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ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ecu	european currency unit
EMU	Economic and Monetary Union
ERM II	exchange rate mechanism II
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
HICP	Harmonised Index of Consumer Prices
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
RPI	Retail Prices Index
UNDP	United Nations Development Programme
WTO	World Trade Organisation

ECONOMIC SURVEY

1. FOREWORD

Following its entry into ERM II in May, the Maltese lira has remained stable against the euro at its central parity rate of MTL/EUR0.4293, in line with the Maltese Authorities' commitment.[1] Against this background, the Central Bank of Malta left the central intervention rate unchanged at 3.25% throughout the third and fourth quarters of 2005, judging that it provided adequate support to the exchange rate.

The Bank's net foreign assets increased strongly during the third quarter, reflecting seasonal tourism-related flows, interest rate differentials that favoured the Maltese lira and the positive impact on financial market sentiment of ERM II entry. As a result, the loss of reserves recorded during the first half of the year was entirely reversed. The Bank's net foreign assets continued to rise in October, before declining slightly in November.

Domestic money market interest rates remained virtually unchanged during the third quarter, reflecting stability in official interest rates, but edged down slightly going into the following quarter. With short-term interest rates in the euro area rising gradually, the three-month premium on the Maltese lira narrowed from 116 basis points in June to 112 basis points three months later and shed a further eight basis points in October. The ten-year differential in favour of the lira also narrowed during the quarter reviewed, dropping by eleven basis points to 126 basis points, reflecting a decline in domestic 10-year bond yields. The premium narrowed further in October as euro area bond yields rose.

Broad money (M3) continued to expand during the third quarter, though the quarterly rise, at 0.8%, was smaller than that recorded during the previous three months. As in the previous quarter, monetary expansion was driven by growth in the net foreign assets of the banking system. In contrast, domestic credit declined, partly because net claims on central government fell sharply and also because a public non-financial corporation used the proceeds of a foreign loan to repay domestic debt.

The pace of economic activity in Malta continued to recover during the third quarter of 2005, with real GDP expanding by 2.9% on a year-on-year basis, up from 1.9% in the previous three months. The increase in GDP on a year earlier was mainly driven by private consumption and, to a lesser extent, by investment and inventory changes. In addition, the negative contribution of net exports to growth was smaller than in the previous quarter.

In nominal terms, GDP compiled according to the income approach expanded by 4.9% on a year earlier, with the two main components, compensation of employees and operating surplus, expanding by 3% and 2.6%, respectively. Services made a major contribution to growth in factor incomes, with significant gains being recorded in transport, storage & communications and 'other services'. Factor incomes in manufacturing also picked up. However, as a result of higher fuel costs, the electricity, gas and water supply sector continued to register losses, dampening nominal GDP growth overall.

According to responses to the Bank's latest business perceptions survey, business sentiment was negative.[2] Most firms were pessimistic about

[1] The exchange rate is quoted in terms of units of Maltese lira per euro.
[2] The survey was carried out between October and November 2005.

the general economic situation over the next six months, while the proportion of those anticipating an improvement declined. The shift in perceptions was spread across all the sectors surveyed, except tourism, where sentiment was positive on balance. In contrast, respondents were generally anticipating their own sales to remain broadly stable and their profitability to improve in the fourth quarter of the year, despite a rise in average wages.

The performance of the labour market was mixed. Labour Force Survey data for July and August 2005 show that the labour supply and the employed population contracted over the third quarter of 2004. With the number of unemployed rising, the unemployment rate stood at 7.5%, up from 7.3% a year earlier. Administrative records compiled by the ETC also show a year-on-year drop in the labour supply during the third quarter. However, according to these records the gainfully occupied population rose slightly and the unemployment rate dropped to an average of 4.9%, from 5.5% during the same quarter of 2004.

Inflation was broadly stable during the third quarter. The year-on-year change in the HICP stood at 2.1% in September, same as in June. Similarly, according to the RPI, year-on-year inflation was 2.9% in September, the same rate as that registered three months earlier. Higher food and energy costs were the main factors boosting prices during the year to September. In October, both measures of inflation picked up significantly.

The deficit on the current account of the balance of payments narrowed during the third quarter of 2005, dropping to Lm15.1 million from Lm47.8 million a year earlier. This reflected lower net outflows on the income account and a larger surplus on services, which outweighed a widening of the merchandise trade deficit. At the same time, net inflows on the capital and financial account (excluding movements in reserves) increased to Lm63.2 million, driven by a rise in direct investment inflows and lower net portfolio investment overseas.

The process of redressing fiscal imbalances continued over the three-month period to September. The Consolidated Fund balance swung into surplus, with revenue exceeding expenditure by Lm9.4 million. As a result, during the first nine months of the year the Consolidated Fund deficit contracted by Lm24.5 million on a year earlier to Lm85.4 million.

According to the revised estimates presented with the Budget at the end of October, the Government's fiscal consolidation programme remains on track. During 2005 the deficit on the Consolidated Fund is expected to narrow to Lm76.0 million, from Lm93.9 million in 2004. Concurrently, the general government deficit is expected to fall to 3.9% of GDP from 5.1% in 2004. Fiscal consolidation is set to continue in 2006, with the general government deficit dropping below 3% of GDP as revenue continues to grow more rapidly than expenditure.

2. THE INTERNATIONAL ENVIRONMENT

The world economy

In the third quarter of 2005 the major economies showed signs of strengthening, despite a persistent disparity in growth rates. Economic activity in the United States and Japan remained robust, while there was a recovery in the euro area and the pace of economic expansion in the United Kingdom remained broadly unchanged over the quarter. On the other hand, the rise in energy prices contributed to higher inflation, although underlying price pressures remained well contained. Global growth is expected to remain on track in 2006, with the US economy projected to grow by 3.3%, while euro area growth is expected to lag behind at 1.7%.

Economic and monetary developments in the major economies

In the United States robust expansion continued over the third quarter, with the economy growing at 3.6% on a year-on-year basis (see Table 2.1). Growth was once again led by higher consumer spending while inventories continued to be drawn down. Exports fell while imports remained fairly stable. But higher energy prices pushed inflation up to 3.8% in the September quarter from 2.9% in the preceding quarter (see Table 2.2). In fact, inflation edged up to 4.7% in September, the highest annual rate in fourteen years. At the same time, the gradual improvement in the labour market remained on track, leading to an easing of the unemployment rate to 5% from 5.1% in the previous three-month period.

During the quarter, the Federal Reserve raised the target for the federal funds rate by 25 percentage points on two occasions, taking the policy rate to 3.75% (see Chart 2.1). In both instances, the Fed referred to the continued accommodative stance of monetary policy, which together with productivity growth was supporting economic momentum. Subsequently, the target rate was raised by another 25 basis points to 4% on 1 November.

In the euro area, economic activity picked up in

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

	2004		2005			
	Q3	Q4	Q1	Q2	Q3	Q4[1]
United States	3.8	3.8	3.6	3.6	3.6	3.4
Euro area	1.8	1.6	1.2	1.2	1.6	1.5
EU - 25	2.2	1.9	1.5	1.4	1.7	n/a
United Kingdom	3.1	2.5	1.7	1.5	1.7	2.0
Japan	2.6	0.9	1.0	2.3	2.9	2.8

[1] Forecasts.

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

Table 2.2
CONSUMER PRICE INDEX

Average change compared with the same quarter a year earlier (%)

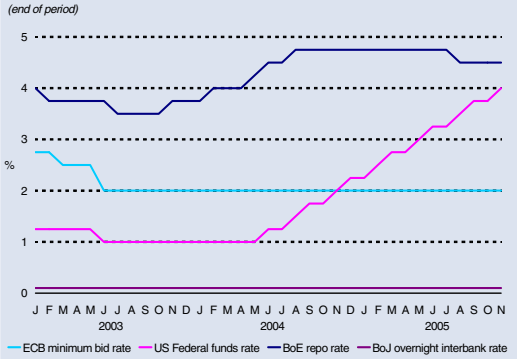
	2004		2005			
	Q3	Q4	Q1	Q2	Q3	Q4[1]
United States	2.7	3.3	3.0	2.9	3.8	3.5
Euro area	2.3	2.3	2.0	2.0	2.3	2.4
United Kingdom	1.2	1.4	1.7	2.0	2.4	2.3
Japan	-0.1	0.5	-0.2	-0.1	-0.3	-0.3

[1] Forecasts.

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

the three months to September, with annual GDP growth increasing to 1.6%, from 1.2% in the previous quarter. This acceleration was characterized by higher consumption and investment expenditure, while on the external side, exports grew faster than imports. The rate of increase of new industrial orders reached 7.5% in August, but then moderated to 4.6% in September. Unemployment was broadly stable, averaging 8.4% in the three months to September, but inflation edged up to 2.3%, from 2.1% in the second quarter, primarily on account of higher oil prices.

Chart 2.1
OFFICIAL INTEREST RATES
(end of period)



Source: ECB; Federal Reserve; Bank of England; Bank of Japan

The ECB maintained an unchanged monetary policy stance, with the minimum bid rate on its main refinancing operations staying at 2%. The Bank's Governing Council recognised that despite the upward pressure on prices stemming mainly from oil market developments, there was no significant evidence of a build-up in underlying inflationary pressures. Although the Council pursued the same policy stance during October and November, it raised the policy rate by a quarter point to 2.25% in December.

In the three months to September, GDP growth in the UK stood at 1.7%, roughly unchanged from the preceding two quarters, on account of weak household consumption and investment. Meanwhile, industrial production fell by 1.1% in the year to September. Over the three months to September, the unemployment rate remained flat at 4.7%, 0.1 percentage points higher than the same period a year earlier. Higher oil prices contributed to an increase in CPI inflation, which rose to an average of 2.4% in the third quarter from 1.9% in the previous quarter. Indeed UK inflation reached a high of 2.5% in September.

Against this background of subdued economic

activity, the Bank of England cut the repo rate by 25 basis points to 4.5% in August. Throughout the fourth quarter, the Bank left the rate unchanged.

During the third quarter, the Japanese economy expanded for the fourth straight quarter and at a faster rate than expected, driven largely by domestic demand. The year-on-year rate of growth stood at 2.9% in the September quarter, up from 2.3% previously, while the unemployment rate remained stable at 4.3%. At the same time, the consumer price index continued to follow a downward trend, falling by 0.3%. However, there were mounting expectations that the deflationary trend of the past seven years may soon be coming to an end.

The Bank of Japan maintained an unchanged monetary policy stance throughout the third quarter.

Foreign exchange markets

Over the three-month period to September, the euro fell marginally, by 0.5%, vis-à-vis the US dollar but appreciated slightly against the pound sterling and the Japanese yen (see Chart 2.2 and Table 2.3).

Between July and mid-August, the euro was generally stronger against the US dollar following positive news regarding business confidence in the euro area. During the same period, the euro continued to strengthen vis-à-vis the Japanese yen as the revaluation of the Chinese currency appeared to have had only a temporary effect on the euro/yen exchange rate. In July the euro

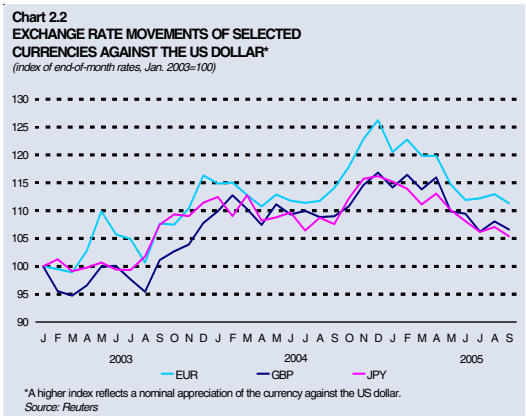
Table 2.3
EXCHANGE RATES OF SELECTED CURRENCIES AGAINST THE US DOLLAR - THIRD QUARTER 2005

	USD/EUR	USD/GBP	JPY/USD
Average for July	1.2046	1.7525	111.95
Average for August	1.2286	1.7916	110.77
Average for September	1.2253	1.8081	111.10
Average for the quarter	1.2195	1.7841	111.27
Opening rate on 30.06.05	1.2096	1.8079	110.19
Opening rate on 30.09.05	1.2032	1.7607	113.03
Lowest exchange rate during the quarter[1]	1.1901 (05 July)	1.7360 (27 July)	109.20 (05 Sep.)
Highest exchange rate during the quarter[2]	1.2573 (05 Sep.)	1.8464 (05 Sep.)	113.06 (20 July)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from opening rate on 30.06.05 to opening rate on 30.09.05	-0.5	-2.6	-2.6

[1] The lowest daily opening rate.

[2] The highest daily opening rate.

Source: Reuters.



appreciated sharply against the pound sterling on account of heightened expectations of a reduction in UK interest rates, while the terrorist attacks in London exerted further downward pressure on sterling.

In the second half of August, the European unit depreciated vis-à-vis the dollar as data for US portfolio investment for June showed that the US was attracting considerable inflows. Moreover, wide interest rate differentials between the US and the euro area continued to support the dollar. At the same time, the Japanese yen strengthened against the euro primarily reflecting an improved outlook for the Japanese economy. However, towards the end of August, the yen weakened slightly against the euro. In August, the euro lost ground versus the pound as market analysts appeared to reassess their prior expectations regarding short-term interest rates.

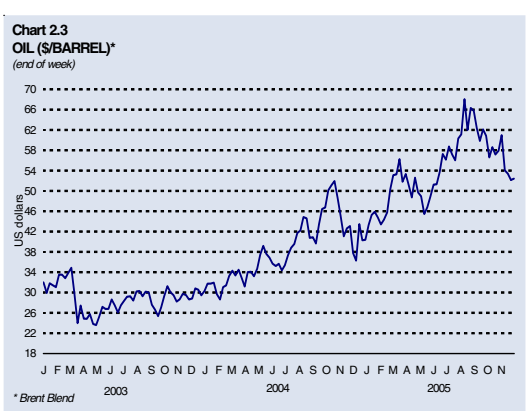
In the beginning of September, the euro appreciated vis-à-vis the US currency amid expectations that the Federal Reserve would slow down the pace of monetary tightening following the hurricanes that hit the Gulf Coast. During the rest of the month, the euro depreciated against both the dollar and the pound following the indecisive outcome of the German elections. The euro remained broadly stable against the Japanese unit during September.

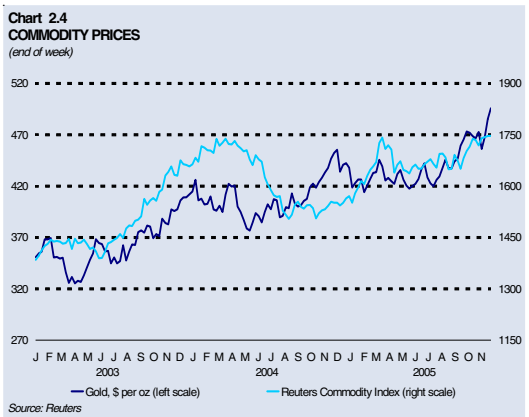
The euro was generally stable against the dollar in October and November while against the pound sterling it eased in October before recovering in November. In terms of the yen, the euro gained ground throughout the two-month period.

Commodities

In July and August crude oil prices remained high, with Brent crude reaching a peak level of USD68 per barrel in mid-August (see Chart 2.3). Limited spare capacity together with buoyant demand and security concerns continued to be the major factors behind the rise. Furthermore, hurricanes in the US, which affected oil production infrastructure, worsened supply conditions in the market. In fact, in the aftermath of the hurricane devastation, crude oil prices rose, although they fell back in subsequent weeks. September was characterized by considerable volatility, with crude oil prices remaining high at over USD60 per barrel. In October and November, however, prices eased from the all-time highs of the previous months.

During the third quarter of 2005, non-oil commodity prices as measured by the Reuters





Commodity Index[1] remained broadly stable as higher prices of industrial raw materials were balanced by reduced food prices. Against this background, the index rose slightly, by 1.5%, in the three months to September (see Chart 2.4).

Gold started July on a weak note as its price fell in response to the stronger US dollar (see Chart 2.4). Later during the month, however, the revaluation of the Chinese yuan boosted demand for the metal. In August, the price of gold reached a new high, mainly on account of higher energy prices and growing concerns over the political situation in the Middle East. In September, gold hit its highest level in more than seventeen years, as concerns over inflation and oil prices pushed the price up to USD472 per ounce. It ended the month slightly lower at around USD469 per ounce.

[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 held the central intervention rate unchanged at 3.25% throughout the third quarter of 2005.[1] As a result, domestic money market interest rates remained largely unchanged during the period under review.

In the government bond market, however, 5- and 10-year yields declined in the September quarter, while 15-year yields remained stable. Corporate bond yields moved upwards, while equity prices recovered from the previous quarter's drop and resumed their upward trend.

The pace of monetary growth during the third quarter decelerated as a large rise in the net foreign assets of the banking system was partly offset by a substantial contraction in domestic credit. While the former was boosted by the seasonal inflow of foreign currency from tourism as well as by foreign borrowings and injections of foreign equity capital into the banking system, the decline in domestic credit mainly reflected a drop in the volume of Treasury bills held by the banks, in line with the reduction in total outstanding Treasury bills. Meanwhile, a rise in the other counterparts of M3, driven by the aforementioned share capital inflow, also exerted a dampening effect on monetary growth.

The monetary base

The monetary base (M0) contracted by a further Lm14.4 million, or 2.2%, during the third quarter,

Table 3.1
THE MONETARY BASE AND ITS SOURCES

Lm millions

	2005		Change	
	June	Sept.	Amount	%
Currency in issue	517.0	518.3	1.3	0.3
Bank deposits with the Central Bank of Malta[1]	146.0	130.3	-15.7	-10.7
MONETARY BASE (M0)	**663.0**	**648.6**	**-14.4**	**-2.2**
CENTRAL BANK OF MALTA ASSETS				
Foreign assets	859.1	946.9	87.8	10.2
Claims on central government	16.5	8.1	-8.4	-50.9
Fixed and other assets	21.7	15.8	-5.9	-27.3
less				
REMAINING LIABILITIES				
Government deposits	81.8	95.3	13.5	16.5
Other deposits	2.6	1.9	-0.7	-27.5
Foreign liabilities	40.0	35.2	-4.8	-12.1
Other liabilities	9.0	88.6	79.6	+
Shares and other equity	100.9	101.2	0.3	0.3

+indicates a value exceeding +/-100%

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

[1] The latest change in the central intervention rate was in April 2005, when it was increased by 0.25 percentage points.

after having declined during the previous quarter (see Table 3.1).[2] Changes in the composition of M0 included a fall in bank deposits at the Central Bank of Malta and a relatively small increase in currency in circulation.

Among the sources of the decline in M0 during the third quarter there was a significant rise in banks' term-deposit balances at the Bank, recorded in Table 3.1 as an increase in the Bank's other liabilities. Less significant contributors included a decline in the Bank's net claims on central government and in its fixed and other assets.

Meanwhile, more recent data indicate that on an annual basis the growth rate in the monetary base turned positive going into the fourth quarter of 2005.

Monetary aggregates

After having gained 1.9% in the second quarter, monetary growth slowed down in the third, when broad money (M3) expanded by Lm24.7 million, or 0.8% (see Table 3.2).[3] The source of growth was an increase in the net foreign assets of the banking system, dampened, however, by a reduction in domestic credit and a rise in other counterparts. On an annual basis, however, growth of M3 rose slightly, from 1.4% in June to 1.5% in September (see Chart 3.1).

Narrow money (M1) increased by Lm6.6 million, or 0.4%, during the September quarter, mainly because of a higher volume of deposits withdrawable on demand. These added Lm4.9 million, driven primarily by a strong rise in deposits belonging to private non-financial companies, though higher balances belonging to

Table 3.2
MONETARY AGGREGATES
(Changes on the previous quarter)

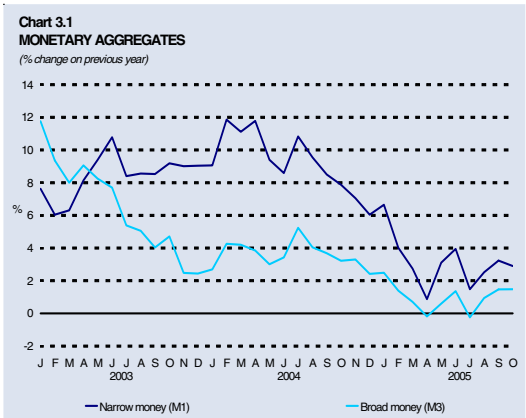
Lm millions

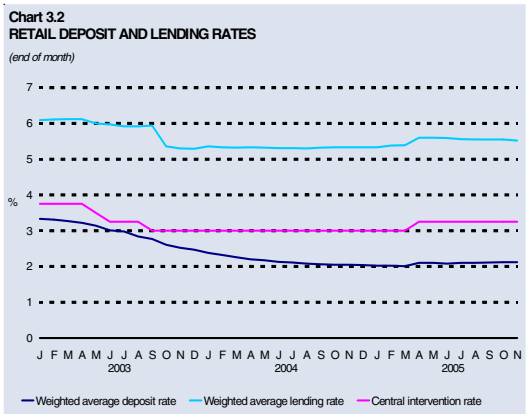
	2004				2005					
	Q3		Q4		Q1		Q2		Q3	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
NARROW MONEY (M1)	**17.3**	**1.1**	**-15.3**	**-1.0**	**4.7**	**0.3**	**55.5**	**3.5**	**6.6**	**0.4**
Currency in circulation	2.5	0.5	2.0	0.4	-1.4	-0.3	10.8	2.2	1.8	0.4
Deposits withdrawable on demand	14.8	1.4	-17.3	-1.6	6.1	0.6	44.7	4.1	4.9	0.4
INTERMEDIATE MONEY (M2)	**21.1**	**0.7**	**-42.1**	**-1.4**	**7.0**	**0.2**	**54.1**	**1.9**	**24.7**	**0.8**
Narrow money (M1)	17.3	1.1	-15.3	-1.0	4.7	0.3	55.5	3.5	6.6	0.4
Deposits redeemable at notice up to 3 months	0.3	0.9	0.4	1.2	0.1	0.3	0.2	0.7	0.0	0.1
Deposits with agreed maturity up to 2 years	3.6	0.3	-27.2	-2.0	2.2	0.2	-1.6	-0.1	18.0	1.4
BROAD MONEY (M3)[1]	**21.1**	**0.7**	**-42.1**	**-1.4**	**7.0**	**0.2**	**54.1**	**1.9**	**24.7**	**0.8**

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

[2] 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.

