricultural raw materials and metals, excluding gold.

3. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank of Malta tightened its monetary policy stance during the second quarter of 2005, raising the central intervention rate by 25 basis points to 3.25% in April. Interest rates applied by the Bank in its open market operations were raised in line with the central intervention rate. The Bank then left the central intervention rate unchanged throughout the rest of the second quarter and into the third.

Money market interest rates rose in line with official rates during the second quarter. In the capital market, corporate bond yields moved up in April, following the rise in official rates, but declined for the rest of the quarter. In contrast, five- and ten-year government bond yields declined throughout the quarter under review, while fifteen-year government bond yields remained unchanged. Meanwhile, equity prices fell slightly, before rising again in July and August.

During the second quarter broad money (M3) expanded at the fastest pace in over a year, growing by 1.9% as depositors added to their short-term balances. With regard to the counterparts of M3, the net foreign assets of the banking system rose considerably during the quarter, while domestic credit expanded less vigorously, despite further growth in loans to the personal sector.

Over the first two months of the third quarter broad money expanded further, despite a drop in domestic credit, as the net foreign assets of the banking system continued to grow.

Table 3.1
THE MONETARY BASE AND ITS SOURCES

Lm millions

	2005	2005	Change	
	Mar.	June	Amount	%
Currency in issue	505.1	517.0	11.9	2.4
Bank deposits with the Central Bank of Malta[1]	175.2	146.0	-29.2	-16.7
MONETARY BASE (M0)	**680.3**	**663.0**	**-17.3**	**-2.5**
CENTRAL BANK OF MALTA ASSETS				
Foreign assets	864.6	859.1	-5.5	-0.6
Claims on central government	20.7	16.5	-4.2	-20.5
Fixed and other assets	39.2	21.7	-17.5	-44.6
less				
REMAINING LIABILITIES				
Government deposits	87.2	81.8	-5.4	-6.2
Other deposits	3.7	2.6	-1.1	-29.3
Foreign liabilities	38.4	40.0	1.6	4.1
Other liabilities	18.6	9.0	-9.6	-51.4
Shares and other equity	96.4	100.9	4.5	4.6

[1]Excluding term deposits, which are shown with "other liabilities".

The monetary base

The monetary base (M0) contracted by Lm17.3 million, or 2.5%, during the second quarter, after having expanded in the previous quarter (see Table 3.1).[1] The drop in M0 was due to a reduction in bank deposits with the Central Bank of Malta, which offset an increase in currency in issue. As a result, the annual growth rate of M0 reversed the previous quarter's gain, falling from 7.4% in March to 2.5% in June. The decline continued in July and August.

The drop in M0 during the second quarter was mainly due to maturing reverse repos (classified under the "fixed and other assets" category).[2] To a lesser extent, movements in the Bank's foreign assets and claims on central government, both of which declined, also contributed to the decrease in the monetary base. On the other hand, a decrease in "other liabilities", which reflected maturing term deposits, had an expansionary effect on M0.

Monetary aggregates

Monetary growth accelerated in the second quarter, with broad money expanding by Lm54.1 million, or 1.8%, after having increased by 0.2% in the previous quarter (see Table 3.2).[3] Thus, the annual growth rate of M3 rose from 0.7% in March to 1.4% in June (see Chart 3.1). Broad money growth moderated going into the third quarter.

Table 3.2
MONETARY AGGREGATES
(Changes on the previous quarter)

Lm millions

	2004						2005			
	Q2		Q3		Q4		Q1		Q2	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
NARROW MONEY (M1)	**35.7**	**2.3**	**17.3**	**1.1**	**-15.3**	**-1.0**	**4.7**	**0.3**	**55.5**	**3.5**
Currency in circulation	14.1	3.0	2.5	0.5	2.0	0.4	-1.4	-0.3	10.8	2.2
Deposits withdrawable on demand	21.6	2.0	14.8	1.4	-17.3	-1.6	6.1	0.6	44.7	4.1
INTERMEDIATE MONEY (M2)	**34.5**	**1.2**	**21.1**	**0.7**	**-42.1**	**-1.4**	**7.0**	**0.2**	**54.1**	**1.9**
Narrow money (M1)	35.7	2.3	17.3	1.1	-15.3	-1.0	4.7	0.3	55.5	3.5
months	-0.3	-0.9	0.3	0.9	0.4	1.2	0.1	0.3	0.2	0.7
Deposits with agreed maturity up to 2 years	-0.9	-0.1	3.6	0.3	-27.2	-2.0	2.2	0.2	-1.6	-0.1
BROAD MONEY (M3)[1]	**34.5**	**1.2**	**21.1**	**0.7**	**-42.1**	**-1.4**	**7.0**	**0.2**	**54.1**	**1.9**

[1] Since the amount of marketable instruments issued by the MFI sector is negligible, at present M2 is almost equal to M3.

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[1] M0 is a measure of the Central Bank of Malta's monetary liabilities and consists of currency in issue and bank deposits with the Bank, excluding term deposits.

[2] In a reverse repo, the Bank buys securities from the banking system and agrees to sell them back later, thus injecting liquidity into the system temporarily.

[3] Broad money consists of intermediate money (M2) and the banks' repurchase agreements with the non-bank sector and debt securities issued with a term of less than two years. Given that the last two items are extremely small, M2 and M3 were almost identical during the period reviewed.

Chart 3.1
MONETARY AGGREGATES
(% change on previous year)

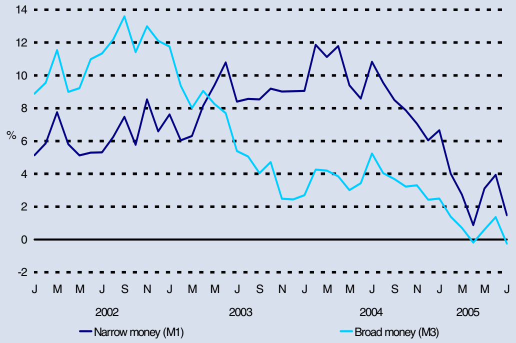
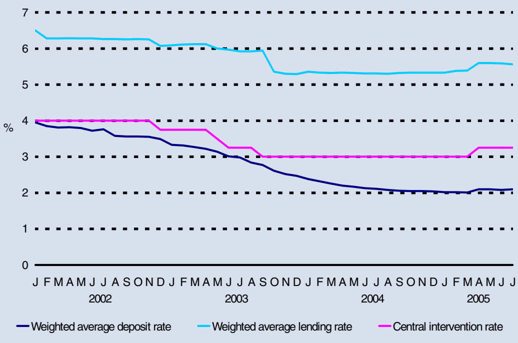


Chart 3.2
RETAIL DEPOSIT AND LENDING RATES
(end of month)



Narrow money (M1) expanded by Lm55.5 million, or 3.5%, during the second quarter, mainly reflecting an increase in deposits withdrawable on demand. The rise in these deposits was mainly attributable to households, which added to their short-term balances after having shifted part of their holdings into alternative assets in the previous two quarters. Meanwhile, currency in circulation, the other component of M1, grew by Lm10.8 million, or 2.2%, in the second quarter. The annual growth rate of M1 recovered slightly from 2.7% in March to 3.9% in June, but resumed its downward trend going into the third quarter, following a reduction in household deposits withdrawable on demand.

The increase in M1 accounted for the entire rise in M2 during the second quarter, as deposits with an agreed maturity of up to two years – the other major component of M2 – declined (see Table 3.2).[4] Households' deposits denominated in Maltese lira accounted for most of the drop, reflecting a preference for shorter-term deposits and alternative assets, such as the government bonds issued in May. At the same time, households continued to add to their foreign currency deposits. Overall, deposits with an agreed maturity of up to two years continued to decrease on an annual basis, falling by 1.7% in the twelve months to June, with their annual rate of decline dropping further to 1% in August.

Banks reacted to the increase in official interest rates in April by adjusting their deposit and lending rates (see Chart 3.2). The weighted average interest rate on Maltese lira deposits rose from 2.01% at the end of March to 2.08% in June and remained stable at this level until the end of August.[5] Average interest rates on time and savings deposits rose from 2.84% and 0.95%, respectively in March, to 2.90% and 1.17% in June. In contrast, the average interest rate on current account balances fell from 0.46% in March to 0.42% in June. The weighted average lending rate increased from 5.39% in March to 5.56% in June, but eased slightly by the end of August.

Counterparts of monetary expansion

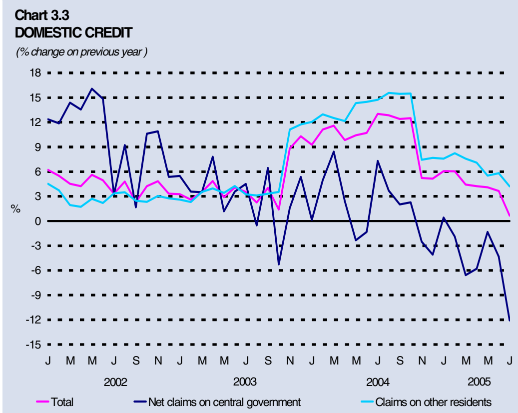
Monetary expansion during the second quarter was mainly driven by a recovery in the net foreign assets of the banking system (see Table 3.3). Growth in domestic credit, which mainly continued to reflect borrowing to finance house

[4] Deposits with a term to maturity greater than two years are excluded from broad money.
[5] The average interest rate on Maltese lira deposits captures all resident deposits, including those that do not form part of M3, excluding deposits belonging to MFIs.

purchases, also contributed, but to a lesser extent. Going into the third quarter, the net foreign assets of the banking system expanded further, while domestic credit contracted.

Domestic credit expanded by Lm4.4 million, or 0.2%, during the second quarter, as further growth in claims on other residents was partly offset by a small drop in net claims on central government. The annual rate of domestic credit growth, however, ended the quarter at 3.6%, down from 4.4% at the end of the first quarter and fell further going into the third quarter. The recent downward trend in the annual growth rate of domestic credit reflects slower growth in both net claims on central government and claims on other residents (see Chart 3.3).

Net claims on central government contracted by Lm5.6 million, or 1%, during the second quarter



(see Table 3.3), mainly reflecting a reduction in bank holdings of Treasury bills. The annual growth rate of net claims on central government was rather volatile during the quarter, partly reflecting base effects associated with a loan reclassification in May 2004.[6] This growth rate

Table 3.3
COUNTERPARTS OF MONETARY GROWTH
(Changes on the previous quarter)

Lm millions

	2004						2005			
	Q2		Q3		Q4		Q1		Q2	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY (M3)	**34.5**	**1.2**	**21.1**	**0.7**	**-42.1**	**-1.4**	**7.0**	**0.2**	**54.1**	**1.8**
DOMESTIC CREDIT	**24.8**	**0.9**	**33.3**	**1.2**	**1.9**	**0.1**	**60.7**	**2.2**	**4.4**	**0.2**
Net claims on central government	-20.0	-3.3	-12.3	-2.1	-27.9	-4.9	20.5	3.8	-5.6	-1.0
Claims on other residents	44.8	2.1	45.6	2.1	29.8	1.3	40.2	1.8	9.9	0.4
NET FOREIGN ASSETS	**47.0**	**3.3**	**13.4**	**0.9**	**-31.3**	**-2.1**	**-49.1**	**-3.4**	**50.4**	**3.6**
Central Bank of Malta	-26.2	-2.8	21.8	2.4	-58.4	-6.3	-44.1	-5.1	-7.1	-0.9
Banks	73.2	15.2	-8.4	-1.5	27.0	4.9	-5.0	-0.9	57.5	10.1
less										
OTHER COUNTERPARTS OF M3[1]	**37.2**	**3.0**	**25.6**	**2.0**	**12.7**	**1.0**	**4.7**	**0.4**	**0.6**	**0**

[1] Other counterparts of M3 include the capital base of the MFI sector, deposits with terms to maturity exceeding two years, longer-term financial liabilities, provisions, interest accrued and unpaid and other liabilities, less fixed and other assets. They are equal to the difference between M3 and the sum of domestic credit and net foreign assets.

[6] In May 2004 a reclassification in the loan portfolio of a major bank contributed to a drop in net claims on central government and simultaneously led to an increase in claims on the non-bank public sector.

ended the quarter under review at -4.3%, compared with -6.6% at the end of the first quarter, but dropped again by August, as banks reduced their Treasury bill portfolio further.

Claims on other residents increased by Lm9.9 million, or 0.4%, in the second quarter. Loans and advances to other residents, which account for almost 90% of total claims, rose by Lm7.8 million, or 0.4%, with demand for bank credit mainly coming from the private sector (see Table 3.4). Loans to the non-bank private sector expanded by Lm14 million, or 0.8%, driven by further lending to households and individuals, most of which was intended for house purchases. Loans to the "real estate, renting and business activities"

Table 3.4

CLAIMS ON OTHER RESIDENTS[1]

Lm millions

	2005	2005	Change	
	Mar.	June	Amount	%
TOTAL CLAIMS	**2280.4**	**2290.4**	**9.9**	**0.4**
Claims on the non-bank private sector	2094.9	2108.3	13.5	0.6
of which loans and advances	1870.4	1884.4	14.0	0.8
Claims on the non-bank public sector	184.8	181.3	-3.5	-1.9
of which loans and advances	161.0	154.7	-6.3	-3.9
Claims on other general government[2]	0.7	0.7	0	0
of which loans and advances	0.7	0.7	0	0
TOTAL LOANS AND ADVANCES	**2,032.1**	**2,039.9**	**7.8**	**0.4**
Electricity, gas & water supply	95.2	95.0	-0.1	-0.1
Transport, storage & communication	129.4	121.5	-7.9	-6.1
Agriculture & fishing	9.9	9.2	-0.7	-7.1
Manufacturing	115.3	114.2	-1.1	-0.9
Construction	214.2	202.4	-11.8	-5.5
Hotels & restaurants	215.9	209.6	-6.3	-2.9
Wholesale & retail trade; repairs	297.5	294.6	-2.9	-1.0
Real estate, renting & business activities	136.1	150.5	14.4	10.6
Households & individuals	750.7	777.0	26.3	3.5
Other[3]	68.0	65.8	-2.2	-3.2

[1] Claims on other residents consist mainly of loans and advances (including bills discounted) and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies. Interbank claims are excluded.

[2] In Malta, this refers to the local councils.

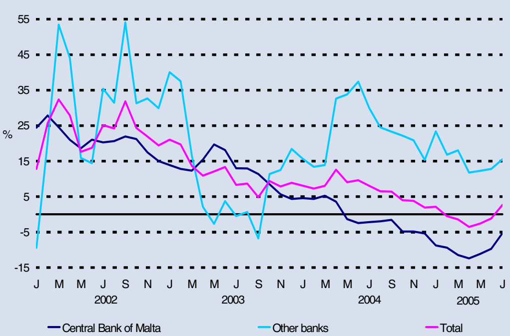
[3] Includes mining and quarrying, public administration, education, health and social work, community recreation and personal activities, extra-territorial organisations and bodies and non-bank financial institutions.

category also increased, although most of this was due to a reclassification, which simultaneously led to a decline in the construction category. In fact, while loans to households continued to expand relatively rapidly, borrowing by non-financial corporations remained rather sluggish, with loans and advances to almost all sectors declining (see Table 3.4).

On an annual basis, claims on other residents fell from 7.6% at the end of March, to 5.8% at end-June, and extended their decline into the third quarter (see Chart 3.3). This prolonged a gradual decline that was observed since February 2005. It partly reflected a slowdown in the growth rate of loans and advances, but also one-off factors such as the drop in May, largely due to base effects associated with the loan reclassification mentioned above, which also affected net claims on central government.

The net foreign assets of the banking system expanded by Lm50.3 million, or 3.6%, during the June quarter, after having contracted in the previous two quarters (see Table 3.3). This led to a partial reversal of the trend decline in the annual growth rate (see Chart 3.4). Thus, while in the twelve months to March the banking system's net foreign assets fell by 1.4%, in the year to June

Chart 3.4
NET FOREIGN ASSETS
(% change on previous year)



the contraction narrowed to 1.1%. Subsequently, the annual growth rate turned positive by August, following further growth in the net foreign assets. The increase in the net foreign assets during the quarter reviewed may be partly explained by the rise in interest rates offered on Maltese assets following the increase in official rates in April. Malta's entry into ERM II in May at a fixed parity rate, coupled with the Monetary Authorities' commitment to maintain the lira at the central rate against the euro could also have played a role, by removing uncertainty about possible fluctuations in the exchange rate.

The net foreign assets of the Central Bank of Malta contracted by Lm7.1 million, or 0.9%, during the second quarter of 2005, extending the trend observed over the previous two quarters. The overall drop largely reflected net sales of foreign currency to the rest of the banking system in April, as the Bank's net foreign assets rose in May and June. The net foreign assets of the Bank continued to decline on an annual basis, falling by 9.7% in the year to June (see Chart 3.4). But this drop was smaller than that observed during the year to March, and the annual rate of decline moderated further in July and August.

The net foreign assets of the rest of the banking system expanded by Lm57.5 million, or 10.1%, during the second quarter. Their annual growth rate ended the quarter at 12.8%, down from 18% in March, although this drop reflected a base effect associated with an exceptional increase in April 2004, when there was an injection of equity capital into a foreign-owned bank operating in Malta. The annual growth rate rose again going into the third quarter.

The net foreign assets of the deposit money banks increased by Lm61.5 million, or 17.2%, during the quarter under review, partly reflecting net purchases of foreign exchange from the Bank and receipts from tourism. In addition, the deposit money banks' holdings were boosted by capital inflows from abroad, as evidenced by an increase in residents' foreign currency deposits. In contrast, the international banks' net foreign assets fell by Lm4 million, or 1.9%, mostly as a result of the repatriation of profits, which offset revaluations of portfolio holdings and profits made during the quarter.

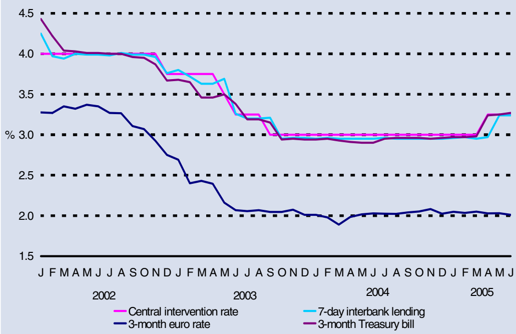
Other counterparts of M3 rose by Lm0.6 million during the second quarter (see Table 3.3). An increase in deposits excluded from M3 and in bank profits accumulated during the quarter boosted this item. These movements were largely offset by a considerable drop in long-term debt securities outstanding, as a deposit money bank redeemed bonds that it had issued in 1995.

The money market

During the second quarter of 2005 liquidity in the banking system declined further, reflecting the bond redemption referred to earlier. The Bank responded by injecting funds into the system through reverse repos. Consequently, the amount of funds absorbed by the Bank in its weekly auctions of 14-day term deposits persisted on its downward trend, more than halving to Lm105.8 million from Lm223.8 million in the previous quarter. Following the 25 basis point rise in the central intervention rate in April, the interest rate floor on these deposits increased from 2.95% to 3.2%, while the ceiling on reverse repos rose to 3.30%. In effect, the reverse repo rate moved upwards from 3% at the end of March to 3.27% three months later.

Turnover in the interbank market increased for the fourth consecutive quarter, rising to Lm110.2 million in the June quarter from Lm72 million in the three months to March. The asymmetric distribution of liquidity among banks led to the increased use of the interbank market as a source of short-term funds, particularly in May. Around three-

Chart 3.5
MONEY MARKET INTEREST RATES
(end of month)



Sources: Central Bank of Malta; Reuters.

fourths of interbank loans had a term to maturity of two weeks or less, while most of the remaining deals were struck with a tenor of one month. The interest rate on one-week interbank loans rose by 29 basis points during the second quarter, reaching 3.24% in June, and subsequently remained largely unchanged.

The Treasury issued Lm109.4 million worth of bills in the primary market during the second quarter, less than the Lm117.5 million issued in the previous quarter. Bills were issued with terms to maturity ranging between one month and one year. The three-month bill remained the most popular, accounting for almost one-third of total issues, with the rest consisting mainly of six-month bills and one-month bills. Banks were the main participants in the primary market, buying over 90% of the total issued, while insurance companies and households took up most of the remainder. As can be seen from Chart 3.5, the yield on the three-month bill rose by 0.29 percentage points to 3.27% during the quarter, following the change in official interest rates in April. The yield then edged down to 3.26% by the end of August.

In the secondary market for Treasury bills turnover decreased from Lm46.8 million in the first quarter to Lm38.1 million in the quarter under review. Transactions involving the Bank amounted to Lm35.7 million, with purchases from financial institutions, namely insurance companies and collective investment schemes, totalling Lm18.4 million. The Bank also sold Lm17.3 million worth of bills, mostly to the rest of the banking system. Banks accounted for the remaining turnover, trading among themselves and with other financial institutions. Yields in the secondary market generally followed those in the primary market.

Following Malta's entry into ERM II, the interest rate premium on the Maltese lira widened automatically as the relevant foreign benchmark no longer includes sterling and US dollar components, on which higher interest rates were available. In addition, during the second quarter, the three-month premium on the Maltese lira over the euro widened, from 93 to 126 basis points, as the effect of a small fall in the three-month euro rate was coupled with the rise in domestic money market rates in April. The spread was broadly unchanged in July and August.

The capital market

The Government continued to raise funds through bond issues during the second quarter of 2005, offering two fungible stocks with a combined nominal value of Lm60 million in May. One issue, consisting of Lm25 million worth of debt maturing in 2021 and carrying a coupon rate of 5%, was mostly purchased by households at par. The remaining Lm6.5 million worth was sold by auction and was mainly taken up by insurance companies and collective investment schemes. The effective yield to maturity of the whole issue was 4.7%. The second issue, of Lm35 million 5.7% MGS maturing in 2012, was sold by auction and purchased mainly by financial companies, particularly banks. This stock was issued at a premium and sold at a weighted average price of Lm109.7, implying an effective yield to maturity of 4.2%. These issues were partly intended to refinance maturing debt, after Lm23.5 million worth of Government bonds were redeemed. Furthermore, in June, the Government authorised an additional stock issue of Lm0.3 million for the financing of church schools. There were no bond issues by the corporate sector during the quarter.

In the secondary market for Government bonds, purchases and sales amounted to Lm23.7 million, compared with Lm23.6 million in the previous quarter. Transactions involving the Bank accounted for just Lm2.3 million of the total value. As in the previous quarter, participants traded mainly in medium and long-term bonds. The yield on the five-year Government bond declined steadily from 4.21% in March to 3.88% in June and fell again in July and August. Yields on ten-year bonds also fell, though to a lesser extent, while the 15-year bond yield remained constant throughout the quarter (see Chart 3.6).

Activity in the secondary market for corporate bonds slowed down during the second quarter, with the value of transactions falling to Lm1.5 million from Lm3.7 million in the first quarter.

Chart 3.6
GOVERNMENT BOND YIELDS
(end of month)

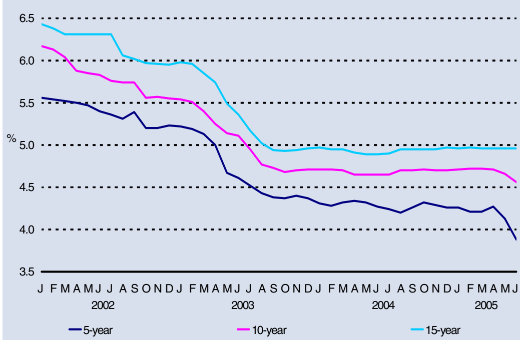


Chart 3.7
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)

Source: MSE.

More than half of the total turnover involved just five bonds, with the rest being evenly spread among the remaining stocks. Yields on corporate bonds moved up in April following the increase in official rates, but declined for the rest of the quarter.

Trading in the equity market fell from Lm10.6 million in the first quarter to Lm6.7 million in the quarter under review, with the shares of two major banks accounting for more than half of total turnover. The recent upward trend in equity prices stalled, with the MSE share index, which had added 12.2% during the previous quarter, declining by 0.3% during the quarter reviewed, levelling off at 3,431.1 in June (see Chart 3.7). During the first two months of the following quarter, equity prices rose again.

Box 1: CHANGES IN THE MONETARY POLICY OPERATIONAL FRAMEWORK OF THE CENTRAL BANK OF MALTA

With effect from 15 September 2005, the Central Bank of Malta adjusted its monetary policy operational framework – the tools and procedures used to implement monetary policy – with the dual purpose of enhancing its effectiveness and of bringing it more closely in line with that of the Eurosystem.[1] These changes consisted of a revision to standing facility interest rates and a reduction in the term to maturity of weekly open market operations.

Interest rates on standing facilities

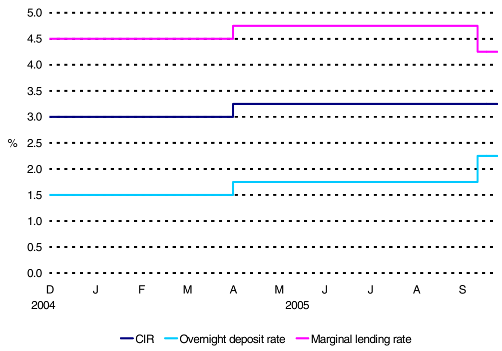
Standing facilities, that is, overnight deposit and lending facilities, are one of the main monetary policy instruments that are used by central banks to inject or absorb liquidity on an overnight basis. The interest rates applied to these facilities also constitute a ceiling and a floor above and below the central intervention rate (CIR), which is the official interest rate set by the Bank. They thus create a corridor around the CIR, which limits fluctuations in the overnight market interest rate.

Even though the role of standing facilities in monetary policy implementation is limited, particularly when compared to open market operations, they are nonetheless a very important instrument as they allow banks to meet unanticipated shortages and to make productive use of any extra funds on an overnight basis. Standing facilities also promote financial stability by ensuring that banks can overcome temporary liquidity shortages, provided that they have enough eligible collateral.

As a result of the revision to interest rates on standing facilities, the margins between the CIR and the standing facility rates were reduced by 50 basis points. As a result, the remuneration on overnight deposits stands at 2.25%, or 100 basis points below the CIR, while the interest rate on marginal lending facility lies 100 basis points above the CIR at 4.25% (see Chart 1). Consequently, the corridor for overnight rates has been narrowed from 300 to 200 basis points. Following these changes, the practice with regard to standing facility rates is now fully in line with that of the ECB.

This new, narrower corridor is not likely to lead to a sharp increase in the use of standing facilities, as credit institutions would probably still maintain their preference for other instruments available at the Bank's weekly auctions (described below), given their more advantageous terms. Moreover, the corridor is still wide enough to encourage banks, where possible, to resort to the interbank market instead of using the Bank's overnight facilities.

CHART 1
INTEREST RATES ON STANDING FACILITIES
(weekly data)



[1] Monetary policy in the euro area is conducted by the Eurosystem, which comprises the ECB and the national central banks of the Member States that have adopted the euro.

Term to maturity of open market operations

Open market operations are by far the most important instrument in the implementation of monetary policy. They are principally used to inject or absorb liquidity for a fixed period of time, according to the necessities of the banking system. Since July 1999, the Bank has carried out open market operations through weekly auctions offering instruments with a term to maturity of 14 days. Thus, when the banking system was short of funds, the Bank temporarily injected liquidity through reverse repo operations by purchasing eligible securities from credit institutions and reselling them 14 days later. Conversely, when the banking system had surplus funds, the Bank temporarily absorbed liquidity by offering 14-day term deposits.

The latest changes in open market procedures involved a shortening of the tenor of these instruments from 14 days to seven. This was intended to improve the Bank's ability to manage liquidity, particularly during periods characterised by relatively low levels of surplus liquidity. Besides, it was also another step aimed at bringing the Bank's practices in line with those of the Eurosystem.

With the introduction of a seven-day tenor, credit institutions can manage their liquidity position more flexibly. This, however, is not expected to have any impact on money market rates in the current situation, which is characterised by excess liquidity in the banking system, as the Bank will continue to absorb any surpluses by offering term deposits.

4. OUTPUT, EMPLOYMENT AND PRICES

GDP growth accelerated in the second quarter, driven by investment spending and inventory changes. Lower private and public consumption and a decline in exports were reported, bringing about a concurrent drop in import volumes. However, the downside impact stemming from the external sector and the contraction in consumption was much less pronounced than in the previous quarter. Developments in the individual expenditure components of GDP, however, continued to be conditioned by positive but sharp inventory changes.

In the labour market an increase in employment was driven mainly by the private sector, particularly in the form of part-time employment. Despite this development, data emanating from the Labour Force Survey, however, showed a rise in the number of people actively seeking work, although the number of registered unemployed declined till the end of June. Meanwhile, inflation was broadly stable during the quarter. In turn, responses to the Bank's latest business perceptions survey showed that business sentiment was generally neutral, though the balance turned negative again.

Gross Domestic Product

The economy regained momentum in the second quarter of 2005, with real GDP expanding by 2.4% year-on-year. In the light of data revisions that lifted first quarter performance from a marginal decline to a positive 0.2% growth, the economy is now reported to have grown by 1.3% in the first half of 2005. However, the growth out-turn for 2004 was lowered from 1% to 0.4%.

The second quarter performance followed the broad trends that emerged in the first three months of the year, with further declines in consumption - both by households and government - and exports, which contributed to lower imports (see Table 4.1). The analysis of developments in GDP expenditure components, however, remains conditioned by strong changes in inventories, the latter including statistical adjustments necessary to reconcile the expenditure-based GDP with that derived from the production approach. In real terms, inventory changes climbed to around 8% of GDP in the first half of 2005 and thus appeared

Table 4.1
GROSS DOMESTIC PRODUCT (CONSTANT 2000 PRICES)

	Year-on-year growth percent				Contribution to growth percentage points			
	2004	2005			2004	2005		
	Q1 - Q4	Q1	Q2	Q1 - Q2	Q1 - Q4	Q1	Q2	Q1 - Q2
Household & NPISH final consumption expenditure	-0.5	-6.7	-2.7	-4.7	-0.3	-4.3	-1.7	-3.0
Government final consumption expenditure	0.7	-6.6	-3.3	-4.9	0.2	-1.5	-0.7	-1.1
Gross fixed capital formation	4.6	5.3	10.2	7.9	0.9	1.0	2.2	1.6
Changes in inventories & net acquisitions of valuables	-	-	-	-	1.7	13.2	3.3	8.2
Domestic demand	2.2	**8.1**	**2.8**	5.3	2.4	**8.5**	**3.0**	5.7
Exports of goods & services	0.3	-11.8	-5.8	-8.7	0.3	-11.0	-5.6	-8.2
Imports of goods & services	2.2	-2.8	-4.7	-3.8	-2.3	2.7	4.9	3.8
Net exports	-	-	-	-	-2.0	**-8.3**	**-0.7**	-4.4
GROSS DOMESTIC PRODUCT	0.4	**0.2**	**2.4**	1.3	0.4	**0.2**	**2.4**	1.3
GDP deflator	2.0	0.9	2.4	1.7	-	-	-	-

Source: NSO.

to be a major source of growth, whereas in the corresponding period of 2004 they had only amounted to 0.2% of GDP.

The decline in second quarter consumption moderated to 2.7%, compared with the 6.7% slide based on the revised first quarter data. The drop in consumption for the first half of the year was thus estimated at almost 5%, with practically all categories of expenditure experiencing a downturn. Lower real incomes may partly explain this drop, although a shift towards greater saving may have also contributed.

