

Central Bank of Malta



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ABBREVIATIONS

ECB	European Central Bank
EBRD	European Bank for Reconstruction and Development
ESCB	European System of Central Banks
EMU	Economic Monetary Union
ETC	Employment and Training Corporation
EU	European Union
GDP	Gross Domestic Product
IMF	International Monetary Fund
MFSA	Malta Financial Services Authority
MSE	Malta Stock Exchange
NSO	National Statistics Office
OECD	Organisation for Economic Co-Operation and Development
OPEC	Organisation of Petroleum Exporting Countries
WTO	World Trade Organisation

ECONOMIC SURVEY

1. FOREWORD

During the fourth quarter of 2004 and the first quarter of 2005, the Central Bank of Malta left the central intervention rate unchanged at 3%. On 8 April, however, the Bank raised the rate by 25 basis points to 3.25%. The Bank's policy stance reflected its assessment of economic and financial developments in Malta and abroad and was consonant with its monetary policy strategy, which aims at maintaining price stability by pegging the Maltese lira to a currency basket.¹

During the final quarter of 2004 the Bank's net foreign assets contracted as the usual seasonal outflows were exacerbated by higher payments for oil and consumption goods, the latter reflecting a further shift in consumer patterns as households continued to respond to the total removal of barriers to trade earlier in the year. The decline in the Bank's net foreign assets persisted during the following quarter, but the domestic financial environment was otherwise stable. Although the decline in the reserves continued to reflect the effects of trade and capital liberalisation and the rise in the fuel import bill, the Bank felt that pressures on the balance of payments were being compounded by strong growth in credit to the personal sector. Hence, at the beginning of April it raised interest rates so as to curb excessive credit growth, dampen inflationary pressures and help correct the existing imbalance between saving and spending.

Domestic money market interest rates remained stable throughout the fourth quarter of 2004 and up until February 2005. But money market rates abroad rose slightly during this period, leading to a narrower premium on Maltese lira three-month

rates, which fell by five basis points between the end of September and end-February. In contrast, the ten-year premium on the Maltese lira widened further to around 80 basis points over the period, reflecting stability in domestic Government bond yields and lower long-term rates abroad.

Following a modest expansion in the previous quarter, broad money (M3) contracted by 1.4% during the fourth quarter. Investors continued to shift from bank deposits into alternative assets, including Government bonds. As regards the counterparts of M3, the net foreign assets of the banking system declined, while the pace of domestic credit expansion moderated, in spite of increased lending for house purchases. Broad money recovered during the first two months of 2005, as further growth in domestic credit outweighed a drop in the net foreign assets of the banking system.

Economic growth picked up during the final quarter of 2004, with real GDP expanding by 2.3% on a year-on-year basis, up from 1.9% in the previous quarter. Growth was mainly driven by inventory accumulation, although consumption and investment also contributed. However, net exports contributed negatively to economic expansion, as imports increased more rapidly than exports.

Nominal GDP also accelerated during the final quarter of 2004, rising by 3.8% on a year earlier. Taxes on production and imports accounted for most of the increase, while faster growth in compensation of employees offset a further contraction in gross operating surplus & mixed income. Gross value added went up moderately compared with the corresponding quarter of the previous year, driven by the financial intermediation and the real estate, renting &

¹ Since the entry of the Maltese lira into ERM II on 2 May 2005, the lira is now pegged solely to the euro.

business activities sectors. The increased value added in these sectors more than offset declines in a number of other sectors, particularly manufacturing.

Meanwhile, responses to the Bank's latest business perceptions survey show that the negative sentiment expressed during the second half of 2004 persisted, though to a lesser degree.² Half of the respondents to the survey expected no major turnaround in economic activity in the following six months, while the number of pessimistic responses declined. From a sectoral perspective, manufacturing firms remained pessimistic on balance, while most respondents from the services sector, including tourism, expected no change in the general economic situation. Firms in the real estate sector, however, expected an improvement.

According to the latest Labour Force Survey, the labour force contracted during the fourth quarter of 2004 compared with the corresponding period of the previous year. Employment increased while the number of unemployed declined, so that the unemployment rate dropped from 7.9% in December 2003 to 6.9% at the end of 2004. According to the unemployment register, the rate in November, the latest month for which data were available, was 5.6%, unchanged from a year earlier.

The upward trend in the twelve-month moving average rate of inflation persisted into the fourth quarter of 2004, though other measures indicate some easing of inflationary pressures during that

period. The twelve-month moving average rate, based on the Retail Prices Index, continued to edge upwards, rising from 2.6% in September to 2.8% three months later. The year-on-year inflation rate also went up slightly, ending the quarter at 2.8%. During the year to December prices rose across most categories of commodities, with increased transport & communications costs having a major impact on overall inflation. In contrast, food prices and prices of clothing & footwear declined over the year. The twelve-month moving average inflation rate was broadly stable going into 2005.

The deficit on the current account of the balance of payments widened to Lm100.2 million during the fourth quarter of 2004. This resulted from a significantly wider merchandise trade gap, combined with a smaller surplus on services. After excluding movements in international reserves, net outflows of Lm9.9 million were recorded on the capital and financial account, while net errors and omissions were large and positive. Data for the first two months of 2005 show a further widening of the merchandise trade gap.

As for the fiscal position, the general government deficit dropped to 5.2% of GDP in 2004 from 10.6% in the previous year, when government spending was boosted by the restructuring of the shipyards. The deficit on the Consolidated Fund contracted from Lm105.4 million in 2003 to Lm94 million in 2004. General government gross debt outstanding meanwhile rose by three percentage points to 75.6% of GDP.

² The survey was carried out between January and February 2005.

2. THE INTERNATIONAL ENVIRONMENT

The world economy

After growing by an extraordinary 5% in 2004, the global economy is likely to keep its momentum, but grow at a slower pace, in 2005. The US is expected to remain the primary force behind the sustained economic expansion, especially as brisk growth in the US in the fourth quarter of 2004 was accompanied by upward revisions to its economic outlook. By contrast, the outlook for Japan was revised downwards, while growth for the euro area is forecast at 1.6%. Monetary policy in the major economies is still accommodative, but the main sources of downside risk remain, that is, volatile and high oil prices and the US external deficit.

Economic and monetary developments in the major economies

In the fourth quarter of 2004 the US economy grew by 3.9%, year-on-year, slowing down only

marginally compared to the previous quarter. Consumption expenditure was the main contributor to growth, although business investment kept up the strong momentum registered throughout the year. On the other hand, growth was negatively affected by the worsening balance in the goods and services trade, with the deficit now exceeding 5.5% of GDP. The latest figures show the unemployment rate at 5.4% in February, unchanged over December. Yet inflationary pressures have become more evident, with consumer price inflation rising to 3.4% in the last quarter of 2004, from 2.7% in the third quarter.

As a consequence of mounting inflationary concerns, the Federal Reserve raised its target for the federal funds rate by 25 basis points twice during the fourth quarter, bringing it up to 2.25% by the end of December. Then, in February and in March 2005 it maintained its measured policy tightening, raising rates by a quarter of a percentage point each month. Thus, at end-March the official rate stood at 2.75%.

Euro area growth weakened further in the last

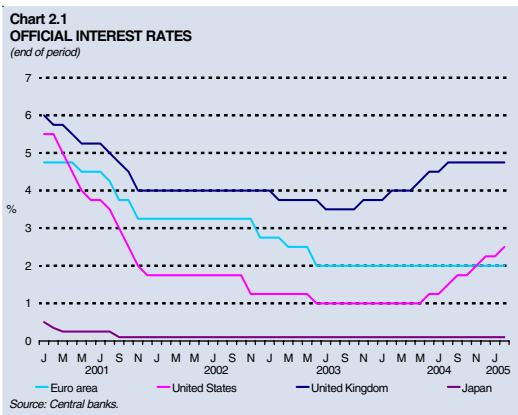
Table 2.1
REAL GDP

% change compared with the same period a year earlier

	2003		2004		2005		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1 ¹
United States	3.5	4.4	5.0	4.8	4.0	3.9	3.7
Euro area	0.3	0.8	1.6	2.2	1.9	1.6	1.3
EU - 25	0.7	1.2	1.9	2.6	2.2	1.9	n/a
United Kingdom	2.1	2.7	3.0	3.6	3.1	2.9	2.8
Japan	1.1	1.7	4.4	3.1	2.5	0.8	0

¹ Forecasts.

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



quarter of 2004, slowing to 1.6%. Exports, though growing at a slower rate than in the previous quarter, remained the main contributor to growth while consumption expenditure picked up significantly. On the other hand, the contribution of government expenditure continued to decline and, along with a drop in investment, this weighed down on the rate of expansion in the area during the quarter. This lacklustre performance was reflected in the unemployment rate, which reached 8.8% in December. Unemployment remains a pressing problem for the euro area, where policymakers are faced with calls for urgent

labour market reform. Overall consumer prices in the period were up by 2.3% on a year earlier, but the rise was principally attributed to higher energy prices.

The ECB left its main interest rate on hold at 2% during the last quarter of 2004, and continued to do so in the first months of 2005. Although inflation in the region remained under control, the Bank was concerned about the substantial growth in liquidity and the strong rise in loan demand that may have repercussions on prices in the medium term.

In the UK, the services sector remained the main driver of economic activity, which kept an upbeat pace throughout 2004, though this was somewhat slower in the second half of the year. Government consumption growth moderated, but the worsening trade account continued to drag growth, which slowed down to 2.9% in the fourth quarter. UK unemployment stood at 4.7% at the end of December, which is low compared to most other EU Member States. Moreover, inflation remained subdued, averaging 1.4% during the quarter, which was below the UK government's target.

Table 2.2
CONSUMER PRICE INDEX

% change compared with the same period a year earlier

	2003		2004				2005
	Q3	Q4	Q1	Q2	Q3	Q4	Q1 ¹
United States	2.2	1.9	1.8	2.8	2.7	3.4	2.9
Euro area	2.0	2.1	1.7	2.3	2.3	2.3	2.0
United Kingdom	1.4	1.4	1.3	1.4	1.2	1.4	1.7
Japan	-0.2	-0.3	-0.1	-0.3	-0.1	0.5	-0.1

¹ Forecasts.

Sources: Consensus Forecasts; Eurostat.

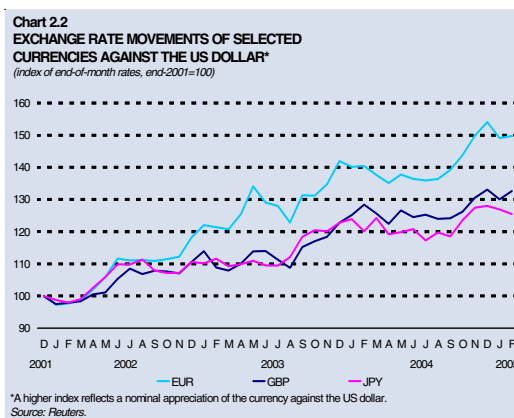
In these circumstances, the Bank of England left borrowing costs unchanged at 4.75% after August. In its December meeting some members of the Bank's Monetary Policy Committee raised the possibility of cutting the repo rate because of increased downside risks to the inflation projection, but all members ultimately voted in favour of leaving the rate unchanged.

In Japan, revised national accounts data showed that growth had slowed down to 0.8% in the fourth quarter of 2004, from 2.5% in the previous quarter, marking the third successive slowdown in the growth rate. Nevertheless, labour market conditions in Japan seemed to be improving, with the unemployment rate dropping to 4.5% in December, the lowest rate in the year. Moreover, consumer price inflation turned positive in the fourth quarter, following a long period of falling prices. But deflation set in again in the first two months of 2005.

The Bank of Japan maintained its easy monetary policy stance, so that short-term interest rates remained close to zero. Looking forward, no change to its policy seems likely as long as inflation remains negative.

Foreign exchange markets

In the fourth quarter of 2004 the foreign exchange markets were characterised by a broad-based depreciation of the US dollar as concerns about the high and worsening US external deficit intensified. In October, record high oil prices and mixed US economic data, which dampened the economic outlook, continued to weigh on the dollar. Then, in November and December renewed focus on the US current account deficit and its financing drove the dollar to even lower levels, particularly against the euro. The decision by the Federal Reserve to raise its official rate on two occasions during this period failed to provide adequate support for the dollar as the policy



change was widely expected by the markets.

The euro registered significant gains against the weakening dollar, but its strength became even more pronounced when, in December, it appreciated sharply against the pound sterling and the yen. The British currency was undermined by data showing a deterioration in the UK current account deficit. This drove sterling to its lowest level in a year against the euro. Meanwhile, weaker economic data depressed the yen against the European unit. This marked appreciation of the euro led several European officials to express concern that the currency's strength would stifle euro area export activity. It also led to calls for more flexible currency regimes in the Asian region in order to allow currency movements to reflect market fundamentals.

In January 2005 the dollar recovered somewhat against other major currencies, due to a number of factors. Early in the month, analysts began to expect a more rapid tightening of monetary policy by the Federal Reserve. In addition, the dollar was underpinned by data showing that activity in the US was still robust. Statements by US policymakers that the government intended to address the fiscal deficit provided further support for the currency.

Table 2.3
EXCHANGE RATES OF SELECTED CURRENCIES
AGAINST THE US DOLLAR - FOURTH QUARTER 2004

	USD/EUR	USD/GBP	JPY/USD
Average for October	1.2487	1.8063	108.97
Average for November	1.2981	1.8581	104.84
Average for December	1.3419	1.9298	103.71
Average for the quarter	1.2962	1.8647	105.84
Opening rate on 31.12.04	1.3645	1.9295	102.53
Opening rate on 30.09.04	1.2328	1.8000	110.76
Lowest exchange rate during the quarter ¹	1.2283 (05 Oct.)	1.7819 (7 Oct.)	102.15 (2 Dec.)
Highest exchange rate during the quarter ¹	1.3645 (31 Dec.)	1.9482 (7 Dec.)	111.14 (6 Oct.)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from opening rate on 29.09.04 to opening rate on 31.12.04	10.7	7.2	7.4

¹ The high/low exchange rates are daily opening rates of the relevant currencies.

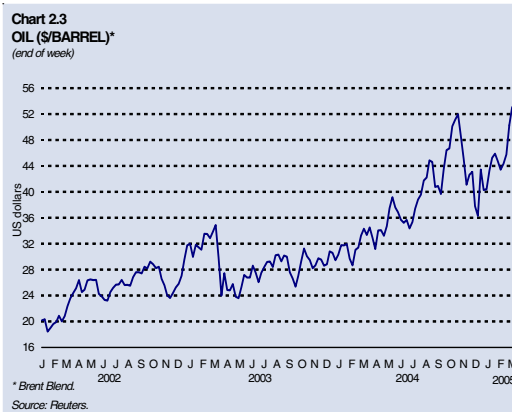
Source: Reuters.

Commodities

During the fourth quarter of 2004, movements in crude oil prices were characterised by excessive volatility that continued into the first months of 2005. This was mainly attributed to limited spare capacity along the oil supply chain. As a result, oil price movements became increasingly sensitive to unanticipated changes in the market balance. Thus, in October Brent crude prices surged to a peak of \$52 per barrel due to a combination of weather-related disruptions and worries over shortages ahead of peak winter demand. Then, by early December the Brent oil price dropped by 30% on account of rising inventory levels and mild weather.

In January, oil prices rose sharply again on the back of fears of sabotage attacks in Iraq and uncertainty ahead of an OPEC meeting. But they

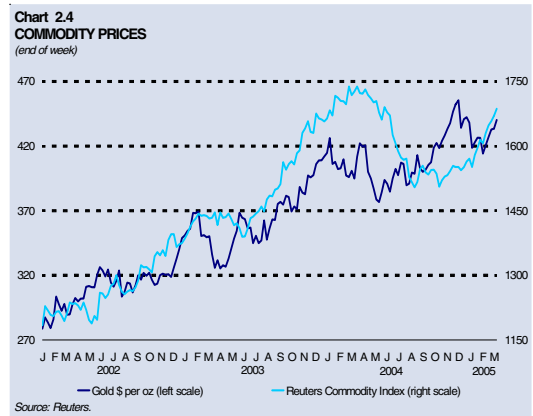
declined thereafter as the election in Iraq passed without major disruptions to the country's oil supply. However, a report in March by the International Energy Agency, which estimated higher global demand in 2005, pushed prices



sharply above the levels reached in October. In particular, the report noted the expected strong demand growth coming from the US and China. On 31 March, Brent oil was priced at \$52.4 per barrel.