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





insurance companies and pension funds also contributed. At the same time, currency in circulation, the other component of M1, also rose slightly, by Lm1.8 million or 0.4%. Nevertheless, the annual growth rate of M1 declined slightly, from 3.9% in June to 3.2% in September.

Intermediate money (M2) rose by Lm24.7 million, or 0.8%, during the third quarter, as the growth in M1 was augmented by a substantial increase in deposits with an agreed maturity of up to two years (see Table 3.2).[4] The increase in these deposits mainly reflected additions to private non-financial companies' and households' deposits denominated in Maltese lira. Hence, the negative annual growth rate of deposits with an agreed maturity of up to two years moderated throughout the third quarter, from -1.7% in June to -0.7% in September, in line with the slight rise in deposit rates following the increase in official interest rates that took place in April.

Following the increase of the previous quarter the weighted average interest rate on Maltese lira deposits remained relatively stable, rising marginally from 2.08% at the end of June to 2.11% in September (see Chart 3.2).[5] While the rate paid on savings deposits was stable at 1.17% during the quarter, that on time deposits rose from 2.90% at the end of June to 2.94% in September. At the same time, the average interest rate on current account balances also rose marginally, to 0.45% in September. In contrast, the weighted average lending rate declined from 5.59% in June to 5.55% in September.

Meanwhile, according to the latest figures, the growth rates of M3 and M1 fluctuated going into the fourth quarter, as a decline in October was partly offset by a marginal increase in November. Similarly, on an annual basis, the growth rate of time deposits with an agreed maturity of up to two years persisted on its upward trend during October and November. At the same time, while the weighted average deposit rate remained stable going into the fourth quarter, the corresponding lending rate declined.

Counterparts of monetary expansion[6]

Monetary expansion during the third quarter was driven by a substantial rise in the net foreign

[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, but excludes deposits belonging to monetary financial institutions (MFIs).

[6] A re-classification exercise on monetary data, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the counterparts of broad money as from that date. This resulted in an increase in the monetary financial institutions' net foreign assets and a decrease in domestic credit.

Table 3.3

COUNTERPARTS OF MONETARY GROWTH

(Changes on the previous quarter)

Lm millions

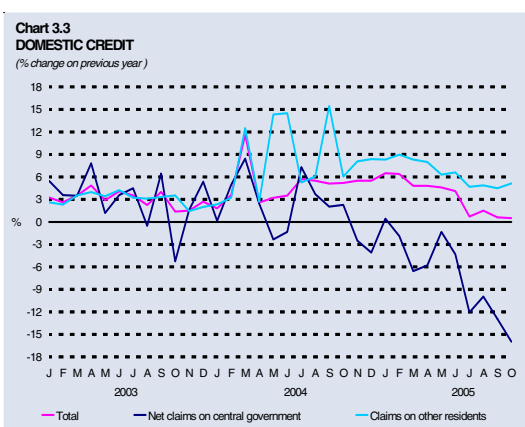
	2004				2005					
	Q3		Q4		Q1		Q2		Q3	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY (M3)	**21.1**	**0.7**	**-42.1**	**-1.4**	**7.0**	**0.2**	**54.1**	**1.8**	**24.7**	**0.8**
DOMESTIC CREDIT	**32.1**	**1.3**	**-0.2**	**0.0**	**65.3**	**2.5**	**7.8**	**0.3**	**-56.4**	**-2.1**
Net claims on central government	-12.3	-2.1	-27.9	-4.9	20.5	3.8	-5.6	-1.0	-61.2	-10.9
Claims on other residents	44.5	2.2	27.7	1.4	44.8	2.2	13.4	0.6	4.8	0.2
NET FOREIGN ASSETS	**14.6**	**0.9**	**-29.2**	**-1.8**	**-53.6**	**-3.3**	**46.9**	**3.0**	**125.7**	**7.8**
Central Bank of Malta	21.8	2.4	-58.4	-6.3	-44.1	-5.1	-7.1	-0.9	92.6	11.3
Banks	-7.2	-1.0	29.1	4.0	-9.6	-1.3	54.0	7.2	33.1	4.1
less										
OTHER COUNTERPARTS OF M3[1]	**25.6**	**2.0**	**12.7**	**1.0**	**4.7**	**0.4**	**0.6**	**0.0**	**44.6**	**3.4**

[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.

assets of the banking system (see Table 3.3). This was, however, offset by a contraction in domestic credit and an increase in the other counterparts of M3.

Domestic credit contracted by Lm56.4 million, or 2.1%, during the third quarter of 2005, as a sizeable drop in net claims on central government was only partly offset by higher claims on other residents (see Table 3.3). As a result, credit growth on an annual basis, which amounted to 4.1% at the end of the second quarter, contracted further, reaching 0.6% in September. This downward trend in the year-on-year growth rate was due to slower growth in both net claims on central government and claims on other residents.

Net claims on central government dipped by Lm61.2 million, or 10.9%, during the third quarter of 2005. This mainly reflected a drop in the banking sector's holdings of Treasury bills, although an increase in Government deposits with the Central Bank of Malta also contributed. The volatile annual growth rate of net claims on central government dropped to -13% in the



September quarter, from -4.3% three months earlier.

In contrast claims on other residents grew by almost Lm5 million, or 0.2%, during the September quarter due to an increase in credit to the non-bank private sector (see Table 3.4). This rise originated mainly from loans and advances, which were also boosted by the addition of accrued half yearly interest to borrowers' accounts in September.

Loans to the non-bank private sector expanded by Lm49.8 million, or 2.6%, driven mainly by further lending to the "real estate, renting and business activities" category. At the same time,

Table 3.4
CLAIMS ON OTHER RESIDENTS[1]

Lm millions

	2005		Change	
	June	Sept.	Amount	%
TOTAL CLAIMS	**2,116.2**	**2,121.0**	**4.8**	**0.2**
Claims on the non-bank private sector	1,934.2	1,974.8	40.6	2.1
of which loans and advances	1,884.4	1,934.2	49.8	2.6
Claims on the non-bank public sector	181.3	145.5	-35.8	-19.7
of which loans and advances	154.7	115.2	-39.5	-25.5
Claims on other general government[2]	0.7	0.7	0.0	0.0
of which loans and advances	0.7	0.7	0.0	0.0
TOTAL LOANS AND ADVANCES	**2,039.9**	**2,050.2**	**10.3**	**0.5**
Electricity, gas & water supply	95.0	54.4	-40.6	-42.8
Transport, storage & communication	121.5	122.2	0.7	0.6
Agriculture & fishing	9.2	8.4	-0.7	-8.0
Manufacturing	114.2	108.2	-6.0	-5.3
Construction	202.4	201.2	-1.2	-0.6
Hotels & restaurants	209.6	202.7	-6.9	-3.3
Wholesale & retail trade; repairs	294.6	296.8	2.2	0.7
Real estate, renting & business activities	150.5	179.9	29.4	19.5
Households & individuals	777.0	802.7	25.6	3.3
Other[3]	65.8	73.7	7.9	12.0

[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.

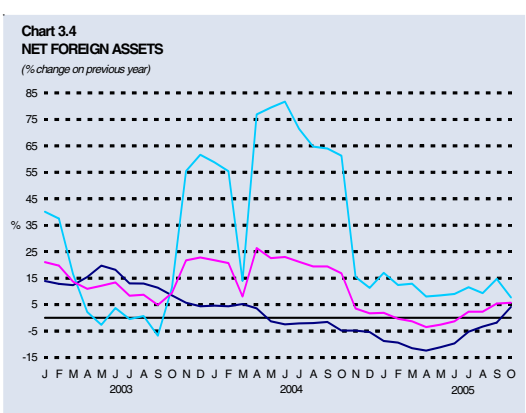
[2] In Malta, this refers to the local councils.

[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.

however, lending to households and individuals continued to expand at a fast pace, driven by lending for house purchases. Loans to the hotels and restaurants sector and to manufacturing industry, in contrast, declined. The increase in loans to the non-bank private sector was, however, almost entirely offset by a drop in loans to the public sector following the repayment of outstanding balances by a major non-financial corporation.[7]

Nonetheless, the annual growth rate of claims on other residents declined during the quarter, ending September at 4.5%, down from 6.6% at end-June, partly reflecting a slowdown in the growth rate of loans and advances (see Chart 3.3).

The net foreign assets of the banking system expanded for the second quarter in a row, by Lm125.7 million, or 7.8%, partly due to the seasonal increase in foreign exchange receipts from tourism (see Table 3.3). This rise was, moreover, augmented by the inflow of share capital following the commencement of operation of two new international banking institutions. A significant rise in the net foreign assets of the Central Bank of Malta was coupled with an increase in net foreign assets held by the rest of the banking system. As a result, the annual growth rate of net foreign assets moved upwards, to 5.4% in September from -1.3% in June (see Chart 3.4).



The net foreign assets of the Central Bank of Malta increased by Lm92.6 million, or 11.3%, during the third quarter of 2005, reversing the downward trend observed over the previous three quarters. They were boosted mainly by substantial purchases of foreign currency from the rest of the banking system reflecting the previously-mentioned seasonal inflow of foreign currency from tourism. In addition, there was an additional inflow of foreign currency as a result of a loan taken by a major non-financial corporation from foreign banks.

The annual rate of decline in the Bank's net foreign assets moderated throughout the third quarter. Thus, although on an annual basis the net foreign assets of the Bank continued to decline, the 1.8% drop in the year to September was smaller than that observed in June (see Chart 3.4).

The net foreign assets of the rest of the banking system grew by Lm33.1 million, or 4.1%, during the quarter, as a sizeable increase in the net foreign asset holdings of the international banks was only partly offset by a drop in the deposit money banks' holdings. As a result, their annual growth rate was observed to move upwards, ending the quarter at 14.7%, up from 9.0% in June.

The net foreign assets of the international banking institutions increased by around Lm41 million, or 19.7%, mostly due to the above-mentioned inflow of share capital of two new international banks which commenced operations in Malta during the year. This increase was, however, partly offset by a decline in the net foreign assets of the deposit money banks, which shed Lm7.9 million, or 1.3%, during the quarter under review.

[7] This repayment was funded with foreign borrowing, as explained below.

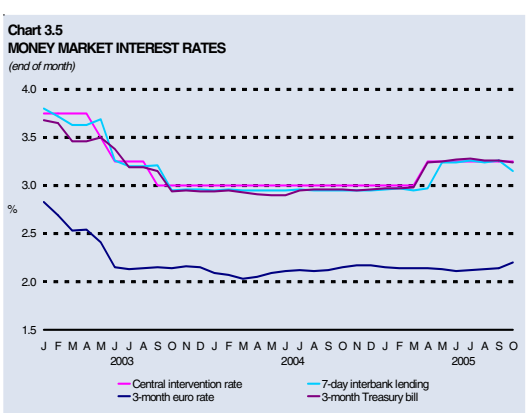
The other counterparts of M3 increased by Lm44.6 million, or 3.4%, during the September quarter (see Table 3.3). As mentioned earlier, this item neutralized the effect of the inflow of share capital on monetary growth.

Meanwhile, the latest figures show that on an annual basis domestic credit declined during the fourth quarter. During October and November, the annual growth rate of net claims on central government persisted on its downward trend while that of claims on other residents was seen to rise. At the same time, the annual growth rate of the net foreign assets of the banking system continued to move upwards.

The money market

With the Bank keeping the central intervention rate constant, domestic money market interest rates remained broadly unchanged during the period under review. The premium on Maltese lira assets narrowed slightly as money market rates abroad rose gradually over the quarter (see Chart 3.5).

The Bank continued to absorb liquidity from the rest of the banking system through weekly auctions of 14-day term deposits during the third quarter.[8] Indeed, the volume of funds absorbed by the Bank in its weekly auctions more than tripled, rising from Lm105.8 million during the second quarter to Lm320.1 million, and raising the outstanding level of term deposits to Lm80.5 million at end-September. The interest rate paid on these deposits remained at the 3.2% floor.



Turnover in the interbank market persisted on its upward trend, rising from Lm110.2 million in the June quarter to Lm120.5 million in the third quarter, reflecting the asymmetric distribution of liquidity among banks. Around two-thirds of interbank loans had a term to maturity of two weeks or less, while most of the remaining deals were struck with a longer term of close to a month. The interest rate on one-week interbank loans was virtually unchanged during the quarter, ending September at 3.26%.

The Treasury's reliance on short-term debt financing in the third quarter of 2005 was slightly lower, as it issued Lm104.3 million worth of bills, compared with Lm109.4 million in the previous quarter. At the same time, Lm145.1 million worth of bills matured, so that the outstanding amount of Treasury bills declined from Lm215.3 million at the end of June to Lm174.5 million at the end of September. The three-month bill accounted for more than half of the total amount issued, although greater recourse was made to bills with a one-year maturity. As in previous quarters, banks were the main participants in the primary market for Treasury bills, purchasing three-fourths of the total amount issued. Collective investment schemes and insurance companies took up most of the remainder. The yield on the three-month bill remained broadly unchanged during the quarter, ending September at 3.26%.

In the secondary market, turnover of Treasury bills declined from Lm37.2 million to Lm27.8 million during the September quarter. The value of transactions involving the Bank amounted to

[8] As from 15 September 2005 term deposits are being issued with a 7-day maturity.

Lm27.7 million. The Bank purchased a total of Lm15.9 million from financial institutions, mostly collective investment schemes, while it also sold Lm11.9 million worth of bills, mainly to the rest of the banking system. As in the primary market, rates in the secondary market were broadly stable, with the yield on the three-month bill standing at 3.29% in September.

During the third quarter, the three-month premium on the Maltese lira over the euro narrowed marginally, from 116 to 112 basis points, as a rise in the three-month euro rate was coupled with relatively stable domestic rates (see Chart 3.5).

Meanwhile, more recent data show a slight decline in three-month Treasury bill yields as primary and secondary market rates edged down to 3.24% and 3.26%, respectively, by the end of October. In addition, the three-month euro rate persisted on its upward trend, narrowing the Lm/euro interest premium further, to 104 basis points in October.

The capital market

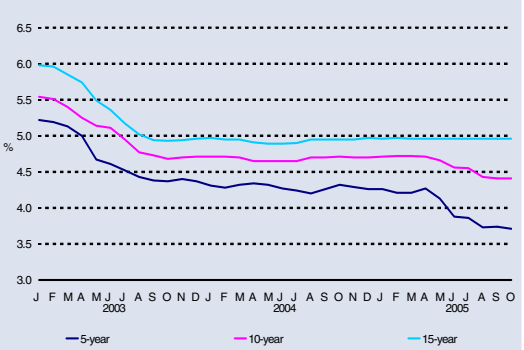
Activity in the primary bond market during the third quarter of 2005 remained buoyant as the Government offered two stocks with a combined nominal value of Lm65 million. One of the issues consisted of Lm25 million worth of debt securities maturing in 2021 and carrying a coupon rate of 5%. Households purchased slightly more than half of these bonds at par, while collective investment schemes took up most of the rest at auction, resulting in an effective yield to maturity of 4.59%. The second issue, of Lm40 million, with a coupon rate of 5.7% and maturing in 2012, was sold by auction. This bond was purchased mainly by banks and, to a lesser extent, by collective investment schemes at a weighted average price of Lm111.40, resulting in a primary market yield of 3.86%. These issues were partly intended to refinance maturing debt, after Lm31.5 million worth of government bonds issued at a coupon rate of 5.6% were redeemed. Once again, there were no bond issues by the corporate sector during the quarter, with the last issue dating back to the last quarter of 2003.

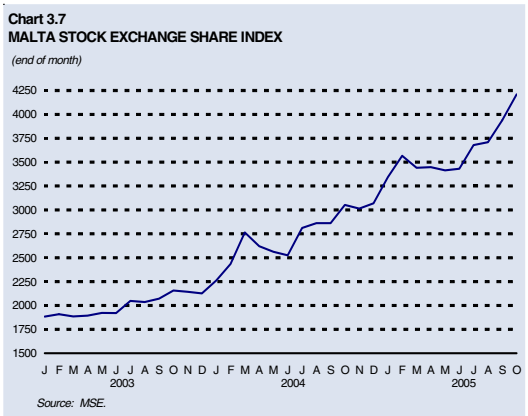
Turnover in the secondary market for government stocks fell to Lm11.4 million in the three months to September, from Lm23.8 million in the previous quarter, with minimal participation by the Bank. As in the previous quarter, participants traded mainly in medium and long-term bonds. Yields on 5-year and 10-year Government bonds continued to decline steadily, falling by 14 and 15 basis points respectively between June and September. Meanwhile, the yield on the 15-year bond remained constant at 4.96% throughout the quarter (see Chart 3.6).

The value of transactions in the secondary market for corporate bonds declined further in the third quarter of 2005, falling to Lm1.1 million from Lm1.5 million in the second quarter. As in the previous three-month period, trading was concentrated in a small number of securities, which contributed to around three-fifths of the total turnover. Yields on corporate bonds moved upwards throughout the quarter.

In contrast, activity in the equity market gathered momentum, as total turnover for the quarter under review rose to Lm10.7 million, from Lm6.7

Chart 3.6
GOVERNMENT BOND YIELDS
(end of month)





million in the previous quarter, with the shares of two major banks accounting for more than half of the total. Thus, the MSE share index recovered from the level recorded at the end of June, gaining almost 15% over the second quarter and reaching 3937.7 in September (see Chart 3.7).

Meanwhile, more recent figures show that while the yield on the 5-year government bond moved further down in October, reaching 3.71%, 10- and 15-year bond yields remained unchanged going into the fourth quarter. Furthermore, equity prices rose again in October.

4. OUTPUT, EMPLOYMENT AND PRICES

Higher consumption and investment along with a reduced negative contribution from external trade produced a moderate acceleration of economic growth in the third quarter of 2005. Meanwhile, headline inflation, as measured by both the HICP and the RPI, edged downwards over the quarter, while the annual rate of inflation was unchanged. Labour market indicators provided mixed signals.

In the manufacturing sector, a further decline in semiconductor exports was partly offset by increases in other export categories, while domestic sales were largely stable. In the tourism sector, an increase in the number of tourists was offset by a reduction in the length of stay.

Gross Domestic Product

In the third quarter growth in real GDP reached 2.9% year-on-year, after having risen by a marginal 0.2% in the first quarter and 1.9% in the second. Over the first three quarters of 2005 the economy grew by 1.7%, compared to the flat turnout in 2004 as a whole. This acceleration resulted from faster growth in domestic demand, which more than offset the drag exerted by a reduction in net exports.

In contrast with the drop reported in the first half of the year, exports of goods and services grew by 1.1% on a year earlier in the September quarter (see Table 4.1). Nominal data on the balance of payments indicate that this improvement was driven by the services sector. The 1.1% pickup in exports almost matched the 1.2% upswing in imports, which in turn reflected higher domestic demand. As a result, during the quarter under review the dampening effect on GDP exerted by

Table 4.1
GROSS DOMESTIC PRODUCT (CONSTANT PRICES)

	Year-on-year growth (per cent)					*Contribution to growth (percentage points)*				
	2004	2005				2004	2005			
	Q1 - Q4	Q1	Q2	Q3	Q1 - Q3	Q1 - Q4	Q1	Q2	Q3	Q1 - Q3
Household & NPISH final consumption expenditure	-0.5	-2.5	1.8	3.0	0.9	-0.3	-1.6	1.1	2.0	0.6
Government final consumption expenditure	0.7	-6.7	-0.7	-0.1	-2.5	0.2	-1.5	-0.1	0.0	-0.5
Gross fixed capital formation	4.6	6.1	10.9	2.5	6.5	0.9	1.2	2.3	0.5	1.3
Changes in inventories & net acquisitions of valuables	-	-	-	-	-	1.4	10.1	0.8	0.5	3.7
Domestic demand	**2.0**	**7.8**	**3.8**	**2.9**	**4.8**	**2.2**	**8.1**	**4.1**	**3.0**	**5.0**
Exports of goods & services	-0.1	-11.5	-4.5	1.1	-4.7	-0.1	-10.7	-4.3	1.0	-4.5
Imports of goods & services	2.0	-2.9	-2.0	1.2	-1.2	-2.0	2.7	2.1	-1.2	1.2
Net exports	**-**	**-**	**-**	**-**	**-**	**-2.1**	**-7.9**	**-2.2**	**-0.1**	**-3.3**
GROSS DOMESTIC PRODUCT	**0.1**	**0.2**	**1.9**	**2.9**	**1.7**	**0.1**	**0.2**	**1.9**	**2.9**	**1.7**
GDP deflator	1.6	0.4	3.4	1.9	1.9	-	-	-	-	-

Source: NSO.

the external sector was minimal compared to the first two quarters of 2005 and throughout 2004.

Nevertheless, the contribution of net exports to GDP growth in the first nine months of the year remained negative, as exports declined by 4.7% while imports fell by 1.2%.

Higher private consumption expenditure boosted GDP growth in the third quarter. Consumption went up by 3%, on a year-on-year basis, after having fallen in the first quarter and then risen by 1.8% in the second. In turn, investment was up by 2.5% over the same period of 2004, driven entirely by higher construction activity in the private sector. Likewise, changes in inventories contributed positively to growth as the rundown in stocks was smaller than a year earlier. In contrast, government consumption declined by 0.1%, as a result of the fiscal consolidation programme under way. While this drop was smaller than that observed in the first half of the year, the overall contraction in government consumption during the first nine months of the year amounted to 2.5%.