Government consumption was down by 3.3% in the second quarter, after having fallen by 6.6% in the first. The resultant drop in government consumption for the first half of the year was nearly 5%. This continues to reflect the contractionary impact of the Government's fiscal consolidation programme.

In contrast, strong investment in public capital projects was maintained and continued to fuel gross fixed capital formation, whose growth rate in real terms accelerated from 5.3% in the first quarter to 10.2% in the second. Additional investment by the private sector also contributed, pushing up the investment-to-GDP ratio in real terms from 20.4% to 21.7% for the first half of the year.

In the external sector, the rate of decline in exports halved, from almost 12% in the first quarter to around 6% in the second. Consequently, during the first six months of the year exports fell by approximately 9%, reflecting mainly a drop in manufacturing activity, particularly in the electronics sector, and a subdued performance in tourism. Compared to the first six months of 2004, export prices were virtually stable and, therefore, developments in nominal export receipts generally mirrored those in export volumes. In contrast, during the second quarter, the decline in imports gathered pace, as they went down by 4.7% following a 2.8% contraction in the first quarter. As a result, in the first six months of 2005 imports were almost 4% below the level recorded during the same period last year due to a combination of a 1.7% decline in nominal imports and higher import prices.

Changes in the terms of trade had a major impact on developments in the GDP deflator, which accelerated from an annual growth rate below 1% in the first quarter to around 2.4% in the second. This was mainly because export prices, contrary to the first quarter, were up on a year earlier, whereas the year-on-year rise in import prices moderated.

Gross value added and factor incomes

Gross value added recovered in the second quarter, rising by 4.1% year-on-year, in contrast with the marginal drop reported in the first quarter (see Table 4.2). In the first half of 2005 gross value added thus rose by 2%, accelerating from 1.2% recorded during the same period of 2004. Nevertheless, gross value added continued to be weighed down by the losses registered in the electricity, gas and water supply sector, in view of mounting fuel costs, which shaved around one-third of a percentage point off the increase in value added during the second quarter.

All major sectors of the economy contributed to the rise in second quarter gross value added, with financial intermediation and the real estate, renting and other business activities sectors accounting for more than half the expansion. Similarly, these two sectors were responsible for most of the rise in gross value added during the first six months of the year. The performance of the manufacturing sector also improved, despite a drop in output, with gross value added recovering on a year-on-year basis after having contracted during the previous three months. The sector's overall performance for the first six months of the year, however, remained negative.

Table 4.2
GROSS VALUE ADDED

	Year-on-year growth percent				Contribution to growth percentage points			
	2004	2005			2004	2005		
	Q1 - Q4	Q1	Q2	Q1 - Q2	Q1 - Q4	Q1	Q2	Q1 - Q2
TOTAL ECONOMY	**0.7**	**-0.1**	**4.1**	**2.0**	**0.7**	**-0.1**	**4.1**	**2.0**
Manufacturing	-7.0	-6.7	2.3	-2.3	-1.4	-1.4	0.4	-0.4
Construction	2.4	4.4	8.3	6.3	0.1	0.2	0.4	0.3
Wholesale and retail trade	3.2	2.1	1.2	1.6	0.4	0.2	0.1	0.2
Hotels and restaurants	-4.5	-2.2	1.0	-0.3	-0.3	-0.1	0.1	0.0
Transport, storage and communication	5.8	4.5	3.4	3.9	0.6	0.4	0.3	0.4
Financial intermediation	15.6	11.3	23.6	17.7	0.9	0.7	1.5	1.1
Real estate, renting and business	5.5	4.4	6.0	5.2	0.7	0.6	0.8	0.7
Public administration	4.9	0.5	4.1	2.3	0.4	0.0	0.3	0.2
Education	4.5	0.8	4.1	2.5	0.3	0.1	0.3	0.2
Health and social work	5.8	1.4	4.4	2.9	0.3	0.1	0.3	0.2
Electricity, gas and water supply	-38.4	-36.4	-37.9	-36.8	-0.6	-0.8	-0.3	-0.6
Other	-18.5	-6.0	-6.7	-6.3	-0.7	-0.2	-0.2	-0.2

Source: NSO.

The two key components of gross value added, compensation of employees and operating surplus, both increased during the second quarter. Operating surplus grew at a slightly faster pace, expanding by 3.7% on an annual basis, up from 3.1% in the previous quarter. Therefore, during the first six months of the year, operating surplus added 3.5% on the same period of 2004. Growth in employment income also accelerated from an annual rise of 1.3% in the first quarter to 3.3% in the second, bringing the rise during the first half of the year up to 2.3%.

The financial sector remained a primary driver of employment income growth, contributing close to a third of the overall rise in the first six months. This sector's wage bill expanded by 11.1% in the first half of the year, after having contracted slightly during the corresponding period of 2004. The real estate, renting and business activities sector also performed strongly, with close to 9% growth in the January-June period. In both instances, the expansion in labour income was accompanied by a rise in operating surplus, which increased by almost 30% and 6%, respectively.

At the same time, employment income in the manufacturing sector, which alone contributes close to a fifth of the economy-wide wage bill, expanded by 3.2% year-on-year in the second quarter, after having contracted throughout 2004, and no growth during the first quarter. This squeezed the sector's operating surplus, which was down by around 6% in the second quarter. On balance, however, in the second quarter the sector's value added was up by 2.3% year on year. Although the out-turn for the first six months remained negative, the drop was limited to 2.3%, less than the 7% drop that occurred during 2004.

The public administration wage bill, which had fallen on a year-on-year basis in the previous quarter due to the one-off VAT compensation payment in March 2004, jumped by 4.1% in the second quarter and thus rose by 1.7% in the first half of the year. Meanwhile, employment incomes in other sectors where the public sector plays a major role, such as health and education, were up by 2.2% and 3.1%, respectively.

In contrast, the contribution of hotels and restaurants to gross value added was marginal, in line with indicators of a subdued performance by the tourism industry. During the second quarter gross value added in the sector rose by 1.0% on a year earlier, driven entirely by an increase of 1.8% in compensation of employees, as operating surplus fell. The wholesale and retail trade also accounted for a small share of the overall rise in gross value added, possibly reflecting the drop in consumption mentioned earlier.

Manufacturing

Official data on manufacturing firms revealed that, compared to the same period last year, total sales dropped by 4.7%, during the second quarter of

Table 4.3
SELECTED MANUFACTURING INDICATORS[1]

	2004			2005	
	Q2	Q3	Q4	Q1	Q2
Change in turnover (Lm millions)	**-3.9**	**-5.5**	**-13.8**	**-36.0**	**-11.7**
Change in exports (Lm millions)	**-0.7**	**-3.4**	**-9.8**	**-34.4**	**-11.1**
Radio, TV, telecom, etc.	4.5	2.7	-13.0	-31.6	-22.9
Clothing	-3.4	-4.0	-4.2	-3.5	-2.7
Printing & Publishing	0.4	-1.5	0.2	0.3	2.0
Electrical machinery	-1.8	2.6	5.4	2.5	4.3
Chemicals	-1.9	-3.8	-3.8	-0.8	2.3
Textiles	2.7	2.7	4.4	1.2	2.3
Other	-1.2	-2.1	1.2	-2.5	3.6
Local sales (Lm million)	**-3.2**	**-2.1**	**-4.0**	**-1.6**	**-0.7**
Food & beverages	-2.1	-3.1	-2.2	-3.2	-1.2
Tobacco	0.7	1.5	1.6	0.8	-1.0
Fabricated metals	-0.1	0.4	-0.3	0.8	0.7
Non-metallic materials	-0.1	0.2	0.1	1.3	1.6
Other	-1.6	-1.1	-3.3	-1.3	-0.8
Investment (Lm million)	**-1.3**	**-1.7**	**-0.1**	**-6.3**	**-0.6**
Food & beverages	-0.4	-0.2	-1.9	0.8	-1.0
Textiles	0.6	0.3	1.7	0.5	-0.3
Medical & Precision equipment	0.6	-0.1	-0.4	-0.1	-0.7
Electrical Machinery	0.3	0.2	-0.2	0.5	-0.5
Printing & publishing	-1.6	0.3	-0.1	-3.3	0.8
Radio, TV, telecoms, etc.	-0.8	-0.6	0.4	-1.1	0.4
Other	0.1	-1.6	0.4	-3.6	0.7
Change in employment	**-989**	**-676**	**-427**	**-80**	**-288**
Change in wage bill (Lm millions)	**-0.9**	**-0.6**	**0.1**	**-0.7**	**0.1**
Change in wages per employee (%)	**1.8**	**1.5**	**2.5**	**-2.1**	**1.9**

[1] Figures in this Table represent the change from the same period of the previous year.
Source: NSO.

2005 (see Table 4.3).[1] Thus, the downward trend in turnover persisted, as export sales continued to fall. However, the year-on-year decline slowed down compared to the previous quarter, when a drop of 14.1% in sales was recorded. As a result, during the first half of the year, sales were down by 9.4% when compared to the corresponding period of 2004.

Investment in the manufacturing sector also declined on a year-on-year basis during the second quarter. Although employment in the sector contracted further, the quarterly wage bill remained almost unchanged.

During the second quarter of 2005, exports by manufacturing firms declined by Lm11.1 million, or 6%, from the year-ago level. The decline was mainly attributable to the radio, TV and communications equipment sub-sector, which principally includes semiconductors. Sales abroad of clothing continued to fall, whereas exports of electrical machinery, chemicals and textiles increased.

Although the drop in domestic sales persisted, on a year-on-year basis it moderated to Lm0.7 million, or 1.2%, possibly because the impact of full trade liberalisation following EU membership in May 2004 began to dissipate. Domestic sales of food & beverages continued to contract, with turnover falling by Lm1.2 million, or 4.8%, while sales of tobacco and paper products also declined. On the other hand, local sales by the non-metallic minerals, fabricated metals and printing & publishing sub-sectors expanded.

The survey shows that compared with the second quarter of last year, employment contracted by 288, or 1.4%, mostly due to redundancies in the clothing and food sub-sectors. Job losses were also reported in the leather and electrical machinery sub-sectors. Meanwhile, producers of textiles, plastic & rubber and furniture added to their workforce. Despite the contraction in overall manufacturing employment, the gross wage bill increased marginally by Lm0.1 million, or 0.4%, on an annual basis. As a result, average wages went up by 1.9% as against a drop of 2% reported in the previous quarter.

Investment by manufacturing firms continued to decline during the second quarter, though at a slower pace compared to the previous quarter. New investment stood at Lm11.3 million, down by Lm0.6 million, or 5%, from the year-ago level. Firms in the food & beverages, medical & precision equipment and electrical machinery sectors were mainly responsible for the decline. On the other hand, operators in publishing & printing and firms producing radio, TV & communications equipment increased their spending on capital goods.

Tourism

During the second quarter of 2005, there was a modest pick-up in tourism activity. However, despite a slight rise in tourist numbers, the number of bed nights stayed declined by 1.7% from the year-ago level. Meanwhile, expenditure by tourists was marginally higher at Lm111.2 million. The timing of Easter, which fell in March this year, had an adverse impact on tourism activity during the second quarter.

An analysis of the distribution of departures shows that, in contrast to the previous quarter, the year-on-year increase of 1.6% in tourist numbers was mainly derived from Malta's core markets. The number of visitors from Malta's major market, the UK, continued to trend upwards, rising by 2.5% from last year's level. The German market recorded double-digit growth,

[1] See NSO News Release No188/2005 reporting the results of a survey of manufacturing enterprises during the second quarter of 2005.

Table 4.4
TOURISM ACTIVITY

	2004				2005	
	Q1	Q2	Q3	Q4	Q1	Q2
Year-on-year % change in departures	**-3.2**	**2.2**	**4.3**	**9.1**	**1.5**	**1.6**
UK	-2.9	-1.2	-7.8	-3.1	0.6	2.5
Germany	-4.8	-7.9	22.8	19.5	-2.4	16.8
France	-2.4	9.5	24.0	-2.0	-11.2	-2.8
Italy	21.1	3.8	-6.2	16.3	-6.0	-10.2
Other	-9.1	8.4	13.1	24.8	9.9	-1.0
Year-on-year % change in expenditure	**-9.8**	**-3.2**	**3.6**	**6.8**	**0.4**	**0.6**
Package	-11.6	-1.1	4.3	15.8	6.6	-5.3
Non-package: airfares	-0.8	-10.6	7.5	-4.4	-9.1	19.0
Non-package: accommodation	2.0	-12.0	-16.3	-16.3	-14.8	40.5
Other	-12.9	-2.2	5.7	4.2	-0.8	-2.5

Source: NSO.

which may reflect an increase in the number of flights available. On the other hand, the Italian market continued to report negative results, shedding 10.2% over the corresponding quarter in 2004. The number of French tourists also declined, but this contraction was much more contained when compared to the previous quarter (see Table 4.4).

The decline in the number of bed nights sold reflected a drop in the average length of stay, which decreased by 0.3 nights, compared with the same period of 2004, to 8.8 nights. Whereas the number of bed nights stayed at five-star and three-star hotels increased, bed nights sold by four-star hotels and most other categories of accommodation dropped. Nevertheless, tourist expenditure rose marginally, as increased spending by non-package tourists on airfares and accommodation outweighed lower outlays by tourists on package holidays. 'Other' expenditure, which captures spending on items such as on food and excursions, also dropped (see Table 4.4).

Although the number of bed nights stayed dropped, survey data show that occupancy rates during the second quarter rose across all hotel categories.[2] Four-star hotels reported the sharpest increase, but this partly reflects a contraction in the supply of rooms in this category. Achieved room rates in 4-star hotels increased marginally, but rates in the other categories remained under pressure (see Table 4.5). As a result, the gross operating profit per room available rose by 8.9% year-on-year in four-star hotels, while five-star and three-star hotels reported weaker operating margins.

During the second quarter of 2005, the number of cruise passengers rose by 20.9% over the same period last year, with the bulk of the increase originating from the Italian, German and Spanish markets. By contrast, arrivals from the UK and France declined.

Tourism activity picked up in July and August compared with the same period a year earlier. However, between January and August 2005 the

[2] Based on the results of the September 2005 survey carried out by the Malta Hotels and Restaurants Association.

Table 4.5
HOTEL OCCUPANCY AND AVERAGE ACHIEVED ROOM RATE

	2004 Q2	2005 Q2	Annual growth
Hotel occupancy	%		percentage points
5-star	69.2	72.1	2.9
4-star	71.5	78.4	6.9
3-star	70.9	75.9	5.0
Average[1]	70.8	75.9	5.1
Average achieved room rate	Lm		%
5-star	40.25	39.22	-2.6
4-star	14.47	14.57	0.7
3-star	9.46	9.21	-2.6
Average[2]	17.08	17.07	0.0

[1] Represents the weighted average of all categories of hotels based on the number of participating rooms in each category.

[2] CBM estimates, weighted by number of nights stayed.

Sources: MHRA Hotel Survey September 2005; NSO.

number of bed nights sold declined by 0.4%. Although tourist numbers went up by 2.1%, the overall length of stay dropped by 0.3 nights. Expenditure by tourists contracted by 1.2% to Lm292.3 million.

Labour market

The Labour Force Survey (LFS) results for the second quarter of 2005 indicate that the labour force continued to expand, rising by 2.1% over the corresponding period of the previous year (see Table 4.6).[3] The employed population increased by 1.6% on a year-on-year basis, while the unemployment rate, which had been dropping since the last quarter of 2004, increased to 7.8%.

The increase in employment on a year earlier was driven mainly by the private sector. Part-time jobs increased significantly and were the main source of employment growth, whereas full-time jobs and employment on reduced hours rose less rapidly.

Other key labour indicators from the LFS were relatively stable. Overall, the activity rate was just over 58%, with a continuing disparity between males and females at around 79% and 37%, respectively. The LFS also shows that in the second quarter of 2005, the average gross annual salary rose by 3.5% over the corresponding period of the previous year to Lm5,224.

Available data on the gainfully occupied population show that the labour supply fell marginally in April 2005 when compared to a year earlier.[4] The gainfully occupied population

[3] Quarterly changes in survey results must be treated with caution as they may be purely attributable to sampling variation rather than actual changes in the population. For example, although the LFS point estimate for employment for the second quarter of 2005 stands at 148,333, the population employment statistic may lie anywhere within the range of 145,851 and 150,815, on account of a coefficient of variation in the sample of 1.67%.

[4] The analysis on the gainfully occupied population and the number of registered unemployed that follows is based on data compiled by the ETC.

Table 4.6

LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY

	2004			2005	
	Q2	Q3	Q4	Q1	Q2
	number of persons				
Labour force	157,573	160,390	159,138	160,574	160,959
Unemployed	11,529	11,781	11,036	10,838	12,626
Employed	146,044	148,609	148,102	149,736	148,333
By type:					
Full-time	134,224	135,460	134,804	135,219	134,653
Full-time with reduced hours	1,275	1,359	1,519	1,581	1,338
Part-time	10,545	11,790	11,779	12,936	12,342
By economic sector:					
Private sector	98,354	99,484	98,275	99,684	100,237
Public sector	47,690	49,125	49,827	50,052	48,096
Average annual gross salary (Lm)	5,044	5,061	5,008	5,174	5,224
Total activity rate (%)	57.6	58.3	58.1	58.6	58.2
Male	80.7	80.0	78.9	79.5	79.3
Female	34.5	36.7	37.0	37.5	37.1
Total employment rate (%)	53.4	54.0	54.0	54.6	53.6
Total unemployment rate (%)	7.3	7.3	6.9	6.7	7.8

Source: NSO.

increased slightly (see Table 4.7). As a result, the registered unemployment rate dropped to 5.3% in April from 5.6% in December 2004 and 5.7% a year earlier.

During the year to April 2005, public sector employment continued to decrease, dropping by 2.8%, while private sector employment increased by 1.9%. The latter was broadly in line with the general pattern shown in the LFS. Growth in private sector employment reflected the creation of full-time jobs in the transport, storage and communication sector and in the real estate, renting and other related business activities sector.

Part-time employment expanded by a robust 11.2% during the period analysed, indicating greater flexibility in the labour market. Both categories of part-time jobs expanded. The number of employees who hold a part-time job as their primary employment went up by 11.9%, while employees who hold a part-time job in addition to a full-time job added 10.4%. The wholesale and retail sector and the 'other services' sector accounted for most of the growth in part-time employment.

Official data on the registered unemployed showed a drop from 8,018 in March to 6,930 in June (see Chart 4.1). This downward trend contrasts with the results reported in the latest LFS, which showed increased unemployment during the same period. Apart from differences in

Table 4.7
LABOUR MARKET INDICATORS BASED ON ETC DATA

	2003 April	2004 April	2005 April
	number of persons		
Labour supply	**145,596**	**145,070**	**144,858**
Registered unemployed	**7,480**	**8,339**	**7,716**
Unemployment rate (%)	**5.1**	**5.7**	**5.3**
Gainfully occupied	**138,116**	**136,731**	**137,142**
Private Sector	**90,590**	**89,696**	**91,413**
Direct production	34,469	33,201	32,967
Market services	55,398	55,824	57,829
Temporary employed	723	671	617
Public Sector	47,526	47,035	45,729
Part-time jobs	**32,326**	**34,632**	**38,520**
Part-time as a primary job	17,362	19,042	21,308
Part-time as a secondary job[1]	14,964	15,590	17,212

Source: NSO.

[1]Captures employees holding both a part-time job and a full-time job.

the compilation methods used in producing the two data sets, it appears that, this year, a greater number of unemployed were placed in training schemes or struck off the register for working illegally or for refusing employment or training services. Rules on eligibility for registration were also tightened in May. In July, the registered unemployed increased, in line with the normal seasonal pattern.

Chart 4.1
REGISTERED UNEMPLOYED

Source: ETC.

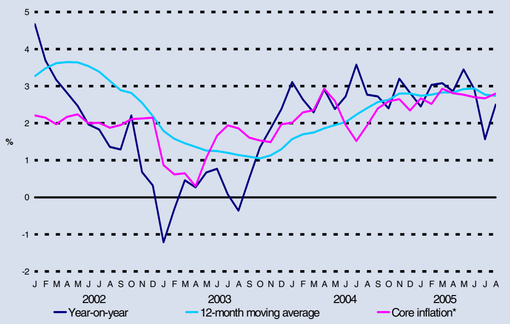
Consumer prices

After stabilising during the first quarter of 2005, the twelve-month moving average rate of change in the Retail Prices Index (RPI), which is the local official measure of inflation, rose marginally going into the second quarter of 2005. Conversely, the Bank's estimate of core inflation and the Harmonised Index of Consumer Prices (HICP) moderated during the quarter.

Retail Prices Index

The twelve-month moving average RPI inflation rate rose slightly to 2.9% in June, 0.1 percentage points higher than its end-March level. More recent data indicate that official inflation fell to 2.7% in August (see Chart 4.2). The year-on-year change in the RPI, a more timely indicator of price

Chart 4.2
RETAIL PRICE INFLATION



* Central Bank of Malta estimates

Sources: NSO, Central Bank of Malta.

inflation, rose from 3.1% in March to 3.5% in May, before falling to 2.9% in June. In July the year-on-year inflation rate dropped sharply, but rose again to 2.5% in August.

The year-on-year inflation rate was lower in June primarily due to a slower annual increase in the transport & communications sub-index. The annual growth rate of this sub-index was 2.4% in June compared to 4.6% in March, as the impact of an increase in telephone tariffs in June 2004 faded away. A drop in the clothing & footwear sub-index, as well as lower annual rates of change in the housing and other goods & services sub-indices also contributed to the decline.

During the year to June, the primary sources of growth in the RPI were the food and transport & communications sub-indices. The two sub-indices, which have a combined weight in the RPI basket of around 47%, contributed 1.4 percentage points to the 2.9% year-on-year inflation rate (see Table 4.8). The other major contributors were the housing and the water, electricity, gas & fuels sub-indices, which added 0.4 percentage points each. The clothing & footwear sub-index was the only component that reduced the overall inflation rate.

Food prices increased significantly during the quarter, with the annual rate of change accelerating from 0.7% in March to 3.5% in June. This was partly attributable to higher prices of fresh fruit and vegetables, which, contrary to recent patterns, rose notwithstanding an increase in production. Meanwhile, in response to developments in international oil prices, local prices of fuel rose, and were the main sources of the acceleration in the transport &

Table 4.8
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

	Year-on-year percentage changes				Sources of growth in percentage points[1]
	2004	2005			
	June	Mar.	June	Weights	
Food	-0.7	0.7	3.5	23.82	0.8
Beverages & tobacco	9.4	1.7	2.3	6.11	0.2
Clothing & footwear	0.3	1.0	-0.8	8.24	-0.1
Housing	1.8	6.8	4.8	7.57	0.4
Water, electricity, gas & fuels	0.4	18.4	18.4	2.25	0.4
Household equipment & house maintenance cost	1.4	1.8	2.7	7.65	0.2
Transport & communications	4.2	4.6	2.4	23.13	0.6
Personal care & health	4.2	3.7	3.8	6.22	0.2
Recreation & culture	1.4	1.1	1.1	8.84	0.1
Other goods & services	10.5	3.9	2.3	6.17	0.2
Retail Prices Index	**2.7**	**3.1**	**2.9**	**100.00**	**2.9**

[1] This represents the contribution in percentage points to the year-on-year inflation in June 2005.

Source: NSO.

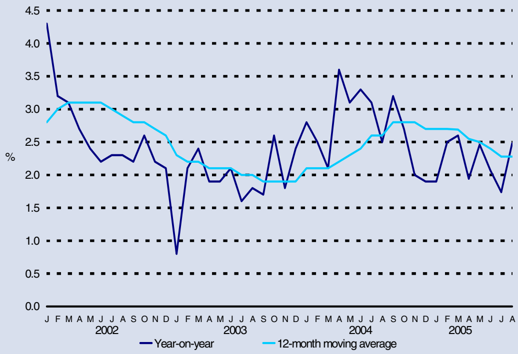
communications sub-index. The price of diesel went up by 26.6% during the second quarter, while prices for unleaded and lead replacement petrol rose by 5% and 4.6%, respectively.

The housing sub-index increased as a result of higher prices for various types of equipment, while the acceleration in the water, electricity, gas & fuels sub-index continued to reflect the surcharge on consumption of water and electricity that was introduced in January this year. In contrast, clothing & footwear prices fell between March and June.

Core inflation

The Central Bank of Malta's estimate of core inflation, which tracks persistence in retail price inflation, fell to 2.7% in June from 2.9% three months earlier, reflecting the lower annual rates of change in the housing and other goods & services sub-indices. Core inflation remained broadly unchanged in July and August (see Chart 4.2).

Chart 4.3
HARMONISED INDEX OF CONSUMER PRICE INFLATION



Source: NSO.

Harmonised Index of Consumer Prices

In contrast with the RPI, inflation measured by the

Table 4.9
INFLATION RATES OF COMMODITY SECTIONS IN THE HICP

	Year-on-year percentage changes			Sources of growth in percentage points[1]
	2004	2005		
	June	Mar.	June	
Food & non-alcoholic beverages	-1.3	0.5	3.7	0.6
Alcoholic beverages & tobacco	13.9	1.5	1.7	0.1
Clothing & footwear	0.3	1.1	-0.8	0.0
Housing, water, electricity, gas & other fuels	0.9	9.7	8.0	0.6
Furniture, household equipment & routine	2.2	2.1	2.7	0.2
Health	4.7	6.0	6.1	0.2
Transport	3.3	3.3	2.9	0.4
Communications	17.4	20.9	3.6	0.1
Recreation & culture	0.1	1.7	1.7	0.2
Education	3.5	0.4	2.0	0.0
Restaurants & hotels	5.9	-0.4	-1.8	-0.4
Miscellaneous goods & services	6.7	3.2	2.8	0.1
All items	**3.3**	**2.6**	**2.1**	**2.1**

[1] This represents the contribution in percentage points to the year-on-year inflation in June 2005.

Source: NSO.

HICP declined moderately during the second quarter of 2005.[5] The twelve-month moving average inflation rate fell to 2.4% in June, compared with 2.7% in March. In July it declined and remained stable in August. The year-on-year HICP inflation rate, however, showed much greater volatility. After falling sharply in April, it rebounded in May, before falling again to 2.1% at the end of the quarter (see Chart 4.3). During July, year-on-year inflation fell to 1.7%, but rose to 2.5% in August.

During the year to June, the restaurants & hotels index, which has a much larger weight in the HICP basket, dropped by 1.8%. This reduced the aggregate HICP year-on-year inflation rate by 0.4 percentage points (see Table 4.9). However, this decline was offset by increases registered across the other commodity groups, which broadly mirrored developments in the various RPI sub-indices. The largest contributors to the year-on-year increase in the HICP were the food & non-alcoholic beverages sub-index and the housing, water, electricity, gas & other fuels sub-index, which each contributed 0.6 percentage points to the overall rise. At the same time, price increases in the transport sub-index, reflecting motor fuel costs, accounted for 0.4 percentage points of overall HICP inflation.

As a result of these developments, the twelve-month moving average HICP inflation rate in June stood at 2.4%, 0.2 percentage points above the average in the EU Member States.

[5] The HICP is computed according to EU rules. Although the compilation methodology is similar to that used in computing the RPI, it differs in that, besides spending by resident households, it also takes into account spending by institutional households and foreign visitors to Malta. In addition, HICP weights are not fixed, but are revised annually, and the classification of commodity groups varies.

Box 2: BUSINESS PERCEPTIONS SURVEY - THIRD QUARTER 2005

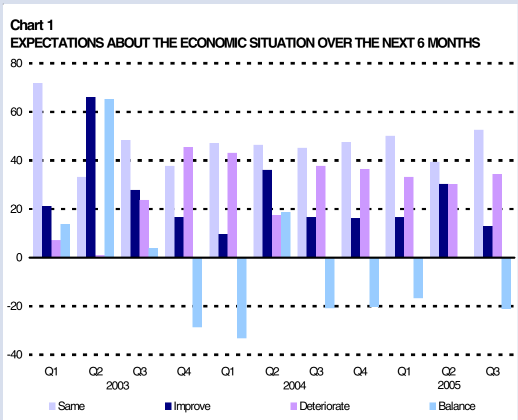
Introduction

The Central Bank of Malta's latest Business Perceptions Survey, carried out during July and August 2005, indicated that the recovery in business confidence noted in the previous survey was not sustained, as the number of respondents reporting below normal activity levels increased compared with the previous survey. The survey results reveal that during the second quarter, performance was mixed, with exporters reporting higher sales but lower profitability and domestically-oriented firms reporting improved profitability, higher turnover and relatively stable selling prices.

Overall, most respondents were anticipating a pick-up during the third quarter, both in terms of turnover and profitability. Employment levels were expected to improve only marginally, but average wages were expected to rise.

Business sentiment

During the second quarter, business sentiment turned negative, on balance, as the proportion of participants anticipating an improvement in the overall economic situation over the next six months was lower than in the previous quarter. At the same time, the share of respondents who were expecting the general economic situation to remain unchanged rose from 39.5% in the previous survey to 52.7% (see Chart 1).



The majority of respondents were expecting inflation and unemployment to remain at the same levels over the coming six months. In addition, more than half of them thought that it was not the appropriate time to launch new initiatives within their company or to undertake further investment.

The manufacturing sector, in particular, was generally pessimistic, with the largest sub-sector, machinery and equipment, shifting from a positive to a negative outlook. However, the majority of responses from the tourism and travel sector clustered around the no-change scenario and on balance were positive. A similar pattern was observed in other services sectors.

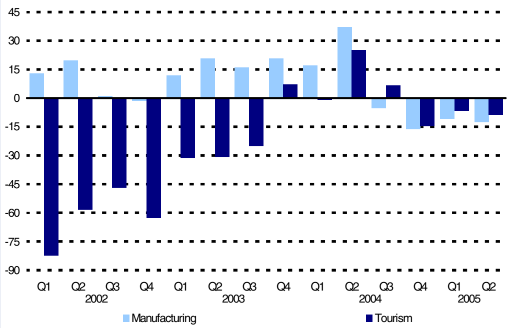
Activity levels – second quarter 2005

Export-oriented sectors

A decline in the number of respondents reporting above-normal levels of activity was offset by an increase in the number reporting normal activity levels. Consequently, the balance of responses about export performance during the June quarter remained below normal and was almost unchanged from the previous survey (see Chart 2).

Manufacturing exporters, with the exception of those in the clothing & footwear, paper & printing and machinery & equipment sub-sectors, recorded higher sales. But with lower average selling prices and rising labour costs their profitability declined.

Chart 2
ACTIVITY IN THE EXPORT SECTOR



Figures indicate "above normal" responses net of "below normal" responses.
Results are weighted by export sales.

Meanwhile, the tourism sector reported positive results, although compared to the previous survey a lower proportion of respondents anticipated above normal activity levels. Firms in the sector reported increased turnover and higher selling prices, which contributed to greater profitability despite a rise in employment and average wage costs.