Similarly, the Reuters Commodity Index¹ increased by 1.7% over the quarter, as the prices of non-oil commodities, especially food prices (which had declined in earlier months), rose slightly towards the end of the year.

Demand for gold remained steady during October and November, when the overall bullish sentiment and further dollar weakness continued to push gold prices higher. In December, however, sales of bullion by a number of central banks, together with year-end profit-taking and book squaring,



depressed bullion prices. Nevertheless, the gold price ended the quarter at \$438 per ounce, up by 4.8% from the end of the previous quarter.

¹ The Reuters Commodity Index is a weighted index of the prices of 17 commodities including food, beverages, vegetable oils, agricultural raw materials and metals, excluding gold.

3. MONETARY AND FINANCIAL DEVELOPMENTS

Throughout the fourth quarter of 2004 and up until end-February 2005, the Central Bank of Malta held the central intervention rate steady at 3%. Money market rates and long-term Government bond yields remained stable during this period, while corporate bond yields moved marginally lower. But in the equity market investors remained bullish, driving the MSE share index higher.

Broad money (M3) contracted in the fourth quarter, after monetary growth had slowed down gradually in the previous three quarters. Investors continued to shift from bank deposits

into alternative assets, with Government bonds issued in November being oversubscribed. With regard to the counterparts of M3, the net foreign assets of the banking system registered a notable drop, while domestic credit increased at a slower pace than in the previous quarter, despite further growth in loans for house purchases. M3 ended February 2005 higher, driven by strong growth in domestic credit that offset a decline in the net foreign assets of the banking system.

The monetary base

The monetary base (M0) contracted by Lm11.6 million, or 1.7%, during the fourth quarter, following four consecutive quarterly increases (see Table 3.1).¹ Bank deposits with the Central Bank of Malta fell by Lm14.2 million, whereas

Table 3.1
THE MONETARY BASE AND ITS SOURCES

	2004	2004	<i>Lm millions</i>	
	Sept.	Dec.	Change Amount	%
Currency in issue	503.8	506.4	2.6	0.5
Bank deposits with the Central Bank of Malta ¹	159.5	145.3	-14.2	-8.9
MONETARY BASE (M0)	663.3	651.7	-11.6	-1.7
CENTRAL BANK OF MALTA ASSETS				
Foreign assets	972.3	904.0	-68.3	-7.0
Claims on central government	20.5	21.3	0.8	3.9
Fixed and other assets	11.3	15.9	4.6	40.7
<i>less</i>				
REMAINING LIABILITIES				
Government deposits	93.7	115.7	22.0	23.5
Other deposits	5.4	4.1	-1.3	-24.1
Foreign liabilities	43.6	33.7	-9.9	-22.7
Other liabilities	96.0	30.4	-65.6	-68.3
Shares and other equity	102.0	105.6	3.6	3.5

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

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

currency in issue continued to increase, adding Lm2.6 million. The annual growth rate of M0 dropped from 9.3% in September to 4.6% in December, falling further to 2.7% in February 2005.

The drop in M0 was mainly caused by a sharp contraction in the Bank's foreign assets which, in turn, was mostly due to foreign currency sales to the rest of the banking system, although an increase in Government deposits also contributed. On the other hand, a significant contraction in the Bank's other liabilities, which reflected a reduction in banks' term deposit balances with the Bank, exerted an expansionary effect on M0. Meanwhile, a contraction in the Bank's foreign liabilities was mainly due to maturing repos with foreign counterparties, which also reduced the Bank's foreign assets and thus had no effect on M0.

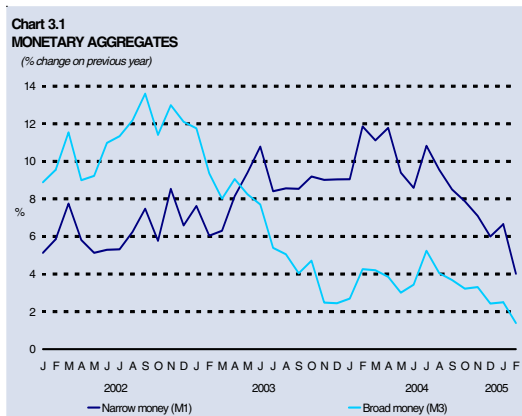
Monetary aggregates

After monetary growth had slowed down during the previous three quarters, broad money contracted by 1.4% during the fourth quarter of 2004 (see Table 3.2). This development partly reflected the fact that investors placed funds in longer-term deposits not included in M3 and reduced their holdings of more liquid deposits, after having accumulated them vigorously earlier in the year. However, investors also continued to reallocate their portfolios towards alternative assets such as Government bonds (following new issues in November) and collective investment schemes. The annual growth rate of M3 thus fell from 3.7% in September to 2.4% in December, extending the downward trend that started towards the middle of the year (see Chart 3.1). The annual growth rate then stabilised in January, before resuming its negative path in February, when it fell to 1.4%.

Table 3.2
MONETARY AGGREGATES
(Changes on the previous quarter)

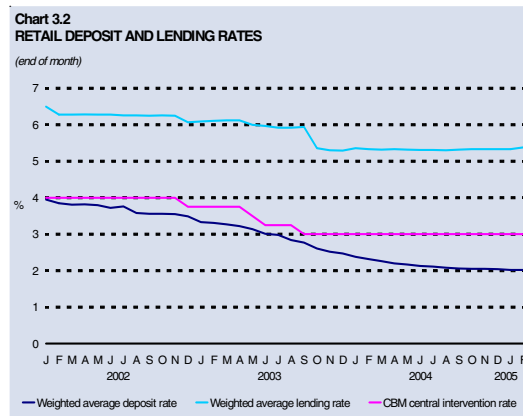
	2003				2004						<i>Lm millions</i>
	Q4		Q1		Q2		Q3		Q4		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
NARROW MONEY (M1)	19.8	1.3	52.4	3.5	35.7	2.3	17.3	1.1	-15.3	-1.0	
Currency in circulation	4.0	0.9	7.1	1.5	14.1	3.0	2.5	0.5	2.0	0.4	
Deposits withdrawable on demand	15.8	1.6	45.3	4.4	21.6	2.0	14.8	1.4	-17.3	-1.6	
INTERMEDIATE MONEY (M2)	-6.2	-0.2	55.5	2.0	34.5	1.2	21.1	0.7	-42.1	-1.4	
Narrow money (M1)	19.8	1.3	52.4	3.5	35.7	2.3	17.3	1.1	-15.3	-1.0	
Deposits redeemable at notice up to 3 months	-1.0	-3.4	0.9	3.1	-0.3	-0.9	0.3	0.9	0.4	1.2	
Deposits with agreed maturity up to 2 years	-25.0	-1.9	2.3	0.2	-0.9	-0.1	3.6	0.3	-27.2	-2.0	
BROAD MONEY (M3)¹	-6.2	-0.2	55.5	2.0	34.5	1.2	21.1	0.7	-42.1	-1.4	

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



During 2003 and the first three quarters of 2004, growth in M3 was largely driven by increases in narrow money (M1), as low interest rates, and the consequent low opportunity cost of holding liquid assets, induced investors to hold their money in short-term deposits. This behaviour was reversed in the fourth quarter, however, when deposits withdrawable on demand contracted by Lm17.3 million, or 1.6%, and M1 by Lm15.3 million, or 1% (see Table 3.2). Currency in circulation continued to expand, but its annual growth rate fell to 5.6% in December from 6% in September. As a result of these developments, the annual growth rate of M1 extended its downward trend, falling to 6% in December and further to 4% in February (see Chart 3.1).

Intermediate money (M2) contracted by Lm42.1 million, or 1.4%, during the fourth quarter, as the drop in M1 was augmented by a sizeable decrease in deposits with an agreed maturity of up to two years (see Table 3.2). The drop in these deposits continued to reflect shifts into alternative assets. In particular, households reduced their balances to subscribe to the new Government bonds issued in November. Deposits with an agreed maturity of up to two years continued to decline on an annual basis, dropping by 1.7% during the year to December.



The weighted average interest rate on Maltese lira deposits fell from 2.06% in September to 2.04% in December, and further to 2.02% in February (see Chart 3.2).² Average interest rates on current and savings deposits remained stable throughout this period, ending February at 0.47% and 0.95%, respectively. Meanwhile, the average interest rate on time deposits continued to level out, falling to 2.85% in February from 2.9% in September. The weighted average lending rate remained unchanged at 5.33% during the fourth quarter, before rising to 5.38% in February.

Counterparts of monetary expansion

The drop in broad money during the fourth quarter was mainly due to a contraction in the net foreign assets of the banking system (see Table 3.3). Monetary growth was also to some extent constrained by an increase in longer-term deposits not included in broad money, which boosted the 'other counterparts of M3'. On the other hand, further growth in domestic credit exerted an expansionary effect on M3, although this was less than in the previous quarter. Domestic credit continued to expand during January and February 2005, while the net foreign assets of the banking system contracted further during this period.

² The average interest rate on Maltese lira deposits captures all deposits, irrespective of maturity, belonging to residents, excluding monetary financial institutions (MFIs).

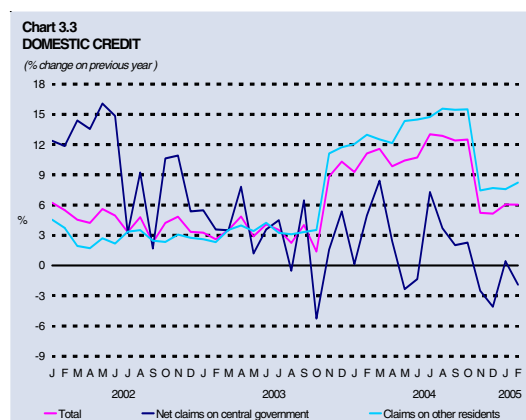
Table 3.3**COUNTERPARTS OF MONETARY GROWTH***(Changes on the previous quarter)*

	<i>Lm millions</i>									
	2003		Q1		Q2		2004		Q3	
	Q4		Q1		Q2		Q3		Q4	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY (M3)	-6.2	-0.2	55.5	2.0	34.5	1.2	21.1	0.7	-42.1	-1.4
DOMESTIC CREDIT	172.5	7.0	76.6	2.9	24.8	0.9	33.3	1.2	1.6	0.1
Net claims on central government	6.7	1.2	37.0	6.5	-20.0	-3.3	-12.3	-2.1	-27.9	-4.9
Claims on other residents	165.8	8.7	39.7	1.9	44.8	2.1	45.6	2.1	29.5	1.3
NET FOREIGN ASSETS	30.8	2.2	-2.4	-0.2	47.0	3.3	13.4	0.9	-29.0	-2.0
Central Bank of Malta	-23.3	-2.5	13.2	1.4	-26.2	-2.8	21.8	2.4	-58.4	-6.3
Banks	54.2	12.2	-15.7	-3.2	73.2	15.2	-8.4	-1.5	29.3	5.4
<i>less</i>										
OTHER COUNTERPARTS OF M3¹	209.6	20.8	18.7	1.5	37.2	3.0	25.6	2.0	14.6	1.1

¹ Other counterparts of M3 include the capital base of the MFI sector, 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.

Domestic credit expanded by Lm1.6 million, or 0.1%, during the fourth quarter, with further growth in claims on other residents marginally offsetting a drop in net claims on central government. Yet the annual rate of credit expansion fell from 12.4% at the end of September to 5.1% in December, before recovering slightly to

6% in February (see Chart 3.3). This marked decline reflected base effects associated with an exceptional increase in claims on the private sector in November 2003 that was related to the activities of a foreign-owned bank operating in Malta. Excluding this transaction, the underlying annual growth rate of domestic credit increased moderately in the five-month period to end-February.



Claims on other residents increased by Lm29.5 million, or 1.3%, during the fourth quarter, driven by further growth in loans and advances, which account for almost 90% of such claims (see Table 3.4). The annual growth rate of these claims reflected the base effects referred to above, falling from 15.5% in September to 7.7% in December, before rising to 8.2% in February. If an adjustment is made for these base effects, the annual growth rate moved slightly higher between September and February, extending the upward trend seen over the past two years (see Chart 3.3).

Table 3.4
CLAIMS ON OTHER RESIDENTS¹

Lm millions

	2004 Sept.	2004 Dec.	Change Amount	%
Claims on the non-bank private sector	2024.7	2057.3	32.6	1.6
<i>of which loans and advances</i>	1787.6	1820.2	32.6	1.8
Claims on the non-bank public sector	184.9	181.8	-3.1	-1.7
<i>of which loans and advances</i>	161.6	159.2	-2.4	-1.5
Claims on other general government ²	0.7	0.7	0	0
<i>of which loans and advances</i>	0.7	0.7	0	0
TOTAL CLAIMS	2210.4	2239.9	29.5	1.3
<i>of which loans and advances</i>				
Electricity, gas & water supply	92.4	95.3	2.9	3.2
Transport, storage & communication	126.5	125.5	-1.0	-0.8
Agriculture	7.7	8.2	0.5	5.9
Fishing	1.8	1.7	-0.1	-5.7
Manufacturing	122.1	121.9	-0.2	-0.2
Construction	209.0	217.0	8.0	3.8
Hotels & restaurants	205.8	205.6	-0.2	-0.1
Wholesale & retail trade; repairs	290.4	290.3	-0.1	0
Real estate, renting & business activities	122.7	125.4	2.7	2.2
Households & individuals	697.6	720.7	23.1	3.3
Other ³	73.6	68.6	-5.0	-6.7
TOTAL LOANS AND ADVANCES	1949.9	1,980.1	30.2	1.5

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, recreational and personal service activities, extra-territorial organisations and bodies, and non-bank financial institutions.

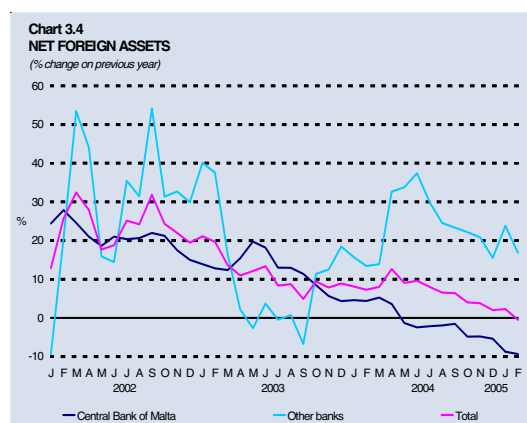
Total loans and advances expanded by Lm30.2 million, or 1.5%, during the fourth quarter of 2004, reflecting further growth in loans to the non-bank private sector. Lending to households and individuals continued to expand at a fast pace, driven by lending for housing finance. Credit to

the construction industry also increased notably, after having risen by slightly less in the previous quarter. Meanwhile, loans to the 'other' category recorded a substantial drop, reflecting a repayment by a financial institution. The real cost of borrowing remained largely unchanged during

the quarter, reflecting only slight movements in both nominal bank lending rates and inflation (see Chart 3.2).³

Net claims on central government fell by Lm27.9 million, or 4.9%, during the fourth quarter, mainly reflecting an increase in Government deposits with the Central Bank of Malta. In addition, there was a sizeable loan repayment in connection with the restructuring of the shipyards. Meanwhile, an increase in bank holdings of Government bonds was counterbalanced by a drop in holdings of Treasury bills. The annual growth rate of net claims on central government, which tends to be rather volatile, ended the quarter at - 4.1%, before rising to -1.9% in February (see Chart 3.3).

The net foreign assets of the banking system contracted by Lm29 million, or 2.0%, during the fourth quarter of 2004 (see Table 3.3). Thus, their annual rate of growth continued to decline, falling from 6.4% in September to 1.9% in December, and further to -0.5% in February (see Chart 3.4). This contraction reflected unfavourable developments in both the capital and the current accounts of the balance of payments when compared with the previous quarter.



The net foreign assets of the Central Bank of Malta contracted by Lm58.4 million, or 6.3%, during the fourth quarter, after having risen modestly in the third. Most of the drop reflected net sales of foreign currency to the rest of the banking system. In addition, the Bank repaid foreign currency reserve deposits to some foreign-owned banks operating in Malta after these were exempted from reserve requirement obligations. The net foreign assets of the rest of the banking system increased by Lm29.3 million, or 5.4%, during the quarter. The deposit money banks' holdings rose by Lm5 million, or 1.4%, as foreign exchange purchases from the Bank were counterbalanced by net sales of foreign currency to customers, particularly those in the wholesale & retail trades and in the energy sector. The international banks' net foreign assets increased by Lm22.8 million, or 11.9%, reflecting profits made during the quarter, as well as end-year revaluations of their portfolio holdings.