The GDP deflator displayed a considerable degree of volatility. The deflator rose at a year-on-year rate of 1.9% in the third quarter, decelerating from 3.4% in the second, with the individual components exhibiting divergent patterns. The country's terms of trade - the ratio of export prices to import prices - improved again during the quarter under review. In fact, export prices advanced by 3%, while the import deflator increased by only 2.1%. In the latter case, the overall impact of higher oil prices was dampened by lower prices of other imports, in parallel with the slowdown in the consumption deflator referred to already. In the nine months to September, the GDP deflator those by 1.9%, slightly faster than in 2004 as a whole.

Factor incomes

In the third quarter employee compensation and the operating surplus, the two key components of nominal GDP measured from the income side, expanded by 3% and 2.6% respectively on a year earlier. Taken together these contributed just under three-fifths of the overall growth of 4.9% in nominal GDP, with the rest being attributable to higher tax payments.

The increase in employment income mainly stemmed from the transport, storage and communication sector, where the wage bill was up by almost 9%, contributing close to a quarter of the overall growth in wages (see Table 4.2). At the same time, the 3.2% rise in wages paid to employees in the manufacturing sector accounted for a fifth of the overall increase. The sector's operating surplus also improved, by 1.6%, representing around a tenth of the rise in the economywide operating surplus. However, the financial sector experienced the fastest growth in operating surplus.[1] A significantly greater surplus was also generated in the "other services" category. An increased overall contribution to nominal GDP growth originated in the wholesale and retail, the construction, and the real estate and renting sectors, largely driven by higher operating surplus. These factors compensated for the increased losses in the energy sector as a result of the surge in oil prices.

Gross national income

Meanwhile, the third-quarter gross national income (GNI), which unlike the GDP excludes income payments to other countries but also includes the receipt of income from abroad, was estimated at around Lm488 million. This was lower than the nominal GDP figure of Lm501 million, as outward payments exceeded the value of receipts, mainly reflecting flows of interest,

[1] Not all the increase in the operating surplus of the financial intermediation sector contributes to the rise in the economywide operating surplus. This is because profits generated through financial intermediation represent a cost to the other sectors of the economy, which is shown in the negative contribution of the FISIM category.

Table 4.2
FACTOR INCOMES

percentage points

	Q3		
	Contribution to growth on a year earlier		
	Compensation of employees	Operating surplus	Total
TOTAL ECONOMY	**3.0**	**2.6**	**2.9**
Agriculture, hunting and forestry	0.3	0.2	0.2
Fishing	0.0	0.0	0.0
Mining and quarrying	0.0	0.0	0.0
Manufacturing	0.6	0.3	0.5
Electricity, gas and water supply	-0.1	-3.8	-1.5
Construction	0.2	0.5	0.3
Wholesale and retail trade	0.2	0.8	0.4
Hotels and restaurants	0.2	0.1	0.2
Transport, storage and communication	0.8	0.0	0.5
Financial intermediation	0.2	3.9	1.6
Real estate, renting and business activities	0.2	0.4	0.3
Public administration	-0.3	0.0	-0.2
Education	0.3	0.1	0.3
Health and social work	0.3	0.0	0.2
Other services	0.0	3.6	1.3
Fisim	0.0	-3.4	-1.3

Source: NSO.

dividends and reinvested earnings. However, this mismatch was less than in the same quarter of 2004. Consequently, the GNI grew by 10.8%, more than twice as fast as the nominal GDP, as property income from abroad increased.

Manufacturing

The continuing process of adjustment and consolidation in manufacturing industry was reflected in the findings of the NSO's survey of the sector for the third quarter of 2005. The sector as a whole registered a Lm20.5 million, or 10.1%, decline in third quarter exports on a year earlier. This mainly reflected a further drop in the exports of the semiconductor sub-sector, which were 21.7% below year-ago levels.[2] Exports by all remaining sub-sectors combined increased by 9.1%.

[2] Firms in the semiconductor sub-sector are included in the radio, TV and communication equipment category in Table 4.3.

The chemicals sub-sector, which includes a growing pharmaceutical segment, reported strong export gains, as did the food & beverages sub-sector. In contrast, sales abroad by the printing & publishing and plastic products sub-sector declined after having increased in the previous quarter.

Meanwhile, the decline in domestic sales appeared to be leveling off. Such sales were 1.3% below

Table 4.3
CHANGES IN SELECTED MANUFACTURING INDICATORS[1]

	2004		2005		
	Q3	Q4	Q1	Q2	Q3
Turnover (Lm millions)	**-5.5**	**-13.8**	**-36.0**	**-8.9**	**-21.0**
Exports (Lm millions)	**-3.4**	**-9.8**	**-34.4**	**-8.9**	**-20.5**
Radio, TV & communication equipment	2.7	-13.0	-31.6	-20.8	-27.4
Clothing	-4.0	-4.2	-3.5	-2.7	0.0
Printing & publishing	-1.5	0.2	0.3	2.0	-2.8
Food & beverages	-2.6	-0.4	0.7	0.2	2.6
Electrical machinery	2.6	5.4	2.5	4.3	-0.3
Chemicals	-3.8	-3.8	-0.8	2.3	6.0
Plastic & rubber products	0.9	0.7	-0.4	0.6	-0.9
Furniture	0.0	-0.2	-0.2	0.0	-0.3
Games & toys	1.4	0.2	-2.3	1.6	0.4
Other	0.9	5.3	0.9	3.6	2.2
Local sales (Lm million)	**-2.1**	**-4.0**	**-1.6**	**0.0**	**-0.5**
Food & beverages	-3.1	-2.2	-3.2	-1.0	-0.8
Tobacco	1.5	1.6	0.8	-1.0	-1.1
Furniture	-0.8	-1.6	0.1	0.5	0.8
Clothing	1.0	0.7	-0.4	-0.5	-0.6
Non-metallic materials	0.2	0.1	1.3	1.3	0.9
Other	-0.9	-2.6	-0.2	0.7	0.3
Investment (Lm million)	**-1.7**	**-0.1**	**-6.3**	**-0.3**	**-1.3**
Chemicals	-0.1	-1.0	-3.1	0.2	0.0
Printing & publishing	0.3	-0.1	-3.3	0.8	-0.4
Radio, TV & communication equipment	-0.6	0.4	-1.1	0.4	0.1
Food & beverages	-0.2	-1.9	0.8	-1.0	-0.4
Textiles	0.3	1.7	0.5	-0.3	0.0
Fabricated metal products	-0.1	0.2	0.1	0.4	0.1
Medical & precision equipment	-0.1	-0.4	-0.1	-0.6	0.0
Other	-1.2	1.0	-0.1	-0.2	-0.7
Employment	**-676**	**-427**	**-80**	**-321**	**-332**
Wage bill (Lm millions)	**-0.6**	**0.1**	**-0.7**	**0.1**	**-0.1**
Wages per employee (%)	**1.5**	**2.5**	**-2.0**	**2.0**	**1.4**

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

the year-ago level in the first three quarters of 2005, compared with a 5.4% decline in the same period of 2004. In addition, the latest manufacturing survey reports a drop of only Lm0.5 million, or 0.8%, in the third quarter of 2005 compared with the same quarter of 2004. Although the food and beverages sub-sector, which accounts for 45% of local sales by manufacturing firms, continued to report year-on-year reductions in domestic sales, albeit by diminishing margins, gains were reported in various other sub-sectors. Thus, local sales by the furniture sub-sector were higher than year-ago in each of the first three quarters.

During the quarter under review, manufacturing employment was 332 below the year-ago level. Jobs declined by 122 in semiconductor firms, while in the leather & footwear and electrical machinery sub-sectors they fell by 99 and 98, respectively. In contrast, employment in games & toys and in other non-metallic mineral products was up by 66 and 64 respectively, while in the chemicals sub-sector it was marginally higher than the year-ago level. The gross wage bill edged down by Lm0.1 million, or 0.3%, on an annual basis, resulting in a deceleration of the year-on-year growth rate in wage per employee to 1.4%.

Investment decreased by Lm1.3 million, or 13%, from the year-ago level. Firms in the food & beverages, electrical machinery and printing & publishing sub-sectors were mainly responsible for this decline.

Tourism

During the third quarter of 2005, the number of tourists departing by air increased at an annual rate of 3.3%.[3] However, over the same period bed nights stayed declined by 0.9% and tourist expenditure fell by 4.1%.

The recovery in tourist numbers was mostly due to a significant rise in the number of British visitors, which in turn partly reflected increased

Table 4.4
TOURISM ACTIVITY

	2004		2005		
	Q3	Q4	Q1	Q2	Q3
Year-on-year % change in departures	**4.3**	**9.1**	**1.5**	**1.6**	**3.3**
UK	-7.8	-3.1	0.6	2.5	15.9
Germany	22.8	19.5	-2.4	16.8	-4.8
France	24.0	-2.0	-11.2	-2.8	-8.0
Italy	-6.2	16.3	-6.0	-10.2	2.5
Other	13.1	24.8	9.9	-1.0	-4.3
Year-on-year % change in expenditure	**3.6**	**6.8**	**0.4**	**0.6**	**-4.1**
Package	4.3	15.8	6.6	-5.3	-10.3
Non-package: airfares	7.5	-4.4	-9.1	19.0	17.5
Non-package: accommodation	-16.3	-16.3	-14.8	40.5	18.9
Other	3.8	4.5	-0.8	-2.5	-3.9

Source: NSO.

[3] Although the 3.3% growth rate in the third quarter of 2005 was slower than that recorded in the same period of the previous year, one should note that the relatively weak performance in 2003 in part explains the high growth rate observed in the third quarter of 2004.

airline seat capacity. The number of Italian tourists was also up, by 2.5%, from the corresponding period in 2004. However, other key markets reported a decline, with the German market, Malta's second largest source market, shedding almost 5% on an annual basis. Moreover, the number of French tourists decreased for the fourth consecutive quarter (see Table 4.4).

Despite the larger number of visitors, the length of stay per tourist declined to 10 nights. Whereas 5-star and 2-star hotels sold more bed nights, most other accommodation categories registered a decrease.

At the same time, total tourist expenditure contracted as higher spending by non-package tourists on airfares and accommodation failed to compensate for reduced spending on package holidays. This shift from tour operator-based travel towards direct bookings is corroborated by the December survey of the Malta Hotel and Restaurants Association (MHRA). Furthermore, the 'other' expenditure component, which captures spending on items such as food and excursions, also fell (see Table 4.4).

Notwithstanding the decline in bed nights, the MHRA survey reported higher occupancy rates across all categories of accommodation, with 4-star hotels registering the slowest growth (see Table 4.5). In addition, achieved average room rates increased in all hotel categories. As a result, the gross operating profit per room available rose by 11.3% and 12.1% year-on-year in 5-star hotels and 3-star hotels, respectively, whereas 4-star hotels reported lower profits.

With regard to cruise passengers, the number contracted by 6.2% over the same period last year, as an increase in the number of visitors from Italy and Germany was outweighed by a fall in those from Britain, Spain and the US.

In October, the NSO survey reported that tourist departures by air rose by 0.6% on an annual basis, while the number of nights stayed increased by

Table 4.5
HOTEL OCCUPANCY AND AVERAGE ACHIEVED ROOM RATE

	2004 Q3	2005 Q3	Annual growth
Hotel occupancy	%		percentage points
5-star	82.2	88.2	6.0
4-star	90.4	91.5	1.1
3-star	84.3	90.2	5.9
Average[1]	87.0	90.4	3.4
Average achieved room rate	Lm		%
5-star	40.32	41.29	2.4
4-star	19.44	20.18	3.8
3-star	13.07	13.57	3.8
Average[2]	20.55	21.38	4.1

[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.

9.2% compared with the same month in 2004. Tourist expenditure expanded by 5.3% to Lm48.1 million, mainly reflecting spending by tourists on non-package holidays.

Labour market

Labour Force Survey (LFS) data for July and August 2005 show a contraction of 0.9% in the labour supply over the third quarter of 2004 (see Table 4.6).[4] The activity rate, which measures the labour force as a proportion of the working-age population, fell for the second quarter in a row, to 57.7%. Both male and female activity rates declined, to 78.3% and 36.7%, respectively. Meanwhile, the employed population decreased by 1.1%, reducing the employment rate to 53.3%.[5] As a result, the unemployment rate stood at 7.5%, 0.2 percentage points higher than a year earlier.

Eurostat's harmonised unemployment statistics, which are seasonally adjusted, show the jobless rate for Malta at 7.9% in July, and at 7.8% in the subsequent two months. Malta's rate was below those for the euro area and the EU-25, which averaged 8.4% and 8.6% in the third quarter.

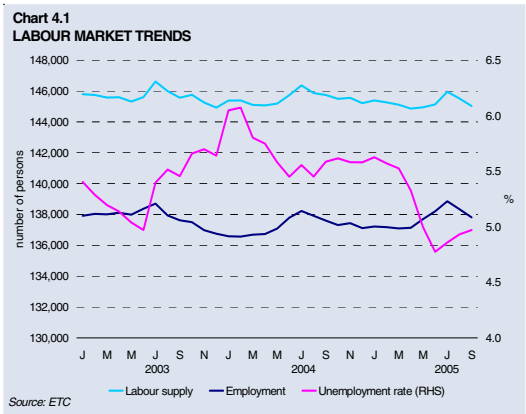
The ETC's administrative records show that the average monthly labour supply was marginally smaller during the third quarter than in the same quarter of the previous year (see Table 4.7). On the other hand, the gainfully occupied population rose slightly, despite the shrinkage of public sector employment. As a result, the unemployment rate dropped to 4.9% from 5.5% in the same period last year, though it was almost unchanged from the previous quarter (see Chart 4.1). While the increase in the gainfully occupied was a factor behind the reduction in

Table 4.6
LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY

	2004		2005		
	Q3	Q4	Q1	Q2	Q3[1]
	number of persons				
Labour force	160,463	159,138	160,574	160,959	158,998
Unemployed	11,781	11,036	10,838	12,626	11,963
Employed	148,682	148,102	149,736	148,333	147,035
Total activity rate (%)	58.3	58.1	58.6	58.2	57.7
Male	79.9	78.9	79.5	79.3	78.3
Female	36.7	37.0	37.5	37.1	36.7
Total employment rate (%)	54.0	54.0	54.6	53.6	53.3
Total unemployment rate (%)	7.3	6.9	6.7	7.8	7.5

[1] Based on data released for July and August.
Source: NSO.

[4] LFS statistics for the third quarter of 2005 capture information only for July and August, since data for September were not available at this publication's cut-off date.
[5] The employment rate is the number of persons in employment as a percentage of the working-age population.



unemployment, a number of the unemployed also moved into part-time employment or into training schemes, while others were removed from the register for working illegally or for refusing employment or training.

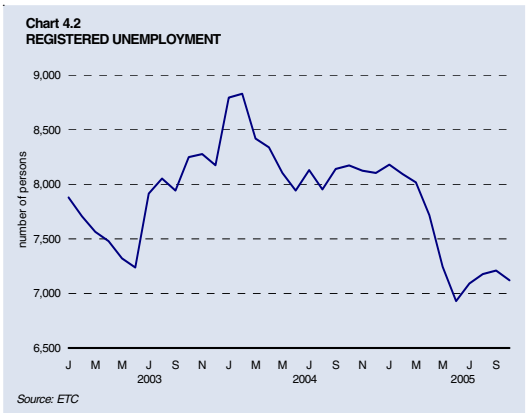
Private and public sector employment followed the same trends observed in recent quarters. Public sector employment continued to decrease, falling by 2.8% on a year earlier, in line with the restructuring of public enterprises, privatisation, voluntary retirement schemes and restrictions on non-essential recruitment in government departments. On the other hand, there was an increase of 1.9% in private sector employment,[6] which in turn reflected a continuing shift from direct production, especially manufacturing, to market services other than hotels and restaurants. Increases were recorded in the number of full-time jobs in the transport, storage & communication sector and in the real estate, renting & other related business activities sector.

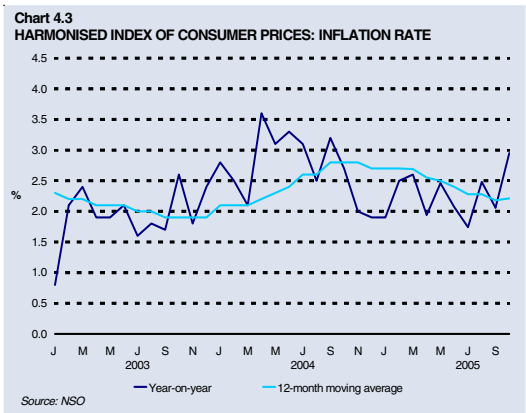
Table 4.7
LABOUR MARKET INDICATORS BASED ON ETC DATA [1]

	2004		2005		
	Q3	Q4	Q1	Q2	Q3[2]
	number of persons				
Labour supply	**145,988**	**145,422**	**145,258**	**144,976**	**145,496**
Registered unemployed	**8,075**	**8,133**	**8,097**	**7,297**	**7,159**
Unemployment rate (%)	**5.5**	**5.6**	**5.6**	**5.0**	**4.9**
Gainfully occupied	**137,914**	**137,288**	**137,161**	**137,679**	**138,336**
Private sector	**91,193**	**91,194**	**91,228**	**92,040**	**92,915**
Direct production	33,297	33,080	33,007	33,021	32,999
Market services	57,257	57,499	57,599	58,402	59,314
Temporary employed	639	616	623	618	602
Public sector	**46,721**	**46,094**	**45,933**	**45,639**	**45,421**
Part-time jobs	**37,609**	**36,955**	**37,827**	**39,386**	**41,288**
Part-time as a primary job	21,298	20,669	20,883	21,961	23,356
Part-time as a secondary job[3]	16,312	16,286	16,944	17,425	17,932

[1] The figures are calculated as quarterly averages; totals may not add up due to rounding.
[2] Provisional
[3] Captures employees holding both a part-time job and a full-time job.
Source: NSO.

[6] The increase included the shift to private sector employment that resulted from the privatisation of the Malta Freeport Terminal in October 2004.





Part-time employment expanded robustly during the third quarter, reflecting continuing structural change in the labour force.[7] The two categories of part-time employees - those who have only part-time employment and those whose part-time activity is their secondary occupation - each increased by about 10% over the corresponding period of 2004. Gains were recorded in the wholesale & retail trades, the transport, storage & communication sector and in the real estate, renting & other related business activities sector. A rise in part-time hotel and restaurant employment partly offset the decline in full-time jobs in that sector.

The number of persons on the unemployment register increased from 6,930 in June to 7,210 in September (see Chart 4.2), in line with the normal seasonal pattern. The number of unemployed subsequently fell to 7,121 in October.

Harmonised index of consumer prices (HICP)

The annual or year-on-year rate of change in the HICP was relatively stable over the third quarter, and at 2.1% in September it was unchanged from the rate in June.

Higher energy and fuel prices, which directly accounted for around a third of the overall HICP inflation rate, manifested themselves in two sub-indices: the housing & energy category and the transport category. Although the first was almost unchanged between June and September, there was a year-on-year increase of 7.5% in September in this sub-index, reflecting the energy price surcharge introduced at the beginning of 2005. The transport category was up 1.7% year on year, resulting in part from fuel price increases in July.

A contribution of 0.5 percentage points to overall inflation originated in the food & non-alcoholic beverages sub-index, which was 2.9% higher in September than a year earlier. Meanwhile, restaurant and hotel prices were 1.9% lower than a year earlier, generating a negative contribution of 0.4 points to the overall inflation rate.

The twelve-month moving average of HICP inflation, which captures the latest twelve monthly year-on-year rates, edged down from 2.4% in June to 2.2% in September.

The stability in the annual rate during the third quarter was not sustained in October, when the

[7] Persons whose only employment consists of part-time activity are not counted with the gainfully occupied or in the labour force.

Table 4.8
INFLATION RATES OF COMMODITY SECTIONS IN THE HICP

		Year-on-year percentage changes			Sources of growth in percentage points[1]
		2004		2005	
	Weights	Sept.	June	Sept.	Sept.
Malta					
Food & non-alcoholic beverages	173.6	-1.8	3.7	2.9	0.5
Alcoholic beverages & tobacco	46.4	14.0	1.7	1.8	0.1
Clothing & footwear	69.0	-5.7	-0.8	4.1	0.2
Housing, water, electricity, gas & other fuels	72.6	3.4	8.0	7.5	0.5
Furniture, household equipment & routine	93.0	3.3	2.7	2.5	0.2
Health	27.4	6.3	6.1	4.9	0.1
Transport	142.4	4.6	2.9	1.7	0.3
Communications	23.4	17.3	3.6	4.0	0.1
Recreation & culture	100.8	1.5	1.7	2.7	0.3
Education	9.9	3.5	2.0	2.0	0.0
Restaurants & hotels	188.7	4.8	-1.8	-1.9	-0.4
Miscellaneous goods & services	52.8	4.9	2.8	3.3	0.2
Harmonised Index of Consumer Prices	**1000**	**3.2**	**2.1**	**2.1**	2.1
EU25	**-**	**2.0**	**2.0**	**2.5**	-

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

Sources: NSO, Eurostat.

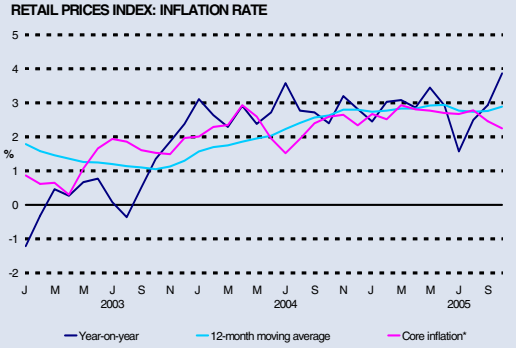
rate increased to 3.0%. Higher food prices pushed the annual inflation rate of the food & non-alcoholic beverages component from 2.9% in September to 4.4% in October, while an increase in the administered fuel prices lifted the transport index from 1.7% to 5.7%.