Domestically-oriented sectors

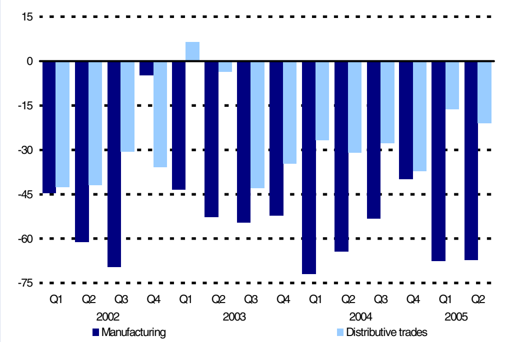
During the second quarter, domestically-oriented firms reported below-normal activity (See Charts 3a and 3b). This notwithstanding, they also reported higher turnover and stable selling prices. As a result, their profitability also improved, in spite of higher labour costs.

Locally-oriented manufacturing establishments, overall, recorded both lower sales and average selling prices. Their profitability continued to decline, consistent with reported increases in labour costs, both on account of additional employment and on account of higher wages. However, individual manufacturers reported diverging trends. Nearly all sub-sectors, except the food & beverages, clothing & footwear and other manufacturers, reported a higher turnover, but only the food & beverages and the furniture sub-sectors reported improved profitability.

Meanwhile, the majority of respondents from the construction and real estate sectors reported normal levels of activity. However, construction firms reported both lower sales and lower selling prices, coupled with higher average wage costs despite employing fewer workers. This notwithstanding, they reported a slight improvement in profitability. Operators in the real estate sub-sector, on the other hand, recorded higher sales, higher selling prices and improved profitability.

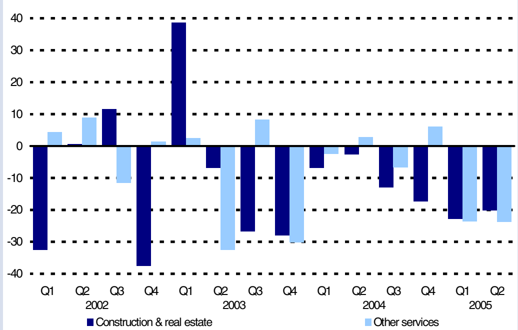
The survey results also show that, for the second consecutive quarter, firms in the financial sector, which account for the bulk of respondents in the "other services" sub-sector, recorded below-normal activity levels. Nonetheless, these firms reported both higher sales and higher

Chart 3a
ACTIVITY IN THE DOMESTIC SECTOR



Figures indicate "above normal" responses net of "below normal" responses.
Results are weighted by local sales.

Chart 3b
ACTIVITY IN THE DOMESTIC SECTOR



Figures represent "above normal" responses net of "below normal" responses.
Results are weighted by local sales.

profits, and were also able to command higher selling prices.

Outlook – third quarter 2005

For the third quarter of 2005, the majority of respondents were anticipating an increase in activity. Respondents from both export-oriented and locally-oriented firms were expecting higher turnover and improved profitability in spite of lower selling prices, while employment levels and average wages were both expected to rise slightly (see Chart 4).

Chart 4
OUTLOOK FOR THE THIRD QUARTER OF 2005*

* Estimated percentage change from previous quarter

Export-oriented manufacturers were anticipating lower selling prices but a higher turnover. Furthermore, they expected their profitability to improve marginally, even though they are unable to pass on increases in costs, such as a higher wage bill, through higher selling prices. Meanwhile, participants from the travel & tourism sector were expecting positive results, in terms of prices, sales and profitability.

Domestically-oriented manufacturing firms were less optimistic. They expected a decline both in turnover and in profitability. On the other hand, respondents from the construction & real estate sub-sector anticipated lower sales and lower selling prices but expected their profitability to remain almost unchanged. Furthermore, even though they expected employment levels to contract, their wage bill was foreseen to rise marginally. The "other services" sectors were relatively optimistic, anticipating higher sales, rising selling prices and improved profitability.

Methodological Notes

1. The results presented in this Box are derived from a survey carried out between July and August among 144 companies. As much as possible, the sample is kept unchanged between quarters.

2. The surveyed firms employed 17,363 workers (around a quarter of all private sector workers) and had an aggregate annual turnover of Lm574.8 million (around 30% of Malta's nominal GDP), of which just over half was exported.

3. The sample was composed of 56 manufacturing firms, 19 tourism-related enterprises, 31 operators in the distributive trades, 12 construction and real estate concerns, and 26 services companies. Thus, the survey has a more comprehensive coverage of the manufacturing sector relative to other areas of the economy.

4. Replies are weighted according to three different factors - the respondents' relative share of employment, local sales and export sales.

5. To ensure that the overall results do not simply reflect the replies of the largest business concerns, the weight given to any particular firm in terms of turnover is capped at Lm20 million.

6. The survey is somewhat biased towards medium-sized and large firms, with approximately half of all respondents employing more than 50 workers. Thus it may not be indicative of trends affecting smaller firms.

7. Participants are asked about their perceptions of the prospects for the Maltese economy over the next six months and the current state of their activity levels/order books. They are also asked to indicate the approximate percentage change in employment, profitability, sales, imports, finished stocks, average cost of labour and selling prices registered during the previous quarter, and to make forecasts for the current one.

8. At six-monthly intervals, firms are asked about their short-term expectations for inflation and unemployment, and whether they consider the current period to be appropriate to initiate new developments. They are also asked to identify their present level of capacity utilisation/occupancy and whether they intend to invest during the following twelve months. In addition, participants indicate the two most important factors limiting investment and to what extent they think a change in the cost of finance would affect them.

5. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

During the second quarter of 2005 the deficit on the current account of the balance of payments continued to widen, despite a larger surplus on services. The primary factor was a shift in the balance on the income account from a surplus into deficit, although a further widening of the merchandise trade gap also contributed. At the same time, the negative balance on the capital and financial account (excluding movements in reserves) narrowed as inflows on the other investment account increased substantially. Reflecting these developments, the official reserves declined by Lm18.1 million over the quarter as a whole, although the downward trend was reversed in May and June.

The Maltese lira continued to strengthen against the euro until entry into ERM II on May 2, when the local unit was pegged to the euro at a central parity of Lm0.429300 per euro. As a result, the lira

Table 5.1
EXTERNAL BALANCES (APRIL - JUNE)[1]

Lm millions

	Q2			
	2004		2005	
	credit	debit	credit	debit
Current account balance		**22.9**		**43.9**
Goods and services	354.1	391.0	339.6	379.1
Goods balance		85.2		90.5
Goods	226.3	311.5	211.2	301.7
Services balance	48.3		50.9	
Services	127.8	79.5	128.3	77.4
Transport	36.4	38.9	35.0	33.3
Travel	67.0	16.9	67.6	19.2
Other services	24.4	23.7	25.7	25.0
Income (net)	20.0			3.0
Current transfers (net)		5.9		1.4
Capital and financial account balance[2]		**16.8**		**5.8**
Capital account balance	6.4		10.0	
Financial account balance		23.2		15.8
Direct investment	72.2		39.9	
Portfolio investment		7.0		96.5
Financial derivatives		4.9	0.3	
Other investment		83.6	40.5	
Movements in reserves[3]	**26.4**		**18.1**	
Net errors and omissions	**13.3**		**31.8**	

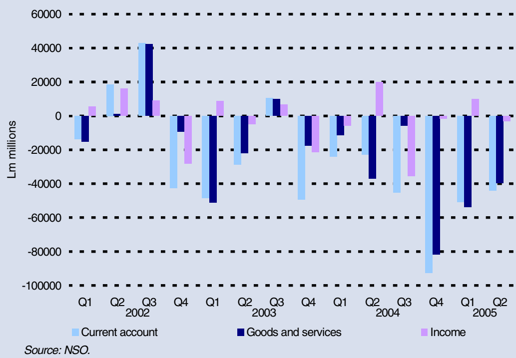
[1] Provisional.

[2] Excludes movements in official reserves.

[3] Excludes revaluation adjustments.

Source: NSO.

Chart 5.1
CURRENT ACCOUNT: BALANCES ON MAIN COMPONENTS



Source: NSO.

was subsequently unchanged against the euro and moved in line with the latter against the other major currencies. Thus, in view of the euro's weakness, the lira lost ground against the US dollar, the Japanese yen and sterling through most of the second quarter. Towards the end of June, and going into the third quarter, however, the lira appreciated against the dollar, the yen and sterling, in line with the strengthening euro.

The current account

During the second quarter of 2005, the current account deficit widened by Lm21 million to approximately twice the value it had in the corresponding quarter of the previous year, but slightly below that recorded in the first quarter (see Chart 5.1).

Goods

According to Customs data, the merchandise trade gap widened during the second quarter of 2005, rising by Lm12.1 million, or 11.2%.[1] Both exports and imports continued to decline, but the fall in the value of exports continued to outweigh the reduced import bill (see Table 5.2).

Exports declined by 8.1%, with more than three-fourths of the drop attributed to lower sales of machinery and transport equipment, which were down by Lm14.4 million, or 9.9%. Exports of mineral fuels and lubricants also declined due to the closing down of bunkering operations by one

Table 5.2
MERCHANDISE TRADE (APRIL - JUNE)
(based on Customs data)

Lm millions

	Q2		Change	
	2004	2005[1]	Amount	%
Imports	**331.4**	**325.4**	**-6.0**	**-1.8**
Consumer goods	86.5	92.0	5.5	6.4
Industrial supplies	150.0	142.2	-7.8	-5.2
Capital goods & others	63.2	59.2	-4.0	-6.3
Fuel and lubricants	31.7	32.0	0.3	0.9
Exports	**223.8**	**205.7**	**-18.1**	**-8.1**
Trade balance	**-107.6**	**-119.7**	**-12.1**	**11.2**

[1] Provisional

Source: NSO.

[1] Balance of payments data on trade in goods differ from Customs data. The latter are recorded on a cost, insurance and freight basis and are then adjusted in the compilation of balance of payments statistics to cater for differences in coverage, valuation and timing. In addition, insurance and freight are allocated to the services account. As a result, the figures for imports and exports of goods shown in Table 5.1 do not tally with those in Table 5.2.

firm, as did those of beverages and tobacco. On the other hand, foreign sales of semi-manufactured goods and chemicals increased.

The drop in imports, on the other hand, mainly reflected lower purchases of industrial supplies, which declined for the second consecutive quarter, although a drop in imports of capital goods also contributed. Meanwhile, purchases of consumer goods, particularly of food and durables, continued to increase. Fuel imports were broadly unchanged, although this masked a drop in purchases of fuels for re-export as bunkering operations were terminated from the second half of last year.

Customs data for July indicate that the trade gap narrowed marginally, as imports fell at a faster pace than exports. The former was essentially driven by a drop in payments for industrial supplies. On the other hand, the fall in exports was spurred by lower sales of machinery and transport equipment.

Services, income and transfers

In the second quarter of 2005, the surplus on the services account rose by a further 5.4%, with the increase mainly reflecting lower payments for transport services. By contrast, the Lm20 million positive balance registered on the income account in the second quarter of 2004 swung to a Lm3 million deficit in the quarter under review. This mainly reflected net outflows of investment income by way of dividends and distributed profits by foreign-owned firms operating in Malta, although net receipts of interest partly offset these outflows.

Meanwhile, the deficit on the current transfers account narrowed by Lm4.5 million, reflecting lower net transfers abroad on the 'other transfers' component of the account.

The capital and financial account

Excluding movements in reserves, net outflows on the capital and financial account persisted in the second quarter of 2005, albeit at a slower pace than in the same quarter of 2004. The negative balance on the account, at Lm5.8 million, was down by two-thirds from the Lm16.8 million shortfall recorded in the corresponding quarter of the previous year (see Table 5.1). This was partly attributable to a Lm3.6 million increase in net receipts on the capital account, which in turn mainly reflected the receipt of official transfers from the EU and Italy. At the same time, the deficit on the financial account narrowed by Lm7.4 million, due to a swing from a Lm83.6 million deficit to a Lm40.5 million surplus on the other investment account as a result of higher growth in the banking sector's foreign liabilities. In line with the general pattern observed in recent years, banks channelled inflows on the other investment account towards portfolio investment abroad. Thus, portfolio investment outflows increased sharply in the second quarter of 2005, rising from Lm7.0 million to Lm96.5 million. At the same time, net direct investment inflows fell from Lm72.2 million in 2004, when two banks increased their share capital, to Lm39.9 million in the quarter under review.

As a result of these developments, reserve assets continued to decline, albeit at a slower pace than in the second quarter of 2004. Net errors and omissions remained positive during the quarter, implying an overestimation of either the current account deficit, or of net capital and financial outflows, or both.

Year to date developments

During the first half of the year, the deficit on the current account widened by Lm47.9 million to Lm94.7 million, driven principally by an increased merchandise trade gap (see Table 5.3).

Table 5.3

EXTERNAL BALANCES (JANUARY - JUNE)[1]

Lm millions

	Q1-Q2			
	2004		2005	
	credit	debit	credit	debit
Current account balance		**46.8**		**94.7**
Goods and services	681.6	729.8	624.5	717.7
Goods balance		116.7		169.3
Goods	463.7	580.3	402.1	571.4
Services balance	68.4		76.1	
Services	217.9	149.4	222.4	146.3
Transport	58.4	66.9	64.5	62.7
Travel	113.3	34.8	113.1	39.0
Other services	46.1	47.7	44.8	44.5
Income (net)	14.2		6.8	
Current transfers (net)		12.9		8.3
Capital and financial account balance[2]	**23.1**		**46.9**	
Capital account balance	6.5		26.8	
Financial account balance	16.6		20.1	
Direct investment	94.1		73.7	
Portfolio investment		196.1		213.0
Financial derivatives	0.8			6.9
Other investment	117.8		166.3	
Movements in reserves[3]	**30.6**		**53.4**	
Net errors and omissions		**6.9**		**5.6**

[1] Provisional.

[2] Excludes movements in official reserves.

[3] Excludes revaluation adjustments.

Source: NSO.

According to Customs data, between January and June 2005 the value of exports dropped by Lm69.4 million, or 15.1%, though the decline was partly offset by a lower import bill. Consequently, the merchandise trade gap widened by Lm40 million to Lm224.8 million over the period.

The bulk of the drop in exports was due to lower foreign sales of machinery & transport equipment, which contracted by 15.4%, although a decline in exports of mineral fuels & lubricants, beverages & tobacco and chemicals also contributed. On the other hand, foreign sales of semi-manufactured goods increased by 15.7%.

Imports dropped by Lm29.4 million, or 4.6%, to Lm614.9 million, partly on account of lower imports of capital goods. The drop in this category reflected to a large extent the exceptional increase in such imports reported early in 2004 resulting from a temporary scheme providing for a reduction of VAT on the

Table 5.4
MERCHANDISE TRADE (JANUARY - JUNE)
(based on Customs data)

Lm millions

	Q1-Q2 2004	Q1-Q2 2005[1]	Change Amount	Change %
Imports	**644.3**	**614.9**	**-29.4**	**-4.6**
Consumer goods	157.7	168.0	10.3	6.5
Industrial supplies	291.1	281.3	-9.8	-3.4
Capital goods & others	133.4	107.9	-25.5	-19.1
Fuel and lubricants	62.1	57.7	-4.4	-7.1
Exports	**459.5**	**390.1**	**-69.4**	**-15.1**
Trade balance	**-184.8**	**-224.8**	**-40.0**	**21.6**

[1] Provisional

Source: NSO.

registration of yachts. But imports of industrial supplies and of fuels & lubricants also fell, while, by contrast, purchases of foreign consumer goods increased by Lm10.3 million to Lm168 million (see Table 5.4).

Net receipts from services rose by Lm7.7 million in the first two quarters of 2005, mostly as a result of an improved position on the transport account, as the latter swung from a deficit of Lm8.5 million in 2004 to a surplus of Lm1.8 million. On the other hand, the positive balance on the income account dropped by Lm7.4 million to Lm6.8 million. Dividend payments by foreign-owned firms operating from Malta to their non-resident shareholders accounted for most of this drop. Although outward transfer payments continued to exceed inward payments during the period, these slowed down by Lm4.6 million when compared to the same period of the previous year, reflecting a drop in the 'other transfers' category. Outflows on the transfers account include Malta's contribution to the EU budget.

Excluding movements in official reserves, net inflows on the capital and financial account, at Lm46.9 million, were up by Lm23.8 million when compared with the first two quarters of 2004. The increase was mainly due to a Lm20.3 million rise in inflows on the capital account, reflecting receipts of structural funds from the EU and official assistance from Italy.

Net inflows on the financial account, at Lm20.1 million, were up by Lm3.5 million from the previous year's level. This increase was a reflection of growth in the banking sector's foreign liabilities. But these inflows were partly offset by a drop in net direct investment inflows. At the same time, portfolio investment outflows were up from Lm196.1 million to Lm213 million, as the banking sector stepped up its investment in foreign bonds and notes. Similarly, net inflows of Lm0.8 million from financial derivatives recorded in 2004 swung to net outflows of Lm6.9 million.

As a result of these developments, reserve assets continued to decline during the first half of 2005. Net errors and omissions for the period remained negative, but were slightly smaller than for the corresponding period a year earlier.

Table 5.5
MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES[1]

Period	EUR	USD	GBP	JPY
Average for Q2 2005	0.4295	2.9334	1.5798	315.4
Average for Q2 2004	0.4254	2.8318	1.5674	310.5
% change	1.0	3.6	0.8	1.6
Closing rate on 30.06.2005	0.4293	2.8157	1.5709	311.9
Closing rate on 30.03.2005	0.4305	3.0065	1.5981	323.0
% change	-0.3	-6.3	-1.7	-3.4

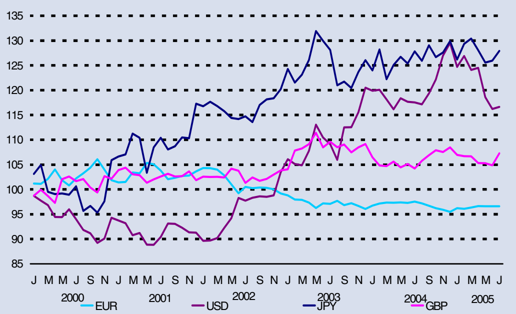
[1] As from 1 April 2005, the Central Bank of Malta started to quote the Maltese lira against the euro exclusively in terms of units of Maltese lira per euro. The other exchange rates are quoted in terms of units of foreign currency per Maltese lira.

The Maltese lira

After having lost ground against the euro through most of 2004, the Maltese lira strengthened against the European unit during the first three months of 2005 and continued to appreciate, albeit marginally, in April. On 2 May 2005, the Maltese lira entered ERM II at a central parity rate of Lm0.429300 to the euro. In line with the decision of the Maltese Monetary Authorities to maintain the Lm/euro exchange rate fixed at the central rate, the Maltese lira's fluctuations against other currencies from May 2 onwards reflected movements of the euro against these currencies on the international foreign exchange markets.

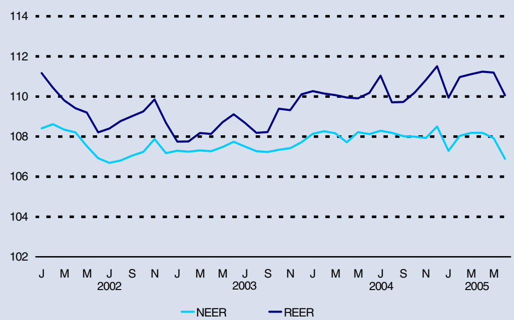
Thus, the Maltese lira lost ground against the dollar and the pound sterling in tandem with the euro. It fell by 6.3% and 1.7%, respectively, against these two currencies during the June quarter. At the same time, the lira also declined against the Japanese yen, against which it had appreciated steadily over the previous twelve

Chart 5.2
EXCHANGE RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES*
(index of end-of-month rates, end-1999 = 100)



*A higher index reflects a nominal appreciation of the Maltese lira against the respective currency.

Chart 5.3
REAL AND NOMINAL EFFECTIVE EXCHANGE RATE INDICES FOR THE MALTESE LIRA
(1995 = 100)



months (see Chart 5.2). In July, however, the lira appreciated by 0.4% against the dollar and by 2.3% and 1.5% against sterling and the Japanese yen, respectively.

On average, when compared to the second quarter of 2004, the Maltese lira continued to strengthen against the US dollar. It also rose against the pound and the yen (see Table 5.5).

Between March and June 2005, the NEER and REER indices of the Maltese lira both declined, by 1.2% and 1%, respectively.[2] The drop in the NEER was mainly due to the depreciation of the Maltese lira against the US dollar and sterling in the second quarter of 2005. The smaller decline in the REER was due to a relatively higher rate of inflation in Malta compared with its main trading partners and competitors (see Chart 5.3).

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[2] The index covers 25 countries and uses double weights, allowing for the importance of competitor countries in foreign markets. Consumer price indices are used as a measure of prices.

6. GOVERNMENT FINANCE[1]

Fiscal figures published by the NSO in September show that the general government deficit for 2004 was revised downwards marginally to Lm93.9 million.[2] As a proportion of GDP, the deficit fell to 5.1% from 10.4% in the previous year. The gross debt of general government rose to 76.6% of GDP during 2004, up by 3.6 percentage points compared with 2003.

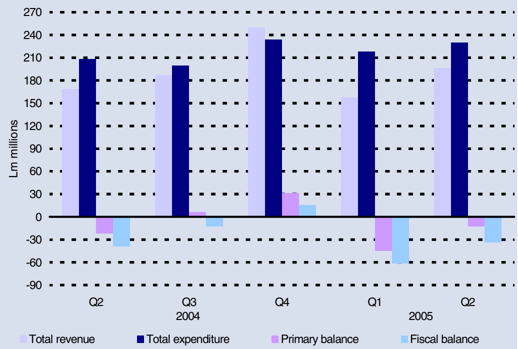
General government data covering the first quarter of 2005 show that the deficit contracted by Lm6.1 million, when compared to the same period last year, to Lm59.1 million. Revenue increased by 10.8%, despite a drop in tax receipts, and was driven mainly by EU grants. Expenditure rose by 4.7% as higher spending on gross fixed capital formation, social benefits and Malta's contribution to the EU budget was dampened by a drop in intermediate consumption. Compensation of employees was stable.

Consolidated Fund

The deficit on the Consolidated Fund for the second quarter of 2005 narrowed when compared to the previous quarter, in line with the usual seasonal pattern (see Chart 6.1). The fiscal shortfall, which amounted to Lm33.6 million, was also Lm5.6 million less than that recorded in the same period last year.

Consequently, budgetary operations during the first half of 2005 resulted in a Consolidated Fund deficit of Lm94.8 million, down by Lm2.6 million from the corresponding period last year, as revenue grew at a faster pace than expenditure. Malta's accession to the EU continued to have a

Chart 6.1
CONSOLIDATED FUND DEVELOPMENTS



Source: NSO.

significant impact on developments in revenue and expenditure, although the latter was also boosted by higher social security benefits and additional capital outlays.

The pace of fiscal consolidation picked up going into the third quarter, as a steady increase in revenue was coupled with decelerating expenditure growth. In fact, data for the first eight months place the Consolidated Fund deficit at Lm91.1 million, or Lm21.6 million less than that recorded during the same period of 2004.

Revenue

During the first six months of 2005, revenue was Lm40.9 million, or 13.1%, more than that registered in the same period of 2004. Most of the rise, amounting to Lm30.8 million, was collected from non-tax sources (see Table 6.1). Indirect tax receipts also rose, by Lm10.5 million, while direct tax inflows declined marginally.

The increase in non-tax receipts was mainly driven by higher grants from abroad. While EU grants rose by Lm16.3 million, additional inflows

[1] General government captures all the operations of central government, including extra-budgetary units, and local government.
[2] Government finance figures for 2004 were revised in connection with the official biannual submission of data to the EU Commission and were published in NSO Release No. 204/2005. GDP figures were subsequently revised and are taken from NSO News Release No. 192/2005.

Table 6.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	2004 Q2	2005 Q2	2004 Q1-Q2	2005 Q1-Q2	Change Amount	Change %
Revenue	**168.9**	**196.7**	**312.8**	**353.7**	**40.9**	**13.1**
Direct tax	**85.0**	**85.3**	**132.2**	**131.9**	**-0.3**	**-0.2**
Income tax	53.0	55.1	77.5	77.4	-0.1	-0.1
Social security contributions[1]	32.0	30.2	54.8	54.5	-0.2	-0.4
Indirect tax	**62.7**	**79.4**	**137.8**	**148.2**	**10.5**	**7.6**
Value Added Tax	30.0	39.2	63.6	76.8	13.1	20.7
Customs and excise duties	11.8	16.2	26.4	28.3	1.9	7.3
Licences, taxes and fines	20.8	24.0	47.8	43.2	-4.6	-9.6
Non-tax revenue	**21.2**	**32.0**	**42.8**	**73.6**	**30.8**	**71.8**
Central Bank of Malta profits	3.2	3.0	18.2	14.0	-4.2	-23.2
Other revenue[2]	17.9	29.0	24.6	59.6	35.0	+
Expenditure	**208.1**	**230.2**	**410.3**	**448.6**	**38.3**	**9.3**
Recurrent expenditure[1]	**182.6**	**192.1**	**361.8**	**381.9**	**20.1**	**5.6**
Personal emoluments	45.6	47.2	93.0	93.2	0.2	0.3
Programmes & other operational expenditure[3]	97.7	102.7	192.9	212.8	19.9	10.3
Contributions to entities	21.8	21.3	40.0	38.4	-1.6	-4.0
Interest payments	17.3	20.8	35.6	37.2	1.7	4.7
Other expenditure	0.2	0.1	0.3	0.2	-0.1	-33.2
Capital expenditure	**25.4**	**38.2**	**48.5**	**66.6**	**18.2**	**37.5**
Primary balance[4]	**-21.9**	**-12.8**	**-61.9**	**-57.6**	**4.3**	**6.9**
Consolidated Fund balance[5]	**-39.2**	**-33.6**	**-97.4**	**-94.8**	**2.6**	**2.7**

+ indicates a value exceeding + / - 100%

[1] Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both revenue and expenditure.

[2] Includes grants but excludes revenue from sale of assets, sinking funds of converted loans, foreign loans and revenue from sale of MGS.

[3] Includes programmes & initiatives and operational & maintenance expenditure categories.

[4] Revenue less expenditure excluding interest payments.

[5] Revenue less expenditure.

Source: NSO.

amounting to Lm3.2 million were received under the Fifth Italian Financial Protocol. In addition, non-tax inflows were augmented by fees collected under this year's Investment Registration Scheme, which came into operation during the last week of April. Capital gains on the sale of Malta Government Stocks (MGS), which were issued on the primary market at a premium, the sale of government lands and receipts collected under the eco-contribution also contributed.[3] However, these inflows were partly offset by a Lm4.2 million drop in Central Bank of Malta profits transferred to Government.

The rise in indirect tax revenue was driven almost entirely by Value Added Tax (VAT), which went up by Lm13.1 million. The increased yield from VAT reflected mainly the full impact of the rise in the standard rate from 15% to 18% that entered into force at the beginning of 2004, which had been dampened last year by changes to the timing of VAT payments. However, the enforcement of tax collection, coupled with arrears received under an amnesty scheme also contributed.[4] Customs and excise revenue increased to a lesser extent, as higher receipts, mostly from duties on cigarettes, petroleum and mobile telephony were dampened by the removal of the remaining duties on EU products upon accession. In contrast, revenue from licences, taxes & fines decreased, mainly on account of a one-time licence payment by the operators of the national lottery in 2004. This drop was accentuated by a decline in receipts from levies on imports from the EU, which were removed upon accession in May last year.

Meanwhile, revenue from direct tax sources was down, by Lm0.3 million, with the greater part of the decline resulting from lower social security contributions.

Expenditure

Expenditure during the first half of the year expanded by Lm38.3 million, or 9.3%, when compared with the same period of 2004. This rise was attributable to an increase in both recurrent and capital spending, which added Lm20.1 million and Lm18.2 million, respectively.

Growth in recurrent expenditure was mainly driven by spending on programmes and other operational expenditure, which rose by Lm19.9 million. Higher outlays included a Lm9.8 million increase in Malta's contribution to EU own resources – which did not feature in spending for most of the first half of 2004 – and an additional Lm6.6 million on social security benefits, mainly retirement pensions. At the same time, while interest payments rose by Lm1.7 million, reflecting a higher outstanding stock of debt, the government wage bill increased only marginally. In contrast, the reclassification of transfers to the Malta Investment Management Co. Ltd. (MIMCOL) under programmes and other operational expenditure led to a drop in contributions to government entities amounting to Lm1.6 million.

Capital spending expanded sharply during the first half of 2005, reaching Lm66.6 million, as an increase in outlays registered during the first three months of the year was followed by an even sharper rise during the second quarter. The increase in spending over the first six months of

[3] The Investment Registration Scheme was reactivated between 22 April 2005 and 30 June 2005. The Scheme allowed Maltese residents who held undeclared investments abroad to regularise their position by declaring them and paying a one-time fee.

[4] Under this scheme, all individuals who cleared all their outstanding VAT dues together with the accrued interest by 30 June 2005 had all their penalties waived.

Table 6.2
GOVERNMENT DEBT[1]

Lm millions

	2004			2005	
	Q2	Q3	Q4	Q1	Q2
Balance on the Consolidated Fund	**-39.2**	**-12.4**	**15.8**	**-61.2**	**-33.6**
Changes in					
Gross Government debt	**53.5**	**15.3**	**5.1**	**33.5**	**11.6**
Malta Government stocks	48.0	22.4	29.5	40.0	36.8
Treasury bills	6.8	-7.3	-7.2	-6.0	-24.0
Domestic loans[2]	0	0	-15.2	0	0
Foreign loans	-1.3	0.1	-2.0	-0.5	-1.2

[1] Excluding debt of extra-budgetary units and local government.

[2] Domestic loans consist of the debts, in the form of loans from the banking system, assumed by the Government following the restructuring of the shipyards in 2003.

Source: Central Bank of Malta.

the year was mostly attributable to higher outlays on the new hospital, equipment and roads, partly financed by official funds from abroad.

Government debt and financing operations

The fiscal imbalance for the second quarter of 2005 was financed through an increase in gross Government debt and, to a lesser extent, by drawings on government deposits with the Central Bank of Malta (see Table 6.2). Issues of MGS on the primary market led to an increase in the amount outstanding by Lm36.8 million. However, growth in government debt overall was dampened by a Lm24 million drop in short-term borrowing, coupled by a slight decrease in foreign loans that was mostly due to repayments. Consequently, budgetary operations entailed a shift in financing, as short-term borrowing was replaced by long-term debt.

As a result of these financing operations, the outstanding level of gross government debt at the end of June rose to Lm1,398.5 million, up by Lm11.6 million from the end-March level. MGS in issue amounted to Lm1,089.6 million, with their share in total outstanding debt rising by two percentage points to 77.9%, while Treasury bills totalled Lm215.3 million, or 15.4%. Domestic and foreign loans, which stood at Lm26.7 million and Lm66.9 million, respectively, accounted for the remainder.

7. FINANCIAL STABILITY ANALYSIS

The short-term financial stability risk outlook as at end-June 2005 remains low, although underlying conditions have deteriorated slightly since the previous assessment in December 2004. Growth in the Maltese economy during the first six months of the year remained below potential, providing little stimulus to the corporate sector, while credit growth continued to be mainly driven by the household sector. The prevailing favourable interest rate environment means that the overall interest burden for the non-financial sector remained low during the period, but, looking ahead, the vulnerabilities arising from a higher debt burden may increase if interest rates were to trend upwards.