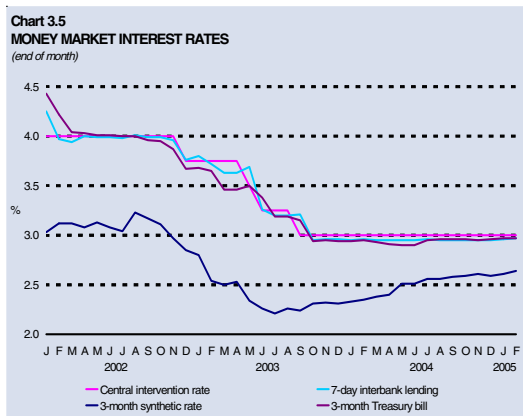
Other counterparts of M3 added Lm14.6 million, or 1.1%, during the fourth quarter (see Table 3.3). The international banks' profits and the additions to their reserves referred to above, as well as an increase in deposits not included in M3, had a positive impact on the other counterparts of the broad money aggregate.

The money market

Short-term money market interest rates continued to move in line with official rates, ending the period broadly unchanged from their end-September level (see Chart 3.5). By contrast, short-term money market rates abroad extended their upward trend.

During the fourth quarter, the Bank continued to absorb surplus funds from the rest of the banking system through weekly auctions of 14-day term

³ Inflation is measured as the annual change in the 12-month moving average Harmonized Index of Consumer Prices (HICP).



deposits. The average amount of term deposits held with the Bank during the quarter amounted to Lm75 million, compared with Lm98.8 million in the previous quarter and Lm105.3 million for 2004 as a whole, reflecting the continuing decline in excess liquidity. Banks continued to earn interest at the current floor of 2.95% on these deposits.

Turnover in the interbank market doubled to Lm70.5 million during the quarter, as some banks relied more heavily on interbank loans for their short-term financing needs. As in the previous quarter most loans had a term to maturity of one week or less, although banks made increased use of loans with longer-term maturities, sometimes of up to a month. The interest rate on one-week interbank loans ended the quarter unchanged at 2.95%, but it rose slightly in January and February.

The Treasury continued to hold auctions of Treasury bills on a regular basis, issuing Lm136.1 million worth of bills during the fourth quarter. At the same time Lm143.3 million worth of bills matured, so that the outstanding amount of Treasury bills fell from Lm252.5 million at the end of September to Lm245.4 million at the end of December. Just over half of the Treasury bills issued had a term to maturity of one month, with the remainder having terms to maturity of up to a year. Banks continued to dominate the Treasury

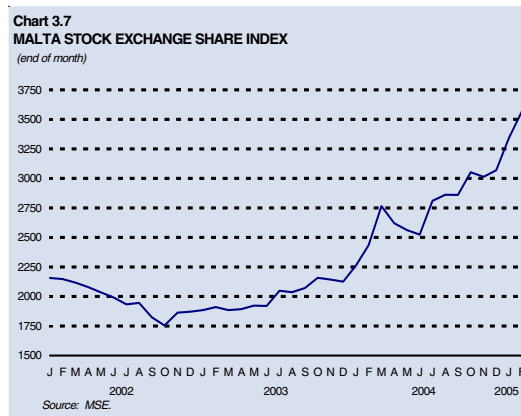
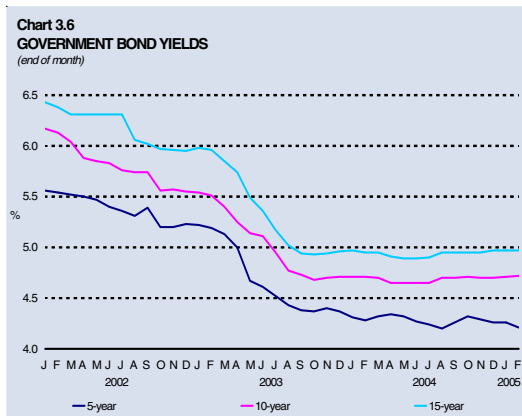
bill auctions, purchasing four-fifths of the total amount issued. Collective investment schemes and insurance companies took up most of the remainder. The yield on the three-month bill remained stable throughout the quarter and up to the end of February, ending that month at 2.97%.

In the secondary market for Treasury bills, turnover rose from Lm30.9 million in the third quarter to Lm32.3 million in the quarter under review. The value of transactions involving the Bank amounted to Lm11.6 million and consisted mainly of purchases from the rest of the banking system. The latter accounted for the remaining turnover, as banks traded among themselves and with other financial institutions. Interest rates on securities traded in the secondary market continued to move in line with those in the primary market, ending February virtually unchanged from their September level.

The synthetic three-month yield, a weighted average of money market yields on the currencies making up the Maltese lira basket, remained stable during the fourth quarter, but rose slightly in the following two months, ending February at 2.64%, up from 2.58% in September (see Chart 3.5). Since the yield on domestic 3-month Treasury bills remained broadly unchanged during this period, the spread between the two yields continued to narrow, falling to 33 basis points in February from 38 basis points five months earlier.

The capital market

Issuance activity in the primary bond market during the fourth quarter continued to be driven by the Government, which issued two stocks with a combined value of Lm29.5 million, after having sold Lm50 million in stocks during the previous quarter. Both stock issues were made in November. The first, consisting of Lm10.5 million worth of bonds maturing in 2022 and carrying a coupon rate of 5.1%, was issued at par and



purchased almost entirely by households. The other, consisting of Lm19 million worth of bonds maturing in 2009 and carrying a coupon rate of 5.9%, was taken up by financial institutions, particularly banks. This stock was issued at a premium, which resulted in a primary market yield of 3.68%. Both offerings were oversubscribed. There were no bond issues by the corporate sector during the quarter.

Turnover in the secondary market for Government bonds fell to Lm11.6 million from Lm17.1 million in the third quarter. The Bank, in its role as market maker, accounted for Lm8.1 million of the total value of traded bonds, with other investors accounting for the rest. Trading continued to be concentrated in a relatively small number of bonds at the longer end of the market. The yield on the 5-year Government bond was stable during the fourth quarter, but it fell slightly in February (see Chart 3.6). Yields on longer-term bonds remained virtually unchanged during the five-month period, with the 10-year Government bond yield ending February at 4.72%.

In the secondary market for corporate bonds, turnover rose from Lm1.7 million in the third quarter to Lm2.3 million in the fourth quarter of 2004. Trading activity was evenly spread among the listed bonds, but remained low in relation to their total market capitalisation, which stood at Lm188.8 million at the end of the year. Movements in corporate bond yields during the quarter were mixed, but in general the trend was slightly lower.

The value of shares traded in the equity market rose to Lm8.5 million during the fourth quarter from Lm8.3 million in the third. Trading activity continued to be concentrated in a handful of shares, with the largest three listed equities accounting for around four-fifths of the total turnover. The prices of most equities increased during the quarter, leading to a 7.2% rise in the MSE share index and extending the upward trend observed since late 2002 (see Chart 3.7). The MSE share index continued to rise in the first two months of 2005, adding 16.2% by the end of February.

4. OUTPUT, PRICES AND EMPLOYMENT

The economy grew by 2.3% during the fourth quarter of 2004, compared to an average growth rate of 1.2% in the preceding three quarters. The fourth quarter expansion was led by higher inventory accumulation. Meanwhile, the twelve-month moving average rate of inflation continued to edge upwards, reaching 2.8% in December, though other measures suggest an abatement of inflation during the quarter.

The average unemployment rate eased to 6.9%

during the quarter, from 7.3% in the third quarter. At this level, the unemployment rate was down by a full percentage point from the fourth quarter of 2003. The registered unemployment rate, on the other hand, remained unchanged.

The slowdown in the manufacturing sector in evidence since the second quarter of 2004 persisted into the fourth quarter, with turnover and investment contracting, while the quarterly wage bill was up from the previous year's level despite a decline in employment levels. By contrast, in the tourism sector the positive developments observed in the third quarter of 2004 continued into the final quarter of the year, both with regard to the number of visitors by air

Table 4.1
REAL GDP AND DEFLATOR GROWTH

	Annual growth %	Percentage point contribution to real GDP growth	Deflators %
Q4 2004			
Private consumption	1.4	0.9	3.5
Government consumption	6.0	1.1	2.4
Gross fixed capital formation	6.5	1.2	1.1
Changes in inventories and acquisitions			
less disposals of valuables	-5,031.9	11.5	1.4
Net exports	261.6	-12.6	30.6
Exports	1.5	1.3	-6.4
Imports	14.7	14.0	-1.5
Real GDP	2.3	2.3	1.5
Q3 2004			
Private consumption	3.4	2.2	3.6
Government consumption	3.0	0.6	2.7
Gross fixed capital formation	14.6	2.7	1.3
Changes in inventories and acquisitions			
less disposals of valuables	892.6	-4.4	2.3
Net exports	-24.3	0.8	525.9
Exports	2.1	2.0	-3.9
Imports	1.2	1.2	-1.7
Real GDP	1.9	1.9	1.0

Source: NSO.

and with regard to tourist expenditure.

The Bank's latest business perceptions survey shows that half of the respondents expected no change in the economy's performance over the next six months. Of the rest, however, a greater number anticipated a deterioration rather than an improvement.

Gross Domestic Product

During the fourth quarter of 2004, the economy grew by 2.3% in real terms on a year-on-year basis, up from 1.9% in the previous quarter (see Table 4.1). The most important contribution came from the inventory component, which swung from a negative 4.4 percentage points in the fourth quarter of 2003 to a positive 11.5 points, although the other components of domestic demand also contributed.

Gross fixed capital formation increased by 6.5%, contributing 1.2 percentage points to growth, compared with the previous quarter's 14.6% rise and 2.7 percentage point contribution. Private household consumption expenditure also grew at a slower pace, expanding by 1.4%, compared to 3.4% during the third quarter. By contrast, general government consumption expenditure accelerated,

rising by 6% compared with the 3% growth registered in the third quarter, and contributing 1.1 percentage points to growth. At the same time, net exports of goods and services knocked 12.6 percentage points off the growth rate, as exports grew by 1.5% in real terms while imports rose by a much faster 14.7%. In the third quarter, net exports had contributed 0.8 percentage points to growth.

During the fourth quarter, the real GDP deflator increased by 1.5% year-on-year, up from 1% in the previous quarter. This was due to a further worsening of the terms of trade, as export prices fell by 6.4% and import prices by just 1.5% during the quarter. In fact, the 30.6% rise in the net exports deflator outpaced by far the slower increases in the other components of the GDP deflator. Thus, prices of goods and services consumed by private households and by government rose by 3.5% and 2.4%, respectively, while prices of capital goods were up by 1.1%. All these deflator growth rates were lower than those recorded in the third quarter of 2003.

Income categories

During the fourth quarter of 2004, nominal GDP from the incomes side increased by 3.8% on a year

Table 4.2
NOMINAL GDP GROWTH
Income approach

	Q3 2004		Q4 2004	
	Annual growth	Annual change	Annual growth	Annual change
	%	Lm millions	%	Lm millions
Compensation of employees	1.2	2.6	2.8	5.9
Gross operating surplus & mixed income	-0.8	-1.6	-1.4	-2.5
Taxes on production & imports	16.7	10.2	21.4	15.7
Subsidies	-25.9	-2.3	14.1	1.4
Gross domestic product	2.9	13.4	3.8	17.6
Gross value added	1.7	6.8	0.6	2.5

Source: NSO.

Table 4.3
GROSS VALUE ADDED DURING THE FOURTH QUARTER

Lm millions

	Q4 2004 Annual change		Operating surplus and mixed income
	Gross value added	Compensation of employees	
Agriculture, hunting & forestry	-0.1	0.7	-0.6
Fishing	0.6	0.4	0.2
Mining & quarrying	0.2	0.1	0.2
Manufacturing	-4.4	-1.8	-2.8
Electricity, gas & water supply	-1.0	0	-1.0
Construction	0.6	0.5	0.2
Wholesale & retail trade; repair of motor vehicles, motorcycles & personal household goods	-0.3	-0.2	0.1
Hotels & restaurants	-0.7	-0.4	0.2
Transport, storage & communication	1.1	1.8	-0.6
Financial intermediation	4.5	2.0	2.6
Real estate, renting & business activities	2.6	1.2	1.4
Public administration & defence; compulsory social security	0.4	0	0.4
Education	1.1	1.4	-0.3
Health & social work	1.6	1.2	0.4
Other community, social & personal service activities	-2.3	-0.8	-1.4
FISIM*	-1.4	0	-1.4
Gross value added	2.5	5.9	-2.5

¹ FISIM is the financial intermediation service implicitly measured. It is a notional sector in the national accounts that purchases the imputed output of the financial intermediaries but has no output of its own. The FISIM includes the difference between the interests and dividends paid in order to raise funds and the property income derived from the use of such funds.

Source: NSO.

earlier, up from 2.9% in the previous quarter (see Table 4.2). This acceleration, however, mainly reflected higher taxes on production and imports brought about by the increase in the standard VAT rate on 1 January 2004. Both employee compensation and subsidies grew at a faster pace than in the previous quarter, offsetting a larger contraction in gross operating surplus & mixed income.

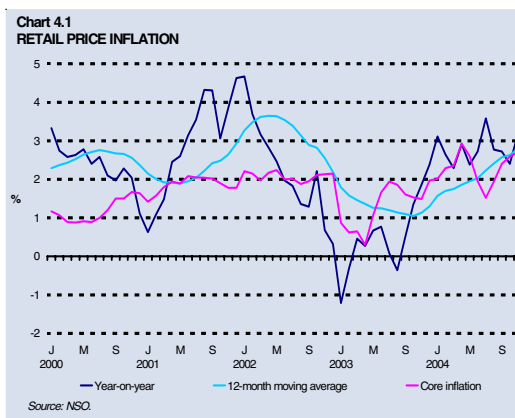
Value added by industry

Total gross value added in nominal terms rose by 0.6% during the fourth quarter of 2004, as against the 1.7% rise recorded in the previous quarter (see Table 4.2). In absolute terms, gross value added put on Lm2.5 million, and was mainly driven by the financial intermediation sector, although the real estate, renting & business

activities sector also contributed (see Table 4.3). Sectors whose value added fell during the quarter included manufacturing and other community, social & personal service activities, as well as electricity, gas & water supply. In the case of manufacturing, the drop partly reflected the restructuring of the shipyards, while value added in the electricity, gas & water supply sector was adversely hit by higher costs of fuel.

Compensation of employees rose by Lm5.9 million (2.8%) on a year earlier, with rapid increases registered in the financial intermediation and the transport, storage & communications sectors, notwithstanding a drop in employment in these two sectors. Other significant increases took place in the education, real estate, renting & business activities and the health & social work sectors. Conversely, a large drop in employee compensation was recorded in the manufacturing sector, a reflection of lower employment levels in private manufacturing firms and redundancies associated with the restructuring of the shipyards.

Operating surplus & mixed income contracted by Lm2.5 million (1.4%) led by manufacturing, although other community, social & personal



services also contributed to the decline. These shrinkages were partly offset by significant gains in financial intermediation and in real estate, renting & business activities.

Consumer prices

The upward drift in headline inflation in evidence since the fourth quarter of 2003 persisted into the fourth quarter of 2004 (see Chart 4.1). However, other inflation measures suggest an abatement of inflationary pressures during the quarter.

Table 4.4
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

Year-on-year percentage changes

	December 2003	September 2004	December 2004
Food	4.2	-1.1	-0.7
Beverages & tobacco	7.4	9.4	4.3
Clothing & footwear	1.4	-5.7	-2.5
Housing	3.0	4.7	4.8
Water, electricity, gas & fuels	0	0.8	4.8
Household equipment & house maintenance cost	-0.8	2.8	3.3
Transport & communications	0.2	5.6	6.4
Personal care & health	4.1	4.5	4.4
Recreation & culture	-0.5	2.1	1.3
Other goods & services	6.4	6.5	6.0
Retail Prices Index	2.4	2.7	2.8

Source: NSO.

Table 4.5**INFLATION RATES OF COMMODITY SECTIONS IN THE RPI**

Weighted year-on-year percentage change; percentage-point contribution of each component to change in index. Components add up to the total change in Retail Prices Index at bottom of column.

	December 2003	September 2004	December 2004
Food	1.0	-0.3	-0.2
Beverages & tobacco	0.5	0.6	0.3
Clothing & footwear	0.1	-0.4	-0.2
Housing	0.2	0.4	0.4
Water, electricity, gas & fuels	0	0	0.1
Household equipment & house maintenance cost	-0.1	0.2	0.2
Transport & communications	0.1	1.3	1.4
Personal care & health	0.3	0.3	0.3
Recreation & culture	0	0.2	0.1
Other goods & services	0.4	0.4	0.4
Retail Prices Index	2.4	2.7	2.8

Source: CBM workings based on NSO data.