Retail prices index (RPI)

In parallel with the stability in the HICP, the 2.9% annual change in the RPI in September was the same as in June. As in the case of the HICP, the largest sources of annual inflation were the energy-related and food sub-indices. Meanwhile, the decline in the twelve-month moving average rate of change in the RPI, from 2.9% in June to 2.8% in September, interrupted the upward path observed since the fourth quarter of 2003.

The higher cost of imported oil affected two components of the RPI. One was the water,

Chart 4.4
RETAIL PRICES INDEX: INFLATION RATE



* CBM estimates

Sources: NSO, Central Bank of Malta

Table 4.9

INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

		Year-on-year percentage changes			Sources of growth in percentage points[1]
		2004		2005	
	Weights	Sept.	June	Sept.	Sept.
Food	23.8	-1.1	3.5	2.5	0.6
Beverages & tobacco	6.1	9.4	2.3	2.8	0.2
Clothing & footwear	8.2	-5.7	-0.8	4.1	0.3
Housing	7.6	4.7	4.8	4.4	0.3
Water, electricity, gas & fuels	2.3	0.8	18.4	18.0	0.4
Household equipment & house maintenance cost	7.7	2.8	2.7	2.2	0.2
Transport & communications	23.1	5.6	2.4	2.2	0.5
Personal care & health	6.2	4.5	3.8	3.5	0.2
Recreation & culture	8.8	2.1	1.1	0.9	0.1
Other goods & services	6.2	6.5	2.3	2.6	0.2
Retail Prices Index	**100.0**	**2.7**	**2.9**	**2.9**	**2.9**

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

Source: NSO.

electricity, gas & fuels index, the other the transport & communications index. The first reported a year-on-year increase of 18% in September (down from 18.4% in June), mainly as a result of the energy surcharge introduced at the beginning of 2005. This sub-index accounted for 0.4 points in the overall inflation rate. Meanwhile, although the transport & communications index reported an annual rise of only 2.2%, its larger weight generated a contribution of 0.5 percentage points.

Another large contributor was the food index, which accounted for 0.6 percentage points, even though the year-on-year rate eased from 3.5% in June to 2.5% in September as a result of slower increases in fruit and vegetable prices.

The Central Bank of Malta's estimate of core inflation fell to 2.5% in September from 2.7% three months earlier as a result of slower inflation in all included sub-indices except the "other goods and services" category.[8]

[8] The Bank's measure of core inflation is based on those sub-indices of the RPI that show persistence in inflation: i.e. housing; household equipment & house maintenance; personal care & health; recreation & culture and other goods & services.

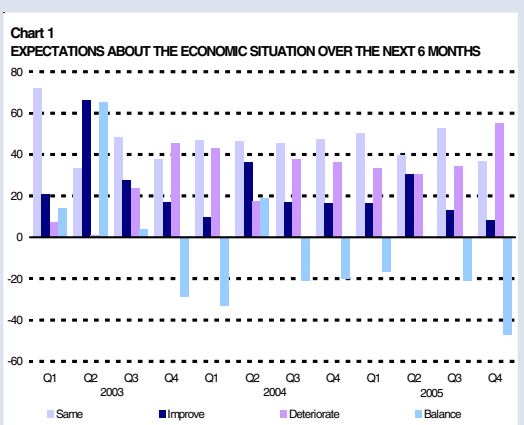
Box 1: BUSINESS PERCEPTIONS SURVEY - FOURTH QUARTER 2005

The Central Bank of Malta's latest Business Perceptions Survey, which was carried out during October and November 2005, shows that whereas business sentiment regarding the general economic situation was negative, firms' outlook for their own turnover and profitability for the fourth quarter was broadly stable.

The number of respondents expecting the general economic situation to deteriorate rose compared to the previous survey. For the most part, firms also considered their own order books/activity levels to have worsened. But the survey results revealed that exporters reported increased sales for the third quarter, while locally-oriented firms registered improved profitability as well as higher turnover and selling prices. In addition, most respondents were anticipating turnover and profitability to remain broadly stable in the fourth quarter. Employment levels were generally expected to remain unchanged, while average wages were anticipated to rise.

Business sentiment

In the latest survey, around 55% of respondents expected the economic situation to deteriorate, up from just over a third in the previous survey (see Chart 1). Moreover, the proportion of participants anticipating an improvement in economic conditions over the next six months declined.



Sentiment deteriorated considerably among the majority of sampled manufacturing firms, particularly in the clothing & footwear and furniture sub-sectors. Most of the respondents from the distributive trades also expected the general economic situation to worsen, whereas they had reported a stable outlook in the previous survey. Similarly, respondents from most of the services sectors swung from an optimistic to a pessimistic outlook. However, operators in the tourism industry were positive on balance, though almost half of them clustered around a no-change scenario.

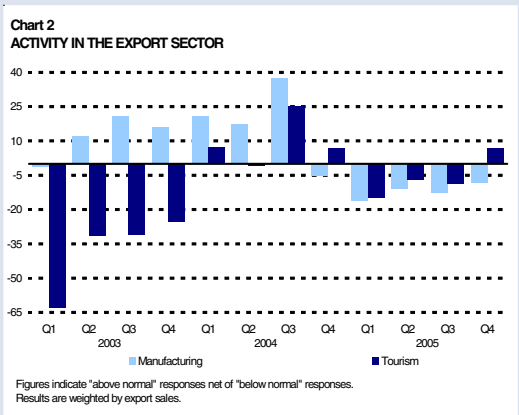
Order books/activity[1]

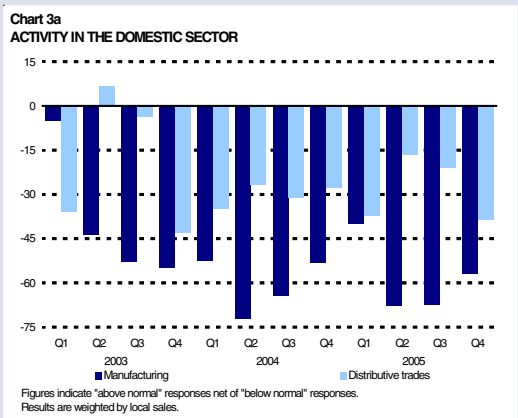
On balance firms gauged their own order books/activity levels to have deteriorated. Compared with the previous survey, a larger share of firms reported below-normal activity levels or order books.

Export-oriented sectors

Whereas order books and activity levels generally declined, the survey indicates that they improved in the export-oriented sectors. In the case of manufacturing, although, on balance, reported order books/activity levels remained below normal, the negative gap was smaller than in the previous survey (see Chart 2). This reflected an increase in the proportion of respondents reporting above-normal order

[1] In the overall assessment, replies regarding order books/activity levels are weighted by employment. However, in the sectoral analysis, replies given by firms in the export-oriented sectors and the domestically-oriented sectors are weighted by firms' shares in export sales and domestic sales, respectively. The responses refer to the period when the survey was carried out.





books/activity levels. At the same time, almost half of the participants reported normal levels of activity. Activity in export-oriented manufacturing picked up despite a slowdown in the machinery & equipment sub-sector, which carries a high weight in the sample. The pickup reflected more positive responses in the food & beverages and paper & printing sub-sectors.

Meanwhile, in the tourism industry the difference between firms recording above-normal and those reporting below-normal activity levels turned positive, though the upturn could be due to seasonal factors.

Domestically-oriented sectors

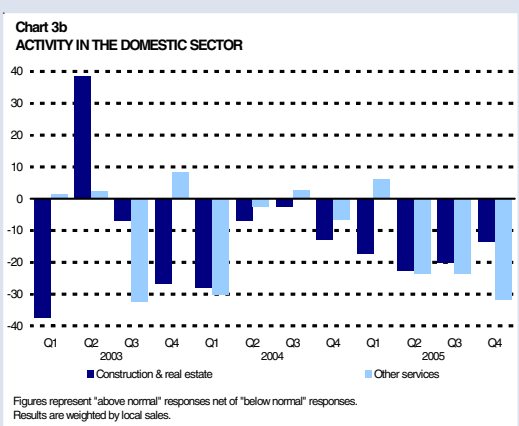
All locally-oriented sectors reported that, on balance, activity/order books remained below normal. In aggregate they dropped slightly, reflecting the responses given by firms in the distribution and other services sectors.

Activity in domestically-oriented manufacturing establishments generally remained subdued, though a lower proportion of respondents recorded below-normal activity than in the previous quarter (see Chart 3a). In the distributive trades, the share of respondents reporting below-normal activity levels rose compared with the previous survey. As a result, on balance, activity in this sector declined.

Survey results also indicate that more than 80% of respondents from the construction and real estate sectors reported normal levels of activity/ order books. However, in net terms, activity remained below normal, though the negative balance was smaller than in the previous survey (see Chart 3b). Similarly, the majority of respondents from the 'other services' sector – which includes firms in finance, insurance, industrial services and professional services – reported normal activity levels though on balance the sector's activity remained below normal, mainly reflecting responses from industrial services firms.

Performance indicators – third quarter 2005

Export-oriented manufacturers reported an



increase in sales during the third quarter of 2005, driven by firms in the chemicals sub-sector. However, with lower average selling prices and rising labour costs, profitability in the sector declined. With the tourism industry in its peak months, operators reported increased turnover and higher selling prices, which contributed to greater profitability despite a rise in employment and average wage costs.

Domestically-oriented firms generally recorded higher turnover and selling prices during the third quarter, which led to an improvement in profitability despite increased labour costs.

Manufacturing firms registered falling average selling prices and higher sales. Although their labour costs also edged up to reflect rising employment levels, their profitability improved. Turnover expanded in furniture, paper & printing and chemicals firms, but contracted in the food & beverages, machinery & equipment and 'others' sub-sectors. Profitability contracted in the latter two sub-sectors, but otherwise rose across the board.

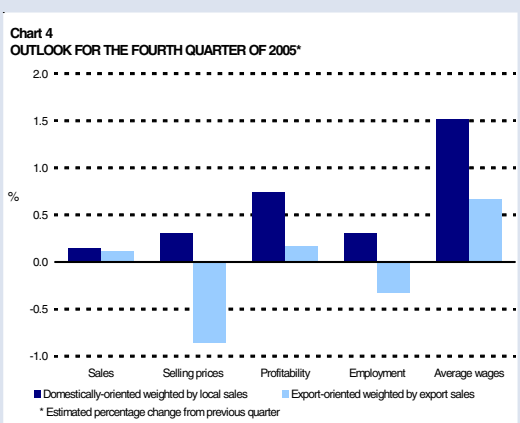
Firms in the distributive trades reported a small rise in sales and increased selling prices during the third quarter. However, labour costs rose and profits declined. Construction firms reported reduced profitability and sales, but rising selling prices. In addition, wage costs were higher, reflecting an increase in their complement. Operators in the real estate sub-sector, on the other hand, recorded higher sales and improved profitability in spite of lower selling prices. Overall, other services firms reported both higher sales and profitability and stable prices.

Outlook – fourth quarter 2005

For the fourth quarter, respondents were expecting sales to remain broadly stable. Profitability was anticipated to rise in domestically-oriented firms while remaining almost unchanged in export-oriented ones, which continue to see downward pressure on selling prices (see Chart 4). Overall, employment levels were foreseen to remain almost unchanged, though average wages were generally expected to rise.

Export-oriented manufacturers were expecting lower selling prices but marginally higher sales. Additionally, profitability was anticipated to improve, despite rising average wage costs, possibly as a result of an expected reduction in employment levels.[2] In contrast, participants from the tourism sector were expecting a slowdown in activity, though this could be seasonal. Sales, profitability and prices were projected to fall, while wages were anticipated to rise.

Domestically-oriented firms were more upbeat. Manufacturers anticipated an increase in both turnover and profitability. However, respondents from both the construction and the real estate sectors forecast lower sales and relatively stable prices. Although their employment levels were expected to remain the same, they projected increases in their wage bill,



[2] The survey does not cover other cost elements, such as intermediate inputs, which also have a bearing on profitability.

which would dent profitability. Distribution firms foresaw lower sales, rising selling prices and diminished profitability. In contrast, the other services sector was 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 October and November 2005 among 148 companies. As much as possible, the sample is kept unchanged between quarters.

2. The surveyed firms employed 17,845 workers (around 20% of all private sector employment) and had an aggregate annual turnover of Lm591.6 million (around 37% of the total output of the Maltese economy), of which just over half was exported.

3. The sample was composed of 58 manufacturing firms, 17 tourism-related enterprises, 33 operators in the distributive trades, 13 construction and real estate concerns, and 27 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 third quarter of 2005, the deficit on the current account of the balance of payments narrowed when compared to the corresponding period of the previous year. Developments on the income and services accounts contributed significantly to the narrowing and offset a wider merchandise trade gap. At the same time, net inflows on the capital and financial account (excluding movements in reserves) increased, driven by a rise in direct investment inflows and lower net portfolio investment overseas. Against this backdrop, official reserves recovered, reversing the downward trend evident earlier in the year.

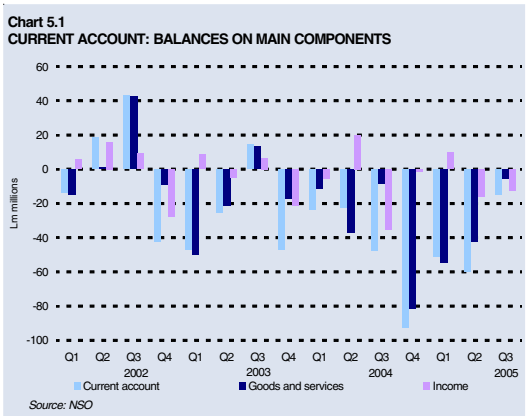
During the quarter, the Maltese lira remained stable in ERM II, maintaining the central parity rate of Lm0.4293 per euro which was set when Malta entered the Mechanism in May, in line with the Maltese Authorities' commitment to keep the

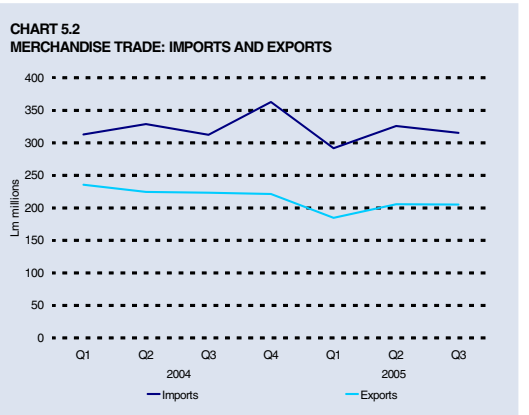
Table 5.1
EXTERNAL BALANCES[1]

Lm millions

	Q3			
	2004		2005	
	credit	debit	credit	debit
Current account balance		**47.8**		**15.1**
Goods and services	367.5	375.8	382.8	388.4
Goods balance		66.7		78.5
Goods	223.5	290.2	224.9	303.4
Services balance	58.4		72.9	
Services	144.0	85.6	157.9	85.0
Transport	34.6	37.8	41.3	34.4
Travel	88.8	27.5	91.6	26.5
Other services	20.7	20.3	25.0	24.1
Income (net)		35.5		12.6
Current transfers (net)		4.0	3.1	
Capital and financial account balance[2]	**42.7**		**63.2**	
Capital account balance	8.9		12.3	
Financial account balance	33.7		50.9	
Direct investment	12.7		70.0	
Portfolio investment		358.6		270.9
Financial derivatives	4.3			4.1
Other investment	375.4		255.9	
Movements in reserves[3]		**29.5**		**95.7**
Net errors and omissions	**34.6**		**47.7**	

[1] Provisional.
[2] Excludes movements in official reserves.
[3] Excludes revaluation adjustments.
Source: NSO.





MTL/EUR exchange rate unchanged. Moving in tandem with the euro, the lira continued to lose ground against the US dollar during the quarter, while gaining against the pound sterling and the Japanese yen.

The current account

During the three months from July to September 2005, the current account deficit narrowed by Lm32.7 million to Lm15.1 million, less than one-third of its value in the corresponding quarter of 2004. This reduction mainly stemmed from lower net outflows on the income account and a higher positive balance on services, which outweighed a wider merchandise trade deficit (see Table 5.1). Thus, after having peaked in the final quarter of 2004, the current account deficit reached its lowest value in two years (see Chart 5.1).

Goods

According to Customs data, the merchandise trade gap widened during the third quarter, rising by Lm20.9 million, or 23.4%, on a year earlier (see Table 5.2).[1] This was mainly driven by a fall in exports, though imports also increased. Compared with the previous quarter, however, the trade gap narrowed, as imports declined and exports remained stable (see Chart 5.2).

Exports declined by Lm18.1 million, or 8.6%, on a year-on-year basis, with the drop being attributable to lower sales of machinery and transport equipment, which fell further, shedding Lm23.1 million. Exports of miscellaneous manufactured articles and of beverages & tobacco were also down. Conversely, foreign sales of chemicals more than doubled to Lm10.6 million, while food exports and those of semi-manufactured goods also rose.

On the other hand, imports of fuels and lubricants continued to increase, adding Lm7.2 million, or almost a third, as a result of higher international oil prices. However, this was partly offset by lower purchases of industrial supplies. Imports of capital goods and consumer goods were broadly unchanged. In the case of the latter, however, this masked a rise in purchases of durable goods which was offset by lower imports of other consumer goods and food, beverages & tobacco. Overall, imports increased by Lm2.8 million, or 0.9%.

[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.

Table 5.2
MERCHANDISE TRADE
(based on Customs data)

Lm millions

	Q3		Change	
	2004	2005[1]	Amount	%
Imports	**312.4**	**315.2**	**2.8**	**0.9**
Consumer goods	88.9	88.3	-0.6	-0.6
Industrial supplies	149.9	146.6	-3.3	-2.2
Capital goods & others	49.9	49.3	-0.6	-1.2
Fuel and lubricants	23.7	30.9	7.2	30.4
Exports	**223.3**	**205.2**	**-18.1**	**-8.6**
Trade balance	**-89.1**	**-110.0**	**-20.9**	**-23.4**

[1] Provisional

Source: NSO.

The trade gap continued to widen in October 2005, rising by Lm20.1 million over the corresponding month of 2004. The deterioration was due to increased imports and lower exports.

Services, income and transfers

During the third quarter of 2005, the positive balance on the services account was up markedly, rising by Lm14.5 million, or 24.8%, over the corresponding quarter of 2004. Higher earnings and lower payments on transport resulted in a shift in the latter category from a deficit of Lm3.2 million to a surplus of Lm6.9 million. At the same time, net travel income rose by Lm3.8 million on account of higher earnings from inbound tourism and lower expenditure by Maltese travelling abroad.

Meanwhile, the deficit on the income account narrowed substantially, contracting by Lm22.9 million to Lm12.6 million. This reflected higher net inflows of interest and a drop in profits registered by foreign-owned firms operating in Malta. The balance on current transfers also improved, shifting from a deficit of Lm4 million to a surplus of Lm3.1 million. The swing was related to Government corporate tax receipts that outweighed Malta's contribution to the EU Budget.

The capital and financial account

Net inflows on the capital and financial account (excluding movements in reserves) rose by Lm20.5 million to Lm63.2 million during the third quarter (see Table 5.1). This was partly attributable to additional net inflows on the capital account worth Lm3.4 million reflecting official transfers from the EU and Italy. At the same time, net inflows on the financial account increased by Lm17.2 million.

Financial inflows partly reflected higher net direct investment inflows of Lm57.4 million. Part of the inflow was related to payments to resident firms by their foreign parents to settle outstanding debts. At the same time, direct investment inflows were boosted by an increase in the share capital of two foreign-owned banks. Meanwhile, net outflows of portfolio investment were down substantially, declining by Lm87.7 million as

outward investment by banks in foreign bonds and notes declined. Conversely, net inflows in the other investment category contracted by Lm119.5 million, as banks increased their foreign lending and added to their holdings of foreign currency and deposits. These movements overshadowed an expansion in foreign borrowings by banks and non-banks alike. Net inflows related to financial derivatives turned negative.

As a result of these developments, reserve assets were up during the survey quarter. Net errors and omissions remained positive, indicating an overstatement of the current account deficit or an understatement of net inflows on the capital and financial account, or both.

Year-to-date developments

Despite the narrowing registered during the third quarter, the deficit on the current account widened by Lm31.9 million to Lm126.1 million during the first nine months of 2005, driven entirely by a larger merchandise trade gap (see

Table 5.3
EXTERNAL BALANCES[1]

Lm millions

	Q1-Q3			
	2004		2005	
	credit	debit	credit	debit
Current account balance		**94.2**		**126.1**
Goods and services	1049.1	1105.5	1010.9	1113.3
Goods balance		183.3		254.1
Goods	687.2	870.5	627.4	881.5
Services balance	126.9		151.7	
Services	361.9	235.1	383.5	231.8
Transport	93.0	104.8	105.0	97.6
Travel	202.1	62.2	204.7	65.5
Other services	66.8	68.1	73.8	68.7
Income (net)		21.2		19.0
Current transfers (net)		16.5		4.8
Capital and financial account balance[2]	**59.4**		**122.2**	
Capital account balance	15.5		39.1	
Financial account balance	43.9		83.1	
Direct investment	106.8		145.0	
Portfolio investment		554.8		475.5
Financial derivatives	5.1			11.0
Other investment	486.7		424.6	
Movements in reserves[3]	**1.1**			**42.3**
Net errors and omissions	**33.7**		**46.2**	

[1] Provisional.
[2] Excludes movements in official reserves.
[3] Excludes revaluation adjustments.
Source: NSO.