Regulatory and legislative developments

During the first half of the year, the Maltese authorities continued to transpose EU directives and to amend the regulatory and legislative requirements governing the domestic insurance, banking and securities sectors. These measures were related, in particular, to the European Passport for insurance intermediaries, distance marketing of financial services and consumer credit regulations. In addition, in March 2005, the Insider Dealing and Markets Abuse Offences Act was replaced by The Prevention of Financial Markets Abuse Act, Cap 476.

In September 2005, the European Parliament approved the proposals of the EU Commission's for recasting the Codified Banking Directive and the Capital Adequacy Directive into a new Capital Requirements Directive (CRD) for credit institutions and investment firms. The new Directive transposes the Basel II capital framework within the EU.

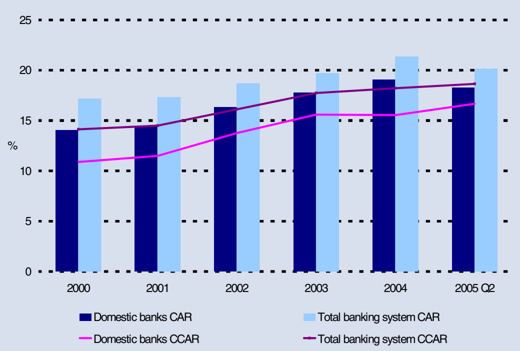
In addition, following the completion of the Financial Services Action Plan (FSAP), in May 2005 the European Commission launched a public debate through the publication of a Green Paper setting out its views for a five year Europe-wide financial services policy, including further integration of financial markets and enhanced supervisory convergence.

The financial sector

The banking system[1]

The resilience of the banking system remained satisfactory during the first half of 2005. This is reflected in the high capital adequacy ratio (CAR), which however declined slightly, to 20.1%, by June 2005, reflecting both a drop in total own funds and an increase in risk weighted assets (see Table 7.1). During the same period, the CAR of the domestic credit institutions dropped to a lesser extent, to 18.3% (see Chart 7.1). By contrast, the core capital adequacy ratio (CCAR) increased for both the domestic banks and the banking system as a whole, reaching 16.7% and

Chart 7.1
CAPITAL ADEQUACY RATIOS



[1] This analysis covers all credit institutions licensed in terms of the Banking Act, 1994. Domestic credit institutions refer to those that deal predominantly with residents. The terms 'credit institution' and 'bank' are used interchangeably.

Table 7.1
FINANCIAL SOUNDNESS INDICATORS

%

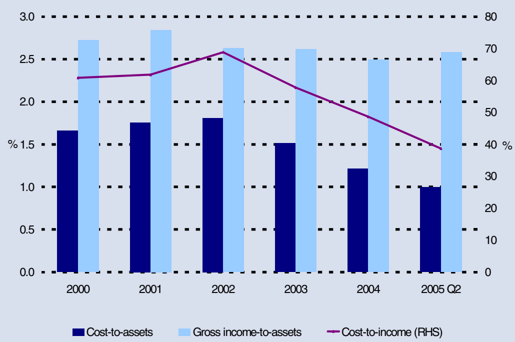
	2003	2004	2005 Q2
Regulatory capital to risk-weighted assets (CAR)	19.7	21.4	20.1
Regulatory Tier 1 capital to risk-weighted assets (CCAR)	17.7	18.2	18.7
Non-performing loans (net of provisions) to capital	38.4	30.6	29.9
Non-performing loans to total gross loans	8.1	6.6	5.6
Return on assets (ROA)	1.0	1.3	1.5
Return on equity (ROE)	10.2	13.9	15.2
Interest margin to gross income	70.9	45.7	51.1
Non-interest expenses to gross income (cost-to-income ratio)	57.8	46.9	38.7
Liquid assets to total assets	24.6	24.3	24.7
Liquid assets to short-term liabilities	56.3	45.5	51.3

Source: Central Bank of Malta.

18.7%, respectively. This indicates that the drop in the CAR resulted from a contraction in additional rather than original own funds, the latter being the most permanent type of capital.[2] The robustness of the banks' capital base is confirmed by stress test analyses, which indicate that, even in case of exceptional but plausible events, the CAR would remain above the 8% minimum requirement under most assessments.

Credit institutions continued to achieve healthy results during the first half of 2005, with further growth in profitability levels. In fact, bank earnings are estimated to have grown by 18% on an annualised basis during the period. Whereas in 2004 profit growth was mainly driven by non-interest income, data for the first six months of the year indicate that net-interest income will be the major contributor to the increase in profitability in 2005. This development reflects a higher growth rate in loans than deposits, complemented by a widening of interest rate margins. However, credit growth continues to be mainly driven by household demand, increasing the banks' dependency on interest earnings from this sector. Non-interest income remained stable, while non-interest expense, particularly operating costs (excluding staff costs) dropped. These trends pushed the cost-to-income ratio down from 47% in December 2004 to 39% in June 2005 (see Chart 7.2). As regards the domestic banks, these reduced the level of loan loss provisions during the first half of 2005 but, at the same time, they wrote off higher amounts of defaulted facilities (see Table 7.2).

Chart 7.2
PROFITABILITY RATIOS



[2] Original own funds consist of permanent shareholders' equity and disclosed reserves, whilst additional own funds consist of undisclosed reserves, provision reserves, loan loss reserves and other reserves.

Table 7.2
PROVISIONS, WRITE-OFFS AND RECOVERIES
Domestic banks

Lm thousands

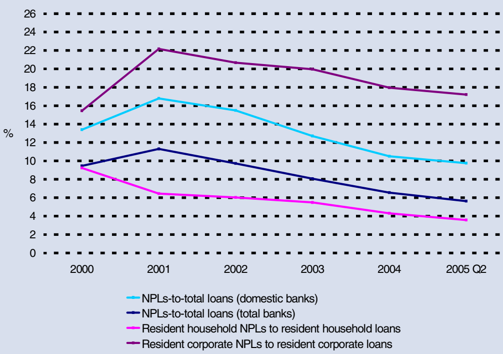
	2003	2004	2005 Q2[1]
Increase in allocation of specific provisions	16,826	22,151	397
Increase in allocation of general provisions	505	1,601	3,265
Write back of specific provisions	(9,108)	(12,741)	(2,374)
Write back of general provisions	(2,331)	(5,024)	(271)
Bad debts written-off	4,078	4,577	8,086
Recoveries	(93)	(186)	(212)
Net charge to the profit and loss account	**9,876**	**10,378**	**8,890**

[1]Data for 2005 Q2 are not annualised

As a result of the higher net interest income, the fall in new loan loss provisions and lower costs, the average return on the banks' assets and equity continued to increase. This was reflected both in the return-on-assets (ROA) and in the return-on-equity (ROE) ratios, which rose from 1.3% and 13.9% as at end 2004 to 1.5% and 15.2% in June 2005, respectively.

The balance sheet value of the banking system expanded by 8% during the first half of 2005, with the loan portfolio (including interbank loans) accounting for the greater part of the increase, reaching 47.6% of total assets. Over the same period, the ratio of non-performing loans to gross loans of the banking system dropped from 6.6% to 5.6%, while that of domestic credit institutions dropped from 10.5% to 9.8% (see Chart 7.3). The drops in these ratios were partly the result of better risk management strategies, but the writing off of bad loans also contributed.[3] Although problematic loans are decreasing, partly reflecting a lower degree of credit risk, the level of non-performing loans in the domestic banks' credit portfolio remains a matter of some concern. The risk posed by such loans is further exacerbated by their concentration in particular economic sectors, mainly the wholesale and retail and the hotels and restaurant sectors.

Chart 7.3
NON-PERFORMING LOAN RATIOS



During the first half of 2005, the stock of loan loss provisions decreased in line with the fall in non-performing loans (see Chart 7.4). This kept the banks' coverage ratio (i.e., the ratio of total provisions to non-performing loans), excluding collateral value, stable at 25.6%.

[3] Debt which is written-off is excluded from non-performing loans.

Chart 7.4
PROVISIONS

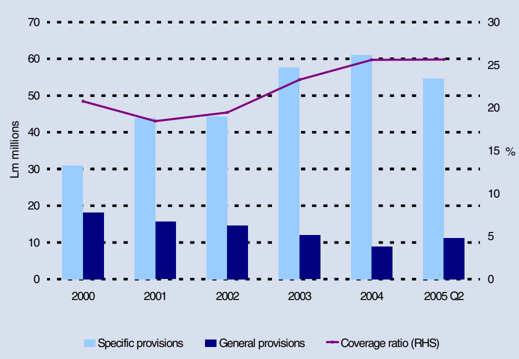
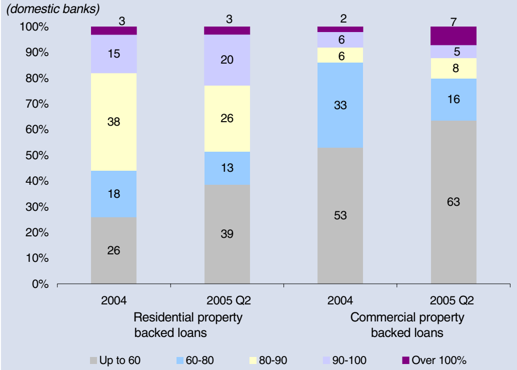


Chart 7.5
LOAN TO VALUE RATIO
(domestic banks)



Collateral held by credit institutions is an important credit risk mitigatory factor. Over 60% of the loan portfolio of the banking system is collateralised, mainly in the form of real estate. Considering the large outstanding loan portfolio financing the purchase or construction of residential property, a sharp decline in property prices may have repercussions on financial stability. This is normally mitigated through an adequate loan-to-value (LtV) ratio, which allows a margin for price reversals. The LtV ratio in the domestic banking system is currently estimated to be, on average, in the range of 60%-80%. But in 2005, domestic credit institutions lowered the LtV ratio for new loans, and a larger proportion of new property-backed loans with lower LtV ratios were made (see Chart 7.5). This indicates that credit institutions are becoming more cautious in the light of the continued rise in house prices.[4]

Deposits held with the banking system increased by 8% during the first six months of 2005, with the domestic banks reporting a rise of 2% over the period. This relatively slow increase in deposits may be attributed to the continued low interest rate environment, which led savers to seek alternative investment outlets. In the case of the domestic banks, resident foreign currency denominated deposits, particularly from the household sector, contributed most to the increase in deposits.

The liquidity position of the banking sector remained strong during the period. Thus, the ratio of liquid assets to total assets stood at nearly 25%, while the prudential liquid asset ratio, at 51%, comfortably exceeded the statutory prudential 30% benchmark. Despite the satisfactory liquidity level, however, the funding gap for the banking system as a whole rose from -2% in December 2004 to 1% in June 2005, largely as a result of the operations of international banks, which recorded a faster increase in their loan portfolio than their deposit base.[5] In the case of the domestic banks, whose funding gap has traditionally been wider than that of the international banks, the gap remained stable at a comfortable -37%.

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4 Data on the Loan-to-Value ratio are based on a sample of facilities extended by domestic credit institutions participating in the Bank Lending Survey, which is a periodic assessment carried out by the Central Bank of Malta on loan demand and credit standards.

5 The funding gap is defined as the difference between loans and deposits (net of interbank transactions) as a proportion of loans.

The non-bank financial sector

The total balance sheet of the non-bank financial sector, consisting of insurance companies, collective investment schemes and other financial institutions, accounts for approximately 11% of the financial sector.

In line with the trend seen in recent years, the insurance sector continued to grow steadily, with its assets rising to Lm417 million by June 2005 from Lm384 million in December 2004. Despite this steady growth, the sector's ratio of premium income to GDP is relatively low standing at around 6%, compared to an EU average of 50%. Similar to other countries, the main risk for the domestic insurance business is related to reinsurance, i.e. the potential failure of counterparty reinsurance companies.

The net worth of the fourteen locally-based collective investment schemes (SICAVs) also continued to increase during the first half of 2005, reaching Lm490.9 million, up from Lm436.6 million at end-2004. Whilst risk mitigation by SICAVs is through the diversification of their investment portfolio, the balance-sheet structure of these funds is highly concentrated in Malta Government securities and equities issued by the domestic credit institutions.

The eleven financial institutions operating under the Financial Institutions Act, mainly operating in the foreign exchange market and factoring, registered lower profitability during the six months period to June 2005 compared to the same period in 2004. This was largely the result of reduced net receipts from fees and commissions and higher non-interest expenses.[6] These institutions provide some competition to the domestic banks in foreign exchange market activities.

The non-financial sector

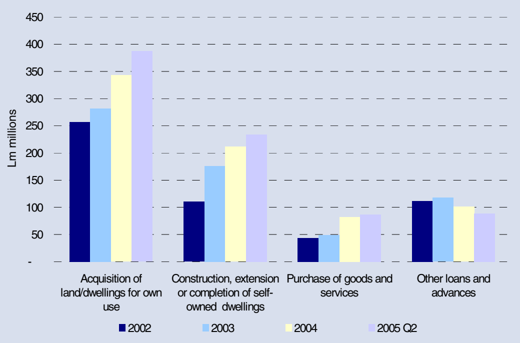
The household sector

Apart from being the major driving force behind the growth in the credit institutions' loan portfolio and being a major contributor to the continued rise in the banking system's profitability, the household sector is the major source of funding, accounting for the greater part of deposits.

Household indebtedness continued on its upward trend, with mortgage loans accounting for around 80% of the total at the end of June. In fact, a Lm67 million (12%) increase in mortgage lending (including loans for the acquisition, construction and extension of land and dwellings) was the main factor contributing to the increased household indebtedness, as other personal loans (for purchases of goods and services and other consumption loans) together registered a drop of Lm8 million (4%) over the period (see Chart 7.6). However, household equity and repayment capabilities remain strong.

While the debt repayment capability of the household sector remains satisfactory, as

Chart 7.6
HOUSEHOLD BORROWING
(domestic banks)



6 Excluding one financial institution that was subsequently licensed as a credit institution.

indicated by the low and declining ratio of non-performing loans to household loans (which had dropped to 3.6% by end of June 2005), the accumulation of debt leads to an increase in debt-servicing costs. This could have implications for financial stability, particularly in the event of consistent rises in interest rates. In such a situation, households' debt repayment capability would be reduced, with possible repercussions for consumer demand. This, in turn, may have a negative impact on business conditions.

Despite the increase in indebtedness, the financial position of the household sector remains strong as a result of the still high level of household financial wealth.

Corporate sector[7]

Resident corporate indebtedness remained stable during the first half of 2005. According to the Bank Lending Survey, credit demand by the corporate sector remained weak despite a slight easing in credit standards, reflecting the low level of fixed investment being undertaken by businesses. Credit institutions reported a drop in loans to the manufacturing and construction sectors during the period, though this was compensated for by a rise in loans to the real estate, renting & business activities sectors, the wholesale & retail trades and the hotels & restaurants sectors. Since the end of 2004 domestic banks reported a drop in problematic loans in almost all sub-sectors of the economy, with the ratio of non-performing loans to gross loans of the corporate sector dropping from 18% as at end 2004 to 17.2% in June 2005.

Risks to the corporate sector stem from a number of economic, financial and other factors. The current slow economic recovery, the hike in oil prices and international exchange rate fluctuations are the main risks to business. Risks from exchange rate fluctuations vis-à-vis the euro trading area have been contained following the hard peg arrangements adopted when Malta joined ERM II on 2 May 2005. Currently, the profitability and liquidity of the corporate sector remain low, although the sector's gearing ratio has improved marginally as a result of its low credit demand. Further increases in oil prices, however, may have implications for the profitability and cash flow of corporates, reducing their debt repayment capabilities. This in turn may increase the credit risk of the banking system.

Malta Stock Exchange

Low interest rates, together with the positive performance of listed companies, have induced investors to turn to the capital market. This has resulted in the MSE Index rising by 12% to 3431.1 between December 2004 and June 2005. Although trading on the MSE has increased, secondary market activity remains limited, as indicated by the low level of turnover. Moreover, corporates are still highly dependent on the banking sector for their financing needs, as indicated by the lack of new listings on the Exchange.

Risk outlook

During the first six months of 2005, underlying financial stability conditions deteriorated slightly, but the short-term risk outlook remains low.

The sluggish economic growth recorded in 2004, which continued into the first months of 2005, has not had a favourable impact on the business environment. This is reflected in subdued credit demand by the corporate sector and low levels of liquidity and profitability. These developments could translate into higher risks for credit institutions, particularly if the corporate sector faces difficulties in meeting its debt-servicing obligations.

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[7] This section relates to resident corporates only.

In the longer-term, the high exposure of credit institutions to the household sector could result in increased credit risk as a result of the higher debt burden being assumed by households. The latter may find it difficult to service their debts if interest rates were to follow a rising trend. Furthermore, a fall in property prices, if sustained, could lead to an erosion of collateral value. Considering that credit demand by households has been the major driving force behind the growth in the banks' loan portfolio, household sector behaviour may also pose some risks for the profitability of banks, as a slowdown in households' demand for credit may affect bank profitability through lower interest income.

In general, therefore, the risk outlook has deteriorated, particularly as a result of the persistently weak economic environment. Nevertheless, the financial sector is registering higher profitability, while the banking system is expected to remain resilient to exceptional but plausible shocks.

NEWS NOTES

LOCAL NEWS

Malta cancels its Official Iraqi Debt

The Government of Malta signed a bilateral agreement with the Iraqi Government by which Malta cancelled all its official claims against Iraq and Iraqi public sector entities arising before August 1990. These claims amounted to USD8 million. The Government of Malta took this decision to show solidarity with the Iraqi people in their efforts to rebuild their economy.

Amendments to the Malta Membership of the European Bank for Reconstruction and Development Act

On 5 July, Parliament enacted the Malta Membership of the European Bank for Reconstruction and Development (Amendment) Act, 2005. This amendment enables the Minister of Finance to issue regulations under the Act, to ratify any amendments to the EBRD Agreement of 1990. As a result of this legislative amendment the Minister of Finance was able to bring into force Malta's ratification of a change in the EBRD's Articles of agreement that enables the EBRD to admit Mongolia as a country of operations.

Amendments to the Central Bank of Malta Act

On 5 July, Parliament enacted the Central Bank of Malta (Amendments) Act, 2005. Among other measures, these amendments provide for the setting up of an Audit Committee chaired by one of the non-executive Board Directors to assist the Board in fulfilling its responsibilities in matters related to the internal and external audit process, risk management and internal control, and financial reporting. The amendments also enable the Bank to own shares and take up other participations in international and national organisations as well as to participate in international monetary agreements to the extent necessary to carry out its tasks and duties under the law and in fulfillment of its international obligations.

Issue of Malta Government Securities

On 1 July, the Government issued directly to the Foundation for Church Schools 7% Malta Government Stock 2015 (III), with a nominal value of Lm291,400.

On 15 July, the Government of Malta issued the following securities:

- Lm15 million worth of 5% Malta Government Stock 2021 (First Issue) (Fungibility Issue). This stock was issued at a premium of 2% for amounts not exceeding Lm50,000 and by auction for bids exceeding this amount.

- Lm25 million worth of 5.7% Malta Government Stock 2012 (Third Issue) (Fungibility Issue). This stock was issued by auction for bids exceeding Lm50,000 at not less than Lm108 per Lm100 nominal.

As the stocks were oversubscribed, the amounts issued were raised by a further Lm25 million: Lm10 million in the case of the 5% Malta Government Stock 2021 and Lm15 million in the case of the of 5.7% Malta Government Stock 2012 (Third Issue).

Licences issued to New Credit Institutions

The MFSA, as the Competent Authority responsible for the regulation and supervision of credit institutions in Malta issued banking licences in terms of the Banking Act 1994, as follows:

On 4 July, to Finansbank (Malta) Ltd. This bank is a subsidiary of the Netherlands registered Finans International Holding N.V., a wholly-owned subsidiary of Finansbank A.S., which in turn is incorporated in Turkey.

On 18 July, to Mediterranean Bank plc. This bank was licensed to carry out the business of banking, mainly through the provision of private wealth management services to high net worth individuals and corporate clients. The envisaged activities include portfolio management, the accepting of deposits and lending in foreign currency.

On 26 August, CommBank Europe Limited. This bank, which is a subsidiary of Commonwealth Bank of Australia, was licensed to carry out the business of banking in Malta, specialising in the provision of wholesale banking services. In view of the granting of this banking licence, CommFinance Limited, also a subsidiary of the Commonwealth Bank of Australia, surrendered its licence to carry on the business of a financial institution that was issued on 7 December 2004.

Enemalta signs 10-year loan facility with foreign banks

On 30 July, Enemalta Corporation signed a €210 million 10-year loan facility with Banco Efisa of Portugal and DEPFA Bank of Ireland (which acted as joint mandated lead arrangers), together with Sumitomo Mitsui Banking Corporation of Japan. The interest rate on the loan is on a Euribor plus basis, which is described as "tightest pricing given the maturity". The loan which is guaranteed by the Goverment will be used to refinance existing debt at a lower rate of interest.

International credit agency upgrades outlook for credit institution.

On 6 September, the international credit rating agency Fitch upgraded its outlook for Bank of Valletta from negative to stable. Concurrently, Fitch also affirmed Bank of Valletta's ratings, Long Term A-, Short Term F2, Individual C. Fitch said that the rating action reflects Bank of Valletta's position as the largest bank within the Maltese financial system, its improving profitability and sound capitalisation. Fitch also acknowledged the improvement of the bank's asset quality indicators up to March 2005. The ratings were based on the bank's performance during the financial year ended 30 September 2004 and the half yearly figures till March 2005.

Change in name of credit institution

On 14 September 2005, the MFSA granted permission, in terms of Banking Directive BD/01, to Disbank Malta Ltd to change its name to Fortis Bank Malta Ltd. The change in name followed the regulatory approval for the purchase of shares from the majority shareholders of Turk Dis Ticaret Bankasi A.S. (the parent of Disbank Malta Ltd) in Turkey, by Fortis.

Legal Notices related to banking and finance

- **Legal Notice 322, issued under the Prevention of Financial Markets Abuse (Disclosure and Notification) (Amendment) Regulations, 2005**. This Legal Notice, which amends Legal Notice 108 of 2005, sets rules governing disclosure and notification applicable to issuers of financial instruments, persons acting on behalf of these issuers, persons discharging managerial responsibilities within such an environment and professional persons arranging transactions in financial instruments.

- **Legal notice 323, issued under the Interest Rate (Financial Transactions) Order, 2005**. This Legal Notice, which was issued by the Minister of Finance in terms of the powers conferred on him by Article 1855A(2) of the

Civil Code, lifted restrictions on interest rates and the compounding of interest on various specified categories of obligations in order to attract certain financial business to Malta. The lifting of restrictions is limited to financial transactions where at least one of the contracting parties is a designated entity (as defined in the Order) operating in a reputable jurisdiction (also as defined in the Order).

INTERNATIONAL NEWS

ECOFIN

The ECOFIN council met on three occasions during the third quarter of 2005. The main developments were as follows:

On 12 July it agreed on the existence of an excessive government deficit in Italy and adopted an opinion on an updated stability programme submitted by Portugal. It also adopted economic policy and economic guidelines for the 2005-2008 period.

On 15 July it discussed the European Union's budget and adopted, by qualified majority, a draft general budget for 2006. This draft budget will be examined and amended by the European Parliament before a second reading by the Council, which took place in November 2005.

At an informal meeting on 9-10 September in Manchester, the ECOFIN Council reached a consensus on the reforms needed to deliver stronger economic growth and social justice in Europe in the face of new, intense and sustained competitive pressures. Other items discussed included the current economic situation, in particular the impact of high oil prices.

G8 Annual Summit

The G8 Annual Summit took place in Gleneagles, Scotland, on 6-8 July. The leaders of the G8 nations gathered there resolved to take urgent action in tackling climate change by issuing the Gleneagles Plan of Action. The G8 also agreed a comprehensive plan to support Africa's progress by doubling aid to Africa by 2010. The G8 also agreed that all debts owed by eligible heavily indebted poor countries should be cancelled. The summit also reiterated the importance of renewing efforts to forge a global trade deal.

IMF and World Bank Annual Meetings

At the IMF-World Bank joint Annual Meetings, held on 24-25 September in Washington D.C., officials from the two institutions backed a deal to cancel about $50 billion of debts owed by the world's poorest countries. The lenders' decision endorsed an initial agreement reached by the leaders of the G8 industrialised countries at their July summit in Gleneagles.

The Development Committee,[1] meeting on 25 September, reiterated its support for the realisation of the internationally agreed development goals and recognized that this calls for a stronger international partnership. The Committee welcomed the World Bank Group's ambitious Africa Action Plan, which will support African countries in their efforts to increase growth and tackle poverty. It also concluded that scaling up investment in infrastructure, alongside strong programmes in education and health, is the key to faster growth and progress in reducing poverty.

The International Monetary and Financial Committee[2] welcomed the actions by members of

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[1] The Development Committee is a Joint Ministerial Committee of the Boards of Governors of the World Bank and the IMF on the transfer of real resources to developing countries.

[2] The International Monetary and Financial Committee advises and reports to the Board of Governors of the IMF on matters of interest such as global liquidity, the international monetary and financial system and the transfer of resources to developing countries.

the International Energy Agency and oil producers to increase supplies of oil to the market and also called for further investment in the near and the long-term, particularly in refining capacity. It stressed the importance of policies to promote energy conservation, efficiency and sustainability. It also encouraged a closer dialogue between oil producers and oil consumers and emphasised the importance of improving market data transparency. Furthermore, it also agreed that the IMF should stand ready to provide assistance to help members, especially poor countries, deal with oil price shocks.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-June 2005, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km^2	
CURRENCY UNIT	Maltese lira exchange rates: MTL 1 = USD 2.8175 EUR 1 = MTL 0.4293	
CLIMATE	Average temperature (1990-2004): Dec. - Feb.	13.2° C
	June - Aug.	26.1° C
	Average annual rainfall (1990-2004)	603.75mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at constant 2000 prices[1] (2004)	0.4%
	GDP per inhabitant at current market prices[1,2] (2004)	USD13,306
	GDP per capita in PPS relative to the EU-25 average[1] (2004)	70.6%
	Ratio of gross general government debt to GDP[1] (2004)	76.6%
	Ratio of general government deficit to GDP[1] (2004)	5.1%
	Retail Price Index - inflation rate	2.9%
	Harmonised Index of Consumer Prices - inflation rate	2.4%
	Ratio of exports of goods and services to GDP[1] (2004)	75.9%
	Ratio of current account deficit to GDP[1] (2004)	10.1%
	Employment rate	53.6%
	Unemployment rate	7.8%
POPULATION	Total Maltese and foreigners (Dec. 2004)	402,668
	Males	199,580
	Females	203,088
	Age composition in % of population (Dec. 2004)	
	0 - 14	18%
	15 - 64	69%
	65 +	13%
	Average annual growth rate (1990-2004)	0.78%
	Density per km^2 (Dec. 2004)	1,274
HEALTH	Life expectancy at birth - Males (Dec. 2004)	76.4
	- Females (Dec. 2004)	80.4
	Crude birth rate, per 1,000 Maltese inhabitants (Dec. 2004)	9.7
	Crude mortality rate, per 1,000 Maltese inhabitants (Dec. 2004)	7.47
	Doctors (2004)	1,170
EDUCATION	Combined gross enrolment ratio % (2002/2003)	79
	Number of educational institutions (2003/2004)	289
	Teachers per 1,000 students (2003/2004)	85
	Adult literacy rate: % age 10+ - Males (Dec. 2003)	92.0%
	- Females (Dec. 2003)	93.6%
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2003)	32
	Mobile phone subscriptions per 100 population	80.1
	Private motor vehicle licences per 1,000 population	514
	Internet subscribers per 100 population	22.1

[1] Provisional.

[2] Based on Eurostat estimate of GDP at current market prices in euro per inhabitant.

Sources: Central Bank of Malta; Eurostat; Ministry of Finance; NSO; UNDP.

The monetary and financial statistics shown in the 'Statistical Tables' annex are compiled from information submitted to the Central Bank of Malta by the following credit institutions, as at June 2005:

Deposit Money Banks
APS Bank Ltd.
Bank of Valletta plc
BAWAG Malta Bank Ltd. (from October 2003)
First International Merchant Bank plc (from October 2003)
HSBC Bank Malta plc
HSBC Home Loans (Malta) Ltd. (from January 2001)
Lombard Bank Malta plc
Volksbank Malta Ltd. (from November 2002)

International Banking Institutions
Akbank TAS
Disbank Malta Ltd.
Erste Bank (Malta) Ltd.
Finansbank (Malta) Ltd (from June 2005)
Investkredit International Bank plc
Izola Bank Ltd.
Raiffeisen Malta Bank plc
Sparkasse Bank Malta plc
Turkiye Garanti Bankasi AS

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES - CENTRAL BANK OF MALTA[1]

Liabilities

Lm thousands

End of period	Currency notes & coins issued	IMF-related liabilities	Deposits				Capital & reserves	Foreign liabilities[3]	Other liabilities[4]
			Banks[2,4]	Government	Other	Total			
1999	418,485	34,980	124,786	96,188	12,424	233,398	89,050	-	42,631
2000	423,188	35,246	141,270	56,161	10,393	207,825	89,050	3,655	28,509
2001	441,829	35,103	146,789	69,080	7,644	223,513	95,069	-	31,827
2002	461,247	33,495	255,558	42,961	7,595	306,114	95,341	6,987	32,758

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	485,373	31,456	242,162	83,198	8,456	333,815	88,225	25,497	28,651
2004									
Jan.	477,011	31,456	292,241	70,700	7,245	370,186	87,943	14,013	16,868
Feb.	480,596	31,456	290,852	74,211	7,379	372,442	89,304	13,661	16,930
Mar.	486,005	31,456	282,376	70,448	7,666	360,490	89,658	7,800	12,712
Apr.	491,230	31,456	274,074	72,064	7,380	353,518	87,098	6,285	13,080
May	493,617	31,871	230,188	106,799	10,679	347,665	85,728	2,290	10,930
June	502,342	31,871	228,512	84,338	11,643	324,494	85,004	1	12,428
July	501,806	31,871	267,939	50,940	16,045	334,923	84,832	2,209	13,456
Aug.	503,876	31,871	234,958	94,891	16,428	346,278	85,341	5,326	14,896
Sept.	503,787	31,871	247,315	93,469	16,522	357,306	84,971	5,287	15,818
Oct.	503,769	31,871	231,992	82,895	14,618	329,505	85,137	5,314	17,155
Nov.	500,637	31,871	208,842	88,473	15,553	312,869	85,369	-	18,955
Dec.	506,406	30,568	166,318	115,661	11,147	293,126	86,016	-	20,028
2005									
Jan.	499,631	30,568	200,150	73,437	12,779	286,366	85,095	4,301	15,257
Feb.	501,987	30,568	175,810	91,829	10,651	278,289	83,816	4,307	11,329
Mar.	505,049	30,568	185,245	87,119	11,185	283,549	84,207	4,296	11,424
Apr.	507,076	30,568	140,268	88,900	11,380	240,547	86,051	2,219	9,562
May	510,621	31,066	185,983	73,032	8,983	267,997	86,946	-	14,751
June	517,006	31,066	147,017	81,492	11,010	239,520	87,826	-	14,108

[1] Figures are reported according to the prevailing accounting policies as explained each year in the 'Notes to the Accounts' in the *Annual Report* of the Central Bank of Malta.