Retail Prices Index

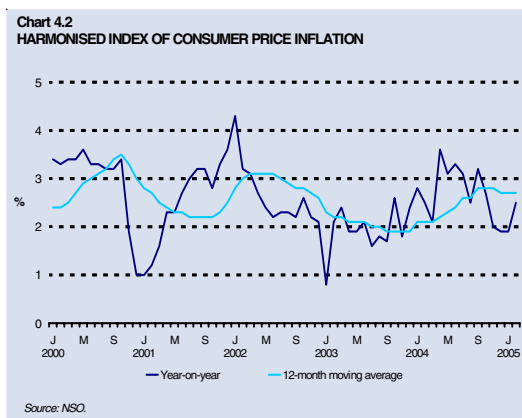
The twelve-month moving average rate of change in the Retail Prices Index (RPI), which is the official measure of inflation, edged up from 2.6% in September to 2.8% in December 2004. It declined slightly to 2.7% in January 2005, but was back up to 2.8% a month later. The year-on-year rate of change in the RPI, a timelier indicator of price movements, fluctuated during the fourth quarter. After having ended September at 2.7%, it dropped to 2.4% in October before peaking at 3.2% in November. It then ended the quarter at 2.8%, the same rate as the twelve-month moving average inflation rate. Subsequently, year-on-year inflation slowed to 2.5% in January, before rising again to 3% in February.

All the components of the index were up on a year earlier, except the food and the clothing & footwear sub-indices (see Table 4.4). The largest contributor to year-on-year inflation in December was the transport & communications index, which was up by 6% from the year-ago level and contributed 1.4 percentage points to the

aggregate inflation rate (see Table 4.5).

The acceleration in the transport & communications index reflected higher fuel prices and costlier telephone services, although higher charges for vehicle services also contributed. Meanwhile, the decline in the food sub-index and in the sub-index for clothing & footwear reduced the aggregate inflation rate by 0.2 percentage points each. The 0.7% decline in food prices was partly due to cheaper imported food following the removal of levies on imports from elsewhere in the EU, and partly to higher yields and cheaper prices of locally produced fruit and vegetables. The clothing & footwear index, on the other hand, has been moving on a downward trend since August, and ended the quarter with a year-on-year inflation rate of -2.5%.

The Central Bank of Malta's core inflation measure, which tracks persistence in retail price inflation, rose from 2.4% in September to 2.7% in November, before dropping to 2.3% in December (see Chart 4.1). Slower inflation in the recreation &



culture sub-index was mainly responsible for the drop in December.

Harmonised Index of Consumer Prices

The Harmonised Index of Consumer Prices (HICP), the components of which are weighted not only by the distribution of household expenditure but also by that of institutional households and tourists, showed a sharp decline

in year-on-year inflation during the fourth quarter (see Chart 4.2). Year-on-year HICP inflation was 1.9% in December 2004, down from 3.2% in September. It was unchanged in January 2005 before rising to 2.5% in February. On a twelve-month moving average basis, HICP inflation declined marginally, from 2.8% in September to 2.7% at the end of 2004, and remained stable at the same rate until February 2005.

The difference between movements in the RPI and the HICP is mainly due to developments in the restaurants & hotel index, which has a much larger weight in the HICP basket compared with the RPI basket. By the end of December, this sub-index was down by 1.4% from its year-ago level (see Table 4.6), reducing the aggregate HICP year-on-year inflation rate by 0.3 percentage points (see Table 4.7).

The largest single contributor to the 1.9% year-on-year rate of HICP inflation in December was the transport component, with 0.8 percentage points (see Tables 4.6 and 4.7). Lower prices of clothing

Table 4.6

INFLATION RATES OF COMMODITY SECTIONS IN THE HICP

Year-on-year percentage changes

	December 2003	September 2004	December 2004
Food & non-alcoholic beverages	4.1	-1.8	-1.4
Alcoholic beverages & tobacco	10.4	14.0	3.6
Clothing & footwear	1.4	-5.7	-2.5
Housing, water, electricity, gas & other fuels	2.4	3.4	4.5
Furniture, household equipment & routine maintenance	0.1	3.3	3.6
Health	8.1	6.3	5.0
Transport	1.3	4.6	5.6
Communications	-1.5	17.3	18.3
Recreation & culture	-1.8	1.5	1.1
Education	4.2	3.5	0.4
Restaurants & hotels	3.1	4.8	-1.4
Miscellaneous goods & services	3.4	4.9	5.0
All items	2.5	3.2	1.9

Source: NSO.

Table 4.7**INFLATION RATES OF COMMODITY SECTIONS IN THE HICP**

Weighted year-on-year percentage change: percentage-point contribution of each component to change in index. Changes in components add up to change in Harmonised Index of Consumer Prices at bottom of column.

	December 2003	September 2004	December 2004
Food & non-alcoholic beverages	0.7	-0.3	-0.2
Alcoholic beverages & tobacco	0.5	0.6	0.2
Clothing & footwear	0.1	-0.3	-0.2
Housing, water, electricity, gas & other fuels	0.2	0.2	0.3
Furniture, household equipment & routine maintenance	0	0.3	0.3
Health	0.2	0.2	0.1
Transport	0.2	0.6	0.8
Communications	0	0.4	0.4
Recreation & culture	-0.2	0.1	0.1
Education	0	0	0
Restaurants & hotels	0.6	1.1	-0.3
Miscellaneous goods & services	0.2	0.3	0.3
Harmonised Index of Consumer Prices	2.5	3.2	1.9

Source: CBM workings based on NSO data.

& footwear and of food & non-alcoholic beverages reduced HICP inflation by 0.2 percentage points each, while increases in the communications sub-index added 0.4 percentage points.

The year-on-year HICP inflation rate recorded in December was half a percentage point lower than the EU-25 average of 2.4%. In contrast, the twelve-month moving average inflation rate, at 2.7%, was 0.6 percentage points higher than the EU-25 average.

The labour market

According to the Labour Force Survey (LFS), which is compiled on the basis of definitions used by the International Labour Organisation (ILO) and methodologies outlined by Eurostat, the labour force contracted during the fourth quarter

of 2004. This may have reflected a tendency for some of the unemployed to opt out of the formal labour market (see Table 4.8).¹ Employment increased by around 1,000, year-on-year, as jobs in the public sector increased while those in the private sector registered a reduction.

The year-on-year decline in wage growth observed since the second quarter of 2004 persisted into the fourth quarter. LFS data showed that the average gross annual salary declined by half a percentage point to around Lm5,008 during the quarter.

As the labour force and the number of unemployed shrank by 500 and 1,560, respectively, over the year the unemployment rate dropped by a percentage point, from 7.9% in December 2003 to 6.9% at the end of 2004. Employment grew by just

¹ As from 2004 the LFS exercise has been carried out on an ongoing basis rather than in a specific week. Hence the results may not be strictly comparable to those for previous years.

Table 4.8
KEY LABOUR MARKET INDICATORS
BASED ON THE LABOUR FORCE SURVEY

	2003		2004		
	December	Q1	Q2	Q3	Q4
Labour force	159,638	160,183	157,573	160,390	159,138
Employed	147,042	148,655	146,044	148,609	148,102
By type of employment					
Full-time	133,750	135,468	134,224	135,460	134,804
Full-time with reduced hours	2,363	2,168	1,275	1,359	1,519
Part-time	10,929	11,019	10,545	11,790	11,779
By economic sector					
Private sector	98,587	99,285	98,354	99,484	98,275
Public sector	48,455	49,370	47,690	49,125	49,827
Unemployed	12,596	11,528	11,529	11,781	11,036
Unemployment rate (%)	7.9	7.2	7.3	7.3	6.9
Average gross annual salary (Lm)	5,033	5,100	5,044	5,061	5,008
Growth in average gross annual salary (%)	2.5	2.3	(1.5)	(0.4)	(0.5)

Source: NSO.

over 1,000, year-on-year, as increases in the number of full-time and part-time jobs offset a small decline in employment among those holding full-time jobs with reduced hours.

Other key labour market indicators from the LFS were also stable. Activity rates, which compare the

labour force aged 15-64 to the population in the same age bracket, were virtually constant, at around 79% for males and 37% in the case of females (see Chart 4.3) and 58.1% overall. The overall employment rate, which shows the proportion of those aged between 15 and 64 who are employed, also remained constant at around 54%.

Chart 4.3
ACTIVITY AND EMPLOYMENT RATES

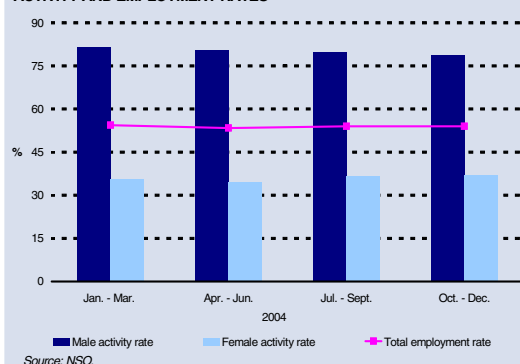


Chart 4.4
LABOUR MARKET TRENDS

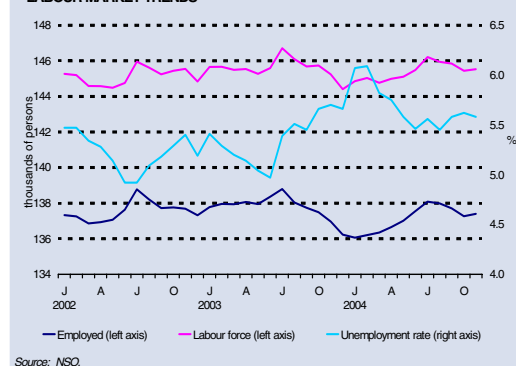


Table 4.9
LABOUR MARKET DEVELOPMENTS

	<i>Number of persons</i>		
	November 2004	Change from September	Annual change
Labour supply	145,527	-321	288
Unemployed	8,125	-15	-152
Unemployment rate (%)	5.6	0	-0.1
Gainfully occupied	137,402	-306	440
Private direct production	36,763	-133	-57
Agriculture & fisheries	2,298	-8	-8
Quarrying, construction & oil drilling	7,112	20	204
Manufacturing	27,353	-145	-253
Private market services	53,922	337	1,540
Wholesale & retail	16,557	54	423
Insurance & real estate	1,330	6	51
Transport, storage & communications	5,965	-50	5
Hotels & catering establishments	8,842	-287	-235
Community & business	14,034	692	1,255
Others	7,194	-78	41
Public sector	45,777	-561	-998
Government departments	29,963	12	-322
Armed Forces, R.S.C. & Airport Co.	1,622	-7	-34
Government-controlled companies	5,592	-633	-717
Independent statutory bodies	8,600	67	75
Temporarily employed	940	51	-45
Memorandum item:			
Self-employed	16,025	78	300

Source: NSO.

As with the LFS results, data compiled by the ETC indicate lower participation in labour market activity during the period October to November 2004.² In fact, a lower labour supply reflected the fact that both the gainfully occupied population and the number of those registering for work contracted during the period. As a result, the unemployment rate as measured by the number of

those registering for work remained stable at 5.6% of the labour force during the period.

The drop in the gainfully occupied population reflected lower employment in the public sector and in private direct production, which more than offset an increase in employment in private market services (see Table 4.9). The drop in public sector

² Statistics for December 2004 were not available at the time of writing.

employment, in turn, occurred mainly in government-controlled companies, while the drop in employment in private direct production mainly reflected job losses in the manufacturing sector. Part of the shrinkage in employment in government-controlled companies was due to the Freeport privatisation, while the drop in manufacturing employment was a result of redundancies in firms producing electrical machinery.

The increase in employment in private market services was mainly due to the afore-mentioned Freeport privatisation, which boosted employment in the community & business sector, in which other new jobs were also created. Increased employment in this sector more than offset job losses in hotels & catering establishments, in transport, storage & communication and in other services.

On a year-on-year basis, the labour supply was up by 288 in November 2004, while the number of the gainfully occupied was up by 440, resulting in a drop of 152 in the number of registered unemployed. As a result, the unemployment rate dropped by 0.1 percentage points from a year earlier. The increase in the gainfully occupied population over the year to November 2004 was mainly due to higher employment in private market services, especially in the community & business and the wholesale & retail sectors. The number of the self-employed in November was up by 300 from a year earlier.

Data on unemployment for February 2005 show that the number of people registering for work during that month stood at 8,094, down by 31 from the November level and 736 lower than in February 2004. The year-on-year decline was spread across all age brackets, but mainly involved those aged less than 24 and those in the 30 to 44 age bracket and who had been registering for less than a year. Indeed, the number of persons who had been registering for more than a

year was up by 300 from a year earlier.

Manufacturing

The NSO's quarterly survey of manufacturing firms shows that turnover contracted by Lm13.7 million, or 5.2% during the fourth quarter of 2004 compared to the same period in 2003. This mainly reflected a lower value of exports of electronic components and, to a lesser extent, of clothing and chemicals. Investment in manufacturing also decreased substantially, but the quarterly wage bill was up from the previous year's level, despite a further decline in overall employment in the sector.

For the third consecutive quarter, the value of manufactured exports contracted, falling by Lm9.9 million (4.8%) from the year-ago level (see Table 4.10). The radio, TV & telecom sub-sector, which accounts for about 60% of manufacturing exports, reported a Lm13 million drop in the value of foreign sales, reflecting the continuing downward pressure on the prices of electronic components on global markets. Exports of clothing, chemicals and food & beverages were also down, and these declines together far outweighed increases in exports of textiles, electrical machinery, and medical & precision equipment.

Domestic sales by local manufacturing firms were also down, dropping by Lm3.8 million (6.6%) from the year-ago level. Sales of domestically-produced food & beverages and of furniture continued to decline, probably as a result of increased competition following the removal of levies on imports from elsewhere in the EU, while sales of other transportation equipment (included in the "other" category in the Table) also decreased. By contrast, the value of domestic sales of tobacco rose by Lm1.6 million, or 23.1%, reflecting higher excise duties.

Employment in manufacturing continued to decrease during the quarter, albeit at a slower rate than in previous quarters. The greater part

Table 4.10**MANUFACTURING PERFORMANCE: SELECTED INDICATORS¹**

	2003		2004		
	Q4	Q1	Q2	Q3	Q4
Change in exports (Lm millions)	8.1	14.2	-0.7	-3.4	-9.9
Chemicals	2.1	1.1	-1.9	-3.8	-3.8
Clothing	-1.9	-3.0	-3.4	-4.0	-4.2
Food & beverages	0.4	0.7	1.1	-2.6	-0.4
Medical & precision equipment	1.5	2.5	1.7	2.6	1.5
Electrical machinery	-0.3	1.8	-1.8	2.6	5.4
Radio, TV, telecom, etc.	4.6	5.0	4.5	2.7	-13.0
Textiles	-0.6	3.9	2.7	2.7	4.4
Other	2.3	2.2	-3.6	-3.6	0.2
Change in domestic sales (Lm millions)	0.9	-3.8	-3.2	-2.1	-3.8
Clothing	0.6	0.5	0.7	1.0	0.5
Food & beverages	-0.2	0.2	-2.1	-3.1	-2.3
Furniture	0	-0.8	-0.7	-0.8	-1.7
Tobacco	0.2	-0.5	0.7	1.5	1.6
Other	0.3	-3.2	-1.8	-0.7	-1.9
Change in new investment (Lm millions)	3.5	7.5	-1.3	-1.7	-3.0
Chemicals	1.2	3.9	0.7	-0.1	-3.1
Food & beverages	2.0	-0.8	-0.4	-0.2	-1.9
Textiles	-0.5	0.2	0.6	0.3	1.7
Paper	0	0.3	0.2	0	0.9
Printing & publishing	0.2	3.9	-1.6	0.3	-0.2
Radio, TV, telecoms, etc.	0.8	1.7	-0.8	-0.6	0.4
Other	-0.2	-1.7	0	-1.4	-0.8
Change in employment	-1,360	-1,620	-989	-676	-379
Change in wage bill (Lm millions)	-0.1	-1.0	-0.9	-0.6	0.3
Change in wages per employee (%)	6.6	4.8	1.8	1.5	3.0

¹ Figures in this Table represent the change from the same period of the previous year.