Table 5.3). On the other hand, net inflows on the capital and financial account increased.

According to Customs data, between January and September 2005 the visible trade gap widened by Lm66.6 million, or 24.6%, as exports fell faster than imports.

The drop in exports of Lm88.1 million, or 12.9%, during this period was essentially attributable to a fall in foreign sales of machinery and transport equipment. These declined by Lm65.3 million, which may reflect lower international prices of electronic components. In addition, exports of mineral fuels contracted by Lm21.3 million, mainly on account of the termination of oil bunkering activity by one firm in 2004. To a lesser extent, exports of miscellaneous manufactured goods and of beverages & tobacco also fell. In contrast, foreign sales of chemicals and semi-manufactured goods increased.

Imports were down by Lm21.5 million, or 2.3%, with the drop driven mainly by lower purchases of capital goods. These fell by Lm23.0 million, as a one-off scheme providing for a reduction of VAT on the registration of yachts had boosted such imports during 2004. At the same time, imports of industrial supplies also contracted, spurred by lower purchases of semi-finished goods. This reflected the fall in export activity, although the drop was considerably less than the reduction in exports. Conversely, imports of consumer goods continued on their upward trend, increasing by Lm11.6 million on account of higher imports of durable goods and food & beverages following the removal of the remaining trade tariffs on EU accession in May 2004. Meanwhile, purchases of fuels were up, despite the cessation of bunkering operations referred to earlier, reflecting the significant rise in the international price of oil (see Table 5.4).

Net receipts from services rose by Lm24.8 million, or 19.5%, mostly as a result of an improved position on the transport account. The latter swung from a deficit of Lm11.8 million during the first three quarters of 2004 to a surplus of Lm7.4 million during the same period in 2005, mostly because of higher receipts from freight. The negative balance on other services also shifted into surplus, as inflows from telecommunications

Table 5.4
MERCHANDISE TRADE
(based on Customs data)

Lm millions

	Q1-Q3		Change	
	2004	2005[1]	Amount	%
Imports	**954.2**	**932.7**	**-21.5**	**-2.3**
Consumer goods	245.4	257.0	11.6	4.7
Industrial supplies	439.7	426.7	-13.0	-3.0
Capital goods & others	183.4	160.4	-23.0	-12.5
Fuel and lubricants	85.7	88.6	2.9	3.4
Exports	**683.7**	**595.6**	**-88.1**	**-12.9**
Trade balance	**-270.5**	**-337.1**	**-66.6**	**-24.6**

[1] Provisional

Source: NSO.

operations increased. In contrast, the surplus on travel decreased slightly.

With regard to the deficit on the income account, this narrowed by Lm2.2 million reflecting a rise in compensation paid to resident employees by non-resident entities. These inflows were partly offset by increased profits registered by foreign-owned companies. At the same time, outflows on the current transfers account slowed down significantly, dropping by Lm11.7 million, notwithstanding Malta's contribution to the EU budget.

Excluding movements in official reserves, net inflows on the capital and financial account doubled to Lm122.2 million. Additional net inflows of Lm23.6 million on the capital account, which reflected receipts of structural funds from the EU and official assistance from Italy, contributed significantly to this increase.

At the same time, net inflows on the financial account amounted to Lm83.1 million, up by Lm39.2 million over the level recorded in the corresponding period of the previous year. Whereas there were strong net outflows of direct investment abroad in the first three quarters of 2004, significant net inflows were recorded in the same period of 2005. Meanwhile, net outflows due to portfolio investment subsided by Lm79.3 million as the banking sector reduced its investment in foreign bonds and notes. Conversely, net inflows on the other investment category were down by Lm62.1 million, as increases in lending to non-residents and in holdings of currency and deposits outweighed the rise in the corresponding foreign liabilities. The positive balance of Lm5.1 million on financial derivatives recorded during the first three quarters of 2004 swung to a negative balance of Lm11 million, mainly reflecting outflows on currency swaps by the banking sector.

As a result of these developments, reserve assets rose significantly in the first nine months of 2005. Net errors and omissions for the period remained positive and increased over a year earlier.

Table 5.5

MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES

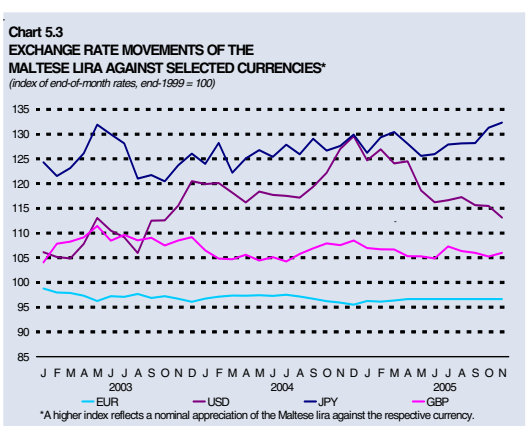
Period	EUR[1]	USD	GBP	JPY
Average for Q3 2005	0.4293	2.8403	1.5925	315.9
Average for Q3 2004	0.4266	2.8661	1.5757	315.1
% change	0.6	-0.9	1.1	0.3
Closing rate on 30.09.2005	0.4293	2.8019	1.5879	317.4
Closing rate on 30.06.2005	0.4293	2.8157	1.5709	311.9
% change	0.0	-0.5	1.1	1.8

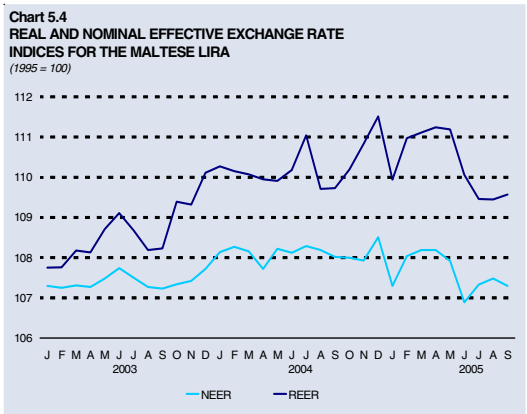
[1] As from 1 April 2005, the Central Bank of Malta started to quote the Maltese lira against the euro exclusively in terms of units of Maltese lira per euro. As a result, an increase in the MTL/EUR exchange rate implies a depreciation of the Maltese lira against the euro and vice-versa. The other currencies, ie USD, GBP and JPY are quoted per one Maltese lira.

The Maltese lira

In line with the declared policy of the Monetary Authorities regarding the participation of the Maltese lira in ERM II, the MTL/EUR rate was maintained unchanged from its central parity rate of Lm0.4293 per euro during the third quarter of 2005. As a result, movements in the lira against the other major currencies reflected the corresponding movements of the euro against them. Thus, over this period, the lira continued to depreciate against the US dollar, shedding 0.5%, while in terms of sterling and the yen it registered gains, appreciating by 1.1% and 1.8%, respectively (see Chart 5.3).

Between the third quarter of 2004 and the corresponding period of 2005, the Maltese lira depreciated by 0.6%, on average, against the euro. Over the same period, the lira lost ground against the US dollar but strengthened against the pound





and, to a lesser extent, against the Japanese yen (see Table 5.5).

Going into the fourth quarter, the exchange rate of the lira against the euro remained constant at the ERM II central parity rate. Over October and November, the lira weakened further against the US dollar, but strengthened against the yen. The lira was broadly unchanged against the pound sterling.

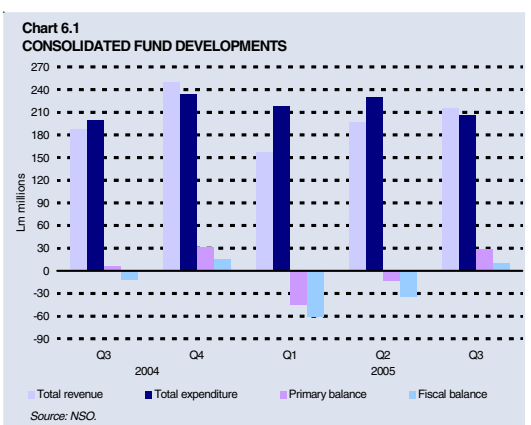
During the September quarter the NEER of the Maltese lira rose by 0.4%, partly reversing the drop recorded during the previous quarter.[2] This reflected the strengthening of the lira against the pound sterling and the Japanese yen. In contrast, the REER of the lira continued to fall, albeit at a slower pace, during the quarter reviewed (see Chart 5.4). The REER shed 0.5% as consumer prices in trading partner countries generally rose between June and September whereas domestic consumer prices were broadly unchanged.

[2] The NEER and REER indices cover 25 countries and use double weights, allowing for the importance of competitor countries in foreign markets. Consumer price indices are used to measure prices.

6. GOVERNMENT FINANCE

After having recorded a deficit during the previous two quarters, the balance on the Government's Consolidated Fund swung into surplus in the third quarter of 2005, as revenue exceeded expenditure by Lm9.4 million (see Chart 6.1). As in the previous two quarters, government revenue rose at a faster pace than expenditure. The Budget estimates indicate that a surplus is also projected for the fourth quarter.[1]

The deficit on the Consolidated Fund for the first nine months of 2005 thus narrowed by Lm24.5 million on a year earlier and stood at Lm85.4 million. In line with this overall improvement, the primary deficit, which excludes interest payments from expenditure, fell to just under Lm30 million. Revenues were boosted by strong inflows from EU grants and higher VAT receipts. These outweighed additional payments, particularly on capital projects, transfers to the EU budget and social security benefits.



Revenue

During the first three quarters of the year, revenue expanded by Lm68.8 million, or 13.8%, year-on-year (see Table 6.1). Almost three-fifths of this increase, or Lm40.7 million, was attributable to higher non-tax revenues. These mainly reflected grants from the EU and Italy, fees collected under the Investment Registration Scheme and capital gains on the sale of bonds. These factors more than compensated for lower Central Bank of Malta profits transferred to the Government.

During this period tax revenues were mainly driven by VAT, which yielded an additional Lm24 million. Around half of this increase, however, reflected changes in the timing of the collection of VAT receipts which had depressed these revenues in 2004, although an amnesty on the collection of arrears also contributed. Meanwhile, receipts from customs and excise duties advanced by around Lm5 million as duties on cigarettes, petroleum and mobile telephony outweighed the losses resulting from the removal of remaining tariffs upon EU membership in May 2004. Licences, taxes & fines were down by almost Lm8 million because of the non-recurrence of a licence payment related to the privatisation of public lottery operations that took place in 2004.

Direct tax revenue increased by Lm7.1 million, with income tax accounting for four-fifths of the rise. During the first nine months of the year, income tax receipts grew by 4.4%, a faster pace than compensation of employees and gross operating surplus, as shown in the GDP data. This variance may reflect both the progressivity of the income tax system and greater efficiency in tax collection. On the other hand, social security contributions grew by 1.4%, slower than compensation of employees, probably reflecting the nominal cap on contributions.

[1] See Box 2 on the Budget Estimates.

Table 6.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	2004 Q3	2005 Q3	2004 Q1-Q3	2005 Q1-Q3	Change Amount	Change %
Revenue	**187.2**	**215.0**	**500.0**	**568.7**	**68.8**	**13.8**
Direct tax	**88.2**	**95.6**	**220.4**	**227.5**	**7.1**	**3.2**
Income tax	56.4	62.4	133.9	139.7	5.8	4.4
Social security contributions[1]	31.8	33.2	86.5	87.8	1.2	1.4
Indirect tax	**75.6**	**86.1**	**213.3**	**234.3**	**21.0**	**9.8**
Value Added Tax	34.0	44.8	97.6	121.5	24.0	24.5
Customs and excise duties	16.1	18.9	42.4	47.2	4.7	11.2
Licences, taxes and fines	25.5	22.4	73.3	65.6	-7.7	-10.5
Non-tax revenue	**23.4**	**33.3**	**66.2**	**106.9**	**40.7**	**61.5**
Central Bank of Malta profits	0.0	0.0	18.2	14.0	-4.2	-23.2
Other revenue[2]	23.4	33.4	48.0	92.9	45.0	93.7
Expenditure	**199.6**	**205.6**	**609.8**	**654.1**	**44.3**	**7.3**
Recurrent expenditure[1]	**172.4**	**179.1**	**534.2**	**561.0**	**26.8**	**5.0**
Personal emoluments	45.9	46.2	138.9	139.4	0.5	0.4
Programmes and other operational expenditure[3]	89.8	97.5	282.7	310.3	27.6	9.8
Contributions to entities	17.8	16.8	57.8	55.2	-2.6	-4.4
Interest payments	18.7	18.6	54.3	55.8	1.5	2.7
Other expenditure	0.2	0.1	0.5	0.3	-0.2	-36.3
Capital expenditure	**27.2**	**26.5**	**75.6**	**93.1**	**17.5**	**23.1**
Primary balance[4]	**6.3**	**28.0**	**-55.6**	**-29.6**	**25.9**	**46.7**
Consolidated Fund balance[5]	**-12.4**	**9.4**	**-109.9**	**-85.4**	**24.5**	**22.3**

[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 proceeds from sale of assets, sinking funds of converted loans and borrowings.

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

[4] Revenue less expenditure excluding interest payments.

[5] Revenue less expenditure.

Source: NSO.

Expenditure

Compared to the first nine months of 2004, expenditure increased by Lm44.3 million, or 7.3%, during the same period this year. Recurrent spending accounted for three-fifths of the rise, growing by Lm26.8 million, driven entirely by programmes and other operational expenditure. In turn, this reflected Malta's contribution to the EU budget and spending on social security benefits, which expanded by Lm9.7 million and Lm8.1 million, respectively. At the same time, interest payments rose by Lm1.5 million, reflecting an increase in government debt levels during the year to September 2005. Meanwhile, the government wage bill increased only marginally. In contrast, contributions to government entities dropped by Lm2.6 million on account of lower transfers to the Water Services Corporation and the reclassification of transfers to the Malta Investment Management Company Ltd under programmes and other operational expenditure.

Capital spending continued to expand, rising by Lm17.5 million during the nine months to September. This mainly reflected outlays on the new hospital and roads, the latter co-financed by foreign funds.

Government debt and financing operations

Between June and September 2005 the outstanding stock of government debt declined by Lm7.4 million to Lm1,391.0 million, broadly in line with the surplus recorded during the third quarter.[2] The latter, together with the issue of Malta Government Stocks, enabled the Government to reduce the outstanding stock of Treasury bills (see Table 6.2). At the same time, foreign loans were virtually stable. The share of bonds thus edged above 80% of the total outstanding debt as the Government continued to reduce its reliance on short-term sources of finance.

Table 6.2
GOVERNMENT DEBT[1]

Lm millions

	2004		2005		
	Q3	Q4	Q1	Q2	Q3
Consolidated Fund balance	**-12.4**	**15.8**	**-61.2**	**-33.6**	**9.4**
Changes in					
Gross Government debt	**15.3**	**5.1**	**33.5**	**11.6**	**-7.4**
Malta Government stocks	22.4	29.5	40.0	36.8	33.5
Treasury bills	-7.3	-7.2	-6.0	-24.0	-40.8
Domestic loans[2]	0.0	-15.2	0.0	0.0	0.0
Foreign loans	0.1	-2.0	-0.5	-1.2	-0.1

[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.

Sources: NSO, Central Bank of Malta.

[2] Government securities held by Sinking Funds are netted from the stock of debt outstanding.

Box 2: THE BUDGET ESTIMATES FOR 2006 - AN OVERVIEW

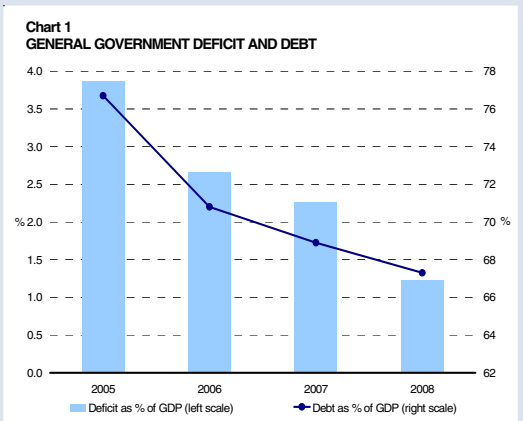
The revised financial estimates for 2005 published with the Budget indicate that the Government's fiscal consolidation programme is on track. The Consolidated Fund deficit is expected to narrow from Lm94 million in 2004 to Lm76 million in 2005, as revenue will again outpace expenditure growth. With extra-budgetary units and local government expected to exert a marginal impact on public finances, the general government deficit is set to fall to 3.9% of GDP in 2005, from 5.1% in the previous year.

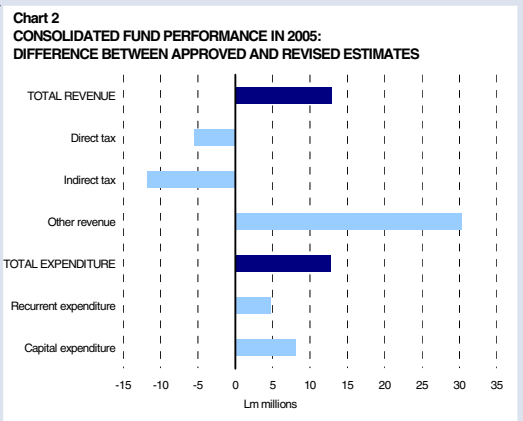
Fiscal consolidation is scheduled to continue in the coming years with the objective of reducing the general government deficit to below 3% in 2006 and lowering it further to 2.3% in 2007 and to 1.2% in 2008 (see Chart 1). The correction of fiscal imbalances over this period hinges particularly on developments in capital expenditure, which is expected to decline as the new state hospital reaches completion. In 2006, fiscal consolidation will also be based on recurrent expenditure restraint, greater efficiency in the collection of taxes and increased receipts generated by higher economic activity. In this respect, a number of measures aimed at supporting growth were announced in the Budget. These included the building of new factories, the provision of training grants for students taking up studies in science subjects and tax incentives for research & development and targeted sectors, particularly e-business, back-office operations and filmmaking.

By the end of 2005 the debt to GDP ratio is expected to rise from 75.9% to 76.7%, with the increase being partly offset by an estimated Lm18 million worth of proceeds from the sale of shares. In the following year, considerable privatisation proceeds and nominal GDP growth are expected to lower the stock of debt to 70.8% of GDP. The debt to GDP ratio is expected to drop by a further three percentage points by 2008.

Consolidated Fund performance in 2005

The Government is expected to meet its fiscal target for 2005, with unanticipated expenditure being met by higher-than-expected revenue. Expenditure is expected to exceed original estimates primarily because of faster progress in public construction projects and increased spending on retirement pensions (see Chart 2). However, compared to the original estimates, non-tax revenue was boosted by additional inflows from grants, the Investment Registration Scheme and miscellaneous receipts, such as





capital gains on the sale of Malta Government Stocks.[1] These will also offset a downward revision to growth in direct and indirect tax revenues. In the case of the former, weak employment growth dampened the rise in social security contributions. In the case of the latter a lower-than-expected intake from import duties and gaming taxes is factored in.

Compared to 2004, revenue is expected to end 2005 up by 12.3%. Foreign grants are forecast to be a major source of revenue growth, adding almost Lm53 million and contributing just over half of the overall rise (see Table 1). Otherwise, income tax is expected to net an additional Lm13.4 million, reflecting strong intakes from capital gains tax against a background of rising house prices. However, slow growth in employment income had a negative influence on social security contributions, which are projected to net only a modest Lm1.4 million more than in 2004. Meanwhile, VAT is expected to yield an additional Lm27.2 million, close to half of which reflects temporary factors that had limited growth in the

Table 1
BALANCE ON THE CONSOLIDATED FUND 2004 - 2006

Lm millions

	2004	2005			2006		
	Actual	Revised	Change		Estimate	Change	
			Amount	%		Amount	%
Revenue	**813.1**	**913.0**	**99.9**	**12.3**	**951.6**	**38.6**	**4.2**
Direct tax	400.9	415.7	14.8	3.7	435.9	20.2	4.9
Income tax	211.2	224.6	13.4	6.3	242.1	17.5	7.8
Social security contributions	189.7	191.1	1.4	0.7	193.8	2.7	1.4
Indirect tax	301.2	323.2	22.0	7.3	349.4	26.2	8.1
Value Added Tax	141.6	168.8	27.2	19.2	182.2	13.4	7.9
Customs and excise duties	62.3	65.5	3.2	5.1	72.3	6.8	10.4
Licences, taxes and fines	97.3	88.9	-8.4	-8.6	94.9	6.0	6.7
Grants	30.3	83.1	52.8	174.3	82.6	-0.5	-0.6
Other non-tax revenue	80.7	91.0	10.3	12.7	83.7	-7.3	-8.1
Expenditure	**907.0**	**989.0**	**82.0**	**9.0**	**1,006.4**	**17.4**	**1.8**
Recurrent expenditure	802.4	843.9	41.5	5.2	857.8	13.9	1.6
Personal emoluments	201.0	203.5	2.5	1.2	205.3	1.8	0.9
Social security benefits	207.5	221.0	13.5	6.5	227.6	6.6	3.0
Interest payments	69.6	75.1	5.5	7.9	75.9	0.8	1.1
Other recurrent expenditure	324.4	344.3	19.9	6.1	349.0	4.7	1.4
Capital expenditure	104.6	145.1	40.5	38.7	148.6	3.5	2.4
Consolidated Fund balance	**-93.9**	**-76.0**	**17.9**	**-19.0**	**-54.8**	**21.2**	**-27.9**

Source: Ministry of Finance.