[2] Includes Deposit Money Banks and International Banking Institutions.

[3] Data prior to 2001 were included with "Other Liabilities".

[4] From December 2001, term deposits by banks previously classified as "Other Liabilities" are classified as "Bank Deposits".

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES - CENTRAL BANK OF MALTA[1]

Assets

Lm thousands

End of period	External reserves				IMF currency subscription	Malta Government securities & advances	Fixed & other assets	Total assets/ Total liabilities
	Gold	IMF-related assets[2]	Convertible currencies	Total				
1999	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000	452	36,940	606,752	644,144	35,222	9,178	98,930	787,474
2001	629	37,863	721,936	760,428	35,078	5,773	26,062	827,340
2002	473	37,512	842,862	880,847	33,470	4,289	17,335	935,942

End of period	External Assets				IMF currency subscription	Central government securities	Other assets	Total assets/ Total liabilities
	Gold	IMF- related assets[2]	Other	Total				
2003	497	35,686	899,365	935,547	31,431	7,772	18,266	993,016
2004								
Jan.	492	35,745	908,614	944,851	31,431	5,908	15,286	997,476
Feb.	481	35,765	913,786	950,032	31,431	7,618	15,308	1,004,389
Mar.	523	36,228	896,106	932,858	31,431	8,329	15,504	988,122
Apr.	492	36,265	890,780	927,536	31,431	6,628	17,071	982,667
May	491	36,110	879,582	916,183	31,846	6,312	17,761	972,101
June	491	36,259	864,180	900,931	31,846	6,482	16,880	956,139
July	489	36,104	869,581	906,175	31,846	14,893	16,182	969,096
Aug.	512	36,411	888,356	925,279	31,846	13,429	17,033	987,587
Sept.	512	35,934	892,037	928,482	31,846	20,453	18,258	999,040
Oct.	512	35,824	868,019	904,355	31,846	16,922	19,628	972,750
Nov.	524	35,455	847,666	883,645	31,846	14,425	19,784	949,700
Dec.	497	35,136	824,921	860,554	30,543	21,338	23,708	936,143
2005								
Jan.	498	35,743	815,051	851,292	30,543	15,038	24,344	921,217
Feb.	505	35,534	813,914	849,953	30,543	5,704	24,095	910,296
Mar.	504	35,791	784,154	820,450	30,543	20,711	47,388	919,092
Apr.	510	35,860	768,188	804,558	30,543	8,423	32,499	876,023
May	513	36,767	771,432	808,712	31,042	17,907	53,721	911,382
June	553	37,064	773,155	810,772	31,042	16,474	31,239	889,526

[1] Figures are reported according to the prevailing accounting policies as explained each year in the 'Notes to the Accounts' in the *Annual Report* of the Central Bank of Malta.

[2] Includes IMF Reserve Position and holdings of SDRs.

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES - DEPOSIT MONEY BANKS

Liabilities

Lm thousands

End of period	Deposits[1]				Foreign liabilities[2]	Capital & reserves	Other liabilities
	Demand	Savings	Time	Total			
1999	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000	192,206	623,727	1,296,731	2,112,664	404,679	158,523	566,664
2001	212,877	667,301	1,432,338	2,312,516	600,963	190,915	566,193
2002	245,190	714,116	1,648,268	2,607,574	1,038,562	272,793	414,820

End of period	Resident deposits[1]				External liabilities	Debt securities issued	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	1,047,817	28,782	1,599,172	2,675,772	1,077,630	46,638	599,911	350,272
2004								
Jan.	1,060,800	29,375	1,596,415	2,686,590	1,095,935	46,598	600,927	353,314
Feb.	1,089,949	29,356	1,591,050	2,710,355	1,189,417	46,564	603,897	339,199
Mar.	1,094,169	29,668	1,592,750	2,716,588	1,207,806	49,817	601,543	340,872
Apr.	1,120,871	31,997	1,585,467	2,738,334	1,184,591	50,097	649,104	344,013
May	1,101,281	29,380	1,590,064	2,720,725	1,206,292	49,889	652,127	346,613
June	1,116,388	29,414	1,595,115	2,740,917	1,208,629	49,915	655,746	330,304
July	1,136,678	29,837	1,605,164	2,771,679	1,237,404	49,934	660,607	322,273
Aug.	1,126,367	29,407	1,608,871	2,764,645	1,213,159	49,962	653,030	323,003
Sept.	1,132,442	29,475	1,605,685	2,767,602	1,333,436	49,711	653,317	331,161
Oct.	1,135,545	30,371	1,601,534	2,767,450	1,326,208	49,458	654,567	336,104
Nov.	1,128,026	28,916	1,594,997	2,751,940	1,340,872	49,046	664,323	342,456
Dec.	1,111,768	29,726	1,588,425	2,729,919	1,353,387	48,880	658,932	351,684
2005								
Jan.	1,134,267	30,241	1,590,581	2,755,088	1,340,362	48,858	640,397	340,731
Feb.	1,127,062	30,300	1,595,555	2,752,917	1,352,177	48,600	645,785	338,561
Mar.	1,128,061	29,778	1,597,230	2,755,069	1,325,303	49,708	639,108	358,757
Apr.	1,133,853	29,817	1,594,574	2,758,244	1,296,132	49,604	645,533	338,387
May	1,149,564	29,682	1,585,337	2,764,583	1,345,978	50,195	650,353	376,084
June	1,179,791	29,806	1,602,632	2,812,229	1,356,496	32,214	655,025	351,648

[1] Includes Malta Government and private sector deposits but excludes deposits belonging to non-residents (these are classified as foreign liabilities). Demand deposits are netted of uncleared effects drawn on local banks (i.e. items in the process of collection).

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES - DEPOSIT MONEY BANKS

Assets

Lm thousands

End of period	Cash & deposits with Central Bank of Malta	Foreign assets	Local lending & bills discounted	Local investments	Fixed & other assets	Total assets/ total liabilities
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000	152,739	729,614	1,608,023	601,427	150,727	3,242,530
2001	180,312	791,844	1,866,440	663,006	168,985	3,670,587
2002	294,778	1,299,603	1,899,173	667,087	173,107	4,333,748

End of period	Balances held with Central Bank of Malta[1]	Loans	Securities other than shares	Shares & other equity	External assets	Other assets	Total Assets/ total liabilities
2003	260,873	1,909,932	622,093	216,477	1,405,740	335,107	4,750,222
2004							
Jan.	312,047	1,902,808	607,539	215,368	1,406,513	339,089	4,783,362
Feb.	307,741	1,905,858	628,275	214,980	1,495,175	337,404	4,889,433
Mar.	298,278	1,947,956	649,840	211,193	1,500,755	308,603	4,916,626
Apr.	295,735	1,939,989	657,379	209,856	1,542,336	320,845	4,966,140
May	249,406	1,955,450	680,574	210,607	1,550,744	328,834	4,975,616
June	247,127	1,964,152	675,661	210,762	1,576,363	311,448	4,985,513
July	287,482	1,965,875	657,162	210,187	1,606,035	315,156	5,041,897
Aug.	255,095	1,974,645	666,967	210,823	1,569,054	327,214	5,003,797
Sept.	268,144	2,017,036	656,712	211,999	1,688,383	292,954	5,135,227
Oct.	253,636	2,004,395	669,438	213,281	1,694,696	298,341	5,133,788
Nov.	227,690	2,011,774	675,385	214,141	1,706,541	313,108	5,148,638
Dec.	192,578	2,029,380	657,326	214,966	1,712,594	335,959	5,142,801
2005							
Jan.	217,326	2,030,714	646,267	201,556	1,716,561	313,023	5,125,446
Feb.	195,737	2,049,098	677,904	201,896	1,702,599	310,808	5,138,040
Mar.	202,118	2,078,525	662,915	198,703	1,681,611	304,071	5,127,944
Apr.	164,264	2,068,907	682,810	194,561	1,683,365	293,990	5,087,898
May	209,273	2,071,270	654,240	195,099	1,741,216	316,094	5,187,192
June	169,162	2,084,875	666,501	195,107	1,774,191	317,777	5,207,612

[1] Includes holdings of cash.

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES - INTERNATIONAL BANKING INSTITUTIONS

Liabilities

Lm thousands

End of period	Resident deposits				Foreign liabilities	Capital & reserves	Other liabilities	Total liabilities
	Demand	Savings	Time	Total				
1999	4,027	10,203	7,093	21,323	2,453,948	188,740	39,045	2,703,056
2000	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
2001	5,426	11,259	16,153	32,838	2,348,815	256,729	17	2,638,400
2002	28	5,227	1,125	6,380	2,297,394	157,981	14,774	2,476,529

End of period	Resident deposits				External liabilities	Capital & reserves	Other liabilities	Total liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	464	-	491	955	2,748,650	182,443	2,526	2,934,574
2004								
Jan.	366	-	258	624	2,811,509	185,362	2,847	3,000,343
Feb.	415	-	281	696	2,778,925	190,700	3,300	2,973,622
Mar.	255	-	285	539	2,893,122	201,506	3,477	3,098,645
Apr.	669	-	288	957	2,995,185	192,016	3,180	3,191,337
May	135	-	287	422	3,018,477	192,800	3,420	3,215,119
June	201	-	286	487	2,984,665	199,220	3,586	3,187,957
July	227	87	280	593	2,995,279	204,883	3,726	3,204,481
Aug.	361	113	287	761	3,325,764	215,068	3,682	3,545,275
Sept.	213	202	286	701	3,318,199	214,450	2,582	3,535,932
Oct.	138	327	273	739	3,354,721	217,843	3,699	3,577,001
Nov.	135	320	273	729	3,322,900	218,409	3,942	3,545,980
Dec.	27	310	304	642	3,561,382	236,763	4,257	3,803,045
2005								
Jan.	107	321	261	689	3,585,654	241,773	4,255	3,832,371
Feb.	49	316	270	635	3,588,293	237,861	3,568	3,830,357
Mar.	26	336	272	634	3,738,429	235,537	3,798	3,978,398
Apr.	123	338	65	526	3,820,149	236,124	3,806	4,060,605
May	28	354	53	435	4,049,831	216,365	4,398	4,271,029
June	108	503	64	675	4,130,079	231,388	4,722	4,366,864

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES - INTERNATIONAL BANKING INSTITUTIONS

Assets

Lm thousands

End of period	Cash & deposits with Central Bank of Malta	Foreign assets	Local lending & bills discounted	Local investments	Fixed & other assets	Total assets
1999	1,892	2,417,710	6,135	260,458	16,860	2,703,056
2000	2,078	2,819,021	6,128	267,663	11,256	3,106,146
2001	1,355	2,481,053	5,855	137,161	12,976	2,638,400
2002	1,141	2,456,089	6,426	8,860	4,013	2,476,529

End of period	Balances held with Central Bank of Malta[1]	External assets	Securities other than shares	Shares and other equity	Other assets	Total assets
2003	-	2,917,645	0	613	16,314	2,934,573
2004						
Jan.	-	2,983,356	0	629	16,358	3,000,342
Feb.	-	2,956,685	0	633	16,303	2,973,622
Mar.	-	3,081,612	0	633	16,400	3,098,644
Apr.	-	3,174,201	0	629	16,507	3,191,338
May	-	3,198,105	0	624	16,389	3,215,118
June	-	3,171,551	0	620	15,785	3,187,957
July	-	3,185,702	0	632	18,148	3,204,482
Aug.	-	3,525,363	0	645	19,265	3,545,274
Sept.	-	3,509,511	0	639	25,781	3,535,932
Oct.	-	3,552,439	0	639	23,923	3,577,001
Nov.	-	3,527,014	0	644	18,323	3,545,981
Dec.	-	3,775,464	0	647	26,933	3,803,045
2005						
Jan.	-	3,804,711	0	415	27,245	3,832,372
Feb.	-	3,802,836	0	421	27,099	3,830,357
Mar.	-	3,950,433	0	422	27,544	3,978,399
Apr.	-	4,032,978	0	412	27,214	4,060,605
May	-	4,242,944	0	444	27,640	4,271,029
June	-	4,338,105	0	455	28,304	4,366,864

[1] Includes holdings of cash.

TABLE 1.4a BANKING SURVEY[1]

Lm thousands

End of period	Domestic credit			Net foreign assets			Narrow money[4] (M1)	Quasi-money[5]	Other items (net)	Total assets/ liabilities
	Net claims on Government[2]	Claims on private & parastatal sectors[3]	Total	Central Bank of Malta	All banking institutions	Total				
1999	358,094	1,632,866	1,990,960	740,339	228,835	969,174	581,148	1,860,653	518,334	2,960,134
2000	411,810	1,772,432	2,184,242	644,163	330,271	974,434	594,660	1,944,221	619,795	3,158,676
2001	475,109	1,853,194	2,328,303	760,428	323,119	1,083,546	635,487	2,117,464	658,898	3,411,850
2002	497,959	1,908,189	2,406,148	873,860	419,737	1,293,596	680,121	2,357,951	661,672	3,699,744

TABLE 1.4b MONETARY FINANCIAL INSTITUTIONS (MFIs) SURVEY[1]

Lm thousands

End of period	Domestic credit			Net foreign assets			Broad money (M3)	Other counterparts to broad money (net)	Total assets/ liabilities
	Net claims on central government[2]	Claims on other residents	Total	Central Bank of Malta	Other Monetary Financial Institutions	Total			
2003	568,436	2,080,347	2,648,782	919,841	497,106	1,416,946	2,849,244	1,216,487	4,065,729
2004									
Jan.	562,778	2,075,065	2,637,844	938,451	482,425	1,420,876	2,865,097	1,193,624	4,058,720
Feb.	579,392	2,080,089	2,659,480	944,205	483,518	1,427,723	2,894,167	1,193,037	4,087,203
Mar.	605,394	2,119,969	2,725,363	933,078	481,439	1,414,517	2,904,751	1,235,130	4,139,880
Apr.	601,279	2,119,975	2,721,254	929,852	536,761	1,466,613	2,933,596	1,254,270	4,187,867
May	565,803	2,156,714	2,722,517	920,605	524,081	1,444,685	2,914,066	1,253,136	4,167,202
June	585,382	2,164,778	2,750,161	906,856	554,620	1,461,477	2,939,288	1,272,347	4,211,637
July	606,953	2,166,226	2,773,179	904,183	559,054	1,463,236	2,970,160	1,266,255	4,236,415
Aug.	576,834	2,169,484	2,746,318	923,751	555,494	1,479,244	2,960,696	1,264,869	4,225,563
Sept.	573,062	2,210,356	2,783,418	928,657	546,259	1,474,916	2,960,436	1,297,898	4,258,334
Oct.	579,520	2,212,922	2,792,442	907,152	566,205	1,473,357	2,954,055	1,311,745	4,265,799
Nov.	581,027	2,218,028	2,799,055	890,747	569,783	1,460,530	2,941,838	1,317,747	4,259,585
Dec.	545,113	2,240,183	2,785,296	870,293	573,289	1,443,582	2,918,320	1,310,557	4,228,878
2005									
Jan.	565,119	2,232,203	2,797,322	856,284	595,255	1,451,539	2,936,569	1,312,292	4,248,861
Feb.	568,407	2,251,347	2,819,754	855,690	564,964	1,420,655	2,934,369	1,306,041	4,240,408
Mar.	565,591	2,280,415	2,846,007	826,212	568,311	1,394,522	2,925,283	1,315,245	4,240,529
Apr.	566,433	2,270,022	2,836,455	814,591	600,063	1,414,654	2,928,150	1,322,961	4,251,108
May	558,294	2,275,749	2,834,043	818,568	588,351	1,406,919	2,931,434	1,309,528	4,240,962
June	560,030	2,290,359	2,850,389	819,114	625,722	1,444,836	2,979,359	1,315,865	4,295,225

[1] Includes Central Bank of Malta, Deposit Money Banks and International Banking Institutions. All interbank transactions are excluded.

[2] Central government deposits held with MFIs are netted from this figure.

[3] These claims include domestic loans and overdrafts to private and parastatal bodies, investments in local non-government securities, inland bills of exchange and promissory notes.

[4] Excludes Malta Government deposits, balances belonging to non-residents as well as uncleared effects drawn on Deposit Money Banks.

[5] Excludes Malta Government deposits and balances belonging to non-residents.

TABLE 1.5 MONETARY BASE AND MONETARY AGGREGATES

Lm thousands

End of period	Monetary base (M0)			Broad money (M3)						
				Narrow money (M1)			Quasi-money			Total
	Currency issued	Bank deposits with Central Bank of Malta	Total	Currency in circulation	Demand deposits	Total	Savings deposits	Time deposits	Total	
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
2001	441,829	125,789	567,618	418,887	216,600	635,487	671,449	1,446,015	2,117,464	2,752,951
2002	461,247	151,558	612,805	436,831	243,290	680,121	712,788	1,645,163	2,357,951	3,038,072

End of period	Monetary base (M0)			Broad money (M3)								
				Intermediate money (M2)							Repurchase agreements /Debt securities with agreed maturity up to 2 years	Total (M3)
				Narrow money (M1)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)		
	Currency issued	M F I balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)					
					Demand	Savings						
2003	485,373	137,885	623,258	460,424	273,666	756,858	1,490,948	28,778	1,329,492	2,849,218	26	2,849,244
2004												
Jan.	477,011	143,258	620,269	461,806	266,693	769,945	1,498,444	29,371	1,337,256	2,865,072	25	2,865,097
Feb.	480,596	151,271	631,867	464,226	275,150	791,753	1,531,128	29,352	1,333,687	2,894,167	-	2,894,167
Mar.	486,005	147,696	633,702	467,489	289,094	786,758	1,543,341	29,664	1,331,746	2,904,751	-	2,904,751
Apr.	491,230	134,088	625,318	472,514	305,138	801,086	1,578,738	31,992	1,322,867	2,933,596	-	2,933,596
May	493,617	152,351	645,968	476,693	300,935	782,932	1,560,560	29,375	1,324,132	2,914,066	-	2,914,066
June	502,342	144,286	646,628	481,560	306,566	790,863	1,578,989	29,409	1,330,890	2,939,288	-	2,939,288
July	501,806	154,925	656,731	483,457	314,267	801,352	1,599,076	29,918	1,341,166	2,970,160	-	2,970,160
Aug.	503,876	150,143	654,019	483,028	325,647	785,769	1,594,444	29,514	1,336,738	2,960,696	-	2,960,696
Sept.	503,787	159,502	663,288	484,035	323,859	788,343	1,596,237	29,672	1,334,526	2,960,436	-	2,960,436
Oct.	503,769	147,874	651,643	484,511	317,707	793,406	1,595,624	30,693	1,327,737	2,954,055	-	2,954,055
Nov.	500,637	152,522	653,158	480,486	321,976	789,170	1,591,633	29,231	1,320,973	2,941,838	-	2,941,838
Dec.	506,406	145,298	651,703	485,993	300,848	794,103	1,580,944	30,031	1,307,345	2,918,320	-	2,918,320
2005												
Jan.	499,631	170,323	669,954	482,964	312,306	802,873	1,598,143	30,556	1,307,869	2,936,569	-	2,936,569
Feb.	501,987	146,783	648,770	484,476	304,414	803,649	1,592,539	30,611	1,311,219	2,934,369	-	2,934,369
Mar.	505,049	175,232	680,281	484,636	302,470	798,558	1,585,664	30,108	1,309,511	2,925,283	-	2,925,283
Apr.	507,076	140,250	647,326	488,981	297,672	805,802	1,592,455	30,149	1,305,545	2,928,150	-	2,928,150
May	510,621	178,960	689,581	490,486	306,377	812,121	1,608,984	30,031	1,292,419	2,931,434	-	2,931,434
June	517,006	146,000	663,006	495,454	314,418	831,301	1,641,173	30,304	1,307,881	2,979,359	-	2,979,359

TABLE 1.6 MONETARY POLICY OPERATIONS OF THE CENTRAL BANK OF MALTA

Lm thousands

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos[1]			Marginal lending facility during the period [2]	Term deposits[3]			Overnight deposit facility[4]
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900	180,200	64,700	500	271,600	283,600	-	97,662
2001	859,000	918,700	5,000	8,550	77,200	56,200	21,000	120,200
2002	-	5,000	-	-	2,399,400	2,316,400	104,000	175,665
2003	-	-	-	1,000	3,519,200	3,518,900	104,300	106,400
2004								
Jan.	-	-	-	2,300	296,000	251,300	149,000	-
Feb.	-	-	-	-	285,600	295,000	139,600	5,350
Mar.	-	-	-	100	292,500	297,400	134,700	-
Apr.	-	-	-	-	287,300	282,000	140,000	5,900
May	-	-	-	-	206,600	268,800	77,800	11,300
June	-	-	-	-	171,100	164,700	84,200	15,600
July	-	-	-	1,900	257,000	228,200	113,000	500
Aug.	-	-	-	1,500	196,550	224,750	84,800	4,500
Sept.	-	-	-	4	200,400	197,400	87,800	12,500
Oct.	-	-	-	-	231,400	235,100	84,100	26,000
Nov.	-	-	-	-	164,200	192,000	56,300	1,500
Dec.	-	-	-	-	108,220	143,520	21,000	3,700
2005								
Jan.	-		-	-	89,900	81,100	29,800	15,000
Feb.	-	-	-	-	89,200	90,000	29,000	3,700
Mar.	23,000	-	23,000	6,300	44,700	63,700	10,000	-
Apr.	9,000	23,000	9,000	-	40,900	50,900	-	58,600
May	34,300	16,300	27,000	-	23,700	16,700	7,000	-
June	6,000	27,000	6,000	-	41,200	47,200	1,000	23,300

[1] The Central Bank of Malta injects liquidity into the banking sector through an auction of reverse repos in the event of a liquidity shortage. The maturity period of reverse repos is 14 days.

[2] The Central Bank of Malta provides the marginal lending facility to credit institutions in order to satisfy their liquidity needs arising from normal banking business.

[3] The Central Bank of Malta accepts placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity in the banking sector. The maturity period of these term deposits is 14 days.

[4] The Central Bank of Malta provides the overnight deposit facility to credit institutions to absorb temporary liquidity excesses that could not be taken up by the market.

TABLE 1.7a DEPOSITS WITH ALL BANKING INSTITUTIONS[1]

analysis by ownership and type

Lm thousands

End of period	Resident deposits by owner				Resident deposits by type		Total resident deposits	Non-resident deposits	Total deposits
	Personal[2]	Corporate/ business	Government	Public sector[3]	Maltese lira deposits	Foreign currency deposits[4]			
1999	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000	1,786,776	322,578	13,443	40,557	1,938,548	224,808	2,163,356	1,118,099	3,281,454
2001	1,955,817	351,655	12,521	31,759	2,065,730	286,021	2,351,751	946,220	3,297,971
2002	2,121,567	426,933	14,189	58,112	2,279,244	341,557	2,620,801	908,426	3,529,227

TABLE 1.7b DEPOSITS HELD WITH OTHER MONETARY FINANCIAL INSTITUTIONS

analysis by sector

Lm thousands

End of Period	Central government	Other sectors					Resident deposits	Non-resident deposits	Total deposits
		Other general government	Financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total			
2003	19,216	6,852	51,299	419,019	2,180,340	2,657,511	2,676,727	850,927	3,527,654
2004									
Jan.	20,115	6,623	53,119	415,606	2,191,751	2,667,099	2,687,215	964,582	3,651,796
Feb.	20,034	5,951	62,967	419,984	2,202,116	2,691,018	2,711,051	1,018,570	3,729,621
Mar.	19,829	7,740	51,740	427,765	2,210,052	2,697,298	2,717,127	1,024,388	3,741,515
Apr.	21,148	6,175	55,969	434,283	2,221,717	2,718,144	2,739,291	1,043,975	3,783,266
May	23,130	5,328	57,776	428,514	2,206,398	2,698,017	2,721,148	1,029,411	3,750,558
June	22,096	4,564	58,965	437,579	2,218,200	2,719,308	2,741,404	936,286	3,677,690
July	23,122	6,098	63,228	452,103	2,227,721	2,749,151	2,772,273	957,807	3,730,079
Aug.	24,027	5,461	63,311	449,419	2,223,188	2,741,379	2,765,407	1,011,903	3,777,309
Sept.	27,898	4,742	61,861	445,562	2,228,239	2,740,404	2,768,303	1,064,674	3,832,976
Oct.	26,907	6,170	55,154	448,862	2,231,096	2,741,281	2,768,188	1,033,791	3,801,979
Nov.	24,051	5,231	60,712	446,720	2,215,956	2,728,619	2,752,669	1,081,033	3,833,703
Dec.	21,367	7,191	55,223	414,530	2,232,250	2,709,194	2,730,560	1,077,942	3,808,503
2005									
Jan.	24,974	6,397	57,802	431,558	2,235,046	2,730,803	2,755,778	1,013,712	3,769,490
Feb.	24,362	5,343	55,751	419,076	2,249,019	2,729,189	2,753,552	1,018,502	3,772,054
Mar.	30,811	4,478	55,465	428,521	2,236,427	2,724,891	2,755,702	1,150,927	3,906,629
Apr.	32,555	6,126	51,449	424,155	2,244,483	2,726,214	2,758,769	1,152,308	3,911,077
May	36,306	5,362	58,921	417,900	2,246,529	2,728,712	2,765,018	1,066,408	3,831,426
June	37,045	4,774	67,638	433,032	2,270,414	2,775,859	2,812,904	1,195,977	4,008,881

[1] Includes Deposit Money Banks and International Banking Institutions. For the purposes of this Table, deposits include uncleared effects.

[2] Includes bearer deposits.

[3] Public sector companies are entities that are subject to control by Government, control being defined as the ability to determine general corporate policy.

[4] Includes external Maltese lira deposits.

TABLE 1.8 DEPOSITS HELD WITH OTHER MONETARY FINANCIAL INSTITUTIONS[1]

analysis by currency

Lm thousands

End of period	Resident deposits					Non-resident deposits		Total deposits
	MTL	EUR	GBP	USD	Other	MTL	Other	
2002	2,293,881	77,068	115,339	111,574	22,939	35,579	872,847	3,529,227
2003	2,319,822	103,928	130,196	98,049	25,352	47,978	809,676	3,535,001
2004								
Jan.	2,328,490	103,466	129,467	99,393	27,849	47,662	921,353	3,657,680
Feb.	2,345,358	97,888	137,062	104,184	28,012	47,683	975,293	3,735,480
Mar.	2,351,784	96,968	137,613	103,986	27,707	50,269	974,119	3,742,446
Apr.	2,364,993	102,721	136,037	109,986	27,114	50,440	993,535	3,784,826
May	2,343,312	102,392	141,405	108,529	26,036	50,390	979,021	3,751,085
June	2,358,372	104,971	144,237	106,241	27,583	50,900	885,386	3,677,690
July	2,379,940	106,311	145,485	111,466	29,148	51,530	906,277	3,730,158
Aug.	2,372,551	108,550	145,155	110,729	28,724	51,448	960,454	3,777,611
Sept.	2,377,863	109,686	146,952	105,459	28,934	50,429	1,014,244	3,833,569
Oct.	2,381,115	107,526	145,782	105,495	28,309	50,213	983,577	3,802,018
Nov.	2,360,214	113,655	149,885	100,904	28,012	51,122	1,029,911	3,833,703
Dec.	2,344,529	108,373	151,142	96,978	29,546	50,770	1,027,172	3,808,510
2005								
Jan.	2,354,358	113,397	154,332	99,966	34,298	50,265	963,447	3,770,062
Feb.	2,361,041	110,804	153,446	97,928	30,688	49,838	968,665	3,772,411
Mar.	2,353,226	113,748	155,641	101,702	31,385	50,741	1,100,186	3,906,629
Apr.	2,349,477	119,312	157,139	99,795	33,047	51,609	1,100,699	3,911,077
May	2,348,673	119,521	159,552	102,753	34,518	52,315	1,014,094	3,831,426
June	2,378,145	122,335	169,498	107,166	35,760	55,034	1,140,942	4,008,881

[1] As from October 2003 also includes loans granted to the reporting MFIs.

TABLE 1.9 CURRENCY IN CIRCULATION

Lm thousands

End of period	Currency issued and outstanding			Less currency held by banking system[2]	Currency in circulation
	Notes[1]	Coins	Total		
1999	401,999	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,835	17,994	441,829	22,942	418,887
2002	443,905	17,343	461,247	24,416	436,831
2003	467,098	18,275	485,373	24,949	460,424
2004					
Jan.	458,965	18,046	477,011	15,205	461,806
Feb.	462,682	17,914	480,596	16,371	464,226
Mar.	468,052	17,954	486,005	18,516	467,489
Apr.	473,087	18,143	491,230	18,716	472,514
May	475,363	18,254	493,617	16,925	476,693
June	483,772	18,571	502,342	20,782	481,560
July	483,008	18,798	501,806	18,349	483,457
Aug.	484,795	19,081	503,876	20,848	483,028
Sept.	484,754	19,033	503,787	19,752	484,035
Oct.	484,697	19,072	503,769	19,258	484,511
Nov.	481,549	19,088	500,637	20,150	480,486
Dec.	487,165	19,240	506,406	20,412	485,993
2005					
Jan.	480,630	19,000	499,631	16,667	482,964
Feb.	483,075	18,912	501,987	17,512	484,476
Mar.	486,140	18,908	505,049	20,413	484,636
Apr.	488,028	19,048	507,076	18,095	488,981
May	491,377	19,244	510,621	20,134	490,486
June	497,523	19,483	517,006	21,553	495,454

[1] Include demonetised notes. As a result it differs from the figure in Table 1.10.

[2] For the purposes of this classification, the banking system includes Deposit Money Banks and International Banking Institutions.

TABLE 1.10 DENOMINATIONS OF MALTESE CURRENCY ISSUED AND OUTSTANDING

Lm thousands

End of period	Total notes & coins[1]	Currency notes[2]				
		Lm20	Lm10	Lm5	Lm2	Total
1999	418,485	108,626	259,366	27,738	6,270	402,000
2000	423,188	107,902	264,170	27,168	6,473	405,713
2001	441,829	108,832	280,699	27,647	6,656	423,834
2002	461,247	109,560	298,664	28,784	6,897	443,905
2003	485,373	109,703	319,411	30,818	7,165	467,097
2004						
Jan.	477,011	109,411	313,683	28,854	7,016	458,965
Feb.	480,596	109,974	316,423	29,279	7,006	462,682
Mar.	486,005	110,176	320,918	29,847	7,111	468,052
Apr.	491,230	110,777	324,839	30,253	7,218	473,087
May	493,617	111,172	326,069	30,823	7,300	475,364
June	502,342	112,254	332,185	31,848	7,485	483,772
July	501,806	112,446	331,235	31,871	7,456	483,008
Aug.	503,876	112,355	332,498	32,406	7,536	484,795
Sept.	503,787	112,384	332,738	32,191	7,441	484,754
Oct.	503,769	111,376	334,107	31,759	7,455	484,697
Nov.	500,637	110,657	332,655	30,931	7,306	481,549
Dec.	506,406	110,318	337,551	31,904	7,392	487,165
2005						
Jan.	499,631	109,748	333,103	30,509	7,270	480,630
Feb.	501,987	109,973	335,328	30,531	7,244	483,075
Mar.	505,049	110,134	337,312	31,365	7,329	486,140
Apr.	507,076	110,654	338,318	31,585	7,472	488,029
May	510,621	111,150	340,419	32,211	7,598	491,378
June	517,006	111,928	344,343	33,445	7,807	497,523

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

[2] The (3rd series) Lm1 banknote ceased to be legal tender in 1993. It remained exchangeable up to April 2003.