Source: NSO.

of the jobs lost were in the clothing & leather sub-sectors and in chemicals, although significant layoffs were also reported in the radio, TV & telecom and the furniture sub-sector. On the other hand, producers of plastic & rubber products and of textiles added to their labour complement. Furthermore, despite the overall reduction in the number of workers employed, the gross wage bill of the manufacturing sector rose by Lm0.3 million, or 1.1%, year-on-year, to Lm30.6 million. As a result, wages per employee rose by 3% on an

annual basis, which was twice the rate of increase reported in the third quarter.

The NSO survey also indicates that investment in manufacturing continued to decline during the quarter. At Lm9.7 million, investment was down by Lm3 million, or 23.9%, from the previous year's level. Producers of chemicals and food & beverages were mainly responsible for this drop, while firms producing paper products and textiles, as well as the radio, TV & telecom sub-sector, stepped up their investment.

For the whole of 2004, the NSO survey shows that manufacturing turnover contracted by Lm12.7 million, or 1.2%, reflecting a sharp decline in the value of domestic sales. In fact, the value of export sales remained virtually unchanged from the year-ago level, reflecting the downward pressure on prices experienced in the radio, TV & telecom sub-sector, the main driver of the export market. Investment in manufacturing for the year as a whole rose by 3.1%, as increases in the textiles, chemicals and printing & publishing industries outweighed a decline in the food & beverages sub-sector.

Tourism

Tourism activity picked up further during the final quarter of 2004. In fact, the NSO's departures surveys indicate that the number of visitors leaving Malta by air rose by 9.1% on an annual basis, a faster rate of growth than that recorded in the third quarter. Meanwhile, tourist expenditure rose by 6.8%, despite a contraction in the average tourist's length of stay.

Malta's largest market, the UK, continued to report negative results, with the number of British visitors falling by 3.1% compared with the corresponding quarter of 2003 (see Table 4.11). The decline in the number of British visitors, however, was offset by increases from other markets, most notably the German one, which has been recovering strongly after years of weakness. This reflects increased flights from Germany and the return to Malta of a major German tour operator. Significant gains were also recorded in the Italian, Swedish, Norwegian and North American markets, the latter three included under the 'Others' category. By contrast, the number of visitors from France, which had risen in the third quarter, was down by 2% compared with the corresponding quarter of 2003.

The NSO surveys also show that the average tourist's length of stay was down by 0.8 nights to 8.9 nights, with all hotel categories and other types of accommodation registering shorter stays. Despite the shorter stays, however, tourist expenditure rose to Lm82.9 million during the

Table 4.11
TOURISM ACTIVITY

	Oct. - Dec.	2004		Annual growth %
		Annual growth %	Jan. - Dec.	
Total departures	236,494	9.1	1,127,409	3.5
UK	98,567	-3.1	451,998	-4.2
Germany	34,590	19.5	134,760	8.0
France	11,694	-2.0	86,059	11.7
Italy	12,291	16.3	80,992	3.4
Others	79,352	24.8	373,600	10.9
Expenditure (Lm millions)	82.9	6.8	432.3	0.5
Package	41.1	15.8	219.5	2.6
Non-package: airfares	8.8	-4.4	43.0	-1.4
Non-package: accommodation	5.4	-16.3	26.2	-12.6
Other	27.5	4.5	143.5	0.9

Source: NSO.

fourth quarter, as a sharp increase in expenditure by tourists on package holidays and a rise in other local expenditure by tourists, outweighed a decline in expenditure on airfares and accommodation by non-package tourists.

According to the March survey carried out by the Malta Hotels and Restaurants Association (MHRA), occupancy rates during the final quarter of 2004 increased across all hotel categories, with the sharpest rise registered by four-star hotels (see Table 4.12). While the occupancy rate in the latter hotel category was the highest, however, its average achieved room rate, which represents accommodation revenue net of VAT, contracted by 3% to Lm11.40. The average achieved room rate for all hotels rose by 3.5% to Lm14.20.

Cruise passenger arrivals continued to decline, albeit less sharply than in the previous quarter. The bulk of the decline originated from the Spanish, British and North American markets. By contrast, cruise passenger arrivals from France, Germany and Italy increased considerably, partly

offsetting the drops experienced in the other major markets.

For 2004 as a whole, the number of tourists visiting Malta was up by 3.5%. Gains were registered in all major markets with the exception of the UK. This occurred despite an increase in outbound tourism from the UK, possibly reflecting intensive competition from other Mediterranean destinations. Meanwhile, cruise passenger arrivals were down by 25.7% from the previous year's level, with Spanish and British cruise passengers accounting for the decline.

Provisional figures for the first two months of 2005 indicate that the number of visitors was down by 2.4% when compared with the same period a year earlier. By contrast, cruise passenger arrivals rose sharply, largely reflecting a base effect, as no cruise liners had called at the Grand Harbour in January 2004. The average tourist's length of stay declined to 10.4 nights, from 10.7 nights in January-February of the previous year, while expenditure by tourists was down by 6.3%, year-on-year, to Lm32.5 million.

Table 4.12

HOTEL OCCUPANCY AND AVERAGE ACHIEVED ROOM RATE

	2004 Q4	2003 Q4	Annual growth
Hotel occupancy		%	percentage points
5-star	55.7	48.5	7.2
4-star	68.7	55.0	13.7
3-star	66.7	59.1	7.6
Average ¹	65.0	54.3	10.7
Average achieved room rate		Lm	%
5-star	33.1	31.7	4.4
4-star	11.4	11.7	-3.0
3-star	7.5	7.3	2.7
Average ²	14.2	13.7	3.6

¹Represents 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.

Source: MHRA Hotel Survey (March 2005).

Box 1: BUSINESS PERCEPTIONS SURVEY - FIRST QUARTER 2005¹

Introduction

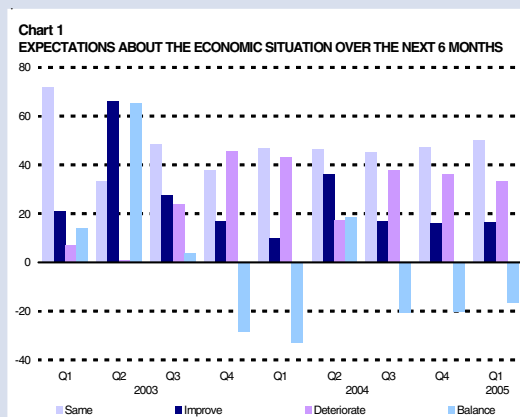
The Central Bank of Malta's latest business perceptions survey, conducted in January and February 2005, shows that the negative sentiment in evidence during the second half of 2004 persisted, albeit to a lesser degree. Half of the respondents to the survey expected no major turnaround in economic activity in the following six months, while the number of responses expressing pessimism declined. Furthermore, the survey results indicated that most export-oriented firms recorded normal levels of activity during the fourth quarter of 2004, whereas the performance of the domestically-oriented sectors was mixed.

Overall, most respondents anticipated an upturn in activity in the short-term. But while the prospects for domestically-oriented firms appeared to be improving, export-oriented firms predicted further downward pressure on their profitability. Furthermore, labour market conditions were expected to weaken further.

Business sentiment – first quarter 2005

Slightly more than half of the respondents to the survey expected no major turnaround in economic activity in the next six months, up from 47% in the previous survey. Although the number of pessimistic responses was smaller, they still outweighed the positive ones so that, on balance, business sentiment remained negative (see Chart 1).

More than half of the respondents said they expected inflation to remain stable but that unemployment would rise over the next six months. Yet when asked whether they considered the current period to be appropriate for undertaking major developments in their



company, respondents were almost evenly split. Nevertheless, the survey results indicate that the majority of firms did not intend to expand their operations, mostly on account of uncertainty about demand.

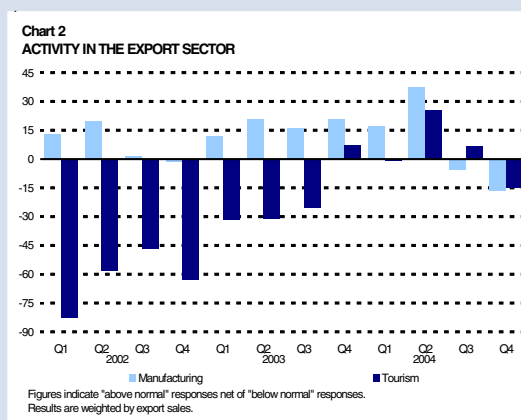
At the sectoral level, manufacturers remained pessimistic, while most respondents from the services sector (including tourism) and the construction sector expected the situation to remain unchanged. Respondents from the real estate sector, however, expected an improvement in the economic situation.

Activity levels – fourth quarter 2004

Export-oriented sectors

The survey results indicate that during the fourth quarter of 2004 the majority of export-oriented firms recorded normal levels of activity. When compared to the previous survey, however, fewer firms reported above-normal activity levels. Accordingly, a greater proportion of export-oriented firms expected a further deterioration in activity levels.

¹ It should be noted that some firms did not answer all the questions. Thus, the balance of responses may be biased.



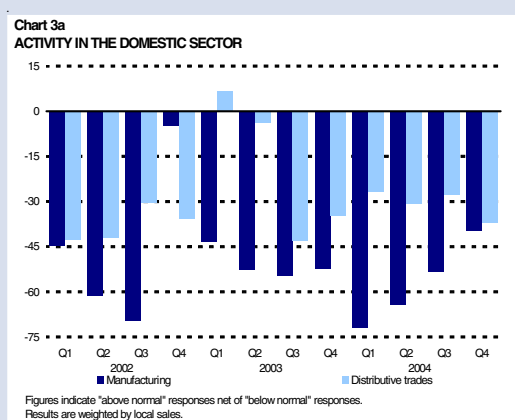
Manufacturing exporters, with the exception of those in the food & beverages, printing & publishing and chemicals sectors, reported a contraction in sales, lower selling prices and higher labour costs during the fourth quarter. Consequently, the profitability of export-oriented manufacturers, overall, declined during the quarter (see Chart 2).

Activity in the tourism sector also deteriorated, although this was probably due to seasonal factors. Operators in the industry reported lower sales and selling prices which, when combined with a rising wage bill, impacted negatively on their profitability.

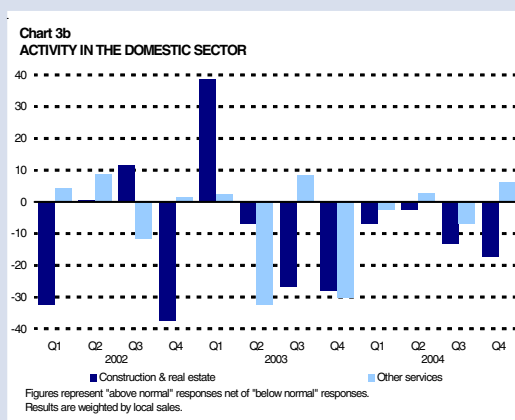
Domestically-oriented sectors

The performance of the domestically-oriented sectors was mixed, although overall profitability declined marginally. Despite higher selling prices, turnover remained virtually unchanged while rising labour costs and higher employment levels dented profitability.

Divergent trends were, however, noted between the various sub-sectors. Thus, while the food & beverages industry reported significantly lower sales and a contraction in profits, more positive results were reported by printing & publishing,



furniture and other manufacturing firms (see Chart 3a). With sales virtually flat, operators in the distributive trades reported a decline in profitability. Furthermore, average wage costs in the sector rose, while the number of workers employed contracted. Meanwhile, the construction and real estate sectors reported a downturn in activity as the negative results reported by construction firms outweighed the positive results registered by real estate agents (see Chart 3b). In the financial sector, however, activity continued to expand. Firms reported increased turnover and higher selling prices, which contributed to greater profitability



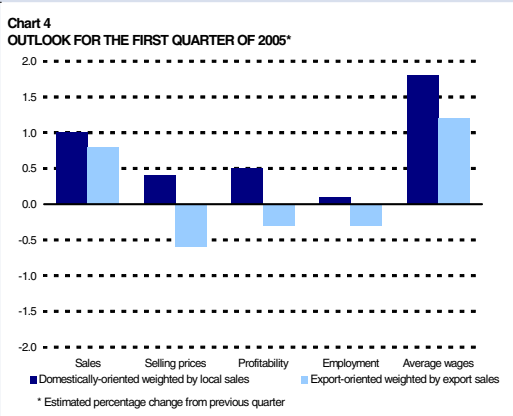
notwithstanding rising employment levels and higher labour costs.

Outlook – first quarter 2005

Overall, most respondents were expecting a turnaround in activity in the short-term. But while the prospects for domestically-oriented firms seemed brighter, with higher profits being anticipated, export-oriented firms predicted a deterioration during the first quarter of 2005. Moreover, labour market conditions were expected to weaken further, although average wages were generally expected to rise during the quarter (see Chart 4).

Export-oriented manufacturing firms anticipated higher sales, but rising average wage costs and lower selling prices were expected to dampen profits. Meanwhile, respondents from the travel & tourism sector expected further downward pressure on prices, lower sales and a higher wage bill despite the shedding of workers.

Domestically-oriented manufacturing firms expected an improvement in activity and a higher



turnover. But they also expected selling prices to continue to fall and wage costs to rise further, again despite a reduction in their workforce. This would impact negatively on their profitability. On the other hand, respondents from the construction & real estate and from the other services sectors were relatively optimistic, anticipating higher sales, rising selling prices and improved profitability.

Methodological Notes

1. The results presented in this Box are derived from a survey carried out between January and February among 145 companies. As much as possible, the sample is kept unchanged between quarters.
2. The surveyed firms employed 17,467 workers (around a quarter of all private sector workers) and had an aggregate annual turnover of Lm587.6 million (around 30% of Malta's GDP), 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 24 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 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.

Box 2: THE BANK'S FORECASTS FOR 2004

In its *Quarterly Review 2004:3*, the Central Bank of Malta published forecasts for GDP growth and the other main macroeconomic indicators for 2004 based on information available as at the end of September of that year, including National Accounts data for the first half of the year. Following the NSO's publication of provisional data covering the four quarters of 2004 in 2005, it is now possible to compare the latter with the Bank's forecasts.

The NSO reports a 1.5% increase in real GDP in 2004, which, as Table 1 shows, coincides with the Bank's median forecast. However, whereas the Bank was expecting growth to be primarily export-led, with domestic demand declining, the NSO's data show that GDP growth in 2004 continued to be underpinned by domestic demand, with net exports contributing negatively.

The Bank had expected private consumption to decline during the year, but the NSO data show it growing by 1%. While the official figure for private consumption in the first half of 2004 was revised slightly upwards, so that a drop of 1% was reduced to one of 0.6%, the data for the second half of the year showed an unexpectedly strong rebound in consumption, estimated at 2.4%. This appears to be related to a sharp acceleration in imports of consumer goods, which in the second half of the year grew by 16.4%, after having grown by 6% in the first half.

The Bank's forecast for growth in government consumption also contrasts with the official data. The latter show a 0.6% increase as against the Bank's projection of a contraction of around 4.4%. This sharp difference is entirely attributable to a significant upward revision in the NSO's

Table 1
GDP FORECASTS FOR 2004

% changes

	Forecasts (Sept. 2004)	NSO Estimate
GDP growth at constant market prices	1.2 - 1.8	1.5
Growth in GDP components at constant market prices		
Private consumption expenditure (incl. NPISH)	(1.2) - (0.6)	1.0
Government consumption expenditure	(4.7) - (4.1)	0.6
Gross fixed capital formation	7.3 - 7.9	5.3
Exports of goods & services	1.7 - 2.3	2.5
Imports of goods & services	0.0 - 0.5	3.5
Inventory changes and net acquisition of valuables (% of GDP)	1.5 - 1.9	1.3
Unemployment rate LFS (%)	7.7 - 8.0	7.2
Inflation rate RPI (%)	2.8 - 3.0	2.8
Fiscal borrowing requirement (% of GDP)	5.3 - 5.5	5.4
External goods & services deficit (% of GDP)	5.8 - 6.2	8.0

Note: Figures in brackets indicate negative values.

Source: Central Bank of Malta estimates.

figure for the first half of the year, so that the rate of decline in government consumption was more than halved, from 6.2% to 2.9%. To a large extent this revision reflected a downward revision by the NSO in the growth of the deflator for government consumption, from 5.2% to 3.8% and down further to 2.6% in the second half of the year.

As regards gross fixed capital formation, the Bank had forecast stronger growth than that reported by the NSO. However, this mainly reflected the fact that the anticipated growth in capital expenditure by the public sector did not materialise, partly because of delays in the receipts of funds from the EU and Italy intended to finance such expenditure. Furthermore, Government expenditure on the new hospital was markedly lower than forecast at the beginning of that year.