[1] The Investment Registration Scheme was re-activated 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. This scheme yielded approximately Lm6 million.

previous year.[2] On the other hand, revenues from customs and excise duties are seen advancing by Lm3.2 million following the measures announced in the previous Budget. In contrast, revenues from licences, taxes and fines are expected to fall compared with 2004, when the Government had collected a one-off fee following the sale of licences for the organisation of lotteries in Malta. However, non-tax revenues yielded Lm10.3 million more, driven by gains on the issue of bonds and fees from the Investment Registration Scheme.

According to the revised estimates, the rise in expenditure in 2005 is forecast to be equally split, in absolute terms, between recurrent and capital spending. In percentage terms, however, recurrent expenditure is projected to grow by 5.2% while capital expenditure is expected to be almost 40% above the previous year's level. The latter is largely due to higher outlays on roads, which were largely financed from foreign grants. On the other hand, recurrent expenditure growth is being driven by higher social security benefits, which are projected to advance by Lm13.5 million or 6.5%. The Government also expects its contribution to EU own resources to rise by Lm8 million. Interest payments are also projected to increase by Lm5.5 million in view of a higher level of public debt. Personal emoluments, in turn, are expected to add only Lm2.5 million, less than originally envisaged in view of tighter control on recruitment in the public sector and a better deployment of employees.

Budget estimates for 2006

In 2006 the Consolidated Fund deficit is expected to narrow by Lm21 million to just under Lm55 million. Revenue is again projected to rise at a faster pace than expenditure, though both are expected to moderate compared with 2005.

Revenue is estimated to rise by 4.2%, underpinned by one-off receipts from the sale of land worth approximately Lm20 million. Revenue growth also reflects higher direct tax receipts as the economy expands resulting in a rise in nominal incomes. It also reflects efficiency gains in the collection of taxes. With regard to the latter, in order to curb tax evasion, lending by banks and financial institutions will become subject to the presentation of fiscal receipts in 2006.

Overall, government expenditure is forecast to rise by just 1.8%, with growth in recurrent outlays slowing down to 1.6%. Personal emoluments are expected to grow by 0.9%, as the projected rise in average wages of around 1% in terms of the new collective agreement is to be partly offset by the planned reduction in the size of public service. Moreover, operations and maintenance expenditure is expected to fall, particularly through tighter medicine procurement policies. It is envisaged that growth in spending on social security will be dampened by closer monitoring of invalidity pensions. Contributions to entities are also expected to be lower following the introduction of improved work practices in a number of public sector enterprises.

At the same time, interest payments are expected to stabilise following the rapid growth observed in recent years, with savings being anticipated on the roll over of maturing debt at lower rates of interest. In addition, the Government plans to reduce the stock of outstanding debt through privatisation receipts expected to amount to Lm136 million.

In 2006 capital expenditure is expected to grow at a much slower pace, adding Lm3.5 million. Outlays on the new state hospital and the environment are expected to account for most of the rise, outweighing lower spending on roads.

[2] It is estimated that the change in the timing of payment for VAT from the import to the retail stage, introduced in 2004, cost Government some Lm15 million in foregone revenues. This was partly offset by revenue amounting to Lm3.2 million derived from a one-off measure, the registration of yachts at a reduced VAT rate.

PURSUING FASTER GROWTH IN A STABLE MACROECONOMIC ENVIRONMENT*

Michael C. Bonello
Governor of the Central Bank of Malta

I should first of all like to thank the President and Council of the Institute of Financial Services for inviting me once again to their annual dinner. Over the past six years I have been able to observe with satisfaction how the Institute has successfully adapted itself to the steady expansion of Malta's financial services industry, and to the demand this growth has generated for a diversified range of professional expertise. One planned innovation which I consider most appropriate is the Certificate in Mortgage Advice and Practice that is partly based on Maltese law.

This annual occasion also affords me a welcome opportunity to share with a distinguished audience of bankers and their corporate guests the Bank's thinking on a subject of topical interest. In today's complex global environment several issues spontaneously present themselves as likely candidates for further analysis. For us in Malta, the major policy challenge at this time is to return the economy to a path of higher and sustained growth. The facts speak for themselves. In the five years to 2004, the annual growth rate averaged only 1.2 per cent in real terms, well below that of many of our EU partners; and while this year's growth rate up to September, at 1.7 per cent, may be encouraging, it is too early to know whether the implied acceleration will be sustained.

And yet the need to achieve a faster pace of economic growth has probably never been as urgent as at the present time. Growth is not only necessary in order to satisfy society's legitimate aspirations for higher living standards. Beyond that, an expansion in the economy's supply capacity and an enhanced degree of international competitiveness are essential to overcome the daunting challenges the country is currently facing.

A threefold challenge: globalization and its implications …

The first challenge derives from the pervasive process of globalization, which, powered by rapid advances in technology and trade liberalization, has given rise to an unprecedented mobility of resources between countries in pursuit of the best cost-quality combinations. Suffice it to say that over the past two decades exports and foreign direct investment have been growing twice and three times faster than global output, respectively. Globalization is undoubtedly creating numerous profitable business opportunities.

At the same time, however, it represents a potential threat for open economies like Malta's because of the concurrent intensification of competition. Behind recent trends, in fact, lies the emergence of countries like China and India, who have doubled their share of global output over the past twenty years and are now also competing in markets for high technology products. China alone manufactures half of the world's cameras and its share of world exports of computers increased tenfold, to almost 20 per cent, in the ten years to 2003! We, too, must find a way to participate actively in globalization and gain from it.

* Speech given at the Annual Dinner of the Malta Institute of Financial Services on 11 November 2005.

... compounded by a sharply higher oil price ...

The second challenge derives from the sharp increase in oil prices. There is a silver lining to this dark cloud in the sense that the price rise is not expected to have a significant effect on world output. The IMF, for example, anticipates global growth to average 4.3 per cent both in 2005 and 2006. This is mainly because it is due to an expansion in demand that is underpinned by economic growth, particularly in Asia. It is still the case, however, that a massive redistribution of wealth is underway from countries which consume oil to those which produce it.

Malta is inevitably on the losing side of this process. The estimated increase in the fuel bill for 2006 arising from the production of electricity and the consumption of liquid fuels is not far from the expansion in nominal GDP forecast for 2005. It would seem, therefore, that no significant growth could be expected next year if the underlying pace of economic activity does not accelerate from this year's level.

The increase in Malta's fuel bill is also roughly equivalent to the narrowing of the fiscal deficit achieved over the past seven years. In the circumstances, it would be foolish to allow the progress made at considerable cost to be blown away by this external shock. An attempt to cushion the increase in the oil price through borrowing may be economically justifiable in terms of sustaining the incipient recovery suggested by recent GDP data. On the other hand, any borrowing would have to be serviced; and, because it would constitute interference with market signals, it could also retard the process of economic adjustment.

The only long-term remedy to counteract the effects of higher fuel prices is to expand productivity and output, and therefore incomes. Indeed, the oil price shock is another compelling reason, if one were needed, for redoubling our efforts to energize the economy.

… and by a higher dependency ratio due to population ageing.

The third challenge is the demographic shift caused by population ageing, such that the ratio of the working age to the dependent population is expected to shrink from almost four- to just over two-to-one by the late 2020s. Some effects of this trend are already being felt this year as the first cohorts of the baby-boom generation reach retirement age. This has produced a significant acceleration, by some Lm7 million or 10 per cent of the budget deficit, in the rate of increase in pension expenditures. Pension reform clearly cannot be delayed any longer.

Population ageing also represents a broader threat to the sustainability of living standards and to social cohesion because the burden of supporting a growing number of dependent persons will, at some point, become unbearable for the productive sectors of the economy. This burden consists not only of pension and other welfare payments, but also of services provided in kind, most notably by the public health system. This is another reason why reducing government recurrent commitments should be a priority objective.

A better understanding of the magnitude of these challenges can be obtained by synthesising their effects in terms of the growth rate necessary for the economy to deal with them effectively. For example, in order just to compensate for the increase in the dependency ratio associated with population ageing, the economy would have to grow by around 1 per cent per annum over the next twenty years. At this rate of growth, which is more or less what Malta averaged over the past five years, there would not be any improvement in per capita GDP, that is in living standards. As for hopes of raising the activity rate by ten percentage points to around 70 per cent over twenty years, the economy would have to grow by an average annual rate of at least 3 per cent. This growth rate, in turn, would still not be sufficient to ensure convergence with the average

per capita GDP of the EU twenty years from now. For this latter objective to be achieved, a real growth rate of some 4 per cent would be required.

The way forward: a concerted push for faster growth

These scenarios underline the urgency of achieving more rapid, sustainable growth. The longer it takes to expand the productive base of the economy, the more onerous the challenge will be. The prospects for a significant recovery in the short term, moreover, are doubtful since oil prices are expected to remain at their current high level, and the dynamic benefits of fiscal consolidation and EU membership are unlikely to exercise a marked impact on growth in the coming months. Growth forecasts for 2006 vary between 1% and 2%.

The current economic situation, therefore, requires decisive action designed to produce early results. I, therefore, feel obliged once again to make a strong appeal to all the social partners not to underestimate the threat which today's realities represent for the wellbeing of their own members, and to cooperate in the search for real, long-term solutions in the national interest. The alternative is a slow, but depressing process of stagnation.

The way forward towards faster growth lies in the first instance in striving to maintain the competitive advantage of traditional sectors – which typically rely heavily on cost advantage and where market share is being lost -, while promoting the development of new activities that exploit the potential offered by Malta's strategic assets. These include EU membership, a modern technological infrastructure and a skilled and flexible labour force. The current, encouraging expansion in new activities such as financial services, software development and pharmaceuticals attests to the competitive edge which our economy indeed enjoys in these areas. This advantage must, however, also be supported by a stable operating environment that is responsive to changing market conditions.

Elements of a coherent policy framework

Such an environment requires a coherent policy framework on three levels: the first is the macroeconomic level, where a sound financial system and prudent fiscal and monetary policies should combine to provide favourable conditions for the restructuring of the productive base. At the microeconomic level, resources must be more efficiently allocated and managed by enterprises so as to obtain the maximum possible degree of cost-effectiveness and market penetration. The third involves what may be termed as meso-level policies, involving specific sectors. Policy at this level should primarily avoid distorting the mechanisms that facilitate economic activity.

Supportive macroeconomic policies are already in place …

At the macroeconomic level, the recent track record has been largely positive. Fiscal consolidation is progressing in line with the projections of the convergence programme. Despite weak growth, the fiscal balance improved significantly in 2004 and again this year. This has not escaped the attention of international observers. The recent assessment of the Maltese economy by the IMF, for example, commends the progress achieved in strengthening macroeconomic management, including the substantial reduction in the fiscal deficit.

Looking ahead, I am pleased to note that the Budget for 2006 bears the hallmark of continuity. Operating within the constraints represented by the natural upward creep in spending on health, pensions and welfare programmes, on the one hand, and the need to avoid increasing the burden of taxation on a slow moving economy, on the other, the Government has charted a course which envisages a continuation of the process of

fiscal consolidation, leading to a further reduction in the deficit to GDP ratio to below 3 per cent. This is an ambitious target whose attainment will depend crucially on a rigorous implementation of all the Budget measures, together with an intensification of efforts aimed at cutting costs and collecting taxes.

On the monetary front, the financial markets have so far considered the level of domestic interest rates as appropriate and inflation remains moderate. Monetary stability is also being promoted by participation in ERM II, which is proceeding smoothly.

Allow me at this point, Mr. President, to reiterate the reasons behind the Bank's advice to the Government to maintain the value of the Maltese lira constant against the euro within ERM II at the rate prevailing prior to entry in the Mechanism.

First, it is generally acknowledged that Malta's pegged exchange rate regime has in the past served the economy well, in that it kept inflation and inflationary expectations at bay. As for the level of the central parity rate of the lira in ERM II, studies conducted by the Central Bank of Malta found no evidence of a significant exchange rate misalignment, a conclusion which was not contested by the competent EU institutions. There being no compelling reasons for change, therefore, the exchange rate level prevailing prior to entering the Mechanism was retained in the interests of continuity and stability.

As for the unilateral commitment to maintain the currency at its central parity rate during the ERM II phase, I would remind the proponents of a flexible exchange rate regime of Malta's high dependence on foreign trade. For such an open economy, the resultant volatility and consequent uncertainty would entail additional costs associated with insuring against exchange risk, thereby inflating both retail and export prices.

Changes in the nominal exchange rate, moreover, are not likely to have a significant impact on competitiveness via adjustments in the real exchange rate. This is because a weakening of the currency is typically followed by a rapid pass-through in the shape of higher prices of imports and wages, as the 1992 experience proved. On the other hand, due to downward rigidities, a strengthening of the Maltese lira cannot be expected to be followed by commensurate reductions in price and wage levels.

Finally, advocates of flexibility should note that if the Maltese lira were allowed to fluctuate within the ERM II bands, the exchange rate would reflect developments in the balance of payments as a whole, including those in the capital account, and would not, therefore, necessarily adjust in response to export trends. Indeed, had the Bank opted for the bands, market forces would have exerted upward pressure on the exchange rate. This is because since ERM II entry in May there has been a steady market demand for the lira, such that the Bank has been a net buyer of foreign exchange and the external reserves have increased substantially.

It is very important that these basic facts be well understood before public pronouncements are made that might affect the credibility of monetary and exchange rate policy. You will recall that when negative perceptions about the exchange rate took hold towards the end of 2004, they eventually led the Bank to defend the currency by raising interest rates. This is a responsibility that the Bank cannot, and will not, abdicate.

… as are progressive policies at the enterprise level …

At the microeconomic level, a measure of progress is being registered in spite of the failure to adopt a social pact. There are indications that productivity-enhancing measures are being

introduced at the enterprise level under the pressure of competitive forces. These range from more flexible working practices and wage restraint to improved management techniques and more focussed marketing efforts. Some areas, however, remain susceptible to further efficiency gains, particularly the services sector.

… but the public sector still lags behind.

At the meso or sectoral level, some important measures were announced in the Budget for 2006, including the decision to intensify efforts to improve efficiency in the public service. Hopefully this will also involve the adoption of output-, rather than input-oriented management practices. The recently-signed collective agreement for the public service, moreover, is an example of what a responsible social dialogue aimed at balancing competing interests can achieve.

There remains, nevertheless, ample room for further progress. The country needs to undergo a culture change so as to realise the fallacy inherent in the perception of unlimited government power to levy taxes, which leads to the assumption of jobs for life regardless of performance or need, and of universal and free welfare services irrespective of their sustainability and of equity considerations. Such thinking is incompatible with an ethic based on efficiency and accountability, and with the need to reduce the burden of taxation, foster initiative and encourage investment. Social dialogue can, and should play a crucial role in promoting acceptance of the policies necessary to bring about this change.

The attainment of greater efficiency in the public sector is a key objective because it provides vital support services to the productive sectors of the economy. It must, therefore, become better geared to ensure that the intentions of policy-makers are implemented rapidly and effectively. Determined efforts must be made to streamline bureaucratic procedures, eliminate outdated regulations and generally reduce the cost of engaging in any economic activity. The Better Regulation Unit in the Office of the Prime Minister must meet the expectations its creation has raised. Failure to do so risks compromising all the efforts being undertaken at both the macro and microeconomic levels to create a modern, dynamic economy.

At the national level, moreover, we need to understand that the simultaneous pursuit of economic growth and a high degree of social protection can only be achieved by making our product and labour markets more flexible; by investing more in people, refining their skills and helping them into work, while introducing an obligation to take up jobs; and by giving more importance to developing our scientific and technological base.

We do not need to look far to see how this can be done. Faced with high labour costs in the late 1990s, German companies started restructuring and downsizing. The government meanwhile introduced social security reforms aimed at making the welfare state less expensive, as well as labour market reforms that created incentives for the jobless to work. An awareness developed that the solution to chronic deficits and unemployment could no longer be to cut public investments. As a result, Germany's unit labour costs have fallen by 12 per cent since 1999 against those of France. The payoff was significant: the volume of German exports rose by 47 per cent over the same period, compared with 25 per cent in France.

The French were not unaware that they, too, had a competitiveness problem. A commission of independent experts led by the former Managing Director of the IMF, Michel Camdessus, was set up in 2003. Reporting earlier this year, the experts concluded that without a change of direction, decline was a real threat for France. They identified two obstacles to growth: first, not enough people worked, and those who did failed

to work long enough; second, the heavy State had become a costly drag on the economy.

Our own country faces a similar predicament. Malta's labour participation rate is among the lowest in the EU at 58 per cent; as for hours worked, during 2004 the Maltese worked 72 fewer hours than the hardest working people in the EU, the Estonians, Lithuanians, Poles and Slovenes, mainly because we enjoyed 13 public holidays, the most in the EU, whereas the countries just mentioned had only 8; as for the cost of the State, the public sector in Malta absorbs just over half of the GDP, the fourth highest percentage in the EU.

Conclusion

Mr. President, we are indeed facing an unprecedented challenge. The consequences of our inherent vulnerability to external events, and of a large State apparatus which subsidizes inefficient public corporations and offers its citizens notionally free services irrespective of income levels as well as generous welfare benefits are catching up with us very rapidly. In the meantime, the world has changed beyond any expectation. For those of us who remember the days when famines and inefficient state-controlled economies were endemic in Asia, today's realities are not easy to comprehend or to accept. The former EU Internal Market Commissioner, Fritz Bolkenstein, captured the momentous nature of this change most strikingly when he observed recently that "The true heirs of the capitalist revolution now live in Asia."

We in Malta, too, need to change if, like them, we want to turn globalization from a threat into an opportunity. We must shake off our ambivalent attitude to reform: we know that the *status quo* is unsustainable, but it is also comfortable, and so we are reluctant to bear the cost of change. Hence the slow pace of reform, characterized by the commissioning of reports followed by long drawn-out consultations in search of a consensus, which frequently proves elusive. But time is running out faster than many appreciate. For a start, let us stop blaming others for our woes and, as Brutus was enjoined to do, let us accept that "The fault …… lies not in our stars but in ourselves." We should then work together to build on our past achievements, which are not negligible, in order to secure the objectives of greater material wellbeing and social cohesion which, after all, we all profess to share.

NEWS NOTES

LOCAL NEWS

Budget 2006

On 31 October 2005 the Prime Minister in his capacity as Minister of Finance presented the Budget for 2006 to Parliament.

The main policy measures included:

Cost of living increase

- A cost of living increase of Lm1.75 weekly and an additional Lm0.50 per week as compensation for the increase in the water and electricity surcharge that was announced in October.

Taxation

- A final withholding tax of 12 per cent on the value of property sales instead of the current system where profit on property transfers is taxed at 35 per cent. The sale of one's own residence will remain tax exempt and there were no changes with regard to the treatment of property transfers by companies.
- A reduction in the registration tax on new commercial vehicles exceeding five tonnes.

Privatisation

- In 2006 the Government intends to complete the sale of its shares in Maltacom and Bank of Valletta. It is also seeking partners for Tug Malta and Kordin Grain Terminal.

Incentives to industry

- The Government announced new incentives under the Business Promotion Act for firms investing in ICT, research and development, back-office services and e-business services. Fiscal incentives are also targeted at the film industry. In addition, funds are being allotted to upgrade industrial estates.
- Additional funding is to be made available for small and medium-sized enterprises and micro-enterprises.
- In tourism, a comprehensive branding exercise is being carried out, while a project is planned for the conservation of pre-historic temples.
- Additional measures are aimed at encouraging the generation of energy from alternative sources.

Administrative measures

- Tax evasion and abuse of social benefits will be reduced by strengthening the authorities' investigative powers and by making lending for property development available against contracts of acquisition and fiscal receipts.

Legal Notices related to banking and finance

Investment Services Act (Control of Assets) (Amendment) Regulations 2005

These regulations amend earlier legislation to identify those entities that are authorised to act as custodians for collective investment schemes (Legal Notice 364 of 2005). This legislation was further amended to make custodial arrangements of professional investor funds subject to the relevant MFSA Guidelines (Legal Notice 400 of 2005).

Finance Leasing Rules, 2005

These rules define a financial lease for tax

purposes and stipulate the manner in which income of a lessor and a lessee is liable to tax, taking into consideration excess payments made for the purpose of transfer of ownership. The rules also provide for early termination of the lease term. These rules shall come into force as from the year of assessment 2006 (Legal Notice 369 of 2005).

Investment Services Act (Investment Advertisements and Prospectus Exemption) (Amendment) Regulations, 2005

These regulations exempt prospectuses issued by a European-based closed-ended scheme, drawn up in accordance with Directive 2003/71/EC, from requiring approval in Malta (Legal Notice 388 of 2005).

Companies Act (The Prospectus) Regulations, 2005

These regulations mainly deal with the powers of the MFSA as the competent authority, advertisements relating to an offer to the public of securities, the right of appeal, and co-operation with other regulatory authorities (Legal Notice 389 of 2005).

Companies Act (Amendments to the Second Schedule) Regulations, 2005

These regulations set out the prescribed content of prospectuses issued by companies constituted in an EU Member State or an EEA State and the requirements for their approval and publication. The regulations also address issues related to the exercise of passport rights (Legal Notice 390 of 2005).

Implementation of Directive 2003/71/EC Order, 2005

This Order amends the Companies Act (Cap. 386) and introduces a number of provisions, including the definitions of "offer of securities to the public" and of "qualified investors" (Legal Notice 391 of 2005).

Investment Services Act (Prospectus of Collective Investment Schemes) Regulations, 2005

These regulations govern the issuance of prospectuses by collective investment schemes, and include provisions to allow the exercise of passport rights (Legal Notice 392 of 2005).

Financial Collateral Arrangements (Amendment) (No 2) Regulations, 2005

Minor amendments were made to include collective investment schemes within the scope of the regulations governing financial collateral arrangements (Legal Notice 401 of 2005).

Declaration of Bank Holidays

The Prime Minister and Minister of Finance, after consultation with the MFSA and the Central Bank of Malta, declared 15 April 2006, 26 December 2006 and 2 January 2007 to be bank holidays (Legal Notice 408 of 2005).