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY[1]

Lm thousands

Period	Liquid assets			Net short-term liabilities[3]	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits[2]
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000	680,572	491,273	189,299	1,637,576	41.6	76.1
2001	899,098	524,456	374,642	1,748,188	51.4	80.7
2002	983,291	588,529	394,762	1,961,762	50.1	72.8
2003	984,411	609,245	375,166	2,030,816	48.5	73.6
2004						
Jan.	1,039,118	615,294	423,824	2,050,979	50.7	72.8
Feb.	1,149,454	612,935	536,519	2,043,116	56.3	72.3
Mar.	1,050,575	638,508	412,067	2,128,359	49.4	73.5
Apr.	1,055,676	655,572	400,104	2,185,239	48.3	72.7
May	1,027,172	667,041	360,131	2,223,471	46.2	73.7
June	1,049,939	669,409	380,530	2,231,363	47.1	73.3
July	1,118,486	655,632	462,854	2,185,441	51.2	72.6
Aug.	1,026,798	656,753	370,045	2,189,176	46.9	73.2
Sept.	1,117,748	702,965	414,783	2,343,217	47.7	74.6
Oct.	1,106,236	711,206	395,030	2,370,686	46.7	74.1
Nov.	1,182,304	755,285	427,019	2,508,462	47.0	74.8
Dec.	1,073,540	692,378	381,162	2,307,928	46.5	75.9
2005						
Jan.	1,082,611	700,958	381,653	2,336,527	46.3	75.1
Feb.	1,090,706	700,333	390,373	2,334,444	46.7	75.8
Mar.	1,059,157	702,664	356,493	2,342,212	45.2	76.8
Apr.	1,047,300	689,285	358,015	2,297,616	45.6	76.2
May	1,226,539	702,789	523,750	2,342,630	52.4	76.1
June	1,217,994	716,038	501,956	2,386,793	51.0	75.3

[1] Up to September 1990, Deposit Money Banks were required to hold an amount equivalent to 25% of their total deposit liabilities in the form of specified liquid assets. In October 1990, the required minimum total liquidity ratio was reduced to 20%. Consequently, the required minimum local liquidity ratio was reduced from 12.5% to 8% of local deposit liabilities. From 15 November 1994, Banking Directive No. 5 established a minimum of 30% liquid asset ratio, net of deductions.

[2] Includes inland and foreign bills of exchange and promissory notes. Local uncleared effects are deducted from deposits.

[3] These consist of all short-term liabilities to banks and customers net of loans received under repurchase agreements against liquid assets, deposits pledged as security and 50% of items in course of collection.

TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS

Lm thousands

Period	Cash & deposits with Central Bank of Malta[1]	Treasury bills	Interbank deposits	Marketable debt securities[2]	Total liquid assets
1999	50,995	75,929	67,768	499,837	694,529
2000	33,512	116,818	68,865	461,377	680,572
2001	59,754	135,845	115,894	587,605	899,098
2002	120,981	156,950	135,072	570,288	983,291
2003	129,234	183,902	101,688	569,587	984,411
2004					
Jan.	174,472	169,978	137,682	556,986	1,039,118
Feb.	167,646	186,681	240,744	554,383	1,149,454
Mar.	157,458	207,875	128,455	556,787	1,050,575
Apr.	154,327	219,720	145,405	536,224	1,055,676
May	97,936	224,641	142,509	562,086	1,027,172
June	106,098	221,610	167,860	554,371	1,049,939
July	143,825	225,959	209,045	539,657	1,118,486
Aug.	103,137	213,828	161,215	548,618	1,026,798
Sept.	119,501	206,378	156,794	635,075	1,117,748
Oct.	110,659	219,661	145,106	630,810	1,106,236
Nov.	79,735	209,270	200,133	693,166	1,182,304
Dec.	45,160	190,461	155,583	682,336	1,073,540
2005					
Jan.	61,166	176,034	170,229	675,182	1,082,611
Feb.	54,545	205,363	149,182	681,616	1,090,706
Mar.	57,340	184,857	158,289	658,671	1,059,157
Apr.	21,523	205,889	149,742	670,146	1,047,300
May	54,167	170,656	168,254	833,462	1,226,539
June	33,366	185,575	168,387	830,666	1,217,994

[1] Excludes balances held as reserve deposits.

[2] Includes securities issued or guaranteed by governments, supranational institutions or other institutions, discounted on the basis of credit risk and remaining term to maturity.

TABLE 1.13 DEPOSIT MONEY BANK LOANS CLASSIFIED BY SIZE AND INTEREST RATES[1]

Lm thousands

End of period		Size of loans[2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1999	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest Rate	7.33	7.62	7.66	6.55	7.16
2000	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest Rate	7.38	7.31	7.29	6.46	6.97
2001	Amount	222,816	497,299	351,893	788,641	1,860,625
	Interest Rate	6.70	6.87	7.22	5.50	6.33
2002	Amount	231,568	554,682	358,287	1,001,883	2,146,420
	Interest Rate	6.21	6.02	6.68	5.04	5.69
2003	Amount	235,875	681,763	369,381	1,060,829	2,347,849
2004						
Mar.	Amount	245,023	716,245	388,237	1,119,282	2,468,787
June	Amount	237,478	693,152	371,638	1,240,970	2,543,237
Sept.	Amount	240,521	716,616	383,594	1,212,677	2,553,407
Dec.	Amount	241,926	736,447	394,321	1,227,685	2,600,378
2005						
Mar.	Amount	238,180	766,116	411,344	1,212,150	2,627,789
June	Amount	245,446	765,875	446,582	1,174,249	2,632,152

[1] For the purposes of this classification, these include loans extended to residents and non-residents in domestic and foreign currencies. Interest rates are weighted averages of each size group. Data on interest rates by size of loan are available only up to September 2003.

[2] Figures quoted in the heading are actual figures, while those in the rest of the Table are in Lm thousands as indicated.

TABLE 1.14 DEPOSIT MONEY BANK LOANS OUTSTANDING BY ECONOMIC ACTIVITY[1]

Lm thousands

End of Period	Energy & water	Transport, storage & communication	All banking institutions[2]	Agriculture & fisheries	Manufacturing & shiprepair/ shipbuilding	Building & construction	Hotel, restaurant & tourist trades	Wholesale & retail trades
1999	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000	101,083	98,396	53,591	19,004	210,971	98,362	235,703	285,419
2001	95,225	107,097	101,419	10,374	202,597	85,169	245,567	295,397
2002	93,590	132,831	84,376	10,321	190,941	91,168	254,872	294,935

End of period	Electricity, gas & water supply	Transport, storage & communication	Financial intermediation	Agriculture & fishing	Manufacturing	Construction	Hotels & restaurants[3]	Wholesale & retail trade; repairs
2003	83,891	135,506	74,835	9,237	184,823	201,132	206,872	288,171
2004								
Jan.	80,976	140,987	77,924	9,190	178,308	197,512	205,727	281,635
Feb.	79,769	140,647	73,201	9,279	179,335	193,346	204,739	281,182
Mar.	78,217	139,378	71,518	9,318	181,459	200,700	209,504	293,256
Apr.	78,372	136,338	70,037	9,394	180,116	198,014	207,194	291,978
May	85,869	135,904	68,835	9,275	178,368	200,980	206,525	288,889
June	86,142	132,425	68,682	9,300	177,088	202,392	204,555	288,781
July	91,166	129,508	68,825	9,460	174,752	199,610	204,492	283,234
Aug.	92,064	127,667	70,641	9,255	174,675	202,530	203,098	278,700
Sept.	92,432	128,004	74,108	9,578	169,353	209,037	205,819	290,425
Oct.	90,849	127,387	71,331	9,362	153,348	209,796	203,327	288,492
Nov.	89,694	125,443	72,858	9,656	153,286	214,248	204,796	287,478
Dec.	92,136	126,950	63,500	9,923	153,730	217,001	205,569	290,297
2005								
Jan.	88,121	127,198	56,429	9,681	150,703	214,544	209,168	288,927
Feb.	90,793	127,455	56,784	9,684	149,270	217,239	209,351	288,468
Mar.	91,825	129,415	56,247	9,897	142,648	214,177	215,878	297,455
Apr.	90,001	129,252	52,570	9,674	141,674	217,377	214,381	294,723
May	91,342	124,363	54,736	9,093	143,115	207,609	212,267	293,365
June	91,472	121,548	49,152	9,196	140,758	202,428	209,584	294,596

[1] Includes bills discounted as from October 2003.

[2] Includes Deposit Money Banks and International Banking Institutions (from January 1995).

[3] Excluding related construction activities.

TABLE 1.14 DEPOSIT MONEY BANK LOANS OUTSTANDING BY ECONOMIC ACTIVITY[1] *(continued)*

Lm thousands

End of period	Personal				Other services[3]	All other	Total local lending	Foreign lending	Total
	House purchases[2]	Consumer durable goods	Other	Total					
1999	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707
2000	137,293	52,959	53,582	243,833	65,828	161,752	1,573,942	8,956	1,582,898
2001	306,722	48,704	87,016	442,442	75,556	179,338	1,840,181	20,444	1,860,625
2002	367,124	43,302	97,897	508,323	81,977	137,594	1,880,928	265,492	2,146,420

End of period	Real estate, renting & business activities	Households & individuals				Other (residual)[3]	Total lending to residents	Lending to non-residents	Total
		Lending for house purchase	Consumer credit	Other lending	Total				
2003	118,472	442,245	36,142	131,568	609,955	60,788	1,973,681	374,168	2,347,849
2004									
Jan.	117,389	448,937	35,811	131,522	616,270	59,463	1,965,382	371,927	2,337,309
Feb.	118,687	454,386	35,463	134,809	624,657	61,664	1,966,507	359,769	2,326,276
Mar.	121,620	466,190	35,473	138,769	640,431	61,610	2,007,011	461,775	2,468,786
Apr.	121,657	467,771	35,540	141,467	644,778	61,430	1,999,307	506,508	2,505,815
May	121,601	486,499	51,881	117,719	656,099	60,891	2,013,236	501,265	2,514,501
June	120,503	497,039	66,660	104,641	668,339	60,238	2,018,445	524,792	2,543,237
July	121,966	502,715	66,993	105,879	675,587	61,622	2,020,223	506,430	2,526,653
Aug.	126,096	507,381	69,264	106,243	682,888	61,774	2,029,388	485,601	2,514,989
Sept.	136,141	512,072	71,598	111,882	695,552	60,594	2,071,043	482,365	2,553,407
Oct.	137,195	518,153	72,198	113,721	704,071	60,747	2,055,904	472,454	2,528,358
Nov.	136,185	531,303	78,246	99,257	708,806	61,618	2,064,066	470,329	2,534,395
Dec.	137,956	536,720	80,882	100,822	718,424	62,113	2,077,600	522,778	2,600,378
2005									
Jan.	142,739	544,165	81,204	100,149	725,519	63,015	2,076,045	505,497	2,581,542
Feb.	143,091	565,537	81,422	92,334	739,294	61,396	2,092,824	516,375	2,609,199
Mar.	151,727	575,707	81,437	91,370	748,514	63,100	2,120,882	506,907	2,627,789
Apr.	145,779	581,491	82,222	88,950	752,662	62,420	2,110,514	496,576	2,607,090
May	137,456	589,093	83,559	91,212	763,864	74,443	2,111,653	508,352	2,620,006
June	153,720	601,913	84,428	88,402	774,743	77,387	2,124,583	507,569	2,632,152

[1] Includes bills discounted as from October 2003.

[2] Includes lending for the construction, modernisation or extension of dwellings.

[3] Includes mining and quarrying, public administration, education, health and social work, community recreational and personal activities, extra-territorial organisations and bodies.

TABLE 1.15a LOANS OUTSTANDING TO THE PRIVATE AND PUBLIC SECTORS BY CATEGORY[1]

Lm thousands

End of period	Energy & water		Transport, storage & communication		Agriculture & fisheries		Manufacturing	
	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector
1999	910	107,996	33,107	47,279	10,765	-	134,461	22,999
2000	492	100,591	46,358	52,038	19,026	-	154,127	11,204
2001	931	94,294	48,637	58,460	10,357	17	136,204	23,421
2002	679	92,911	46,121	86,710	10,298	23	124,959	22,485
2003								
Mar.	1,000	92,883	46,791	79,837	9,726	7	127,729	18,766
June	325	87,199	47,983	78,960	9,737	10	123,398	16,374
Sept.	383	85,814	43,863	78,259	9,586	2	122,191	19,550

End of period	Shipbuilding & shiprepair	Building & construction		Hotel, restaurant & tourist trades		Wholesale & retail trades	
		Private sector	Public sector	Private sector	Public sector	Private sector	Public sector
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
1999	46,909	94,189	2,666	218,053	2,830	269,119	9
2000	46,897	95,986	2,550	234,173	4,253	285,627	5
2001	43,221	85,169	-	241,877	3,690	295,002	395
2002	44,462	91,161	7	249,129	5,743	294,697	238
2003							
Mar.	44,679	96,670	-	246,340	3,291	297,243	205
June	47,258	100,006	-	240,349	3,357	296,002	274
Sept.	44,383	97,468	1,600	232,089	3,466	289,304	12

End of period	Personal	Other services		All other		Total local lending		
		Private sector	Public sector	Private sector	Public sector	Private sector	Public sector	Total
1998	266,170	54,748	7,822	124,735	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,800	1,524,729
2000	367,921	60,861	5,051	163,447	2,705	1,431,641	221,671	1,653,312
2001	442,442	65,936	9,620	174,853	5,778	1,503,702	236,602	1,740,304
2002	508,323	72,382	9,595	133,771	5,666	1,533,481	265,879	1,799,347
2003								
Mar.	516,722	84,877	7,563	143,728	6,237	1,572,950	251,344	1,824,294
June	533,690	75,609	11,049	148,946	6,227	1,579,639	247,114	1,826,753
Sept.	572,338	81,363	11,142	156,686	2,171	1,604,550	247,120	1,851,670

[1] Loans extended by Deposit Money Banks and International Banking Institutions. Public sector companies comprise entities that are subject to control by Government, control being defined as the ability to determine general corporate policy. Table discontinued as from October 2003.

TABLE 1.15b DEPOSIT MONEY BANK LOANS TO RESIDENTS

analysis by economic activity and by sector

Lm thousands

End of period	Electricity, gas & water supply		Transport, storage &		Agriculture & fishing	Financial intermediation	Manufacturing		Construction	
	General gov. & public non-financial cos.	Other	General gov. & public non-financial cos.	Other			General gov. & public non-financial cos.	Other	General gov. & public non-financial cos.	Other
2003	82,882	1,009	60,071	75,435	9,237	74,835	61,434	123,388	3,900	197,232
2004										
Apr.	77,446	926	59,308	76,948	9,394	70,037	59,654	120,461	3,900	194,114
May	85,135	733	60,886	74,936	9,275	68,836	59,613	118,754	4,150	196,830
June	85,493	649	58,365	74,059	9,300	68,681	58,903	118,185	4,150	198,242
July	90,478	688	56,017	73,491	9,460	68,826	58,163	116,589	4,150	195,460
Aug.	91,115	949	57,105	69,084	9,255	70,641	57,779	116,897	4,150	198,380
Sept.	91,690	742	55,252	71,275	9,578	74,107	49,362	119,991	4,150	204,887
Oct.	90,077	772	57,404	69,983	9,362	71,331	33,746	119,602	3,950	205,846
Nov.	88,937	757	56,537	68,906	9,656	72,858	33,753	119,533	3,950	210,298
Dec.	91,328	808	58,010	68,941	9,923	63,500	33,719	120,011	3,735	213,266
2005										
Jan.	87,343	778	60,557	66,641	9,681	56,429	32,579	118,124	3,735	210,809
Feb.	90,074	719	59,047	68,408	9,684	56,784	31,988	117,282	3,735	213,504
Mar.	91,084	741	60,803	68,612	9,897	56,247	27,982	114,666	0	214,177
Apr.	89,289	713	60,498	68,754	9,674	52,570	27,232	114,442	57	217,320
May	90,666	677	56,059	68,304	9,093	54,736	27,248	115,867	56	207,552
June	90,249	1,224	54,712	66,836	9,196	49,152	27,210	113,548	61	202,367

End of period	Hotels & restaurants		Wholesale & retail trade; repairs	Households & individuals	Real estate, renting & business activities		Other		Total lending to residents	
	General gov. & public non-financial cos.	Other			General gov. & Public non-financial cos.	Other	General gov. & Public non-financial cos.	Other	General gov. & Public non-financial cos.	Other
2003	2,893	203,979	288,171	609,955	1,138	117,334	11,278	49,510	225,129	1,748,552
2004										
Apr.	2,695	204,499	291,978	644,778	951	120,706	11,477	49,953	215,970	1,783,336
May	2,723	203,803	288,889	656,099	950	120,651	11,144	49,747	225,147	1,788,089
June	2,608	201,947	288,781	668,339	954	119,550	10,965	49,274	221,837	1,796,608
July	2,591	201,900	283,234	675,587	1,159	120,807	11,161	50,461	224,120	1,796,103
Aug.	2,570	200,528	278,699	682,888	5,425	120,670	11,459	50,315	231,486	1,797,902
Sept.	2,488	203,331	290,425	695,552	13,437	122,704	9,190	51,404	231,757	1,839,286
Oct.	2,361	200,966	288,492	704,071	12,825	124,370	8,786	51,961	213,543	1,842,361
Nov.	2,388	202,408	287,477	708,806	12,633	123,553	9,363	52,254	211,977	1,852,089
Dec.	2,286	203,283	290,297	718,424	12,572	125,384	9,821	52,293	211,572	1,866,028
2005										
Jan.	2,284	206,884	288,927	725,519	12,845	129,894	11,201	51,813	210,608	1,865,437
Feb.	2,359	206,993	288,468	739,294	12,821	130,270	10,146	51,250	210,178	1,882,646
Mar.	2,305	213,573	297,455	748,514	16,997	134,730	11,396	51,704	210,578	1,910,304
Apr.	2,311	212,070	294,723	752,662	16,128	129,651	10,894	51,526	206,418	1,904,095
May	2,301	209,966	293,365	763,864	4,574	132,882	22,394	52,049	203,310	1,908,343
June	2,181	207,403	294,596	774,743	4,732	148,988	23,696	53,691	202,862	1,921,721

TABLE 1.16 NET FOREIGN ASSETS OF THE MONETARY FINANCIAL INSTITUTIONS[1]

Lm thousands

End of period	Central Bank of Malta							Total (A+B)
	Foreign Assets				Foreign liabilities	Net (A)	Government & parastatal companies[4] (B)	
	Gold[2]	Convertible currencies	IMF-related assets[3]	Total foreign assets				
1999	737	704,084	35,517	740,339	-	740,339	-	740,339
2000	452	606,771	36,940	644,163	3,655	640,508	-	640,508
2001	629	721,936	37,863	760,428	-	760,428	-	760,428
2002	473	842,862	37,512	880,847	6,987	873,860	-	873,860

End of period	Central Bank of Malta					
	Foreign Assets				Foreign Liabilities	Net Foreign Assets (A)
	Gold	IMF-related assets	Other	Total		
2003	624	67,117	910,851	978,592	58,751	919,841
2004						
Jan.	619	67,177	918,004	985,800	47,348	938,451
Feb.	606	67,196	923,240	991,042	46,837	944,205
Mar.	657	67,660	905,841	974,158	41,080	933,078
Apr.	602	67,696	901,241	969,539	39,687	929,852
May	674	67,956	891,114	959,744	39,139	920,605
June	656	68,106	874,440	943,202	36,345	906,856
July	628	67,951	879,190	947,769	43,586	904,183
Aug.	625	68,257	898,963	967,845	44,095	923,751
Sept.	625	67,780	903,851	972,256	43,599	928,657
Oct.	625	67,670	881,283	949,578	42,426	907,152
Nov.	639	67,301	861,398	929,337	38,590	890,747
Dec.	604	65,679	837,691	903,974	33,681	870,293
2005						
Jan.	607	66,286	828,657	895,550	39,266	856,284
Feb.	617	66,077	826,961	893,655	37,965	855,690
Mar.	615	66,334	797,672	864,621	38,410	826,212
Apr.	640	66,403	782,833	849,875	35,284	814,591
May	627	67,809	788,557	856,993	38,425	818,568
June	688	68,106	790,320	859,115	40,001	819,114

[1] On accrual basis.

[2] Includes small amounts of other precious metals.

[3] Includes IMF reserve position and holdings of SDRs.

[4] Comprises customers' foreign currency deposits and sinking funds held with the Central Bank of Malta and other official funds held with the Treasury.

TABLE 1.16 NET FOREIGN ASSETS OF THE MONETARY FINANCIAL INSTITUTIONS[1]

(continued)

Lm thousands

End of period	Deposit money banks[2]			Total (A+B)	International banking institutions[2]			Grand total (A+B+C)
	Assets	Liabilities	Net (B)		Assets	Liabilities	Net (C)	
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000	816,746	690,013	126,733	770,896	2,738,724	2,535,186	203,538	974,434
2001	828,701	722,868	105,833	866,261	2,444,196	2,226,910	217,286	1,083,546
2002	1,299,603	1,038,562	261,041	1,134,901	2,456,089	2,297,394	158,695	1,293,596
2003	1,405,740	1,077,630	328,110	1,247,951	2,917,645	2,748,650	168,995	1,416,946
2004								
Jan.	1,406,513	1,095,935	310,578	1,249,029	2,983,356	2,811,509	171,847	1,420,876
Feb.	1,495,175	1,189,417	305,758	1,249,963	2,956,685	2,778,925	177,760	1,427,723
Mar.	1,500,755	1,207,806	292,949	1,226,027	3,081,612	2,893,122	188,490	1,414,517
Apr.	1,542,336	1,184,591	357,745	1,287,597	3,174,201	2,995,185	179,016	1,466,613
May	1,550,744	1,206,292	344,453	1,265,057	3,198,105	3,018,477	179,628	1,444,685
June	1,576,363	1,208,629	367,733	1,274,590	3,171,551	2,984,665	186,887	1,461,477
July	1,606,035	1,237,404	368,631	1,272,813	3,185,702	2,995,279	190,423	1,463,236
Aug.	1,569,054	1,213,159	355,895	1,279,645	3,525,363	3,325,764	199,599	1,479,244
Sept.	1,688,383	1,333,436	354,947	1,283,604	3,509,511	3,318,199	191,312	1,474,916
Oct.	1,694,696	1,326,208	368,488	1,275,640	3,552,439	3,354,721	197,718	1,473,357
Nov.	1,706,541	1,340,872	365,669	1,256,416	3,527,014	3,322,900	204,114	1,460,530
Dec.	1,712,594	1,353,387	359,207	1,229,500	3,775,464	3,561,382	214,082	1,443,582
2005								
Jan.	1,716,561	1,340,362	376,199	1,232,482	3,804,711	3,585,654	219,057	1,451,539
Feb.	1,702,599	1,352,177	350,421	1,206,111	3,802,836	3,588,293	214,543	1,420,655
Mar.	1,681,611	1,325,303	356,308	1,182,519	3,950,433	3,738,429	212,003	1,394,522
Apr.	1,683,365	1,296,132	387,233	1,201,824	4,032,978	3,820,149	212,829	1,414,654
May	1,741,216	1,345,978	395,238	1,213,806	4,242,944	4,049,831	193,113	1,406,919
June	1,774,191	1,356,496	417,695	1,236,809	4,338,105	4,130,079	208,026	1,444,836

[1] On accrual basis.

[2] For the purposes of this Table only, the amounts of HSBC Overseas Bank (Malta) Ltd. (up to November 2002) and Bank of Valletta International Ltd. (up to August 2001), i.e. the offshore subsidiaries of HSBC Bank Malta plc and Bank of Valletta plc, respectively, are classified with the Deposit Money Banks and not with the International Banking Institutions, as shown in other Tables.

TABLE 1.17 FINANCIAL MARKET RATES

%

	2001	2002	2003	2004				2005	
				Mar.	June	Sept.	Dec.	Mar.	June
INTEREST RATES									
Central Bank of Malta									
Central intervention rate	4.25	3.75	3.00	3.00	3.00	3.00	3.00	3.00	3.25
Money market interventions									
Term deposit rate	4.22	3.70	2.95	2.95	2.95	2.95	2.95	2.95	3.20
Reverse repo rate	4.29	3.80#	3.05#	3.05#	3.05#	3.05#	3.05#	3.00	3.27
Standby (collateralised) loan facility	4.80	4.30	3.55	4.50	4.50	4.50	4.50	4.50	4.75
Overnight deposit facility	1.30	0.80	0.30	1.50	1.50	1.50	1.50	1.50	1.75
Reserve requirements remuneration	2.70	2.70	2.70	2.75	2.75	2.75	2.75	2.75	3.00
Interbank market offered rates									
Overnight	3.65	3.73*	2.95	2.95	2.90	2.90	2.95	2.95	3.21
1 week	4.25	3.76*	2.96	2.95*	2.95	2.95*	2.95	2.95	3.24
1 month	4.58*	3.80*	2.98*	2.82	2.96*	2.97*	2.98	2.98	3.25
3 month	4.82*	3.90*	3.00*	2.99*	2.98*	3.01*	3.01*	3.01*	3.29*
Deposit Money Banks									
Weighted average deposit rate	3.96	3.49	2.46	2.26	2.13	2.06	2.04	2.01	2.08
Current	1.48	1.12	0.44	0.45	0.43	0.47	0.47	0.46	0.42
Savings	2.22	1.80	1.01	0.99	1.00	0.96	0.95	0.95	1.17
Time	4.98	4.39	3.45	3.17	3.00	2.90	2.87	2.84	2.90
Weighted average lending rate	6.50	6.07	5.31	5.32	5.31	5.32	5.33	5.39	5.59
Government securities									
Treasury bills									
1 month	4.80	-	-	-	-	2.96	2.96	-	3.26
3 month	4.53	3.67	2.94	2.93	2.90	2.96	2.96	2.98	3.27
6 month	5.04	3.80	2.93	2.92	2.91	2.94	2.97	2.98	3.28
1 year	-	-	-	2.92	2.95	2.97	2.97	-	3.50
Malta Government stocks									
2 year	-	-	3.39	3.12	3.21	3.30	3.21	3.30	3.55
5 year	5.40	5.15	4.37	4.32	4.27	4.26	4.26	4.21	3.88
10 year	6.15	5.43	4.71	4.70	4.65	4.70	4.70	4.72	4.56
15 year	6.44	5.86	4.96	4.95	4.89	4.95	4.97	4.96	4.96
MALTA STOCK EXCHANGE SHARE INDEX	2,200	1,871	2,126	2,765	2,524	2,861	3,069	3,442	3,431

Note: # denotes the corridor linked to the central intervention rate.
* denotes Central Bank of Malta fixing rate average.
\- denotes that no transactions occurred during the preceding quarter.

TABLE 2.1 CENTRAL GOVERNMENT REVENUE AND EXPENDITURE[1]

Lm thousands

Period	Revenue			Expenditure			Deficit(-)/ Surplus(+)	Financing			Residual
	Ordinary[2,3]	Foreign Grants	Total	Recurrent[2,4]	Capital	Total		Local[5]	Foreign[6]	Total	
1999	552,651	9,683	562,334	570,133	106,129	676,262	-113,928	148,969	-4,152	144,817	30,889
2000	608,104	9,549	617,653	604,277	98,552	702,829	-85,176	15,623	-4,373	11,250	-73,926
2001	667,228	1,392	668,620	673,286	80,627	753,913	-85,293	113,695	2,360	116,055	30,762
2002	717,084	2,720	719,804	709,806	97,671	807,476	-87,672	33,683	5,625	39,308	-48,364
2003	736,704	2,517	739,221	740,697	103,969	844,666	-105,445	95,699	25,828	121,527	16,082
2004	782,717	30,310	813,027	802,426	104,620	907,045	-94,018	89,184	-7,200	81,984	-12,034
2004											
Jan.	48,208	319	48,527	59,025	9,398	68,413	-19,887	-	-	-	-19,887
Feb.	52,363	-	52,363	56,494	7,137	63,631	-11,268	-	-	-	-11,268
Mar.	50,326	-	50,326	70,908	6,508	77,416	-27,090	-	-	-	-27,090
Apr.	76,979	6	76,985	71,046	7,531	78,577	-1,592	-	-	-	-1,592
May	53,924	3,383	57,307	71,931	11,290	83,221	-25,914	49,215	-	49,215	23,301
June	47,245	3,097	50,342	55,408	6,627	62,035	-11,692	-2,740	-3,600	-6,340	-18,032
July	55,835	5,921	61,756	64,625	15,346	79,972	-18,216	5,985	-	5,985	-12,231
Aug.	71,184	217	71,401	62,664	5,833	68,497	2,904	24,148	-	24,148	27,052
Sept.	66,208	3,000	69,209	60,349	5,972	66,321	2,888	-	-	-	2,888
Oct.	63,953	6,228	70,181	72,057	9,045	81,103	-10,922	-14,419	-	-14,419	-25,340
Nov.	56,800	2,951	59,750	58,274	9,812	68,085	-8,335	29,500	-3,600	25,900	17,565
Dec.	139,691	5,187	144,879	99,644	10,130	109,774	35,105	-2,505	-	-2,505	32,600
2005											
Jan.	42,189	3,730	45,919	75,298	9,373	84,671	-38,752	-	-	-	-38,752
Feb.	46,205	5,788	51,993	55,417	4,357	59,774	-7,781	-	-	-	-7,781
Mar.	58,632	7,560	66,193	66,147	14,741	80,888	-14,695	40,000	-	40,000	25,305
Apr.	69,293	194	69,488	68,615	9,468	78,082	-8,595	-	-	-	-8,595
May	64,651	6,014	70,664	79,201	14,741	93,943	-23,278	37,832	-3,498	34,335	11,057
June	67,915	3,893	71,808	59,558	13,964	73,523	-1,715	-	-	-	-1,715

[1] Comprise government budgetary operations through the Consolidated Fund. Excluding operations of the Extra Budgetary Units.

[2] Includes the Government's contributions to the National Insurance Fund (both its contributions as employer, and its contribution in terms of the Social Security Act, 1987).

[3] Excludes foreign loans, revenues from sale of MGS, receipts from sale of shares and from the sinking fund of converted loans.

[4] Excludes loan capital repayments and contributions to sinking funds.

[5] Includes revenues from sale of MGS, receipts from sale of shares and from the sinking funds of converted loans less contributions to sinking funds and repayment of domestic loans.

[6] Includes foreign loans less contributions to the sinking fund and repayment of foreign loans.

Source: Financial Report, Comparative Return of Revenue and Expenditure, The Treasury.