In considering developments in net exports of goods and services, the Bank's projection for export growth was slightly smaller than that reported by the NSO. This difference mainly

stems from a stronger-than-anticipated drop in the export price deflator in the second half of the year. At the same time, the Bank's forecast for growth in imports was markedly lower than the figure reported by the NSO. This mainly reflected upward revisions in imports, as stronger-than-anticipated growth in the final quarter of the year (up by almost 15% from the corresponding quarter of the previous year), and the purchase of property overseas by the Government boosted the volume of imports. As a result, the deficit on goods and services rose to an estimated 8% of GDP in 2004. Meanwhile the Bank's forecast for inventory changes as a percentage of GDP was broadly in line with that estimated by the NSO.

With regard to other key indicators, the Bank's estimate of the rate of unemployment for 2004 was, at 7.3%, higher than the official figure of 6.9%. This reflected improved labour conditions in the second half of the year which were not anticipated by the Bank. On the other hand, the Bank's projection of the inflation rate at 2.9% was just 0.1 percentage points higher than the actual outturn of 2.8%.

Box 3: PURCHASING POWER PARITY

International comparisons of economic performance and living standards are particularly useful for policy makers. For example, per capita gross domestic product (GDP) is a widely used indicator of national welfare that is compared across countries and over time. In making such comparisons, economic analysts usually convert GDP measured at national prices and in the national currency into a common currency at the current exchange rate. However, this method does not take two important considerations into account. First, converting GDP into a common currency may be vitiated by large swings in the exchange rate. Second, comparisons made on this basis can be misleading as the price level is usually higher in richer countries than in poorer ones.

To address such shortcomings, and to make international comparisons in living standards across countries more meaningful, economists turn to the concept of Purchasing Power Parity (PPP). For example, the European Commission uses PPP measurements to compare GDP per capita across EU Member States and to determine regional eligibility for structural funds. Another important use of PPP relates to the comparison of price levels across countries. Comparable price levels are obtained by dividing the home country's PPP by the price of the benchmark country's currency in terms of the home currency. PPP is also widely used in multinational business operations, for example, to compare unit labour costs in different countries. It is also a fundamental input for the estimation of exchange rate misalignment.

Meaningful international comparisons of welfare

Changes in GDP can be divided into two main

components: price changes and volume (or quantity) changes. According to Eurostat¹, a valid international comparison of per capita GDP in volume terms must satisfy three conditions. First, the definitions used to compile GDP must be based on the same standards across all the countries under consideration. Second, per capita GDP for each country must be converted into a common currency. And third, the purchasing power of different currencies needs to be equalised across countries.

In practice, the first requirement relating to the methodology used in constructing GDP does not pose problems across the European Union since Member States use harmonised accounting standards, known as the European System of Accounts, to compile GDP.

As for the second requirement, a vehicle currency like the US dollar or the euro is often used as the common currency. However, a problem that may arise with conversions of the GDP of various countries into a common currency is that comparisons may be distorted by the volatility of exchange rates, particularly in the short term. Such distortions arise especially when fluctuations in exchange rates do not reflect changes in economic fundamentals. As a result, the use of nominal exchange rates can be misleading. For example, when the Argentinean peso fell by around 70% against the US dollar in 2001, one could not legitimately infer that the average standard of living in Argentina had declined by 70%.

The third requirement relates to differences in price levels between rich and poor countries. Eurostat suggests that, "exchange rates in no way reflect the relative purchasing power of

¹ See Eurostat (2003), 'Description of Purchasing Power Parity methods and practices of Eurostat-OECD comparison programme'.

currencies in their national markets ... hence, GDPs of countries converted to a common currency using exchange rates reflect not only differences in the volumes produced in the countries, but also differences in the price levels of the countries.”²

In general, a richer country tends to have a higher aggregate price level than a poorer one. Wealthier countries are likely to have faster productivity growth in the tradables sector compared to the non-tradables sector. This may be due to the fact that it is more difficult to apply technology to certain non-traded services, and also because manufacturers producing tradable goods are likely to face greater competition in the global market than producers of non-tradable goods. An increase in productivity of tradable goods, relative to non-tradables, affects the overall price level in an economy. In the tradables sector, prices are broadly determined in international markets, and wage growth in that sector can ultimately be compensated for fully by productivity growth. However, in the presence of higher productivity growth in the tradables sector, wages tend to rise across the entire economy, as increases in the tradables sector spill over into the non-tradables sector, even though in the latter the increase in wages is not necessarily matched by productivity growth. By contrast, in poorer countries, especially those characterised by a tradables sector that is relatively small and a non-tradables sector that is relatively large, lower productivity implies lower wages and, hence, lower prices of goods and services overall.

Since GDP per capita is usually expressed in a national currency and valued at national prices, Eurostat points out that to mitigate the difficulties in making international comparisons of welfare

levels, “it is necessary to have conversion rates that both *convert* to a common currency and *equalise* the purchasing power of different currencies in the process of conversion ... i.e. conversion rates that are both currency converters and price deflators.”³ These conversion rates are known as Purchasing Power Parities (PPPs).

PPPs are essentially price deflators that are used to remove the effect of price level differences between countries. The elimination of spatial differences in purchasing power is parallel to the elimination of differences over time when using national price deflators. Furthermore, PPPs are also currency converters. PPPs convert nominal aggregates expressed in national currency to a common artificial currency called the Purchasing Power Standard (PPS). The latter is used to express the volume of economic aggregates for the purpose of spatial comparisons, so that the effect of price level differences between countries is eliminated.

Eurostat describes the relation between PPP and PPS as follows: “economic aggregates in PPS are obtained by dividing their value in national currency by the respective PPP ... One PPS buys the same given average volume of goods and services in all countries, whereas different amounts in national currency units are needed to buy this same volume of goods and services in individual countries, depending on the national price level.”⁴

A simplified example of comparing welfare levels between two countries illustrates the problems associated with such comparisons and how the concept of PPP helps make such comparisons meaningful. Consider a comparison of per capita consumption in two countries, such as the

² Ibid., p. 5.

³ Ibid.

⁴ See Eurostat, ‘Statistics in Focus: Theme 2’ (32/2002, 64/2003 & 53/2004).

United States and Russia.⁵ For the sake of simplicity, let us assume that there are only two goods, namely cars and food. In the US, each person spends USD10,000 every year to purchase a new car and another USD10,000 on a bundle of food. In Russia, each person buys a car every 15 years, and a new car costs RUB60,000, implying that a Russian spends on average RUB4,000 each year on cars. Each Russian also spends RUB8,000 on the same bundle of food that each American consumes. Thus, per capita consumption in the US amounts to USD20,000 while in Russia it amounts to RUB12,000.

If USD1.00 is equivalent to RUB6.00, this would imply that per capita consumption in Russia amounts to just USD2,000. This is equivalent to just 10% of US consumption in dollar terms. However, it would be wrong to infer that the standard of living in Russia is equivalent to just 10% of that in the United States. On the basis of this example, if a Russian were to spend all of his income on food, he would be able to purchase 1.5 bundles of food (RUB12,000 divided by RUB8,000), while an American would be able to buy 2 bundles. Thus, in terms of food bundles, the standard of living in Russia is 75% of that in the US, which is far higher than the first estimate of 10%.

However, one must take into account the prices of all goods consumed across countries. In this case, an average Russian buys around 0.07 cars (1 every 15 years) and one bundle of food every year. Consequently, in US prices, Russians spend USD10,700 per year, $(0.07 \times \text{USD}10,000) + (1 \times \text{USD}10,000)$. Thus, in PPP terms, annual per capita consumption in Russia amounts to 53.5% of annual per capita consumption in the US, which again is significantly higher than the naïve initial estimate of 10%.

Estimating PPP

In reality, the usual starting point for the cross-country comparison of GDP using PPPs is the measurement of national GDP in terms of the respective national currencies. Subsequently, one constructs the Purchasing Power Standard (PPS), which is based on an internationally uniform basket of representative products. This measures the price in local currency of this representative basket in each country. The relative PPS between the benchmark country and the home country is then computed by dividing the price level of the representative basket in the benchmark country in its own currency (PPS for the benchmark country) by the price level in the home country in terms of its national currency (PPS of the home country). When GDP, measured in national currency of the home country, is multiplied by the relative PPS, the result is a measure of the GDP of the home country in terms of units of PPS. The resulting comparisons of GDP across countries in terms of PPS units are invariant to exchange rate changes and take into account differences in price levels across the countries under consideration.

The calculation of the PPP for each individual product or service is the first step in the process of calculating the overall PPP for GDP or any other aggregate, like consumption or investment. Eurostat shows that PPP measurement is conducted in three stages. In the first stage, PPPs are calculated for individual goods and services. They are calculated for groups of products. And finally, they are calculated for the aggregate of such product groups. The PPPs for the groups of products are un-weighted averages of the PPPs for individual goods and services for the respective product type. The PPPs for the aggregates of the product groups are weighted averages of the PPPs for such product groups,

⁵ See O. Blanchard (2003), *Macroeconomics* (3rd Ed., Prentice Hall), p. 206.

Table 1**COMPARATIVE GDP AND PRICE LEVELS: MALTA AND THE EU 25**

	GDP per capita in PPS EU 25 = 100	Comparative price level index of household final consumption expenditure EU 25 = 100
1999	78	72
2000	79	75
2001	75	76
2002	74	74
2003	75	73

Source: Eurostat (2004), 'Purchasing Power Parities and related economic indicators for EU, Candidate Countries and EFTA' in Statistics in Focus 53.

with the weights being based on the respective expenditure on each component of the relevant product group.⁶

Table 1 compares key economic indicators related to the standard of living and price levels between Malta and the EU. Thus, in 2003 GDP per capita in Malta, using PPS, amounted to 75% of the EU-25 average. As regards price levels, in 2003 the ratio of one PPS measured in Maltese lira to a PPS measured in the benchmark-area (EU-25) was 0.31. This means that for every euro spent in the benchmark area for the purchase of a given basket of goods and services in 2003, MTL0.31 was needed in Malta to purchase the same basket of goods and services. On the basis of such information and the average exchange rate for the year, the price level in Malta in 2003 amounted to about 73% of the average price level in the EU-25.

Conclusion

The practice of using the exchange rate to

convert GDP expressed in national price levels to a common currency can give rise to misleading results in international comparisons of living standards. This is because it is vulnerable to large swings in the exchange rate, which may give rise to an under- or over-estimation of GDP per capita. Furthermore, it does not adjust for the fact that richer countries usually have higher general price levels than poorer countries. Therefore, to make meaningful comparisons it is necessary to remove the effect of differences in the price level across countries and to express values in a common currency. PPPs can be used to achieve this dual goal, since they act as both currency converters and price deflators.

The use of PPPs allows meaningful comparisons to be made between Malta and the other Member States of the EU. The latest official information available shows that, on this basis, Malta's GDP per capita and its level were both around three-quarters of the EU-25 average during 2003.

⁶ Ibid.

5. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

A significantly wider merchandise trade gap, combined with a smaller surplus on services, resulted in a larger current account deficit in the final quarter of 2004, compared to the same quarter of 2003. Excluding movements in international reserves, net outflows were recorded on the capital and financial account, while official

reserves declined after having picked up in the third quarter of 2004. Net errors and omissions were large and positive over the survey period.

During the fourth quarter, the Maltese lira depreciated against the euro, while it gained significantly against the US dollar. The lira also continued to appreciate against sterling and the Japanese yen. Going into the first quarter of 2005, the lira fell against the dollar, while it strengthened, albeit marginally, against the euro.

Table 5.1
EXTERNAL BALANCES¹

Lm millions

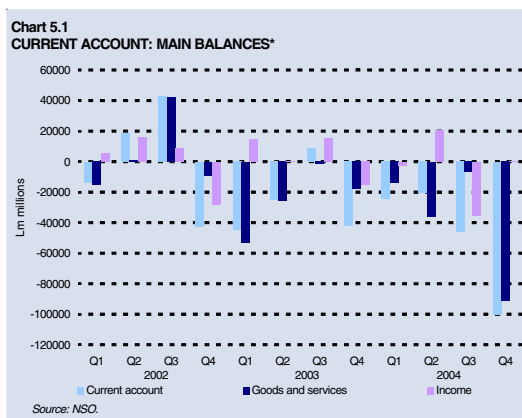
	2003		Q4	
	credit	debit	credit	debit
Current account balance		42.2		100.2
Goods and services	361.6	379.7	337.7	429.0
Goods balance		56.1		115.3
Goods	246.9	302.9	225.2	340.6
Services balance	37.9		24.0	
Services	114.7	76.8	112.5	88.5
Transport	26.7	32.7	28.6	40.6
Travel	64.7	21.4	67.0	25.8
Other services	23.3	22.7	16.9	22.1
Income (net)		15.3	0.3	
Current transfers (net)		8.8		9.2
Capital and financial account balance²	31.1			9.9
Capital account balance	0.4		9.8	
Financial account balance	30.7			19.7
Direct investment	92.3		39.9	
Portfolio investment		104.5		17.9
Financial derivatives	9.0			4.0
Other investment	33.9			37.7
Movements in reserves³	7.7		68.0	
Net errors and omissions	3.5		42.2	

¹ Provisional.

² Excludes movements in official reserves.

³ Excludes revaluation adjustments.

Source: NSO.



The current account

Compared with the corresponding three months of 2003, the current account deficit more than doubled to Lm100.2 million from Lm42.2 million (see Table 5.1). This widening was essentially due to a larger merchandise trade gap, as imports increased while exports continued to drop. At

the same time, the surplus on services contracted, while the deficit on current transfers widened slightly. Conversely, the income account swung from a deficit to a small positive balance. Developments in the fourth quarter of 2004 had a significant impact on the annual outturn (see Chart 5.1).

Goods

According to balance of payments data, the merchandise trade deficit widened by Lm59.3 million to Lm115.3 million.¹ Imports increased by Lm37.7 million while exports dropped by Lm21.7 million. Customs data for 2004 also indicate similar trends (see Table 5.2), though magnitudes differ because of differences in methodology.

Customs data show that imports increased by Lm39.2 million, or 12.2% (see Table 5.2). Almost half of the higher import bill was due to increased purchases of industrial supplies, particularly

Table 5.2
MERCHANDISE TRADE
(based on Customs data)

	Q4		Lm millions	
	2003	2004 ¹	Change Amount	%
Imports	320.8	360.0	39.2	12.2
Consumer goods	85.8	97.6	11.8	13.8
Industrial supplies	164.5	181.2	16.7	10.2
Capital goods & others	50.3	59.9	9.6	19.1
Fuel and lubricants	20.2	21.3	1.1	5.4
Exports	243.7	217.7	-26.0	-10.7
Trade balance	-77.1	-142.3	-65.2	84.6

¹ Provisional

Source: NSO.

¹ Balance of payments data on trade in goods differ from Customs data. The latter are recorded on a cost, insurance and freight basis and are then adjusted in the compilation of balance of payments statistics to cover 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 shown in Table 5.1 do not tally with those in Table 5.2.

semi-finished goods, which picked up in the second half of the year. Imports of capital goods and consumer goods also continued to expand, rising by Lm9.6 million and Lm11.8 million, respectively. The increase in imports of consumer goods, particularly in the second half of the year, reflects the liberalisation of trade upon EU accession in May. Food and beverages, which had enjoyed significant protection until then, accounted for more than half of the increase in this category during the quarter reviewed. The import bill on fuels and lubricants also increased in the final three months of 2004, driven by higher oil prices.

Exports continued to fall. When compared to the fourth quarter of 2003, they dropped by 10.7%, with over 40% of the decline due to lower sales of machinery and transport equipment, which includes semi-conductors. This drop probably reflects downward price pressures in the electronics sector. Moreover, food exports, which had been boosted in 2003 by exceptional sales of fish, dropped by Lm9.2 million to Lm6.3 million. At the same time, exports of mineral fuels and lubricants also contracted as a state-owned oil-bunkering firm ceased its import and re-export operations during the third quarter of the year.

Customs data indicate that during the first two months of 2005 the trade gap continued to widen as exports dropped considerably while imports increased. Exports of machinery and transport equipment and miscellaneous manufactured goods fell further. At the same time, imports also continued to expand, with consumer goods, capital goods and industrial supplies being mainly responsible.

Services, income and transfers

Compared to the corresponding quarter of 2003, the surplus on services contracted by Lm13.9

million to Lm24 million. This was partly attributable to higher freight payments linked to the larger import bill, which added to the deficit on transport, as well as lower receipts for miscellaneous business, professional and technical services. At the same time, net travel earnings contracted by Lm2.1 million, or 4.8%, as payments increased by Lm4.4 million, outweighing a Lm2.3 million rise in income. A drop in receipts, as well as increased government transfer payments, resulted in a wider deficit on current transfers.