Issue of Malta Government Stock

On 1 November 2005, the Government of Malta issued Lm345,000 7% MGS 2015(IV) Malta Government Stock directly to the Ecclesiastical Entities at the price of Lm100 per cent in multiples of Lm100. The securities were issued in virtue of the Agreement between the Holy See and Malta signed on 28 November 1991.

FIMBank loan agreement with IFC

On 23 June 2005 FIMBank plc and the International Finance Corporation (IFC), a member of the World Bank Group, signed a Subordinated Convertible Loan Agreement. On 27 October 2005 the IFC notified FIMBank that it would convert part of the loan into ordinary shares.

This gave the IFC a 7.18% stake in FIMBank's issued share capital and a seat on its Board.

National Reform Programme launched

On 2 November 2005 the Government launched a National Reform Programme (NRP) for Malta 2005-2008. The NRP is intended to outline Malta's strategy for securing competitiveness, economic growth and job creation in terms of the EU's Lisbon Agenda. The NRP follows the guidelines of the European Commission and addresses five main themes, namely, the sustainability of public finances, competitiveness, employment, education & training and the environment.

Malta and Spain sign double taxation treaty

On 8 November 2005, Malta and Spain signed a Convention on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion. This agreement helps set up a legal framework for increased investment and trade between the two countries.

Malta International Airport privatisation

On 13 October 2005 the Government of Malta offered for sale 13,530,000 shares, or 20% of the share capital of Malta International Airport plc. The offer closed on 21 October. The total applications for the shares exceeded the number of shares offered. The offer price was Lm1.40 per share, but following an auction of part of the issue, the average selling price was Lm1.45. As a result, the shareholding of the Government of Malta in the company dropped to 20%.

Malta Staff Report for the IMF Article IV Consultation

Following the visit to Malta of an IMF Article IV Consultation Mission in the spring of 2005 a Staff Report was approved by the IMF's Executive Board on 14 October 2005. The Report focuses on the Government's efforts to address macroeconomic imbalances and the ongoing privatisation programme, which would contribute to economic efficiency and reduce the high level of debt. It also stresses the need for further structural reform to complement fiscal consolidation and the need to streamline public bureaucracy and lower costs of operating in Malta.

Implications of EU Budget for Malta

Leaders of European Union Member States, meeting in Brussels from 15 to 16 December 2005, reached agreement on the EU Budget for 2007-2013. The decisions on the EU Budget are expected to affect Malta as follows:

- The amount allocated to Malta is 805 million euros. Net of its contribution to the Budget, Malta stands to gain 455 million euros.
- Malta will benefit from 728 million euros in Cohesion and Structural Funds and 72 million euros in agricultural funds. These funds can be used for projects including improvements to the road network, solid waste management and health infrastructure.
- Adjustment to the Structural and Cohesion Funds would enable Member States to absorb funds over a longer period.
- The EU co-financing rate for projects has been raised from 75 per cent to 85 per cent, improving budgetary cash flow for the Member States.

Surrender of licence

On 22 December 2005 Lombard Stockbrokers Ltd surrendered its Category 2 Investment Services Licence issued in terms of the Investment Services Act, 1994. The surrender was entirely voluntary and did not arise from any regulatory action taken by the MFSA.

INTERNATIONAL NEWS

ECOFIN

On 11 October 2005 the ECOFIN Council agreed on rules aimed at improving the reliability of company financial statements and on new capital adequacy requirements for banks and investment firms. The capital adequacy requirements follow international guidelines established in 2004 by the Basel Committee on Banking Supervision with the aim of strengthening confidence in the financial system.

On 8 November 2005 the Council adopted a decision under article 104(8) of the Treaty establishing that Hungary has failed to comply with its recommendations on the measures needed in order to bring its budgetary deficit below 3% of GDP by 2008. The Council also decided on measures to be taken in order to improve the quality of statistical data to be used in the assessment of Member States' budgetary situations, as well as on improved controls for the EU budget.

On 6 December 2005 the Council adopted conclusions on the challenges of globalisation and on national reform programmes prepared by the Member States under the Lisbon economic reform strategy. As part of the EU's strategy against terrorist financing, the Council also agreed on a general approach regarding information accompanying the transfer of funds.

G7 Meeting

The G7 Finance Ministers and Central Bank Governors met in London from 2 to 3 December 2005. They noted that overall global growth remained solid, although it slowed as a result of high and volatile oil prices. The downside risks identified included rising protectionist sentiment,. the possibility of increasing inflationary pressures and growing global imbalances, which were exacerbated by high oil prices. The G7 reaffirmed that exchange rates should reflect economic fundamentals and called for a multilateral rules-based global trading system and reforms to trade policies. They welcomed the progress made on multilateral debt relief, aid effectiveness and increasing resources for development. They stressed the importance of the continued fight against terrorist financing and financial crime and welcomed the Financial Stability Forum's work on the codes and standards that underpin global financial markets.

Commonwealth Heads of Government Meeting

The Commonwealth Heads of Government Meeting was held in Malta from 25 to 27 November 2005. The Heads of Government welcomed the ongoing global expansion and low levels of inflation and called for the promotion of greater transparency and stability in the oil market. They expressed deep concern that many Commonwealth countries were falling behind the Millennium Development Goals' targets. They also welcomed the proposal of the G8 countries regarding the cancellation of debt.

The Heads of Government also reaffirmed their commitment to the objectives of the Doha Development agenda of the World Trade Organisation (WTO), calling for a successful conclusion to the Doha Round by the end of 2006 at the latest. They urged the international community to take stronger and more effective action to help vulnerable small states address the problems associated with reform and diversification.

World Trade Organisation Ministerial Meeting

In December 2005 trade ministers met in Hong Kong to continue talks on the four-year-old Doha Development Agenda Round. A limited trade deal was reached after developing countries approved a European Union offer to end farm export subsidies by 2013. On the basis of this

agreement, farm export subsidies will progressively be phased out by 2013. Rich countries will phase out export subsidies for cotton, while the poorest countries will get quota-free and duty-free access to global markets for 97% of their goods.

EU Budget

The leaders of the European Union Member States, meeting in Brussels on 15 and 16 December 2005, reached agreement on the EU Budget for 2007-2013. The overall budget was set at 862.4 billion euros, or 1.045% of the EU's combined gross national income. Farm spending will take up 293 billion euros, with development aid for poorer countries set at 157 billion euros. As part of the agreement, the European Commission was asked to review all EU spending, including the Common Agricultural Policy and the UK rebate, and to draw up a report in 2008/9. New Member States were also given a longer period over which to absorb EU funds and were exempt from the 60% Lisbon Agenda earmarking. The national contribution to co-financed projects was scaled back to 15%.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

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

CAPITAL CITY	Valletta	
AREA	316 km^2	
CURRENCY UNIT	Maltese lira exchange rates: MTL 1 = USD 2.8028	
	EUR 1 = MTL 0.4293	
CLIMATE	Average temperature (1990-2005): Dec. - Feb.	13.1° C
	June - Aug.	26.1° C
	Average annual rainfall (1990-2005)	597.6 mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at constant 2000 prices[1] (2004)	0.1%
	GDP per inhabitant at current market prices[1,2] (2004)	USD13,182
	GDP per capita in PPS relative to the EU-25 average[1] (2004)	69.2%
	Ratio of gross general government debt to GDP[1] (2004)	76.7%
	Ratio of general government deficit to GDP[1] (2004)	5.1%
	Retail Prices Index - inflation rate	2.8%
	Harmonised Index of Consumer Prices - inflation rate	2.2%
	Ratio of exports of goods and services to GDP[1] (2004)	75.9%
	Ratio of current account deficit to GDP[1] (2004)	10.2%
	Employment rate (Qtr. 2 2005)	53.6%
	Unemployment rate (Qtr. 2 2005)	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)	7.5
	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. 2004)	86.9%
	- Females (Dec. 2004)	89.6%
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2003)	32
	Mobile phone subscriptions per 100 population	80.6
	Private motor vehicle licences per 1,000 population	518
	Internet subscribers per 100 population	21.8

[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 September 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 Bank (Malta) Ltd (from January 2001)
Lombard Bank Malta plc
Volksbank Malta Ltd (from November 2002)

International Banking Institutions
Akbank T.A.S.
Commbank Europe Ltd (from August 2005)
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 A.S.

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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	Other liabilities[3]
			Banks[2,3]	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
July	517,836	31,066	165,179	87,117	7,768	260,063	86,812	-	12,306
Aug.	518,168	31,066	190,735	96,909	8,740	296,384	87,123	-	13,156
Sept.	518,304	31,066	210,852	94,990	8,228	314,070	85,951	-	14,469

[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] 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
July	540	36,810	805,808	843,159	31,042	7,709	26,174	908,084
Aug.	541	37,001	840,970	878,512	31,042	8,314	28,029	945,898
Sept.	601	37,246	859,405	897,252	31,042	8,111	27,456	963,861

[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
July	1,159,523	31,511	1,612,758	2,803,791	1,337,873	32,187	661,937	336,556
Aug.	1,171,827	29,801	1,625,267	2,826,895	1,379,868	32,065	656,570	343,702
Sept.	1,186,522	29,837	1,631,879	2,848,238	1,425,463	32,249	652,068	340,575

[1] Includes Malta Government and private sector deposits but excludes deposits belonging to non-residents (which 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[2]	External assets[2]	Other assets	Total assets/ total liabilities
2003	260,873	1,909,932	622,093	35,081	1,587,136	335,107	4,750,222
2004							
Jan.	312,047	1,902,808	607,539	35,255	1,586,626	339,089	4,783,362
Feb.	307,741	1,905,858	628,275	35,681	1,674,474	337,404	4,889,433
Mar.	298,278	1,947,956	649,840	32,108	1,679,840	308,603	4,916,626
Apr.	295,735	1,939,989	657,379	30,779	1,721,413	320,845	4,966,140
May	249,406	1,955,450	680,574	31,751	1,729,600	328,834	4,975,616
June	247,127	1,964,152	675,661	31,815	1,755,310	311,448	4,985,513
July	287,482	1,965,875	657,162	31,620	1,784,602	315,156	5,041,897
Aug.	255,095	1,974,645	666,967	31,738	1,748,139	327,214	5,003,797
Sept.	268,144	2,017,036	656,712	31,940	1,868,442	292,954	5,135,227
Oct.	253,636	2,004,395	669,438	32,198	1,875,779	298,341	5,133,788
Nov.	227,690	2,011,774	675,385	32,219	1,888,463	313,108	5,148,638
Dec.	192,578	2,029,380	657,326	32,814	1,894,746	335,959	5,142,801
2005							
Jan.	217,326	2,030,714	646,267	21,596	1,896,610	312,944	5,125,456
Feb.	195,737	2,049,098	677,904	21,583	1,882,912	310,808	5,138,040
Mar.	202,118	2,078,525	662,915	21,132	1,859,182	304,071	5,127,944
Apr.	164,264	2,068,907	682,810	21,182	1,856,744	293,990	5,087,898
May	209,273	2,071,270	654,240	20,978	1,915,337	316,094	5,187,192
June	169,162	2,084,875	666,501	20,984	1,948,314	317,777	5,207,612
July	187,706	2,051,029	655,536	21,042	1,943,201	313,832	5,172,346
Aug.	211,651	2,056,540	655,283	21,036	1,963,671	330,917	5,239,099
Sept.	232,289	2,099,269	621,755	24,504	2,009,405	311,371	5,298,593

[1] Includes holdings of cash.

[2] A re-classification exercise, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions in the monetary data as from that date. This resulted in an increase in the deposit money banks' external assets and a decrease in shares and other equity.

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
July	85	502	97	684	4,254,489	236,392	5,640	4,497,205
Aug.	667	498	112	1,278	4,564,874	237,328	5,040	4,808,520
Sept.	232	509	100	841	5,490,470	268,487	4,077	5,763,874

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
July	-	4,472,005	0	464	24,736	4,497,205
Aug.	-	4,784,113	0	462	23,944	4,808,519
Sept.	-	5,739,470	0	472	23,932	5,763,875

[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 SURVEY[1]

Lm thousands

End of period	Domestic credit[6]			Net foreign assets[6]			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	OMFIs	Total			
2003	568,436	1,898,951	2,467,386	919,841	678,502	1,598,342	2,849,244	1,216,486	4,065,729
2004									
Jan.	562,778	1,894,952	2,457,731	938,451	662,538	1,600,989	2,865,097	1,193,624	4,058,720
Feb.	579,392	1,900,790	2,480,181	944,205	662,817	1,607,022	2,894,167	1,193,037	4,087,203
Mar.	605,394	1,940,884	2,546,278	933,078	660,524	1,593,602	2,904,751	1,235,130	4,139,880
Apr.	601,279	1,940,898	2,542,177	929,852	715,838	1,645,690	2,933,596	1,254,270	4,187,867
May	565,803	1,977,858	2,543,661	920,605	702,937	1,623,541	2,914,066	1,253,136	4,167,202
June	585,382	1,985,831	2,571,214	906,856	733,567	1,640,424	2,939,288	1,272,347	4,211,637
July	606,953	1,987,659	2,594,612	904,183	737,621	1,641,803	2,970,160	1,266,255	4,236,415
Aug.	576,834	1,990,399	2,567,233	923,751	734,579	1,658,329	2,960,696	1,264,868	4,225,563
Sept.	573,062	2,030,297	2,603,359	928,657	726,318	1,654,975	2,960,436	1,297,898	4,258,334
Oct.	579,520	2,031,839	2,611,359	907,152	747,288	1,654,440	2,954,055	1,311,745	4,265,799
Nov.	581,027	2,036,106	2,617,133	890,747	751,705	1,642,452	2,941,838	1,317,747	4,259,585
Dec.	545,113	2,058,031	2,603,144	870,293	755,441	1,625,734	2,918,320	1,310,557	4,228,878
2005									
Jan.	565,119	2,052,243	2,617,362	856,284	775,304	1,631,588	2,936,569	1,312,382	4,248,950
Feb.	568,407	2,071,034	2,639,441	855,690	745,277	1,600,968	2,934,369	1,306,041	4,240,408
Mar.	565,591	2,102,844	2,668,436	826,212	745,882	1,572,093	2,925,283	1,315,245	4,240,529
Apr.	566,433	2,096,643	2,663,076	814,591	773,442	1,588,033	2,928,150	1,322,961	4,251,108
May	558,294	2,101,628	2,659,922	818,568	762,472	1,581,040	2,931,434	1,309,528	4,240,962
June	560,030	2,116,236	2,676,266	819,114	799,845	1,618,959	2,979,359	1,315,865	4,295,225
July	533,623	2,080,431	2,614,054	856,347	822,844	1,679,191	2,962,716	1,330,528	4,293,245
Aug.	519,399	2,087,454	2,606,853	892,979	803,042	1,696,021	2,988,587	1,314,288	4,302,874
Sept.	498,826	2,121,000	2,619,827	911,712	832,941	1,744,653	3,004,044	1,360,435	4,364,480

[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 and uncleared effects drawn on Deposit Money Banks.

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

[6] A re-classification exercise on monetary data, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the counterparts of broad money as from that date. This resulted in an increase in the monetary financial institutions' net foreign assets and a decrease in domestic credit.

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)								
				Narrow money (M1)								
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)	Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)	Repurchase agreements /Debt securities with agreed maturity up to 2 years	Total (M3)
					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
July	517,836	137,681	655,517	498,601	305,550	818,556	1,622,707	32,008	1,308,000	2,962,716	-	2,962,716
Aug.	518,168	146,415	664,584	497,807	317,103	819,787	1,634,696	30,294	1,323,596	2,988,587	-	2,988,587
Sept.	518,304	130,333	648,637	497,228	319,416	831,157	1,647,800	30,340	1,325,904	3,004,044	-	3,004,044

TABLE 1.6 MONETARY POLICY OPERATIONS OF THE CENTRAL BANK OF MALTA

Lm thousands

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos[1]			Marginal lending during the period [2]	Term deposits[3]			Overnight deposits[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
July	7,300	13,300	-	-	38,700	27,500	12,200	25,900
Aug.	-	-	-	-	66,350	44,300	49,550	-
Sept.	-	-	-	-	215,000	80,500	178,800	50,550

[1] The Central Bank of Malta injects liquidity into the banking system through an auction of reverse repos in the event of a liquidity shortage. With effect from 15th September 2005, the maturity period of reverse repos is 7 days.

[2] The Central Bank of Malta provides a 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 system. Up to 14 September 2005 the maturity period of these term deposits was 14 days. Thereafter the maturity period was reduced to 7 days.

[4] The Central Bank of Malta provides an 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
July	36,072	6,410	59,940	437,487	2,264,567	2,768,404	2,804,476	1,276,600	4,081,076
Aug.	38,411	5,723	54,476	456,575	2,272,987	2,789,762	2,828,173	1,275,415	4,103,587
Sept.	41,114	5,026	62,998	456,989	2,282,952	2,807,965	2,849,079	1,456,257	4,305,335

[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
July	2,381,876	122,738	165,192	99,342	35,328	53,844	1,222,757	4,081,076
Aug.	2,398,102	122,372	169,578	102,275	35,845	53,724	1,224,262	4,106,158
Sept.	2,419,176	121,992	169,777	102,156	35,978	51,485	1,410,918	4,311,481

[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[1]	Currency in circulation
	Notes	Coins	Total		
1999	402,000	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,834	17,994	441,829	22,942	418,887
2002	443,905	17,343	461,247	24,416	436,831
2003	467,097	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
July	497,996	19,840	517,836	19,235	498,601
Aug.	498,105	20,063	518,168	20,361	497,807
Sept.	498,305	20,000	518,304	21,076	497,228

[1] 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	488,028
May	510,621	111,150	340,419	32,211	7,598	491,377
June	517,006	111,928	344,343	33,445	7,807	497,523
July	517,836	112,561	344,193	33,352	7,890	497,996
Aug.	518,168	112,485	344,324	33,414	7,883	498,105
Sept.	518,304	112,248	344,963	33,198	7,896	498,305

[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
July	1,195,557	651,331	544,226	2,171,102	55.1	74.7
Aug.	1,258,594	660,701	597,893	2,202,335	57.1	74.3
Sept.	1,247,446	671,978	575,468	2,239,927	55.7	75.2

[1] From 15 November 1994, Banking Directive No. 5 established a minimum 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
July	46,269	172,212	157,094	819,982	1,195,557
Aug.	69,635	164,942	174,241	849,776	1,258,594
Sept.	98,075	145,082	177,281	827,008	1,247,446

[1] Excludes balances held as reserve deposits.

[2] Includes securities issued or guaranteed by governments, supranational 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
Sept.	Amount	274,386	785,092	413,106	1,210,274	2,682,858

[1] For the purposes of this classification, these include loans extended to residents and non-residents in both 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
July	53,148	124,504	60,299	9,262	139,276	199,281	206,918	290,232
Aug.	54,307	120,448	64,322	9,181	133,740	200,778	186,552	286,295
Sept.	54,395	122,229	64,740	8,461	135,201	201,244	202,718	296,756

[1] As from October 2003 includes bills discounted.

[2] As from January 1995 includes Deposit Money Banks and International Banking Institutions.

[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	585,148	82,222	85,292	752,662	62,420	2,110,514	496,576	2,607,090
May	137,456	592,975	83,559	87,330	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
July	154,983	609,848	85,151	90,032	785,031	79,168	2,102,103	512,793	2,614,896
Aug.	175,511	617,183	86,229	90,448	793,860	81,631	2,106,624	513,757	2,620,381
Sept.	182,658	623,023	85,663	91,703	800,389	79,814	2,148,606	534,252	2,682,858

[1] As from October 2003 includes bills discounted .

[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
July	52,036	1,112	57,493	67,011	9,262	60,299	27,073	112,204	68	199,213
Aug.	53,216	1,091	54,196	66,251	9,181	64,322	27,044	106,696	70	200,707
Sept.	52,743	1,652	54,618	67,611	8,461	64,740	27,650	107,551	71	201,173

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
July	2,141	204,777	290,232	785,031	4,658	150,326	23,160	56,008	166,656	1,935,447
Aug.	2,086	184,465	286,295	793,860	4,582	170,930	25,793	55,837	167,010	1,939,614
Sept.	2,107	200,611	296,756	800,389	4,001	178,657	26,130	53,684	167,334	1,981,272

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

Lm thousands

End of period	Central Bank of Malta							Total (A)
	Foreign Assets				Foreign liabilities	Net	Government & parastatal companies[4]	
	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
July	673	67,852	823,086	891,611	35,263	856,347
Aug.	673	68,043	859,726	928,442	35,464	892,979
Sept.	747	68,287	877,842	946,876	35,164	911,712

[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[3]	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	1,587,136	1,077,630	509,506	1,429,347	2,917,645	2,748,650	168,995	1,598,342
2004								
Jan.	1,586,626	1,095,935	490,691	1,429,142	2,983,356	2,811,509	171,847	1,600,989
Feb.	1,674,474	1,189,417	485,057	1,429,262	2,956,685	2,778,925	177,760	1,607,022
Mar.	1,679,840	1,207,806	472,034	1,405,112	3,081,612	2,893,122	188,490	1,593,602
Apr.	1,721,413	1,184,591	536,822	1,466,674	3,174,201	2,995,185	179,016	1,645,690
May	1,729,600	1,206,292	523,309	1,443,913	3,198,105	3,018,477	179,628	1,623,541
June	1,755,310	1,208,629	546,680	1,453,537	3,171,551	2,984,665	186,887	1,640,424
July	1,784,602	1,237,404	547,198	1,451,380	3,185,702	2,995,279	190,423	1,641,803
Aug.	1,748,139	1,213,159	534,980	1,458,730	3,525,363	3,325,764	199,599	1,658,329
Sept.	1,868,442	1,333,436	535,006	1,463,663	3,509,511	3,318,199	191,312	1,654,975
Oct.	1,875,779	1,326,208	549,571	1,456,723	3,552,439	3,354,721	197,718	1,654,440
Nov.	1,888,463	1,340,872	547,591	1,438,338	3,527,014	3,322,900	204,114	1,642,452
Dec.	1,894,746	1,353,387	541,359	1,411,652	3,775,464	3,561,382	214,082	1,625,734
2005								
Jan.	1,896,610	1,340,362	556,248	1,412,531	3,804,711	3,585,654	219,057	1,631,588
Feb.	1,882,912	1,352,177	530,734	1,386,424	3,802,836	3,588,293	214,543	1,600,968
Mar.	1,859,182	1,325,303	533,879	1,360,090	3,950,433	3,738,429	212,003	1,572,093
Apr.	1,856,744	1,296,132	560,612	1,375,203	4,032,978	3,820,149	212,829	1,588,033
May	1,915,337	1,345,978	569,359	1,387,927	4,242,944	4,049,831	193,113	1,581,040
June	1,948,314	1,356,496	591,818	1,410,932	4,338,105	4,130,079	208,026	1,618,959
July	1,943,201	1,337,873	605,328	1,461,675	4,472,005	4,254,489	217,516	1,679,191
Aug.	1,963,671	1,379,868	583,804	1,476,782	4,784,113	4,564,874	219,239	1,696,021
Sept.	2,009,405	1,425,463	583,942	1,495,653	5,739,470	5,490,470	249,000	1,744,653

[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.