TABLE 2.2 CENTRAL GOVERNMENT REVENUE BY MAJOR SOURCES[1]

Lm thousands

Period	Tax revenue						Non-tax revenue[4]	Ordinary revenue	Foreign grants	Total revenue
	Income tax	National insurance contributions[2]	VAT & CET[3]	Licences, taxes & fines	Customs & excise	Total				
1999	128,354	144,274	85,023	67,960	55,426	481,037	71,614	552,651	9,683	562,334
2000	149,511	162,017	104,065	70,449	55,141	541,182	66,921	608,104	9,549	617,652
2001	166,302	179,064	114,669	72,814	60,886	593,735	73,493	667,228	1,392	668,620
2002	190,175	181,142	117,505	86,047	59,811	634,679	82,404	717,084	2,720	719,804
2003	205,218	188,427	123,910	89,160	61,576	668,291	68,413	736,704	2,517	739,221
2004	211,177	189,657	141,570	97,292	62,309	702,005	80,712	782,717	30,310	813,027
2004										
Jan.	7,184	6,505	10,319	7,575	4,754	36,337	11,871	48,208	319	48,527
Feb.	9,404	11,284	11,867	11,775	4,746	49,077	3,286	52,363	-	52,363
Mar.	7,843	12,244	11,421	7,604	5,041	44,153	6,173	50,326	-	50,326
Apr.	24,685	17,873	15,791	7,079	4,126	69,553	7,426	76,979	6	76,985
May	12,671	16,417	8,324	6,583	4,539	48,534	5,390	53,924	3,383	57,307
June	15,678	13,476	5,885	7,174	3,155	45,368	1,877	47,245	3,097	50,342
July	14,009	11,240	11,327	11,035	5,059	52,671	3,165	55,835	5,921	61,756
Aug.	26,883	19,348	9,477	6,459	5,804	67,971	3,213	71,184	217	71,401
Sept.	15,536	16,408	13,162	8,042	5,197	58,345	7,863	66,208	3,000	69,209
Oct.	14,091	13,640	15,064	7,964	5,893	56,652	7,301	63,953	6,228	70,181
Nov.	11,839	13,893	11,688	7,061	5,973	50,454	6,345	56,800	2,951	59,750
Dec.	51,352	37,328	17,245	8,943	8,022	122,890	16,801	139,691	5,187	144,879
2005										
Jan.	6,332	5,704	11,869	6,416	2,915	33,237	8,952	42,189	3,730	45,919
Feb.	7,560	11,250	10,386	4,765	3,265	37,226	8,980	46,205	5,788	51,993
Mar.	8,405	14,417	15,265	8,056	5,909	52,052	6,581	58,632	7,560	66,193
Apr.	21,745	14,615	12,912	8,337	5,590	63,198	6,095	69,293	194	69,488
May	15,099	16,039	10,665	6,398	5,350	53,550	11,101	64,651	6,014	70,664
June	18,240	14,843	15,656	9,215	5,259	63,214	4,701	67,915	3,983	71,808

[1] Excluding the Extra Budgetary Units.

[2] Includes the Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987).

[3] Value Added Tax, Customs & Excise Tax.

[4] Includes mainly Central Bank of Malta profits.

Source: Financial Report, Comparative Return of Revenue and Expenditure, The Treasury.

TABLE 2.3 CENTRAL GOVERNMENT CAPITAL EXPENDITURE BY TYPE OF INVESTMENT[1]

Lm thousands

Period	Productive	Infrastructure	Social	Total
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
2001	26,400	26,872	27,355	80,627
2002	31,526	27,391	38,753	97,671
2003	28,372	34,095	41,501	103,969
2004	27,036	41,693	35,891	104,620
2004				
Jan.	1,762	1,045	6,581	9,389
Feb.	2,917	889	3,331	7,137
Mar.	1,775	1,874	2,858	6,508
Apr.	635	2,727	4,168	7,531
May	3,237	5,229	2,824	11,290
June	838	2,602	3,187	6,627
July	4,264	7,560	3,522	15,346
Aug.	1,597	1,862	2,374	5,833
Sept.	833	3,400	1,739	5,972
Oct.	3,985	3,188	1,872	9,045
Nov.	493	7,339	1,980	9,812
Dec.	4,700	3,976	1,454	10,130
2005				
Jan.	2,929	3,336	3,109	9,373
Feb.	562	1,858	1,937	4,357
Mar.	5,341	4,209	5,191	14,741
Apr.	1,936	3,024	4,508	9,468
May	1,894	5,316	7,532	14,741
June	6,176	2,579	5,209	13,964

[1] Excluding the Extra Budgetary Units.

Source: Financial Report, Comparative Return of Revenue and Expenditure, The Treasury.

TABLE 3.1a GROSS CENTRAL GOVERNMENT[1] DEBT AND GOVERNMENT GUARANTEED DEBT OUTSTANDING

Lm thousands

End of period	Domestic securities[1]			Loans[3]	Total government debt	Government guaranteed debt[4]
	Treasury bills	Malta Government stocks[2]	Total			
1999	83,320	712,184	795,504	44,349	839,853	456,494
2000	172,987	712,729	885,716	39,250	924,966	445,227
2001	159,459	812,854	972,313	40,378	1,012,691	395,333
2002	218,831	813,030	1,031,861	45,100	1,076,961	356,155
2003	232,286	913,029	1,145,315	114,462	1,259,777	273,312
2004						
Mar.	253,000	913,029	1,166,029	113,650	1,279,679	265,722
June	259,834	961,048	1,220,882	112,308	1,333,190	304,261
Sept.	252,512	985,196	1,237,708	112,400	1,350,108	305,034
Dec.	245,355	1,014,696	1,260,051	95,232	1,355,283	303,534
2005						
Mar.	239,306	1,054,696	1,294,002	94,758	1,388,760	299,907
June	215,307	1,091,488	1,306,795	93,563	1,400,358	297,630

[1] Not consolidated with holdings of debt instruments by the Malta Government Sinking Fund and the Extra Budgetary Units.

[2] Including local development registered stocks.

[3] Includes domestic and foreign loans.

[4] Represents outstanding balances on government guaranteed debt. Excludes guarantees on the MIGA and IBRD positions. Also excludes government guarantees on foreign loans taken by the Central Bank of Malta on behalf of the Malta Government since they already feature in the calculation of government foreign debt. Excludes state guarantees on ex-Malta Drydocks and ex-Malta Shipbuilding loans but includes guarantees on loans to Extra Budgetary Units.

Sources: MSE; Ministry of Finance; The Treasury.

TABLE 3.1b GROSS GENERAL GOVERNMENT DEBT OUTSTANDING[1]

Lm thousands

End of period	General government						
	Central government					Local councils	Total general government debt[1]
	Treasury bills[2]	Malta Government stocks[2]	Loans[3]	Extra bugetary units	Central government debt		
1999	79,082	704,937	44,186	56,747	884,952	346	885,298
2000	140,464	696,325	40,189	73,097	950,075	324	950,399
2001	156,029	805,915	40,494	70,069	1,072,506	419	1,072,925
2002	189,930	805,573	45,154	59,339	1,099,996	545	1,100,541
2003[4]	232,286	906,718	114,527	50,507	1,304,037	696	1,304,733
2004[4]	245,355	1,018,249	95,253	42,191	1,401,048	677	1,401,725

[1] In line with the Maastricht Convergence criteria, which defines general government debt as total gross debt at nominal value outstanding at the end of the year and consolidated between and within sectors of general government.

[2] Consolidated with the Malta Government Sinking Fund and other sectors within the general government sector.

[3] Includes domestic and foreign loans.

[4] Half-finalised.

Source: Eurostat.

TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING[1]

Lm thousands

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding[3] and held by		
		OMFIs	Others[2]	Total	MFIs[2]	Others[2]	Total
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2001	470,335	317,377	160,304	477,681	137,423	22,036	159,459
2002	644,964	554,354	165,914	720,268	159,689	59,142	218,831
2003	712,638	607,680	124,413	732,093	198,271	34,015	232,286
2004							
Jan.	51,000	23,354	9,646	33,000	171,226	43,060	214,286
Feb.	38,186	50,293	2,707	53,000	188,691	40,409	229,100
Mar.	36,100	52,044	7,956	60,000	211,258	41,742	253,000
Apr.	70,000	68,823	17,177	86,000	221,686	47,314	269,000
May.	33,000	28,755	1,079	29,834	226,220	39,614	265,834
June	60,000	51,762	2,238	54,000	223,591	36,243	259,834
July	85,000	82,830	12,170	95,000	236,536	33,298	269,834
Aug.	38,150	19,954	3,910	23,864	220,165	35,383	255,548
Sept.	41,000	15,397	22,567	37,964	212,296	40,216	252,512
Oct.	63,196	67,224	8,913	76,137	221,532	43,921	265,453
Nov.	47,098	27,385	5,615	33,000	211,542	39,813	251,355
Dec.	33,000	14,477	12,523	27,000	200,373	44,982	245,355
2005							
Jan.	40,000	14,820	14,141	28,961	184,001	50,315	234,316
Feb.	47,000	61,000	9,797	70,797	208,530	49,583	258,113
Mar.	36,520	8,151	9,562	17,713	202,683	36,623	239,306
Apr.	33,203	33,418	3,382	36,800	210,650	32,253	242,903
May.	48,697	10,000	2,015	12,015	184,067	22,154	206,221
June	51,480	58,500	2,066	60,566	197,308	17,999	215,307

[1] Amounts are at nominal prices.

[2] Includes the Malta Government Sinking Fund.

[3] On 10 January 1995, the House of Representatives approved a motion empowering the Government to increase the issue of permissable outstanding Treasury bills from Lm30 million to Lm100 million. On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million and, subsequently, to Lm300 million on 27 November 2002.

TABLE 3.3 MALTA GOVERNMENT STOCKS[1]

outstanding as at end-June 2005

Lm thousands

Stock	Year of maturity	Year of issue	Issue price Lm	Interest dates			Held by		Amount
							MFIs	Others	
5.60 % MGS	2005 (II)	1999	100	1 Feb.	-	1 Aug.	29,029	2,471	31,500
7.00 % MGS	2006	1994	100	19 May	-	19 Nov.	1,869	8,131	10,000
7.00 % MGS	2006 (IV)[2]	1996	100	30 June	-	30 Dec.	-	167	167
7.25 % MGS	2006 (II)	1996	100	1 Feb.	-	1 Aug.	7,249	12,001	19,250
7.25 % MGS	2006 (III)	1996	100	20 Jan.	-	20 July	8,247	6,753	15,000
7.35 % MGS	2007	1997	100	18 Apr.	-	18 Oct.	16,780	7,970	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr.	-	23 Oct.	9,006	994	10,000
5.60 % MGS	2007 (III)	2000	100	10 June	-	10 Dec.	22,882	12,368	35,250
7.20 % MGS	2008	1998	100	10 June	-	10 Dec.	8,814	1,186	10,000
7.20 % MGS	2008 (II)	1998	100	28 Feb.	-	28 Aug.	20,426	9,574	30,000
7.00 % MGS	2009	1999	100	30 June	-	30 Dec.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar.	-	1 Sept.	14,154	10,846	25,000
5.90 % MGS	2009 (III)	2000/2005	100/107.8	30 Mar.	-	30 Sept.	55,203	9,097	64,300
5.90 % MGS	2010	1999	100	19 May	-	19 Nov.	13,660	1,340	15,000
5.75 % MGS	2010 (II)	2000	100	10 June	-	10 Dec.	16,544	1,956	18,500
7.00 % MGS	2010 (III)[2]	2000	100	30 June	-	30 Dec.	-	545	545
5.40 % MGS	2010 (IV)	2003/2004	100/104.5	21 Feb.	-	21 Aug.	9,834	38,166	48,000
7.50 % MGS	2011	1996	100	28 Mar.	-	28 Sept.	7,455	7,545	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug.	-	1 Feb.	20,684	19,316	40,000
7.00 % MGS	2011 (III)[2]	2002	100	30 June	-	30 Dec.	-	125	125
7.80 % MGS	2012	1997	100	24 May	-	24 Nov.	10,872	23,628	34,500
7.00 % MGS	2012 (II)[2]	2002	100	10 June	-	30 Dec.	-	176	176
5.70 % MGS	2012 (III)	2002	100	30 Mar.	-	30 Sept.	2,087	18,913	21,000
5.70 % MGS	2012 FI	2005	108.50	30 Mar.	-	30 Sept.	23,500	11,500	35,000
5.70 % MGS	2012 (III) FI	2005	108	30 Mar.	-	30 Sept.	5,500	14,500	20,000
7.80 % MGS	2013	1997	100	18 Apr.	-	18 Oct.	10,650	23,600	34,250
6.35 % MGS	2013 (II)	2001	100	19 May.	-	19 Nov.	559	25,441	26,000
7.00 % MGS	2013 (III)	2003	100	30 June	-	30 Dec.	-	67	67
6.60 % MGS	2014	2000	100	30 Mar.	-	30 Sept.	916	9,584	10,500
5.10 % MGS	2014 (III)	2003/2004	100/103.25	6 Jan.	-	6 July	10,385	36,615	47,000
6.45 % MGS	2014 (II)	2001	100	24 May	-	24 Nov.	7,742	22,258	30,000
7.00 % MGS	2014 (IV)[2]	2004	100	30 June	-	30 Dec	-	1,719	1,719
6.10 % MGS	2015	2000	100	10 June	-	10 Dec.	9,472	20,528	30,000
5.90 % MGS	2015 (II) FI	2002/2003	100/102	9 Apr.	-	9 Oct.	719	39,481	40,200
6.65 % MGS	2016	2001	100	28 Mar.	-	28 Sept.	2,879	27,121	30,000
4.80 % MGS	2016 (II) FI	2003/2004	100/101	26 May	-	26 Nov.	15,079	39,921	55,000
7.80 % MGS	2018	1998	100	15 Jan.	-	15 July	16,283	53,717	70,000
6.60 % MGS	2019	1999	100	1 Mar.	-	1 Sept.	11,873	32,127	44,000
5.00 % MGS	2021	2004	100	8 Feb.	-	8 Aug.	6,839	33,161	40,000
5.00 % MGS	2021 FI	2005	100	8 Feb.	-	8 Aug.	135	19,865	20,000
5.00 % MGS	2021 FI	2005	100	8 Feb.	-	8 Aug.	199	24,801	25,000
5.10 % MGS	2022	2004	100	16 Feb.	-	16 Aug.	980	29,520	30,500
5.50 % MGS	2023	2003	100	6 Jan.	-	6 July	217	33,616	33,833
Total							398,722	692,474	1,091,196

[1] Amounts are at nominal prices.

[2] Coupons are reviewable every 2 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 Lm110 per Lm100 nominal.

Source: MSE.

TABLE 3.4 MALTA GOVERNMENT STOCKS BY REMAINING TERM TO MATURITY[1]

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
1999	79,000	221,202	199,232	98,750	114,000	712,184
2000	53,800	214,902	205,777	124,250	114,000	712,729
2001	66,450	192,869	244,285	195,250	114,000	812,854
2002	48,900	213,969	255,211	180,950	114,000	813,030
2003	44,552	209,417	310,528	270,700	77,833	913,030
2004						
Mar.	99,552	224,782	310,663	244,200	33,833	913,030
June	80,852	224,782	312,382	269,200	73,834	961,050
Sept.	55,000	224,782	342,382	269,200	93,834	985,198
Dec.	55,000	243,782	342,382	269,200	104,333	1,014,697
2005						
Mar.	99,417	281,410	350,537	199,000	124,333	1,054,697
June	75,917	281,410	385,537	199,000	149,333	1,091,197

[1] Calculations are based on the maximum redemption period of the Malta Government stock. With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the current end-year.

TABLE 3.5 CENTRAL GOVERNMENT[1] EXTERNAL LOANS BY TYPE OF CREDITOR

Lm thousands

End of period	Official bilateral entities[2]	Official multilateral organisations[3]	Private commercial banks[4]	Total
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001	20,037	18,915	1,426	40,378
2002	16,504	28,130	465	45,099
2003	13,595	59,021	-	72,616
2004	11,206	57,365	-	68,571
2005[5]				
Mar.	11,186	56,911	-	68,097
June	10,526	56,376	-	66,902

[1] Excluding the Extra Budgetary Units.

[2] Bilateral loans are loans from governments and their agencies (including central banks), and loans from autonomous bodies.

[3] Multilateral organisations include the World Bank, regional development banks, and other multilateral and inter-governmental agencies.

[4] Commercial bank loans from private banks or financial institutions.

[5] Provisional.

Note: Converted into Maltese liri using the closing Central Bank of Malta midpoint rate as at the end of the reference period.

Sources: Central Bank of Malta; The Treasury.

TABLE 3.6 CENTRAL GOVERNMENT[1] EXTERNAL LOANS BY CURRENCY

Lm thousands

End of period	FFR	GBP	DM	JPY	EUR	USD	LIT	Others	Total
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001	-	-	1,310	1,426	14,184	14,181	8,530	747	40,378
2002	-	-	-	465	39,734	4,764	-	136	45,099
2003	-	289	-	917	63,789	7,485	-	136	72,616
2004	-	185	-	611	62,369	5,277	-	129	68,571
2005[2]									
Mar.	-	188	-	609	61,742	5,428	-	130	68,097
June	-	133	-	479	60,739	5,413	-	138	66,902

[1] Excluding the Extra Budgetary Units.

[2] Provisional.

Note: Converted into Maltese liri using the closing Central Bank of Malta midpoint rate as at the end of reference period.

Sources: Central Bank of Malta; The Treasury.

TABLE 3.7 CENTRAL GOVERNMENT[1] EXTERNAL LOANS BY REMAINING TERM TO MATURITY[2]

Lm thousands

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001	586	13,356	11,759	12,249	1,207	1,221	40,378
2002	514	13,172	6,851	22,160	1,194	1,208	45,099
2003	464	11,257	6,582	53,111	-	1,202	72,616
2004	647	12,396	8,658	45,708	129	1,033	68,571
2005[3]							
Mar.	7,963	5,126	9,307	44,567	130	1,004	68,097
June	7,474	5,030	8,854	44,405	138	1,001	66,902

[1] Excluding the Extra Budgetary Units.

[2] With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the current end-year.

[3] Provisional.

Note: Converted into Maltese liri using the closing Central Bank of Malta midpoint rate as at the end of the reference period.

Sources: Central Bank of Malta; The Treasury.

TABLE 4.1 MALTESE LIRA EXCHANGE RATES AGAINST MAJOR CURRENCIES[1]

end of period closing middle rates

End of period		GBP	DM	USD	EUR[2]	LIT	FFR	NLG	BFR	JPY	SFR
1999		1.4983	4.7163	2.4230	0.4147	4669.13	15.818	5.314	97.276	247.64	3.870
2000		1.5305	4.8033	2.2843	0.4072	4755.26	16.110	5.412	99.070	262.25	3.738
2001		1.5258	4.8874	2.2121	0.4002	4838.52	16.392	5.507	100.805	290.44	3.696
2002		1.5553	-	2.5074	0.4182	-	-	-	-	297.66	3.475
2003		1.6351	-	2.9197	0.4317	-	-	-	-	312.16	3.610
2004		1.6252	-	3.1393	0.4343	-	-	-	-	321.71	3.554
2005											
Jan.	7	1.6211	-	3.0524	0.4328	-	-	-	-	317.90	3.578
	14	1.6200	-	3.0268	0.4324	-	-	-	-	310.62	3.586
	21	1.6106	-	3.0080	0.4314	-	-	-	-	311.93	3.591
	28	1.6049	-	3.0297	0.4313	-	-	-	-	312.36	3.586
Feb.	4	1.5960	-	3.0077	0.4304	-	-	-	-	312.46	3.623
	11	1.6023	-	2.9895	0.4305	-	-	-	-	316.17	3.612
	18	1.6000	-	3.0302	0.4310	-	-	-	-	320.02	3.590
	25	1.5993	-	3.0592	0.4314	-	-	-	-	321.80	3.575
Mar.	4	1.5962	-	3.0553	0.4311	-	-	-	-	321.21	3.593
	11	1.6115	-	3.0987	0.4328	-	-	-	-	322.50	3.579
	18	1.6059	-	3.0743	0.4321	-	-	-	-	322.41	3.587
	24	1.6091	-	3.0117	0.4314	-	-	-	-	320.31	3.603
Apr.	1	1.5947	-	3.0108	0.4303	-	-	-	-	322.71	3.607
	8	1.5951	-	2.9814	0.4299	-	-	-	-	324.55	3.606
	15	1.5877	-	2.9934	0.4296	-	-	-	-	323.77	3.615
	22	1.5869	-	3.0409	0.4302	-	-	-	-	322.41	3.589
	29	1.5775	-	3.0168	0.4292	-	-	-	-	317.10	3.582
May	6	1.5842	-	2.9952	0.4293	-	-	-	-	314.38	3.608
	13	1.5862	-	2.9429	0.4293	-	-	-	-	315.14	3.601
	20	1.6010	-	2.9271	0.4293	-	-	-	-	316.56	3.609
	27	1.6017	-	2.9223	0.4293	-	-	-	-	315.69	3.605
June	3	1.5744	-	2.8666	0.4293	-	-	-	-	308.43	3.579
	10	1.5594	-	2.8410	0.4293	-	-	-	-	306.15	3.757
	17	1.5540	-	2.8354	0.4293	-	-	-	-	308.53	3.596
	24	1.5439	-	2.8109	0.4293	-	-	-	-	307.20	3.592

[1] All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the euro, for which the rate denotes units of Maltese lira per one euro.

[2] The euro replaced the ECU as from 1 January 1999.

TABLE 4.2 MALTESE LIRA EXCHANGE RATES AGAINST MAJOR CURRENCIES[1]

averages for the period

Period	GBP	DM	USD	EUR[2]	LIT	FFR	NLG	BFR	JPY	SFR
1999	1.5468	4.5895	2.5032	0.4261	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	0.4042	4790.43	16.229	5.452	99.803	246.27	3.853
2001	1.5430	4.8533	2.2226	0.4030	4804.77	16.277	5.468	100.102	269.97	3.749
2002	1.5378	-	2.3100	0.4087	-	-	-	-	288.87	3.590
2003	1.6237	-	2.6543	0.4261	-	-	-	-	307.39	3.568
2004	1.5853	-	2.9061	0.4279	-	-	-	-	314.19	3.609
2004										
Jan.	1.6084	-	2.9341	0.4301	-	-	-	-	312.06	3.642
Feb.	1.5800	-	2.9518	0.4283	-	-	-	-	314.60	3.673
Mar.	1.5723	-	2.8775	0.4266	-	-	-	-	313.54	3.676
Apr.	1.5641	-	2.8210	0.4250	-	-	-	-	303.43	3.658
May	1.5772	-	2.8207	0.4260	-	-	-	-	315.88	3.616
June	1.5608	-	2.8537	0.4253	-	-	-	-	312.22	3.570
July	1.5634	-	2.8818	0.4260	-	-	-	-	314.93	3.584
Aug.	1.5707	-	2.8586	0.4261	-	-	-	-	315.67	3.610
Sept.	1.5928	-	2.8579	0.4277	-	-	-	-	314.66	3.608
Oct.	1.6091	-	2.9068	0.4297	-	-	-	-	316.51	3.590
Nov.	1.6176	-	3.0068	0.4319	-	-	-	-	315.06	3.524
Dec.	1.6075	-	3.1022	0.4326	-	-	-	-	321.73	3.551
2005										
Jan.	1.6163	-	3.0375	0.4323	-	-	-	-	313.64	3.579
Feb.	1.6008	-	3.0233	0.4310	-	-	-	-	317.03	3.597
Mar.	1.6044	-	3.0590	0.4317	-	-	-	-	321.60	3.588
Apr.	1.5884	-	3.0101	0.4299	-	-	-	-	322.99	3.600
May	1.5930	-	2.9564	0.4293	-	-	-	-	315.30	3.599
June	1.5579	-	2.8337	0.4293	-	-	-	-	307.93	3.585

[1] Calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates. All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the euro, for which the rate denotes units of Maltese lira per one euro.

[2] The euro replaced the ECU as from 1 January 1999.

TABLE 4.3 MALTA'S FOREIGN TRADE[1]

Lm thousands

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of trade
	Domestic	Re-exports	Total		
1999	712,436	78,700	791,136	1,136,233	-345,097
2000	977,535	94,909	1,072,444	1,492,377	-419,933
2001	790,038	90,646	880,684	1,226,421	-345,737
2002	794,300	166,840	961,140	1,227,534	-266,394
2003	816,730	111,582	928,312	1,281,279	-352,967
2004[2]	-	-	909,320	1,316,927	-407,607
2004[2]					
Jan.	64,343	6,417	70,760	91,427	-20,667
Feb.	66,338	9,459	75,797	94,503	-18,706
Mar.	76,207	12,992	89,199	126,954	-37,755
Apr.	63,037	13,423	76,460	125,966	-49,506
May	-	-	74,190	103,571	-29,381
June	-	-	74,021	99,368	-25,347
July	-	-	69,000	115,387	-46,387
Aug.	-	-	75,971	101,187	-25,216
Sept.	-	-	82,452	95,867	-13,415
Oct.	-	-	77,469	114,534	-37,065
Nov.	-	-	79,513	123,410	-43,897
Dec.	-	-	64,489	124,753	-60,264
2005[2]					
Jan.	-	-	59,242	101,516	-42,274
Feb.	-	-	58,833	88,821	-29,988
Mar.	-	-	66,582	101,289	-34,707
Apr.	-	-	65,823	105,063	-39,240
May	-	-	71,400	111,449	-40,049
June	-	-	68,520	101,274	-32,754

[1] As from May 2004 data on exports sub-classified into domestic exports and re-exports are not available.

[2] Provisional.

Source: NSO.

TABLE 4.4 DIRECTION OF TRADE - TOTAL EXPORTS

Lm thousands

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,136
2000	78,038	36,092	102,898	85,873	54,808	15,585	293,413	405,737	1,072,444
2001	76,310	30,304	115,132	82,197	59,865	21,835	174,370	320,670	880,684
2002	112,307	32,676	93,505	120,028	63,871	32,223	159,393	347,137	961,140
2003	109,021	31,496	95,235	120,195	55,118	22,115	134,202	360,930	928,312
2004 [1]	109,731	28,194	97,463	140,600	65,594	33,113	141,765	293,221	909,320
2004 [1]									
Jan.	9,226	2,534	7,325	9,556	5,095	1,694	12,906	22,424	70,760
Feb.	9,217	1,828	7,891	11,004	5,605	1,955	12,484	25,813	75,797
Mar.	8,569	3,091	9,082	13,243	6,246	2,954	11,961	34,053	89,199
Apr.	9,883	3,137	10,128	11,090	4,900	1,804	10,809	24,709	76,460
May	7,172	1,903	7,333	12,869	5,160	2,204	11,412	26,137	74,190
June	7,843	1,938	7,509	11,178	6,103	2,323	10,884	26,243	74,021
July	10,235	2,198	8,928	11,596	5,627	1,371	9,986	19,059	69,000
Aug.	6,613	2,053	6,536	10,496	4,547	4,731	15,390	25,605	75,971
Sept.	15,611	3,001	8,215	13,163	5,491	3,919	12,910	20,142	82,452
Oct.	7,761	2,249	9,246	12,468	6,051	4,576	11,320	23,798	77,469
Nov.	9,076	2,083	9,422	13,099	5,824	3,211	12,292	24,506	79,513
Dec.	8,165	2,179	5,848	10,838	4,945	2,371	9,411	20,732	64,489
2005 [1]									
Jan.	6,569	2,070	6,586	10,983	5,301	1,530	8,182	18,021	59,242
Feb.	6,992	1,640	6,914	8,876	4,938	3,708	10,446	15,319	58,833
Mar.	9,237	1,962	7,305	9,554	6,666	3,291	10,413	18,152	66,582
Apr.	7,566	2,818	8,188	9,930	6,060	3,904	10,611	16,746	65,823
May	9,365	2,961	8,795	10,652	6,563	4,509	10,945	17,610	71,400
June	8,924	3,169	6,885	10,820	4,869	1,660	9,721	22,472	68,520

[1] Provisional.

Source: NSO.

TABLE 4.5 DIRECTION OF TRADE - IMPORTS

Lm thousands

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,233
2000	119,673	249,744	29,661	281,877	122,113	91,778	158,474	439,057	1,492,377
2001	123,100	244,409	28,401	184,030	107,409	92,707	141,822	304,544	1,226,422
2002	127,736	271,794	28,563	205,137	98,474	93,034	115,258	287,538	1,227,534
2003	118,638	294,411	29,696	218,900	100,990	104,713	103,927	310,004	1,281,279
2004 [1]	154,827	275,634	40,622	210,867	111,966	123,105	76,842	323,064	1,316,927
2004 [1]									
Jan.	8,755	16,172	2,182	16,412	6,332	7,611	6,624	27,339	91,427
Feb.	11,152	20,735	1,989	14,535	9,227	10,589	6,549	19,718	94,503
Mar.	17,390	33,928	7,507	17,977	9,132	9,801	7,419	23,800	126,954
Apr.	16,910	27,924	3,085	16,469	13,523	13,833	7,499	26,723	125,966
May	11,689	19,708	1,853	19,338	6,074	7,593	5,748	31,568	103,571
June	12,083	20,504	2,830	17,057	9,564	11,112	3,262	22,956	99,368
July	12,761	24,291	5,101	17,504	7,737	11,239	8,589	28,165	115,387
Aug.	10,246	20,582	3,196	20,170	12,969	8,851	3,497	21,676	101,187
Sept.	12,947	18,553	2,967	16,276	8,898	11,142	5,081	20,003	95,867
Oct.	14,058	26,584	2,978	18,562	11,845	10,457	4,460	25,590	114,534
Nov.	13,904	25,730	3,553	17,337	8,388	12,443	9,942	32,113	123,410
Dec.	12,932	20,923	3,381	19,230	8,277	8,425	8,172	43,413	124,753
2005 [1]									
Jan.	12,481	29,889	3,423	10,385	8,592	9,444	4,201	23,101	101,516
Feb.	10,537	27,118	2,928	7,569	8,384	7,384	4,668	20,233	88,821
Mar.	10,453	30,906	3,199	10,442	9,774	8,777	4,066	23,672	101,289
Apr.	10,216	29,638	5,561	9,286	7,924	10,905	4,445	27,088	105,063
May	13,061	37,814	3,622	11,906	9,537	13,678	5,095	24,736	119,449
June	9,221	23,549	3,044	7,166	7,919	11,064	7,422	31,889	101,274

[1] Provisional.

Source: NSO.

TABLE 4.6a DOMESTIC EXPORTS BY COMMODITY SECTIONS[1]

Lm thousands

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/ vegetable fats & oils	Chemicals	Semi-manu-factured goods	Machinery & transport equipment	Manufactured articles	Miscel-laneous	Total
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,436
2000	17,116	3,538	2,198	-	-	13,027	53,913	736,076	151,263	404	977,535
2001	20,809	5,197	2,013	19	-	16,003	50,701	537,944	156,945	407	790,038
2002	36,371	4,088	2,191	133	52	13,519	47,865	519,452	170,214	393	794,300
2003	33,148	1,959	2,480	218	4	14,849	44,735	549,538	169,664	133	816,730

[1] This Table was discontinued as from January 2004.