On the other hand, the income account swung from a deficit of Lm15.3 million to a small surplus of Lm0.3 million. This shift was essentially due to higher net interest received by financial institutions as interest receipts increased while interest payments dropped. Moreover, profits recorded by foreign-owned firms in Malta declined. Dividend payments, which had been boosted by transactions of one manufacturing firm in 2003, dropped in the final quarter of 2004, while retained earnings increased.²

The capital and financial account

Excluding movements in reserves, net outflows of Lm9.9 million were recorded on the capital and financial account in the fourth quarter of 2004, as against net inflows of Lm31.1 million in the same quarter of 2003.

Inflows on the capital account increased substantially to Lm9.8 million from Lm0.4 million, mostly as a result of official transfers from the EU and also from Italy under the Fifth Financial Protocol.

In contrast, net financial flows swung from a positive movement of Lm30.7 million to net outflows of Lm19.7 million. This swing partly reflected a directional change in other investment

² Data on re-invested earnings reported during 2004 are not strictly comparable to those shown for previous years due to a change in compilation methodology.

flows, from net inflows of Lm33.9 million to net outflows of Lm37.7 million. In turn, this was partly due to an increase in resident banks' foreign holdings, particularly of currency and deposits and short-term assets, which for balance of payments purposes are recorded as outflows. Loans granted by the non-bank sector to non-residents also increased. At the same time, large foreign borrowings recorded last year by the banking sector were not repeated to the same extent in the fourth quarter of 2004.

When compared to the corresponding period in 2003, net direct investment inflows dropped by Lm52.4 million to Lm39.9 million. This essentially reflected a smaller amount of inter-company transactions, which include trade credits and loans between parents and subsidiaries. Moreover, net inflows of equity capital, which had been boosted by heavy investment in one bank in the fourth quarter of 2003, also declined. These developments outweighed a rise in earnings retained by foreign-owned firms operating in Malta. Net flows related to financial derivatives, which record instruments including options, futures and swaps, also turned negative.

Conversely, net portfolio outflows dropped sharply, from Lm104.5 million to Lm17.9 million. Although the banking sector continued to invest

in foreign bonds and notes, it did so at a much slower pace than in the previous corresponding period.

Net errors and omissions remained positive in the fourth quarter of 2004, at Lm42.2 million. These errors imply an overestimation of either the current account deficit or of net capital and financial outflows.

As a result of these developments, reserve assets dropped by Lm68 million during the final quarter of 2004.

The Maltese lira

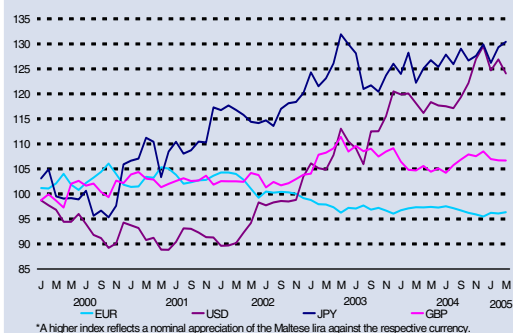
During the fourth quarter of 2004, the Maltese lira continued to depreciate against the euro, shedding 1.3% (see Table 5.3). On the other hand, the lira maintained its appreciation against the US dollar, gaining 8.5% as a result of the continuous retreat of the dollar on international foreign exchange markets. The lira also continued to strengthen against sterling and the Japanese yen, appreciating by 1.5% and 0.7%, respectively. Throughout the first quarter of 2005, counter to the previous trend, the lira rose marginally against the euro and depreciated against the dollar (see Chart 5.2). At the same time, the lira rose further against the yen, while it fell against sterling.

Table 5.3

MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES

Period	EUR/MTL	USD/MTL	GBP/MTL	JPY/MTL
Average for Q4 2004	2.3181	3.0053	1.6114	317.8
Average for Q4 2003	2.3327	2.7747	1.6269	302.0
% change	-0.6	8.3	-1.0	5.2
Closing rate on 31.12.2004	2.3023	3.1393	1.6252	321.7
Closing rate on 30.09.2004	2.3315	2.8921	1.6012	319.6
% change	-1.3	8.5	1.5	0.7

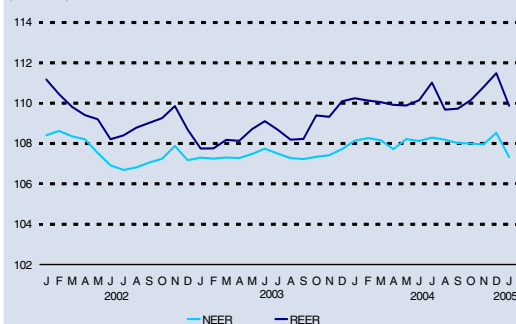
Chart 5.2
EXCHANGE RATE MOVEMENTS OF THE
MALTESE LIRA AGAINST SELECTED CURRENCIES*
(Index of end-of-month rates, end-1999 = 100)



On average, when compared to the fourth quarter of 2003, the Maltese lira remained stable against the euro. On the same basis, the lira gained against the dollar while easing against both sterling and the yen.

Between September and December 2004, the nominal effective exchange rate of the Maltese lira (NEER) increased by 0.5%, driven mainly by

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



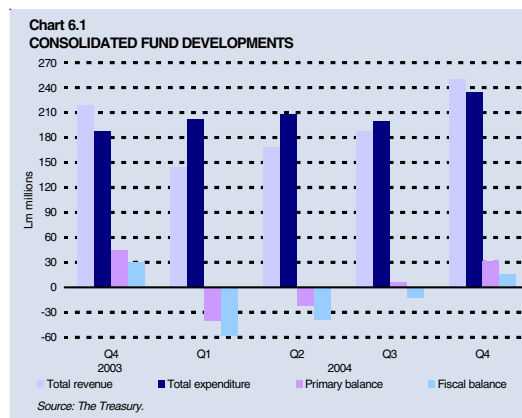
the appreciation of the lira against the US dollar. At the same time, the real effective exchange rate (REER) increased by 1.6%, reflecting this nominal appreciation coupled with a wider inflation differential, as prices in Malta, as measured by the RPI, increased at a faster pace than consumer prices abroad (see Chart 5.3).³ Both the NEER and the REER then dropped in January 2005.

³ The index covers 25 countries and uses double weights, allowing for the importance of competitor countries in foreign markets. Consumer price indices are used as a measure of prices.

6. GOVERNMENT FINANCE¹

The general government deficit for 2004 amounted to Lm96.7 million, or 5.2% of GDP, down from 10.6% recorded in the preceding year when government spending was accentuated by the shipyards restructuring exercise (see Table 6.1). A lower negative balance reported by extra-budgetary units coupled by growth in revenue, which outpaced the rise in expenditure, also contributed to the fiscal improvement in 2004. Indeed, the latter factor was also reflected in a narrower Consolidated Fund deficit, which contracted from Lm105.4 million in 2003 to Lm94 million in 2004. Meanwhile, the impact of local government on general government finances was marginal.

The general government's nominal gross debt outstanding at the end of 2004 was equivalent to Lm1,401.3 million, or 75.6% of GDP, an increase of three percentage points over the previous year.



Consolidated Fund

In the fourth quarter of 2004 the Consolidated Fund registered a surplus of Lm15.8 million, Lm14.5 million below the surplus recorded in the same quarter a year earlier (see Chart 6.1). Although revenue grew, primarily reflecting grants and VAT receipts, expenditure increased more rapidly. The latter was boosted mainly by an increase in the

Table 6.1
GENERAL GOVERNMENT BALANCE AND DEBT

	<i>Lm millions</i>			
	2001	2002	2003	2004
Balance on the Consolidated Fund	-85.3	-87.7	-105.4	-94.0
Adjustments to the Consolidated Fund	-11.9	2.3	-61.1	3.8
Net balance of extra-budgetary units	-14.5	-17.8	-22.7	-5.9
Net balance of local government	0.9	0.5	-0.5	-0.6
General government balance	-110.8	-102.8	-189.8	-96.7
<i>as % of GDP</i>	-6.5	-5.9	-10.6	-5.2
General government debt	1,072.9	1,100.5	1,304.1	1,401.3
<i>as % of GDP</i>	63.3	63.2	72.6	75.6

Source: NSO.

¹ General government captures all the operations of central government, including extra-budgetary units, and local government. Data on the general government deficit and debt are taken from NSO News Release No. 50/2005 published on 18 March 2005. Data on the Consolidated Fund are taken from NSO Release No. 89 of 29 April 2005.

Table 6.2
GOVERNMENT BUDGETARY OPERATIONS

	2003 Q4	2004 Q4	<i>Lm millions</i> Change	
			Amount	%
Revenue	218.6	249.8	31.3	14.3
Direct tax	118.6	117.2	-1.4	-1.2
Income tax	80.2	77.3	-2.9	-3.7
Social security contributions ¹	38.4	39.9	1.5	3.9
Indirect tax	82.0	87.9	5.8	7.1
Value Added Tax	37.8	44.0	6.2	16.3
Customs and excise duties	16.6	19.9	3.3	19.5
Licences, taxes and fines	27.5	24.0	-3.6	-13.0
Non-tax revenue ²	17.9	44.8	26.9	149.7
Expenditure	188.2	234.0	45.8	24.3
Recurrent expenditure ¹	168.4	205.0	36.6	21.7
Personal emoluments	49.5	62.1	12.6	25.5
Operational and maintenance	9.3	16.6	7.3	79.1
Programmes and initiatives	76.2	89.9	13.7	18.0
Contributions to entities	19.1	21.0	1.8	9.4
Interest payments	14.2	15.3	1.1	7.5
Other expenditures	0.2	0.2	0.1	58.9
Capital expenditure	19.8	29.0	9.2	46.5
Primary balance ³	44.6	31.1	-13.5	-30.3
Consolidated Fund balance ⁴	30.4	15.8	-14.5	-47.8

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

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

³ Revenue less expenditure excluding interest payments.

⁴ Revenue less expenditure.

Source: *The Treasury*.

government's wage bill following a change in the timing of wage payments during the year, a rise in capital outlays and contributions to the EU's own resources.

Meanwhile, the deficit on the Consolidated Fund during the first two months of 2005 widened vis-à-vis the same period of the previous year, as expenditure growth, driven mainly by EU own

resources contributions and social security benefits, was accompanied by a slight drop in tax revenue.

Revenue

Revenue during the fourth quarter expanded by Lm31.3 million, or 14.3%, over the last three months of 2003, reaching Lm249.8 million (see Table 6.2). This rise, which was driven by non-tax receipts and indirect taxes, was slightly dampened by a drop in direct tax inflows.

Non-tax revenue rose by Lm26.9 million, fuelled mostly by grants received from abroad. The latter consisted primarily of EU grants, though additional transfers were also received in terms of the Fifth Italian Financial Protocol.

Indirect tax receipts grew by Lm5.8 million, with additional intakes from VAT and duties partly offset by a drop in revenue from licences, taxes and fines. VAT yielded Lm6.2 million more, reflecting higher consumption expenditure, an increase in the standard rate from 15% to 18% and a wider tax base. At the same time, Customs and Excise revenue rose by Lm3.3 million. This was principally attributable to an increase in excise duties on cigarettes, which more than compensated for the drop in receipts following the removal of the remaining duties on EU products following Malta's accession to the EU in May 2004. On the other hand, revenue from licences, taxes and fines decreased by Lm3.6 million, partly due to a decline in receipts from levies on imports from the EU which were removed upon accession. This drop also reflected lower receipts from gaming, which had increased strongly during the first nine months of 2004 and which were particularly high during the final quarter of 2003.

Conversely, direct tax inflows for the fourth quarter of 2004 dropped by Lm1.4 million as lower income tax receipts, driven primarily by a decline in tax arrears, were only partly offset by higher

social security contributions that reflected increased income from employment.

Expenditure

Compared to the last three months of 2003, total expenditure during the fourth quarter of 2004 grew by Lm45.8 million, or 24.3%, with around four-fifths of this rise stemming from recurrent spending.

Programmes and initiatives, followed closely by personal emoluments, were the main factors behind the growth in recurrent expenditure, which rose by Lm36.6 million, or 21.7%. The rise in expenditure on programmes and initiatives resulted mainly from higher spending on contributions to the EU's own resources, subsidies on food to producers, and social security benefits – mainly pensions. The increase in the government's wage bill was heavily influenced by a change in the timing of wage payments, which were skewed towards the final quarter of the year. It also reflected the cost-of-living adjustment and annual salary increments.

Operations and maintenance expenses pushed up recurrent spending by Lm7.3 million, as outlays on medicines and medical supplies in the final quarter of 2004 exceeded those in the corresponding period of the preceding year. A moderate increase in contributions to government entities reflected mainly higher transfers to Industrial Projects and Services Limited and the Drainage Directorate which, prior to 2004, was accounted for under a different expenditure category. Interest payments also rose, due to a higher level of outstanding debt.

In the fourth quarter of 2004 capital expenditure expanded by Lm9.2 million compared to the previous corresponding quarter and amounted to Lm29 million. Higher outlays were mostly related to the new government hospital as spending on this project picked up during the quarter and to

Table 6.3
GOVERNMENT DEBT¹

	<i>Lm millions</i>				
	2003		2004		
	Q4	Q1	Q2	Q3	Q4
Balance on the Consolidated Fund	30.4	-58.2	-39.2	-12.4	15.8
<i>Changes in</i>					
Gross government debt	50.6	19.9	53.5	15.3	5.9
Malta Government stocks	30.0	0	48.0	22.4	29.5
Treasury bills	-18.7	20.7	6.8	-7.3	-7.2
Domestic loans ²	41.8	0	0	0	-14.4
Foreign loans	-2.4	-0.8	-1.3	0.1	-2.0

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

² Domestic loans consist of the debts assumed by the government following the restructuring of the shipyards in 2003.

Sources: Central Bank of Malta; The Treasury.

the acquisition of new equipment for the Armed Forces.

Government debt and financing operations

In spite of the surplus recorded on the Consolidated Fund during the fourth quarter, gross government debt rose by Lm5.9 million over the previous quarter, leading to a build-up in government deposits with the Central Bank of Malta (see Table 6.3). The entire rise reflected an increase in Malta Government stocks (MGS) outstanding, which grew by Lm29.5 million over the previous quarter, following a new issue in November. However, most of the rise in long-term debt was offset by a drop in Treasury bills, local loans and, to a lesser extent, foreign loans outstanding.

Short-term borrowing declined as the amount of

Treasury bills outstanding dropped by Lm7.2 million. Local loans fell by Lm14.4 million, as around one-third of the debt previously owed by the shipyards and assumed by government in 2003 was repaid. Similarly, the outstanding volume of foreign loans decreased by Lm2 million as repayments were only partly offset by negative revaluation effects.

Consequently, as at end-December, gross government debt reached Lm1,354.2 million. MGS amounted to Lm1,012.8 million, or 74.8% of the total, while Treasury bills totalled Lm245.4 million, or 18.1%. Local and foreign loans, which stood at Lm27.4 million and Lm68.6 million, respectively, accounted for the remainder.

More recent data show that gross government debt rose further, reaching Lm1,366.5 million at end-February 2005.

HOUSE PRICES IN MALTA - AN ECONOMIC ANALYSIS

Joseph Falzon, Wendy Zammit & Denis H. Camilleri*

Introduction

Malta is one of the most densely populated areas in the world.¹ This makes land in Malta a relatively expensive asset, with houses comprising one of the major vehicles of investment in which a large proportion of domestic equity is traditionally kept.²

Developments in the housing market have important implications for existing homeowners, real estate agents and operators in the construction industry. Demand and supply conditions as well as movements in house prices are also of concern to the Central Bank of Malta in view of the latter's responsibility for maintaining price and financial market stability.

A number of academic papers have commented on asset price behaviour and, in certain cases, the appropriate policy response. Thus, Bernanke and Gertler (1999) explore the implications of asset price volatility for the management of monetary policy, and show that it is desirable for central banks to focus on underlying inflationary

pressures rather than on asset prices themselves. In contrast, Bordo and Jeanne (2002) note that acting pre-emptively through monetary policy when asset prices are booming can sometimes be beneficial given the potentially large welfare costs in terms of output and wealth resulting from a subsequent collapse in asset prices.