[3] A re-classification exercise, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the monetary data as from that date. This resulted in an increase in the deposit money banks' net foreign assets.

TABLE 1.17 FINANCIAL MARKETS

	2001	2002	2003	2004				2005		
				Mar.	June	Sept.	Dec.	Mar.	June	Sept.
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	3.25
Money market intervention rates:										
Term deposit rate	4.22	3.70	2.95	2.95	2.95	2.95	2.95	2.95	3.20	3.20
Reverse repo rate	4.29	3.80#	3.05#	3.05#	3.05#	3.05#	3.05#	3.00	3.27	3.30#
Rate on standby (collateralised) loans	4.80	4.30	3.55	4.50	4.50	4.50	4.50	4.50	4.75	4.25
Rate on overnight deposits	1.30	0.80	0.30	1.50	1.50	1.50	1.50	1.50	1.75	2.25
Remuneration on required reserves	2.70	2.70	2.70	2.75	2.75	2.75	2.75	2.75	3.00	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	3.24
1 week	4.25	3.76*	2.96	2.95*	2.95	2.95*	2.95	2.95	3.24	3.26
1 month	4.58*	3.80*	2.98*	2.82	2.96*	2.97*	2.98	2.98	3.25	3.26
3 month	4.82*	3.90*	3.00*	2.99*	2.98*	3.01*	3.01*	3.01*	3.29*	3.30*
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	2.11
Current deposits	1.48	1.12	0.44	0.45	0.43	0.47	0.47	0.46	0.42	0.45
Savings deposits	2.22	1.80	1.01	0.99	1.00	0.96	0.95	0.95	1.17	1.17
Time deposits	4.98	4.39	3.45	3.17	3.00	2.90	2.87	2.84	2.90	2.94
Weighted average lending rate	6.50	6.07	5.31	5.32	5.31	5.32	5.33	5.39	5.59	5.55
Government securities										
Treasury bills										
1 month	4.80	-	-	-	-	2.96	2.96	-	3.26	3.26
3 month	4.53	3.67	2.94	2.93	2.90	2.96	2.96	2.98	3.27	3.26
6 month	5.04	3.80	2.93	2.92	2.91	2.94	2.97	2.98	3.28	3.26
1 year	-	-	-	2.92	2.95	2.97	2.97	-	3.50	3.40
Malta Government stocks										
2 year	-	-	3.39	3.12	3.21	3.30	3.21	3.30	3.55	3.53
5 year	5.40	5.15	4.37	4.32	4.27	4.26	4.26	4.21	3.88	3.74
10 year	6.15	5.43	4.71	4.70	4.65	4.70	4.70	4.72	4.56	4.41
15 year	6.44	5.86	4.96	4.95	4.89	4.95	4.97	4.96	4.96	4.96
MSE SHARE INDEX	2,200	1,871	2,126	2,765	2,524	2,861	3,069	3,442	3,431	3,938

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 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
July	65,433	4,168	69,600	68,018	6,079	74,097	-4,497	1,092	-	1,092	-3,404
Aug.	81,010	3,795	84,806	63,218	13,416	76,634	8,171	33,500	-	33,500	41,671
Sept.	71,278	5,183	76,461	63,765	6,965	70,730	5,731	-	-	-	5,731

[1] Comprise government budgetary operations through the Consolidated Fund only.

[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 stocks, 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 stocks, 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	608,103	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	3,893	71,808
July	14,682	13,713	14,334	7,202	6,474	56,404	9,029	65,433	4,168	69,600
August	29,072	17,399	13,021	6,987	6,437	72,916	8,094	81,010	3,795	84,806
Sept.	18,598	17,985	17,418	8,241	5,955	68,196	3,082	71,278	5,183	76,461

[1] Excluding Extra Budgetary Units.

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

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

[4] 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
July	1,599	3,343	1,138	6,079
Aug.	2,096	4,998	6,321	13,416
Sept.	777	4,227	1,961	6,965

[1] Excluding capital expenditure by 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
Sept.	174,480	1,124,988	1,299,468	93,420	1,392,888	327,378

[1] Not consolidated with holdings of debt instruments by the Malta Government Sinking Fund and 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 the total gross debt at nominal value outstanding at the end of the year and consolidated between and within all 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
July	64,810	39,522	14,687	54,209	175,090	29,616	204,706
Aug.	32,006	17,774	3,647	21,421	167,592	26,529	194,121
Sept.	48,267	21,000	7,626	28,626	147,514	26,966	174,480

[1] Amounts are at nominal prices.

[2] Includes the Malta Government Sinking Fund.

[3] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million, and on 27 November 2002 this was raised further to Lm300 million.

TABLE 3.3 MALTA GOVERNMENT STOCKS[1]

outstanding as at end-September 2005

Lm thousands

Coupon rate	Year of maturity	Year of issue	Issue price (Lm)	Interest dates	Held by		Amount
					MFIs	Others	
7.00 %	2006	1994	100	19 May - 19 Nov.	1,896	8,104	10,000
7.00 %	2006 (IV)[2]	1996	100	30 June - 30 Dec.	-	167	167
7.25 %	2006 (II)	1996	100	1 Feb. - 1 Aug.	7,301	11,949	19,250
7.25 %	2006 (III)	1996	100	20 Jan. - 20 July	8,249	6,751	15,000
7.35 %	2007	1997	100	18 Apr. - 18 Oct.	16,886	7,864	24,750
5.90 %	2007 (II)	1999	100	23 Apr. - 23 Oct.	9,007	993	10,000
5.60 %	2007 (III)	2000	100	10 June - 10 Dec.	22,900	12,350	35,250
7.20 %	2008	1998	100	10 June - 10 Dec.	8,815	1,185	10,000
7.20 %	2008 (II)	1998	100	28 Feb. - 28 Aug.	20,542	9,458	30,000
7.00 %	2009	1999	100	30 June - 30 Dec.	-	65	65
5.90 %	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,305	10,695	25,000
5.90 %	2009 (III)	2000/2005	100/107.8	30 Mar. - 30 Sept.	55,219	9,081	64,300
5.90 %	2010	1999	100	19 May - 19 Nov.	13,660	1,340	15,000
5.75 %	2010 (II)	2000	100	10 June - 10 Dec.	16,545	1,955	18,500
7.00 %	2010 (III)[2]	2000	100	30 June - 30 Dec.	-	545	545
5.40 %	2010 (IV)	2003/2004	100/104.5	21 Feb. - 21 Aug.	9,857	38,143	48,000
7.50 %	2011	1996	100	28 Mar. - 28 Sept.	7,456	7,544	15,000
6.25 %	2011 (II)	2001	100	1 Aug. - 1 Feb.	20,691	19,309	40,000
7.00 %	2011 (III)[2]	2002	100	30 June - 30 Dec.	-	125	125
7.80 %	2012	1997	100	24 May - 24 Nov.	10,881	23,619	34,500
7.00 %	2012 (II)[2]	2002	100	10 June - 30 Dec.	-	176	176
5.70 %	2012 (III) FI	2005	100/108/108.5/109.7	30/31 Mar. - 30/31 Sept.	60,338	55,662	116,000
7.80 %	2013	1997	100	18 Apr. - 18 Oct.	10,657	23,593	34,250
6.35 %	2013 (II)	2001	100	19 May. - 19 Nov.	585	25,415	26,000
7.00 %	2013 (III)	2003	100	30 June - 30 Dec.	-	67	67
6.60 %	2014	2000	100	30 Mar. - 30 Sept.	926	9,574	10,500
5.10 %	2014 (III)	2003/2004	100/103.25	6 Jan. - 6 July	10,401	36,599	47,000
6.45 %	2014 (II)	2001	100	24 May - 24 Nov.	7,746	22,254	30,000
7.00 %	2014 (IV)[2]	2004	100	30 June - 30 Dec	-	1,719	1,719
6.10 %	2015	2000	100	10 June - 10 Dec.	9,477	20,523	30,000
5.90 %	2015 (II) FI	2002/2003	100/102	9 Apr. - 9 Oct.	738	39,462	40,200
7.00 %	2015 (III)	2005	100	30 June - 30 Dec	-	291	291
6.65 %	2016	2001	100	28 Mar. - 28 Sept.	2,884	27,116	30,000
4.80 %	2016 (II) FI	2003/2004	100/101	26 May - 26 Nov.	15,089	39,911	55,000
7.80 %	2018	1998	100	15 Jan. - 15 July	16,289	53,711	70,000
6.60 %	2019	1999	100	1 Mar. - 1 Sept.	11,878	32,122	44,000
5.00 %	2021 FI	2004/2005	100	8 Feb. - 8 Aug.	6,930	78,070	85,000
5.00 %	2021(I) FI	2005	100	9 Feb. - 9 Aug.	575	24,425	25,000
5.10 %	2022	2004	100	16 Feb. - 16 Aug.	969	29,531	30,500
5.50 %	2023	2003	100	6 Jan. - 6 July	226	33,607	33,833
Total					399,918	725,069	1,124,987

[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
Sept.	44,417	281,409	425,828	199,000	174,333	1,124,987

[1] Calculations are based on the maximum redemption period of each stock. With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the 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
Sept.	10,406	56,353	-	66,759

[1] Excluding 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
Sept.	-	132	-	471	60,663	5,351	-	142	66,759

[1] Excluding 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
Sept.	7,474	4,962	8,794	44,405	142	982	66,759

[1] Excluding 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

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	0.4314	-	-	-	-	312.36	3.586
Feb.	4	1.5960	-	3.0077	0.4304	-	-	-	-	312.46	3.623
	11	1.6023	-	2.9895	0.4306	-	-	-	-	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	3.575
	17	1.5540	-	2.8354	0.4293	-	-	-	-	308.53	3.596
	24	1.5439	-	2.8109	0.4293	-	-	-	-	307.20	3.592
July	1	1.5814	-	2.8139	0.4293	-	-	-	-	312.82	3.615
	8	1.5999	-	2.7798	0.4293	-	-	-	-	311.60	3.618
	15	1.5989	-	2.8044	0.4293	-	-	-	-	314.61	3.634
	22	1.6191	-	2.8277	0.4293	-	-	-	-	314.22	3.642
	29	1.6070	-	2.8259	0.4293	-	-	-	-	316.76	3.635
Aug.	5	1.6191	-	2.8792	0.4293	-	-	-	-	321.49	3.631
	12	1.6000	-	2.9027	0.4293	-	-	-	-	317.81	3.617
	19	1.5788	-	2.8366	0.4293	-	-	-	-	313.38	3.608
	26	1.5884	-	2.8654	0.4293	-	-	-	-	314.04	3.604
Sept.	2	1.5907	-	2.9242	0.4293	-	-	-	-	320.45	3.595
	9	1.5729	-	2.8951	0.4293	-	-	-	-	318.08	3.596
	16	1.5757	-	2.8460	0.4293	-	-	-	-	315.44	3.613
	23	1.5788	-	2.8156	0.4293	-	-	-	-	314.58	3.624
	30	1.5879	-	2.8019	0.4293	-	-	-	-	317.42	3.627

[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
July	1.6016	-	2.8055	0.4293	-	-	-	-	313.98	3.629
Aug.	1.5970	-	2.8623	0.4293	-	-	-	-	316.96	3.618
Sept.	1.5788	-	2.8532	0.4293	-	-	-	-	316.88	3.610

[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.	-	-	78,324	95,867	-17,543
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	-	59,242	101,516	-42,274
Feb.	58,833	-	58,833	88,821	-29,988
Mar.	66,582	-	66,582	101,289	-34,709
Apr.	65,823	-	65,823	105,063	-39,240
May	71,400	-	71,400	119,449	-48,049
June	68,520	-	68,520	101,274	-32,754
July	63,894	-	63,894	110,020	-46,126
Aug.	67,673	-	67,673	99,182	-31,509
Sept.	73,633	-	73,633	106,048	-32,415

[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.	11,622	2,884	8,219	13,163	5,491	3,918	12,910	20,117	78,324
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
July	6,501	3,295	9,075	8,608	6,003	2,899	7,605	19,908	63,894
Aug.	6,378	2,192	7,736	8,857	4,946	5,934	7,491	24,139	67,673
Sept.	6,246	4,482	9,290	11,089	6,549	3,105	9,881	22,991	73,633

[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	10,894	7,422	32,059	101,274
July	14,489	32,111	3,475	11,470	8,485	12,443	3,031	24,516	110,020
Aug.	11,568	29,226	3,654	11,182	7,122	9,341	4,666	22,423	99,182
Sept.	11,523	29,690	3,198	10,949	8,260	9,978	4,501	27,948	106,048

[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	50,380	16,733	9	78,324
Oct.	2,215	880	513	5285	-	2,382	5,264	46,240	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
July	3,760	843	160	1046	2	2,787	5,035	36,334	13,883	45	63,894
Aug.	2,483	1,082	126	5546	-	3,493	3,942	39,096	11,906	8	67,673
Sept.	2,138	1,112	239	1271	-	4,357	5,309	46,559	12,613	34	73,633

[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
July	11,211	2,171	1,137	13,248	189	10,860	13,139	44,444	12,877	742	110,020
Aug.	11,269	1,825	1,838	5,830	212	9,779	11,502	44,520	11,896	513	99,182
Sept.	10,008	1,482	1,063	11,870	132	9,317	11,796	44,503	15,066	810	106,048

[1] Provisional.

Source: NSO.

TABLE 5.1a GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS IN LINE WITH ESA 95[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	1,072,164	324,279	371,322	54,221	1,821,986	1,572,823	1,740,099	-167,276	1,654,710	1,601,616
2001	1,086,543	356,631	332,606	-8,330	1,767,450	1,419,830	1,487,633	-67,803	1,699,647	1,710,754
2002	1,095,488	376,482	272,719	-13,162	1,731,527	1,492,598	1,473,608	18,990	1,750,517	1,753,070
2003	1,124,912	396,319	353,049	-2,758	1,871,522	1,447,776	1,522,563	-74,787	1,796,735	1,785,392
2004	1,157,323	412,026	373,554	22,395	1,965,298	1,386,305	1,524,450	-138,145	1,827,153	1,799,063
2003										
Mar.	264,752	104,806	86,712	8,003	464,273	315,943	365,700	-49,757	414,516	423,140
June	275,461	102,084	94,960	725	473,230	368,656	389,902	-21,246	451,984	447,207
Sept.	295,465	93,481	84,359	-14,956	458,349	401,575	388,242	13,333	471,682	478,106
Dec.	289,234	95,948	87,018	3,469	475,669	361,602	378,719	-17,117	458,552	436,938
2004										
Mar.	264,795	104,797	81,635	-7,532	443,695	327,480	338,746	-11,266	432,429	426,683
June	284,468	103,139	96,183	6,007	489,797	354,099	391,016	-36,917	452,880	471,406
Sept.	305,508	99,384	95,098	-13,480	486,510	367,538	375,787	-8,249	478,261	440,591
Dec.	302,552	104,706	100,638	37,400	545,296	337,188	418,901	-81,713	463,583	460,383
2005										
Mar.	267,713	97,453	88,112	36,001	489,279	286,215	340,637	-54,422	434,857	442,770
June	296,631	105,018	108,309	9,490	519,448	341,940	384,292	-42,352	477,096	460,002
Sept.	317,318	101,333	99,205	-10,791	507,065	382,772	388,356	-5,584	501,481	488,139

[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 95[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	1,072,164	324,279	371,321	54,221	1,821,985	1,572,823	1,740,099	-167,276	1,654,709
2001	1,069,036	326,670	321,113	-7,818	1,709,001	1,550,472	1,590,363	-39,891	1,669,110
2002	1,061,077	339,814	254,450	-12,539	1,642,802	1,593,218	1,553,005	40,213	1,683,015
2003	1,081,562	349,702	326,814	-2,689	1,755,389	1,559,916	1,661,717	-101,801	1,653,588
2004	1,076,567	352,228	341,960	20,287	1,791,042	1,558,075	1,694,616	-136,541	1,654,501
2003									
Mar.	257,719	93,505	80,306	7,310	438,840	348,300	400,416	-52,116	386,724
June	265,049	90,051	87,722	671	443,493	394,887	428,820	-33,933	409,560
Sept.	282,725	81,919	78,185	-13,855	428,974	423,667	423,671	-4	428,970
Dec.	276,068	84,227	80,602	3,184	444,081	393,062	408,810	-15,748	428,333
2004									
Mar.	252,254	89,322	74,801	-6,823	409,554	365,669	380,216	-14,547	395,007
June	263,152	88,415	87,971	5,442	444,980	394,565	429,445	-34,880	410,100
Sept.	282,280	84,806	87,144	-12,211	442,019	404,849	419,669	-14,820	427,199
Dec	278,881	89,686	92,042	33,880	494,489	392,992	465,286	-72,294	422,195
2005									
Mar.	245,966	83,364	79,377	32,916	441,623	323,591	369,376	-45,785	395,838
June	267,847	87,819	97,558	8,676	461,900	376,968	421,031	-44,063	417,837
Sept.	290,685	84,733	89,328	-9,867	454,879	409,279	424,658	-15,379	439,500

[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
July	47,319	10,807	12,419	12,308	10,597	2,386	38,739	134,575
Aug.	71,209	18,759	12,075	13,247	6,205	1,864	44,255	167,614
Sept.	59,969	6,320	8,137	17,124	5,513	1,501	32,653	131,217

[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	Number	%[3]	Number	%[4]	Number	%[5]
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 [2]	103,915	41,678	145,593	97,692	40,145	137,837	6,220	6.0	1,536	3.7	7,756	5.3
2004 [2]	103,512	41,987	145,499	96,916	40,328	137,244	6,596	6.4	1,659	4.0	8,255	5.7
2004												
Jan.	103,678	41,683	145,361	96,736	39,831	136,567	6,943	6.7	1,852	4.4	8,795	6.1
Feb.	103,608	41,765	145,373	96,637	39,906	136,543	6,971	6.7	1,859	4.5	8,830	6.1
Mar.	103,429	41,658	145,087	96,751	39,916	136,667	6,678	6.5	1,742	4.2	8,420	5.8
Apr.	103,376	41,676	145,052	96,701	40,012	136,713	6,675	6.5	1,664	4.0	8,339	5.7
May	103,406	41,762	145,168	96,864	40,200	137,064	6,542	6.3	1,562	3.7	8,104	5.6
June	103,737	41,977	145,714	97,303	40,469	137,772	6,434	6.2	1,508	3.6	7,942	5.5
July	104,045	42,315	146,360	97,514	40,715	138,229	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
June	102,727	42,403	145,130	97,223	40,977	138,200	5,504	5.4	1,426	3.4	6,930	4.8
July	103,073	42,878	145,951	97,573	41,287	138,860	5,500	5.3	1,591	3.7	7,091	4.9
Aug.	102,674	42,839	145,513	97,103	41,233	138,336	5,571	5.4	1,606	3.7	7,177	4.9
Sept.	102,401	42,622	145,023	96,830	40,983	137,813	5,571	5.4	1,639	3.8	7,210	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] The apportionment by gender for 2003 and 2004 is a Central Bank of Malta estimate.

[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: 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.	110,207	50,256	160,463	103,536	45,146	148,682	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 based 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 DEVELOPMENT PERMITS FOR COMMERCIAL, SOCIAL AND OTHER PURPOSES[1]

Period	Commercial and Social							Total	Other Permits[5]	Total Permits
	Agriculture	Manufacturing[2]	Warehousing, Retail & Offices[3]	Hotels & Tourism Related	Restaurants & bars	Social[4]	Parking			
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 DEVELOPMENT PERMITS FOR DWELLINGS, BY TYPE[1]

Period	Number of Permits[2]			Number of Units[3]				
	New Dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
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

Year	Index	Inflation rate (%)
(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 Prices Index in terms of Article 13 of the Housing (Decontrol) Ordinance, Cap. 158.

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

TABLE 5.8 RETAIL PRICES 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
July	105.77
Aug.	105.83
Sept.	106.59

Note: The New Retail Prices 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 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

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
Sept.	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
July	130.0	2.3	0.3	5.7	-2.8	6.4	2.8	5.8	3.8	16.0	1.3	1.5	-0.1	3.8
Aug.	130.4	2.3	0.2	4.7	-2.6	7.0	2.8	5.7	3.6	14.8	1.6	1.4	0.2	3.6
Sept.	130.4	2.2	0.6	3.7	-1.9	7.3	2.7	5.6	3.4	13.6	1.7	1.2	-0.4	3.5

COICOP/HICP Code:

00. 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.