TABLE 4.6b TOTAL EXPORTS BY COMMODITY SECTIONS[2]

Lm thousands

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/ vegetable fats & oils	Chemicals	Semi-manu-factured goods	Machinery & transport equipment	Manufactured articles	Miscel-laneous	Total
2004[1]	25,376	14,166	3,232	39875	11	23,886	50,569	580,996	170,814	391	909,320
2004[1]											
Jan.	1,184	1,082	355	2570	-	1,843	3,937	44,380	15,364	44	70,760
Feb.	1,047	1,012	138	4615	-	3,835	3,601	47,492	13,962	95	75,797
Mar.	2,637	1,473	275	6736	-	2,267	5,193	54,935	15,649	34	89,199
Apr.	1,886	730	160	4082	-	2,532	3,670	48,547	14,851	-	76,460
May	2,738	961	156	3829	-	2,371	4,158	49,629	10,328	20	74,190
June	3,458	501	303	3333	-	1,443	3,627	47,762	13,547	47	74,021
July	1,494	1597	88	1723	-	1,574	3,780	44,709	14,001	35	69,000
Aug.	2,273	1915	268	4745	-	1,165	3,575	49,987	12,029	14	75,971
Sept.	2,070	1,696	179	812	-	1,236	5,208	54,353	16,887	9	82,451
Oct.	2,215	880	513	5285	-	2,382	5,264	-	14,675	14	77,469
Nov.	1,694	1,645	198	1778	-	1,604	4,765	50,160	17,668	-	79,513
Dec.	2,680	674	599	367	11	1,634	3,791	42,802	11,853	79	64,489
2005[1]											
Jan.	1,405	579	204	330	-	1,342	4,714	37,845	12,823	-	59,242
Feb.	1,200	887	176	317	-	1,461	4,050	37,940	12,804	-	58,833
Mar.	1,680	418	556	418	-	2,890	4,697	40,192	15,717	14	66,582
Apr.	1,521	508	160	559	-	2,483	5,359	41,464	13,761	9	65,823
May	2,916	556	258	821	1	1,615	4,928	49,196	14,110	-	71,400
June	3,716	715	176	770	3	2,834	4,235	43,915	12,152	5	68,520

[1] Provisional.

[2] Includes domestic exports and re-exports.

Source: NSO.

TABLE 4.7 IMPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/ vegetable fats & oils	Chemicals	Semi-manu-factured goods	Machinery & transport equipment	Manu-factured articles	Miscel-laneous	Total
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,233
2000	103,644	18,785	13,597	106,476	2,239	92,470	144,994	852,574	146,821	10,774	1,492,377
2001	108,773	21,936	14,101	101,992	1,931	89,218	147,722	608,194	121,512	11,040	1,226,421
2002	115,208	22,784	12,906	102,929	2,347	96,730	150,822	591,354	122,022	10,454	1,227,534
2003	116,191	24,778	12,103	102,071	2,546	103,148	145,433	621,261	142,992	10,757	1,281,279
2004[1]	122,044	22,578	11,661	104,878	3,010	111,194	147,304	624,383	162,826	7,133	1,316,927
2004[1]											
Jan.	7,824	1,435	768	14,245	187	7,807	9,121	41,750	7,714	575	91,427
Feb.	6,831	1,023	1,154	8,814	127	8,965	10,136	44,989	11,347	1,116	94,503
Mar.	8,625	2,432	1,012	7,397	196	10,151	12,517	70,585	12,944	1,093	126,954
Apr.	11,471	1,717	822	12,735	574	11,836	14,995	58,750	12,173	892	125,966
May	7,569	1,683	959	9,098	167	6,558	10,930	52,848	12,905	854	103,571
June	9,246	2,266	800	7,518	258	8,950	13,104	38,355	18,422	450	99,368
July	10,865	2,857	910	7,413	294	9,674	14,409	54,169	14,553	242	115,387
Aug.	11,899	1,961	1,382	9,382	218	8,170	10,514	46,046	11,521	92	101,187
Sept.	10,419	2,279	918	6,905	242	9,775	10,989	40,142	13,212	987	95,867
Oct.	13,496	1,753	1,132	9,395	219	9,547	13,387	49,985	15,616	93	114,534
Nov.	12,758	1,637	870	9,176	354	11,517	13,643	56,949	16,199	309	123,410
Dec.	11,041	1,535	934	2,800	174	8,244	13,559	69,815	16,220	430	124,753
2005[1]											
Jan.	8,756	1,001	736	11,163	223	8,877	8,851	51,128	9,515	1,265	101,516
Feb.	8,454	982	1,305	8,904	142	8,889	11,076	38,350	10,236	482	88,821
Mar.	9,427	1,040	888	5,738	197	9,503	12,603	47,126	14,223	542	101,289
Apr.	9,219	1,236	1,062	12,395	157	9,186	12,146	45,039	14,212	411	105,063
May	11,813	2,324	1,140	10,661	406	10,403	14,968	51,848	15,314	572	119,449
June	11,252	1,176	792	9,025	271	9,419	11,149	44,623	13,059	507	101,274

[1] Provisional.

Source: NSO.

TABLE 5.1a GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS IN LINE WITH ESA 1995[1]

at current market prices

Lm thousands

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 balance		
2000	1,073,360	327,280	371,407	55,355	1,827,402	1,572,823	1,740,099	-167,276	1,660,126	1,607,032
2001	1,088,711	356,631	332,864	-16,285	1,761,921	1,419,830	1,487,633	-67,803	1,694,118	1,705,225
2002	1,095,291	376,482	271,611	-21,521	1,721,863	1,492,598	1,473,608	18,990	1,740,853	1,743,407
2003	1,125,728	396,319	353,568	-7,548	1,868,067	1,443,815	1,524,434	-80,619	1,787,448	1,776,541
2004	1,157,447	412,026	374,322	22,247	1,966,042	1,388,904	1,524,451	-135,547	1,830,495	1,802,445
2003										
Mar.	265,243	104,806	87,063	6,589	463,701	315,743	366,872	-51,129	412,572	421,191
June	274,649	102,084	95,082	-1,077	470,738	368,458	390,266	-21,808	448,930	444,138
Sept.	296,051	93,481	84,531	-14,596	459,467	398,233	388,316	9,917	469,384	475,949
Dec.	289,785	95,948	86,892	1,536	474,161	361,381	378,980	-17,599	456,562	435,263
2004										
Mar.	265,195	104,797	82,230	-7,290	444,932	327,480	338,746	-11,266	433,666	427,930
June	282,573	103,139	96,174	9,299	491,185	354,099	391,016	-36,917	454,268	472,804
Sept.	306,406	99,384	96,015	-16,156	485,649	370,175	375,787	-5,612	480,037	442,377
Dec.	303,273	104,706	99,903	36,395	544,277	337,150	418,902	-81,752	462,525	459,335
2005										
Mar.	256,677	97,567	88,140	49,755	492,139	284,924	338,548	-53,624	438,515	445,926
June	281,702	102,421	107,728	23,837	515,688	339,556	379,112	-39,556	476,132	471,023

[1] Provisional.

[2] Consumption by households and the NPISH.

[3] Including acquisitions less disposals of valuables.

Source: NSO.

TABLE 5.1b GROSS DOMESTIC PRODUCT AND EXPENDITURE COMPONENTS IN LINE WITH ESA 1995[1]

at constant 2000 prices

Lm thousands

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 balance	
2000	1,073,360	327,280	371,406	55,355	1,827,401	1,572,823	1,740,099	-167,276	1,660,125
2001	1,071,180	326,670	321,363	-15,569	1,703,644	1,550,472	1,590,363	-39,891	1,663,753
2002	1,060,896	339,814	254,027	-20,471	1,634,266	1,595,218	1,553,005	42,213	1,676,479
2003	1,082,327	349,702	327,609	-7,089	1,752,549	1,556,109	1,663,542	-107,433	1,645,116
2004	1,076,672	352,228	342,842	20,154	1,791,896	1,560,284	1,700,847	-140,563	1,651,333
2003									
Mar.	258,193	93,505	80,711	6,019	438,428	347,881	401,524	-53,643	384,785
June	264,261	90,051	87,927	-996	441,243	394,717	429,220	-34,503	406,740
Sept.	283,283	81,919	78,416	-13,521	430,097	420,640	423,741	-3,101	426,996
Dec.	276,590	84,227	80,556	1,410	442,783	392,871	409,057	-16,186	426,597
2004									
Mar.	252,633	89,322	75,391	-6,604	410,742	365,669	382,131	-16,462	394,280
June	261,392	88,415	88,016	8,424	446,247	394,565	432,581	-38,016	408,231
Sept.	283,105	84,806	88,021	-14,635	441,297	407,091	421,367	-14,276	427,021
Dec	279,542	89,686	91,415	32,970	493,613	392,959	464,767	-71,808	421,805
2005									
Mar.	235,786	83,456	79,380	45,492	444,114	322,439	371,503	-49,064	395,050
June	254,323	85,512	97,012	21,794	458,641	371,656	412,408	-40,752	417,889

[1] Provisional.

[2] Consumption by households and the NPISH.

[3] Including acquisitions less disposals of valuables.

Source: NSO.

TABLE 5.2 TOURIST DEPARTURES BY NATIONALITY[1]

Period	United Kingdom	Italy	France	Germany	Scandinavian Countries[2]	United States	All Others	Total
2001	465,635	78,515	78,739	165,812	45,339	12,671	298,455	1,145,166
2002	466,251	69,806	79,758	147,712	36,002	11,382	285,918	1,096,829
2003	471,899	78,361	77,027	124,769	41,361	13,895	281,775	1,089,087
2004[3]	451,998	80,992	86,059	134,760	61,977	17,003	294,619	1,127,409
2004[3]								
Jan.	20,183	6,880	1,613	5,966	1,346	885	11,947	48,821
Feb.	25,030	3,284	3,852	5,219	1,900	726	10,889	50,900
Mar.	31,369	4,312	3,253	10,159	2,584	971	12,371	65,019
Apr.	36,985	7,370	8,589	11,181	4,565	1,578	20,607	90,875
May	38,795	5,574	10,792	10,695	7,217	2,018	28,181	103,272
June	47,020	6,272	10,815	12,134	5,546	879	29,848	112,514
July	43,004	10,818	8,982	13,015	10,838	2,483	41,062	130,202
Aug.	61,686	17,696	13,798	15,121	6,098	1,134	47,377	162,910
Sept.	49,359	6,495	12,671	16,680	5,202	1,689	34,306	126,402
Oct.	49,069	6,376	6,794	19,739	10,216	2,419	33,457	128,070
Nov.	30,048	3,089	3,000	11,037	4,237	1,280	14,743	67,434
Dec.	19,450	2,826	1,900	3,814	2,228	941	9,831	40,990
2005[3]								
Jan.	22,215	5,407	1,710	6,481	1,820	1,051	13,586	52,270
Feb.	21,936	3,089	2,842	5,476	1,722	451	8,793	44,309
Mar.	32,859	5,117	3,193	8,875	4,003	862	15,653	70,562
Apr.	31,807	5,792	11,035	11,734	6,492	1,298	19,275	87,433
May	41,881	5,407	12,118	16,701	5,998	2,095	27,801	112,001
June	52,173	6,054	6,211	11,303	5,783	1,864	28,789	112,177

[1] Based on the NSO's inbound tourism survey.

[2] Comprising Denmark, Norway and Sweden.

[3] Provisional.

Source: NSO.

TABLE 5.3 LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS

Period[1]	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	%[2]	Amount	%[3]	Amount	%[4]
2002	104,236	41,082	145,318	98,034	39,698	137,732	6,202	5.9	1,385	3.4	7,587	5.2
2003	103,940	41,704	145,644	97,691	40,137	137,827	6,250	6.0	1,567	3.8	7,817	5.4
2004	103,492	41,985	145,477	96,897	40,325	137,222	6,595	6.4	1,659	4.0	8,254	5.7
2004												
Jan.	103,696	41,683	145,379	96,754	39,831	136,585	6,942	6.7	1,852	4.4	8,794	6.0
Feb.	103,626	41,765	145,391	96,655	39,906	136,561	6,971	6.7	1,859	4.5	8,830	6.1
Mar.	103,447	41,658	145,105	96,769	39,916	136,685	6,678	6.5	1,742	4.2	8,420	5.8
Apr.	103,394	41,676	145,070	96,719	40,012	136,731	6,675	6.5	1,664	4.0	8,339	5.7
May	103,424	41,762	145,186	96,882	40,200	137,082	6,542	6.3	1,562	3.7	8,104	5.6
June	103,599	41,965	145,564	97,165	40,457	137,622	6,434	6.2	1,508	3.6	7,942	5.5
July	103,856	42,297	146,153	97,325	40,697	138,022	6,531	6.3	1,600	3.8	8,131	5.6
Aug.	103,619	42,246	145,865	97,273	40,639	137,912	6,346	6.1	1,607	3.8	7,953	5.5
Sept.	103,524	42,216	145,740	97,019	40,581	137,600	6,505	6.3	1,635	3.9	8,140	5.6
Oct.	103,319	42,168	145,487	96,801	40,514	137,315	6,518	6.3	1,654	3.9	8,172	5.6
Nov.	103,283	42,275	145,558	96,795	40,638	137,433	6,488	6.3	1,637	3.9	8,125	5.6
Dec.	103,115	42,105	145,220	96,604	40,513	137,117	6,511	6.3	1,592	3.8	8,103	5.6
2005												
Jan.	103,223	42,170	145,393	96,700	40,513	137,213	6,523	6.3	1,657	3.9	8,180	5.6
Feb.	103,084	42,186	145,270	96,665	40,511	137,176	6,419	6.2	1,675	4.0	8,094	5.6
Mar.	102,907	42,205	145,112	96,544	40,550	137,094	6,363	6.2	1,655	3.9	8,018	5.5
Apr.	102,728	42,130	144,858	96,591	40,551	137,142	6,137	6.0	1,579	3.7	7,716	5.3
May	102,735	42,206	144,941	96,963	40,733	137,696	5,772	5.6	1,473	3.5	7,245	5.0

Note: The breakdown of labour supply between males and females is not available before 2002.

[1] Annual figures reflect the average for the year. Data are provisional.

[2] As a percentage of male labour supply.

[3] As a percentage of female labour supply.

[4] As a percentage of total labour supply.

Source: ETC.

TABLE 5.4 LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY [1]

Period [2]	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	% [3]	Amount	% [4]	Amount	% [5]
2001	110,147	45,987	156,134	103,306	42,776	146,082	6,841	6.2	3,212	7.0	10,052	6.4
2002	109,326	49,262	158,588	102,109	45,462	147,571	7,217	6.6	3,800	7.7	11,017	7.0
2003	110,057	49,856	159,913	102,279	45,536	147,815	7,778	7.1	4,320	8.7	12,098	7.6
2004	110,391	48,931	159,321	103,317	44,536	147,853	7,074	6.4	4,395	9.0	11,469	7.2
2004												
Mar.	111,734	48,449	160,183	104,061	44,594	148,655	7,673	6.9	3,855	8.0	11,528	7.2
June	110,596	46,977	157,573	102,943	43,101	146,044	7,653	6.9	3,876	8.3	11,529	7.3
Sept.	110,134	50,256	160,390	103,463	45,146	148,609	6,671	6.1	5,110	10.2	11,781	7.3
Dec.	109,098	50,040	159,138	102,801	45,301	148,102	6,297	5.8	4,739	9.5	11,036	6.9
2005												
Mar.	109,583	50,991	160,574	102,777	46,959	149,736	6,806	6.2	4,032	7.9	10,838	6.7
June	110,004	50,955	160,959	102,108	46,225	148,333	7,896	7.2	4,730	9.3	12,626	7.8

[1] The Labour Force Survey is carried out on a quarterly basis using a random sample of private households. As from March 2004, data are compiled on a weekly survey carried out throughout the reference quarter.

[2] Annual figures reflect the average for the year.

[3] As a percentage of male labour supply.

[4] As a percentage of female labour supply.

[5] As a percentage of total labour supply.

Source: NSO.

TABLE 5.5 NUMBER OF APPROVED PERMIT APPLICATIONS 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		
1998	135	43	209	21	17	98	143	666	2,956	3,622
1999	122	104	183	22	29	72	124	656	2,402	3,058
2000	108	77	228	19	33	74	175	714	2,690	3,404
2001	124	46	235	26	34	51	162	678	2,540	3,218
2002	281	69	282	13	49	119	154	967	3,430	4,397
2003	242	26	181	15	24	91	134	713	2,685	3,398
2004	261	31	192	8	25	49	105	671	2,583	3,254

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

[2] Includes mineral working.

[3] Consists of offices, shops and retail services, warehousing, mixed office and retail, mixed residential office and retail, mixed residential and retail applications.

[4] Includes community and health services, recreational and educational applications.

[5] Mainly includes satellite dishes, private swimming pools, advertisements, demolitions and alterations, change of use, minor new works (not on dwellings) and other unidentified applications.

Source: Malta Environment & Planning Authority.

TABLE 5.6 DWELLING PERMITS AND UNITS GRANTED DEVELOPMENT PERMISSION, BY TYPE[1]

Period	Dwelling Permits[2]			Dwelling Units[3]				
	New Dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
1999	1257	689	1946	1452	473	271	77	2273
2000	1408	705	2113	1473	583	246	67	2369
2001	1299	483	1782	2657	774	203	546	4180
2002	1422	595	2017	3420	910	135	1016	5481
2003	1321	517	1838	4548	1085	414	81	6128
2004	1378	435	1813	5265	966	353	123	6707

[1] Changes to the data are mainly due to the policy adopted by the Malta Environment & Planning Authority to reassess permit applications on a continuous basis.

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

[3] Data comprises 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 5.7 INFLATION RATES[1]

base 1946 = 100

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

[1] The Index of Inflation (Base 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 the 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 5.8 RETAIL PRICE INDEX

base December 2002 = 100

Period	All items
1999	92.36
2000	94.55
2001	97.32
2002	99.45
2003	100.75
2004	103.56
2004	
Jan.	102.20
Feb.	102.23
Mar.	102.66
Apr.	103.32
May	103.13
June	103.62
July	104.14
Aug.	103.25
Sept.	103.56
Oct.	104.36
Nov.	104.96
Dec.	105.27
2005	
Jan.	104.70
Feb.	105.33
Mar.	105.82
Apr.	106.27
May	106.69
June	106.65

Note: The New Retail Price Index is based on the Household Budgetary Survey carried out by the NSO during 2000 and 2001. Annual figures prior to 2003 were rebased using the linking coefficient of 1.1914 specified in the NSO News Release No. 58/2003.

Sources: NSO; (Central Bank of Malta estimates for the period prior to December 2002).

TABLE 5.9 MAIN CATEGORIES OF HARMONISED INDEX OF CONSUMER PRICES (HICP)[1]

base 1996 = 100

%

Period	Index 00	12-month moving average rates 00	01	02	03	04	05	06	07	08	09	10	11	12
1999	110.2	2.3	-0.1	10.0	-0.7	1.4	2.9	3.4	3.2	0.0	0.5	4.1	3.2	2.1
2000	113.6	3.0	1.0	8.3	0.3	0.9	-1.2	4.2	3.3	2.8	0.2	4.2	7.6	1.4
2001	116.4	2.5	4.0	4.5	-1.3	2.2	0.3	3.5	0.1	1.3	3.3	6.7	4.0	2.0
2002	119.5	2.6	2.1	7.6	-0.7	2.3	0.5	2.4	0.6	0.6	2.2	10.1	4.5	3.0
2003	121.8	1.9	2.0	1.2	-6.8	2.0	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	125.1	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2004														
Jan.	120.9	2.1	2.4	2.3	-6.0	2.2	-0.1	5.8	2.2	-0.5	1.1	3.0	7.2	2.6
Feb.	121.0	2.1	2.2	3.4	-5.3	2.4	0.1	6.6	2.3	-0.6	0.9	2.8	6.7	2.9
Mar.	121.5	2.1	1.9	4.6	-5.3	2.7	0.3	7.2	2.3	-0.7	0.7	2.6	6.3	3.3
Apr.	126.6	2.3	1.8	5.7	-5.2	2.9	0.7	8.0	2.4	-0.7	0.4	3.0	6.2	3.8
May	126.8	2.4	1.5	6.8	-4.6	3.1	1.0	7.8	2.4	-0.6	0.2	3.2	6.0	4.3
June	127.2	2.4	1.3	8.0	-4.0	2.8	1.2	7.5	2.4	0.8	0.1	3.4	5.8	4.8
July	127.8	2.6	1.5	9.1	-3.1	2.5	1.3	7.4	2.8	2.2	-0.1	3.6	5.0	5.0
Aug.	127.2	2.6	1.5	10.2	-1.9	2.3	1.6	7.4	2.9	3.8	-0.3	3.8	4.1	5.1
Sep.	127.8	2.8	1.3	11.4	-1.4	2.4	1.8	7.3	3.0	5.3	-0.3	4.0	3.8	5.3
Oct.	127.8	2.8	0.6	12.5	-1.7	2.5	2.2	7.2	3.4	6.9	-0.3	3.7	3.4	5.5
Nov.	122.7	2.8	0.2	13.6	-2.1	2.7	2.5	7.1	3.7	8.5	0.0	3.3	2.9	5.7
Dec.	123.9	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2005														
Jan.	123.2	2.6	-0.7	11.9	-2.6	3.2	2.9	6.8	4.1	11.8	0.4	2.7	2.4	5.5
Feb.	124.0	2.7	-0.6	10.8	-2.4	3.6	2.9	6.4	4.1	13.7	0.6	2.4	2.2	5.2
Mar.	124.6	2.7	-0.6	9.7	-2.0	4.2	2.9	6.1	4.2	15.5	0.8	2.1	2.0	5.0
Apr.	129.1	2.6	-0.5	8.7	-1.9	4.7	2.8	5.7	4.2	17.1	1.0	1.9	1.3	4.6
May.	129.9	2.5	-0.1	7.6	-1.9	5.2	2.7	5.9	4.2	18.6	1.1	1.7	0.6	4.3
June	129.9	2.4	0.3	6.6	-2.0	5.8	2.7	6.0	4.2	17.3	1.2	1.6	-0.1	3.9

[1] Data are subject to revisions.

COICOP/HICP Code:

00. HICP all-items
01. Food & non-alcoholic beverages
02. Alcoholic beverages & tobacco
03. Clothing & footwear
04. Housing, water, electricity, gas & other fuels
05. Furnishings, household equipment & routine maintenance of the house
06. Health
07. Transport
08. Communications
09. Recreation & culture
10. Education
11. Restaurants & hotels
12. Miscellaneous goods & services

Source: Eurostat.

GENERAL NOTES

INSTITUTIONAL BALANCE SHEETS

The balance sheets published in Tables 1.1, 1.2 and 1.3 are based on accounting principles. Consequently, data in these Tables might differ from data shown in other Tables compiled using statistical concepts and methodology.

MONEY AND BANKING STATISTICS

Since October 2003, the compilation of monetary statistics has been consistent with internationally agreed statistical concepts and methodology as published in the IMF's *Monetary and Financial Statistics Manual* (2000), ECB Regulation 2001/13 concerning the consolidated balance sheet of the Monetary Financial Institutions (MFI) sector and the European System of Accounts (ESA 1995). Prior to October 2003, the compilation of monetary statistics was in line with the IMF's *A Guide to Money and Banking Statistics in International Financial Statistics* of December 1984.

Measures of money

The Bank compiles data on three main monetary aggregates - narrow money (M1), intermediate money (M2) and broad money (M3).

Narrow money (M1) includes the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. Demand deposits exclude uncleared effects drawn on deposit money banks and cheques and other items in the process of collection, but include non-government deposits with the Central Bank of Malta.

Intermediate money (M2) comprises M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years.

Broad money (M3) comprises M2 and the banks' repurchase agreements with the non-bank sector and banks' debt securities issued with an agreed maturity of up to and including two years. It therefore includes the resident non-bank sector's holdings of bank notes and coins in circulation, the resident non-bank and non-government deposits irrespective of denomination, the banks' repurchase agreements with the non-bank sector and the banks' issues of debt securities, all with an agreed maturity of up to and including two years.

The Monetary Base (M0) is defined as currency issued and the credit institutions' deposits with the Central Bank of Malta. Currency issued comprises currency in circulation and holdings of national currency by the banks in their tills. Credit institutions' deposits with the Central Bank of Malta exclude term deposits.

Compilation and valuation principles

Monetary statistics are based on a consolidation (or aggregation where indicated) of the monthly financial statements provided by the local credit institutions and the Central Bank of Malta. The credit institutions must submit data to the Bank no later than twelve calendar days following the end of the reporting month or quarter. Branches and subsidiaries of credit institutions operating in Malta but with head offices/parent companies abroad are also obliged to submit similar financial information. The reporting institutions compile monthly financial information in line with international accounting norms as issued by the International Accounting Standards Committee. In certain instances, credit institutions are required to submit the returns in accordance with specific statistical requirements of the Bank.

Monetary data show the stock positions, which are outstanding balances on a particular date (end-month, end-quarter or end-year). Monetary aggregates are consolidated for the MFI sector, thus all identifiable interbank transactions are eliminated. Assets and liabilities are generally reported at market or fair value and on accrual basis. 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. Within this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by the other. Instruments are reported in accordance with their maturity at issue, that is, by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed.

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 at their book value and gross of all related provisions, both general and specific. Financial assets and liabilities that have demonstrable value - as well as non-financial assets - are considered as on-balance sheet items. Other financial instruments which are conditional on the occurrence of uncertain future events, such as contingent instruments, are not given on-balance sheet recognition. Only the gains and losses on the latter instruments are treated as on-balance sheet.

Transactions in foreign currency are recorded in the reporting currency using the exchange rate at the date of the transaction. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted into Maltese liri at the exchange rate in effect at the end of the reporting period.

Release of monetary statistics

Monthly provisional consolidated monetary statistics are posted on the Central Bank of Malta website by the end of the month following the reference month. Subsequently, such detailed provisional monetary data together with related analytical information are released in the press through the Bank's monthly 'Statistical release on monetary aggregates and their counterparts' and 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. Before major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

Determination of 'residence'

Monetary data are based on the classification of transactions by the residence of the transactors. The transactors may either be residents or non-residents of Malta, a transactor being 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' indicates that there exists some location within the 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). Those companies solely undertaking international business activities, including shipping activities, which have a physical presence and undertake a significant degree of economic activity in Malta, are considered as resident units.

Transactors not meeting the above-mentioned criteria are considered to be non-resident units, that is, units that have their 'centre of economic interest' in other countries. Diplomatic bodies, embassies, consulates and other entities of a foreign government located in Malta are considered as residents of the country they are representing and not of Malta.

Sector classification of the Maltese economy

The main sectors of the Maltese economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Monetary financial institutions (MFIs);
(b) Other financial institutions (including insurance companies);
(c) General government;
(d) Non-financial companies;
(e) Households and non-profit institutions.

In addition to the above, there are those transactors that are considered to be non-residents (also referred to as the 'external sector' or the 'rest of the world').

(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 and whose principal function is to issue currency, to maintain the internal and external value of the currency and to hold all or part of the international reserves of the country.

ii. The **Other Monetary Financial Institutions** (OMFIs) which, in Malta, consist predominantly of credit institutions. The business of credit institutions 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 Banking Co-ordination Directives of December 1977 and December 1989 (77/780/EEC and 89/646/EEC), 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".

This sector is also subdivided into deposit money banks (DMBs) and international banking institutions (IBIs), the latter as from January 1995. DMBs are credit institutions that accept deposits and grant loans to both residents and non-residents. IBIs are credit institutions that accept deposits and grant loans predominantly to non-residents. Other banking institutions (OBIs), comprising mainly long-term lending institutions, were included with the banking sector category up to December 2000.

(b) **Other financial institutions** consist of:

i. **Other financial intermediaries and financial auxiliaries, except insurance companies and pension funds** - this subsector consists of non-monetary financial companies (excluding insurance companies and pension funds) principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than MFIs. Financial auxiliaries consist of companies which are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediators themselves.

ii. **Insurance companies and pension funds**, which comprise non-monetary financial companies principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance companies 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 group of units. Pension funds included in this sector are those that are constituted as separate from the units that created them. They are established for the purposes of providing retirement benefits for specific groups of employees.

(c) **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. For statistical reporting purposes, the sector general government in Malta comprises the central government sector and the other general government sector, the latter comprising solely the local government sector.

i. **Central government** includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory. It thus includes departments, ministries, and offices of government located in the country and embassies, consulates, military establishments and other institutions of government located outside the country. Also included in this sector are the extra-budgetary units (also termed as public non-market units). These comprise those institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or involved in the redistribution of national income and wealth. These units/entities do not charge "economically significant" prices and/or did not cover at least 50% of their production costs in sales over the last years.

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

(d) **Non-financial companies:**

This sector comprises companies not engaged in any form of financial intermediation but 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. This sector includes public non-financial companies, that is, companies that are subject to control by government units, and private non-financial companies, that is, companies controlled by non-government resident or non-resident units.

(e) **Households and non-profit institutions serving households (NPISH):**

This sector comprises individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively intended for their own final consumption. Included in this sector are non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households.

Classification of economic activities

The classification of economic activities follows the standards of Regulation (EEC) No 3037/90 entitled "Nomenclature générale des activités économiques dans les Communautés européennes" (General industrial classification of economic activities within the European Communities), known by the acronym NACE Rev.1.

Financial market indicators

The statutory interest rates used by the Central Bank of Malta and other indicative benchmark money market rates are given as end-of-period rates as a percentage per annum. The repurchase agreement/term deposit rates are the prevailing rates actually dealt in at the end of the month or the rates offered by the Central Bank of Malta. The interbank market offered rates shown are the prevailing rates in dealings between banks in the official interbank market.

The weighted average deposit rates on current, savings and time deposits pertain to the deposit money banks' interest rates applicable on resident Maltese lira deposits. The weighted average rate on time deposits is calculated on time deposits with a one year maturity. These rates are calculated by multiplying each amount by the different rates in each type of deposit and dividing by the total amount of each type of deposit. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents in local currency by the interest rate applied thereto, and dividing by the total amount.

The interest rates applicable on Government Treasury bills, which are obtained from the official rates quoted by the Treasury, are primary market weighted average yields. These are weighted averages of the rates attached to the bills that are taken up by the bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign implies that no transactions occured during the last quarter. Interest rates on Malta Government stocks represent weighted average gross redemption yields on applicable stocks with periods specified referring to remaining term to maturity.

The MSE share index measures movements in the price of all ordinary shares listed in the official list of the MSE. It is a market capitalisation index which weights the price and number of shares of each listed firm. The index has a base of 1,000 initiating on 27 December 1995.

PUBLIC DEBT STATISTICS

Gross government debt comprises the total amount of government debt outstanding denominated in domestic and in foreign currency. The source for data on Treasury bills and government external debt is the Central Bank of Malta, while the source for Malta Government stocks is the MSE. Also shown are data on debt guaranteed by government, which mainly relates to the non-financial public sector companies. 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 - these loans already feature in the calculation of government external debt.

STATISTICS ON EXTERNAL TRANSACTIONS

Tables 4.1 and 4.2 show the end-of-period and average exchange rates of the Maltese lira against other main currencies, respectively. The Maltese lira average exchange rates are calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates. The Bank also releases further related information on its website.

GOVERNMENT FINANCE AND REAL ECONOMY INDICATORS

Public finance, trade, national accounts and other general economic statistics are obtained from the NSO and the Ministry of Finance. Further details may be obtained from the website of the NSO. Statistics on building and construction are obtained from the Malta Environment and Planning Authority.