The question of why the monitoring of house prices is important for a central bank remains an essential issue for the setting of monetary policy.³ Cecchetti et al. (2000) argue for a monetary policy strategy that reacts pro-actively to asset prices, especially housing prices. According to the IMF's *World Economic Outlook* (2003), house price busts were slightly less frequent than equity price busts in the post-war period, but were associated with larger adverse financial and real effects. Helbling and Terrones (2003) state that this may imply that monetary authorities should pay relatively more attention to housing prices than to equity prices. Gruen et al (2003) find that, *ceteris paribus*, the case for "leaning against" an asset-price bubble through monetary policy is stronger the lower the probability of the bubble bursting of

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¹ With 1,192.5 persons per square km, Malta ranks ninth out of 239 areas after Macau, Monaco, Hong Kong, Singapore, Gibraltar, the Gaza Strip, the Holy See and Bermuda (1999 CIA World Factbook).

² In this paper it is estimated that the housing stock of the 1995 Census at 2004 prices amounts to Lm44.5 billion. This dwarfs the financial assets held by the non-bank public: Lm0.5 billion currency in circulation, Lm2.2 billion bank deposits, Lm0.2 billion collective investment schemes, Lm0.6 billion government bonds, Lm0.04 billion Treasury bills outstanding, Lm0.5 billion Malta Stock Exchange capitalisation and Lm0.1 billion in corporate bonds. Total financial assets as at end June 2004 amounted to Lm4.1 billion.

³ The literature reviewed relates to countries with flexible exchange rates and hence to countries that can practice an active monetary policy. Malta has a fixed exchange rate regime and thus cannot use monetary policy to stabilise output or asset prices. However, the monitoring of asset and house prices remains essential due to their potential inflationary effects, social repercussions and potential implications for economic and financial stability.

its own accord, the larger the efficiency losses associated with big bubbles, and the higher the assumed impact of monetary policy on the bubble process.

House prices are also important with respect to the stability and soundness of the banking system. Rising house prices generally boost the value of collateralised property. This encourages banks to lend further, thus expanding total domestic credit. Borio and Lowe (2002) state that sustained rapid credit growth, combined with large increases in asset prices (equity prices, residential and commercial real estate), appears to increase the probability of an episode of financial instability. Accordingly, in some situations a monetary response to credit and asset market developments may be appropriate to preserve both financial and monetary stability.

This concern arises because falling house prices can have serious adverse effects: bank collateral shrinks and non-performing loans rise, severely curtailing the capacity of banks to lend, as occurred in Japan in the latter part of 1980s. The collapse of house prices weakened the Japanese financial system and increased the taxpayer's burden to compensate for the losses incurred by investors (Shiratsuka, 2003). The same occurred in some European countries, such as Finland, where the housing market boom in the 1980s was encouraged by excessive lending following financial liberalisation. In Sweden, following the collapse of a house price bubble in the early 1990s, house prices fell to their pre-boom levels leaving banks exposed as the collateral pledged against the mortgage was valued at less than the loans outstanding (Royal Institution of Chartered Surveyors, 2003).

Detken and Smets (2003) analyse 38 boom periods since the 1970s in 18 OECD countries. During boom periods, the authors observe real investment hikes and loose monetary conditions. However, they note that not all booms are

followed by large output losses. They observe that high-cost booms are those in which real estate prices and investment crash in post-boom periods. High-cost booms seem to follow very rapid growth in real money and real credit stocks just before the boom and at the early stages of the boom. During high-cost booms, rates of change of real estate prices and consumption growth are significantly higher and the investment (especially housing) GDP ratio deviation from trend rises faster over the whole boom period.

In the local context, various initiatives have been taken in recent years to analyse and measure aspects of the housing market in Malta. Demarco (1995) constructed a house price index based on advertised house prices both by type and locality going back to 1980. He studied the relationship between house prices and personal income and analysed certain factors that may have impacted on the local housing market, such as local and foreign demand, subsidised housing, the rent laws, restrictions on land for development purposes and the demand for property as an investment.

Cordina (1999) built various supply and demand models to analyse the change in house prices. He considered four strategies: subsidising demand, encouraging market supply, setting price ceilings and the provision of Government housing. Camilleri (2000a) constructed a housing affordability index as a valuation model that combines the market rates of affordable housing and the household median income together with the dwelling size, to arrive at an affordable home. Brinkworth and Vella (2000) also developed a calculation of affordability of a two and three-bedroomed flat and analyse the market affordability of social applicants, while Delia (2000) analyses the economic prospects for the future of social housing in Malta.

Mifsud (2000) studied the economic impact of housing schemes that were introduced in the

1980s. He noted that the provision of low-priced and free building plots for housing prevented house prices from rising beyond the normal index of inflation. When these schemes were stopped to channel urban development activity into existing and planned development areas, house prices increased much faster than the GDP. However, according to Mifsud, this may not have been brought about by the planning policies themselves, since a large number of building permits have been issued each year since 1993.

This paper seeks to build upon previous contributions and to analyse further the main determinants of house prices in Malta. For this purpose, a new house price index⁴ based on advertised prices from 1980 to 2004 was developed (Central Bank of Malta, 2004).⁵ In the following sections, the paper first explores demand-side factors, such as demographics and affordability ratios, before analysing supply-side factors, such as development permits granted and the existence of vacant properties. The paper then considers monetary aspects and studies the link between the growth in bank lending and average house prices. Finally, movements in house prices are compared with those in the Malta Stock Exchange Index (MSEI).

Factors affecting demand

According to the Census of Population 1985 and 1995, the total population in Malta stood at 345,705 and 378,404, respectively. The number of households was 104,742 in 1985 and 127,970 in 1995. This implies an increase of 32,699 in population and a 23,228 increase in households during this period. Table 1 gives the official figures for the population from 1985 to 2003,

together with the estimated number of households for the same period. The latter were estimated by:

- (i) taking the ratio of households to population in 1985 and 1995 and smoothing the difference in values between these years;
- (ii) using the same ratio of households to population in 1995 to estimate the number of households for the subsequent years to 2003.

Between 1995 and 2003 the population increased by 21,463 while the estimated number of households increased by 7,225. The ratio of the population increase divided by the increase in households is 2.97, which is very close to the official figure of an average of 3.1 persons per household in 1995.

Table 1 also shows the number of marriages per year. Although one can interpret these figures as the increase in the demand for housing by first-time buyers in each year, the net increase in households each year is not necessarily equivalent to the number of marriages. The increase in first-time buyers due to marriages is supplemented by single people living alone, separated couples, households seeking to buy a second property and foreigners purchasing property in Malta.⁶ On the other hand, the number of existing households is also reduced each year as people living alone die. Consequently, the estimated change in the number of households in Table 1 is significantly less than the number of marriages. These patterns may result in a partially segmented property market, with first-time buyers being more likely to purchase flats and maisonettes. Thus, while the demand for flats and maisonettes is growing at least in line with the number of marriages each year, this increase is

⁴ Further work to refine this index is underway.

⁵ This is based on a study carried out by Falzon and Zammit in November 2004.

⁶ Although demand by foreigners to purchase property in Malta may have had an impact on the property market, this impact was probably small. According to Camilleri (2000b), between 1989 and 1998 sales of property to foreigners averaged 3.9% of total annual contracts.

Table 1
CHANGE IN THE NUMBER OF HOUSEHOLDS

	Population	Change in population	No of households (estimates)	Change in households	Marriages
1985	345,705	13,708	104,742	n/a	n/a
1986	348,372	2,667	106,776	2,034	2,619
1987	350,914	2,542	108,791	2,014	2,437
1988	354,532	3,618	111,160	2,370	2,531
1989	358,188	3,656	113,567	2,407	2,485
1990	361,908	3,720	116,021	2,453	2,498
1991	365,781	3,873	118,550	2,529	2,541
1992	369,455	3,674	121,041	2,491	2,377
1993	373,161	3,706	123,569	2,528	2,476
1994	376,433	3,272	125,977	2,409	2,483
1995	378,404	1,971	127,970	1,993	2,317
1996	381,405	3,001	128,953	983	2,370
1997	384,176	2,771	129,890	937	2,414
1998	386,397	2,221	130,641	751	2,376
1999	388,759	2,362	131,439	799	2,409
2000	391,415	2,656	132,337	898	2,545
2001	394,641	3,226	133,428	1,091	2,194
2002	397,296	2,655	134,326	898	2,240
2003	399,867	2,571	135,195	869	2,350

Sources: Authors' estimates; NSO.

counterbalanced by the availability of a number of vacant properties coming into the market as a result of the deaths of people living alone.

Property demand is affected in the long run by households' nominal income. In the short run, however, purchasing power is provided by banks through the provision of mortgages. Over time, average income usually rises, allowing mortgages to increase simultaneously. Table 2 shows the maximum amount that could be borrowed from the banks by a worker earning an average income.⁷ The loans for single applicants are based on the

assumption that the maximum loan is four times as much as the gross annual salary. The loans for joint applicants up to 1998 are based on the assumption that the maximum loan is four times the income of the husband plus an additional Lm5,000. From 1999 onwards the maximum loan available is 3.5 times the joint income. Moreover, after 1995 banks increased the repayment period from 25 to 30 years and after 2003 this was increased to 40 years. Hence, this easing of lending policies allowed banks to provide larger mortgages for an extended number of years, further accommodating demand.

⁷ This information on bank lending policies is based on a Central Bank of Malta survey on mortgage lending practices that was carried out among major credit institutions in August 2004.

Table 2
PURCHASING POWER RATIOS

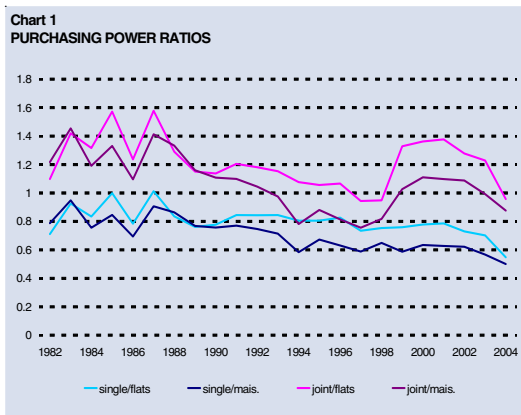
		Single applicant		Joint applicants		Average prices		Purchasing power ratio			
	Yearly income (Lm)	Maximum amount borrowed (Lm)	Amount available (Lm)	Maximum amount borrowed (Lm)	Amount available (Lm)	Flats finished (Lm)	Maisonettes finished (Lm)	Single /flats	Single /mais.	Joint/ flats	Joint/ mais.
1982	2,292	9,169	10,187	14,169	15,743	14,339	12,934	0.710	0.788	1.098	1.217
1983	2,341	9,362	10,402	14,362	15,958	11,240	10,970	0.925	0.948	1.420	1.455
1984	2,169	8,678	9,642	13,678	15,198	11,550	12,758	0.835	0.756	1.316	1.191
1985	2,182	8,730	9,700	13,730	15,255	9,703	11,462	1.000	0.846	1.572	1.331
1986	2,161	8,644	9,605	13,644	15,161	12,261	13,846	0.783	0.694	1.236	1.095
1987	2,238	8,950	9,945	13,950	15,500	9,821	10,973	1.013	0.906	1.578	1.413
1988	2,298	9,194	10,215	14,194	15,771	12,223	11,829	0.836	0.864	1.290	1.333
1989	2,452	9,809	10,899	14,809	16,455	14,302	14,188	0.762	0.768	1.150	1.160
1990	2,688	10,754	11,948	15,754	17,504	15,382	15,799	0.777	0.756	1.138	1.108
1991	2,936	11,744	13,049	16,744	18,604	15,444	16,933	0.845	0.771	1.205	1.099
1992	3,130	12,522	13,913	17,522	19,468	16,484	18,637	0.844	0.747	1.181	1.045
1993	3,419	13,676	15,196	18,676	20,751	17,999	21,288	0.844	0.714	1.153	0.975
1994	3,703	14,814	16,460	19,814	22,015	20,440	28,173	0.805	0.584	1.077	0.781
1995	4,026	16,105	17,895	21,105	23,450	22,210	26,606	0.806	0.673	1.056	0.881
1996	4,303	17,212	19,124	22,212	24,680	23,140	30,307	0.826	0.631	1.067	0.814
1997	4,400	17,599	19,554	22,599	25,110	26,608	33,225	0.735	0.589	0.944	0.756
1998	4,830	19,321	21,468	24,321	27,023	28,500	33,074	0.753	0.649	0.948	0.817
1999	5,100	20,401	22,667	35,701	39,668	29,859	38,624	0.759	0.587	1.329	1.027
2000	5,553	22,212	24,680	38,872	43,191	31,699	38,913	0.779	0.634	1.363	1.110
2001	5,977	23,910	26,566	41,842	46,491	33,768	42,359	0.787	0.627	1.377	1.098
2002	6,051	24,205	26,894	42,359	47,065	36,838	43,259	0.730	0.622	1.278	1.088
2003	6,283	25,131	27,923	43,978	48,865	39,785	49,242	0.702	0.567	1.228	0.992
2004	6,423	25,690	28,545	44,958	49,953	52,162	56,997	0.547	0.501	0.958	0.876
Average								0.800	0.705	1.216	1.072

Sources: Authors' estimates; Economic surveys; Central Bank of Malta survey on lending practices.

This Table also shows the amount that has to be made available for single and joint applicants to be able to purchase a property. It is assumed that the loan from the bank is only 90% of the value required, while the buyers must provide the remaining 10%. In addition, Table 2 also shows the purchasing power of single and joint applicants with regard to purchasing a finished

flat or maisonette. The latter are also shown in Chart 1.

This Chart shows that throughout the survey period a single applicant with an average income would have been in a difficult position to afford a flat or maisonette. It is estimated that a single person, on average, had 80% of the funds



required to purchase a flat and 71% of the funds to purchase a maisonette. Conversely, under the same conditions it was easier for a couple to purchase a flat or a maisonette. As can be seen from Table 1, a couple had, on average, 122% of the funds required to purchase a flat and 107% of the funds required to purchase a maisonette.

In 1997 and 1998 the purchasing power of a couple dropped to 95% of the value of a flat and 82% of the value for maisonettes. This may have been one factor that induced banks in 1999 to ease their lending policies. However, the purchasing

Table 3
HOUSE PRICES TO INCOME RATIOS

	Yearly income (Lm)	Flats finished (Lm)	Maisonettes finished (Lm)	Terraced houses (Lm)	Flats/income	Maisonettes/income	Terraced houses/income
1982	2,292	14,339	12,934	18,549	6.256	5.643	8.092
1983	2,341	11,240	10,970	23,992	4.803	4.687	10.251
1984	2,169	11,550	12,758	15,147	5.324	5.881	6.982
1985	2,182	9,703	11,462	15,664	4.446	5.252	7.177
1986	2,161	12,261	13,846	23,167	5.673	6.407	10.720
1987	2,238	9,821	10,973	16,652	4.389	4.904	7.442
1988	2,298	12,223	11,829	17,333	5.318	5.147	7.541
1989	2,452	14,302	14,188	24,012	5.832	5.785	9.791
1990	2,688	15,382	15,799	26,478	5.721	5.877	9.849
1991	2,936	15,444	16,933	26,328	5.260	5.768	8.968
1992	3,130	16,484	18,637	30,455	5.266	5.954	9.729
1993	3,419	17,999	21,288	33,393	5.264	6.226	9.767
1994	3,703	20,440	28,173	36,748	5.519	7.607	9.923
1995	4,026	22,210	26,606	42,619	5.516	6.608	10.585
1996	4,303	23,140	30,307	45,615	5.378	7.043	10.601
1997	4,400	26,608	33,225	53,472	6.048	7.552	12.154
1998	4,830	28,500	33,074	56,813	5.900	6.847	11.762
1999	5,100	29,859	38,624	55,200	5.854	7.573	10.823
2000	5,553	31,699	38,913	61,684	5.708	7.007	11.108
2001	5,977	33,768	42,359	64,147	5.649	7.087	10.732
2002	6,051	36,838	43,259	71,405	6.088	7.149	11.800
2003	6,283	39,785	49,242	83,300	6.333	7.838	13.259
2004	6,423	52,162	56,997	99,742	8.122	8.875	15.530
Average					5.638	6.466	10.199

Sources: Authors' estimates; Economic surveys.

power of a couple fell after 2001 to 96% of the value of a flat and 88% in case of a maisonette in 2004.

One commonly used measure of the relative affordability of housing is the ratio of the average house price to average disposable income (PriceWaterhouseCoopers, 2004). Table 3 shows such affordability ratios with respect to finished maisonettes and flats as well as terraced houses. The affordability ratio is simply the average value of the property as a proportion of the average yearly income. In 2004, the average buyer needed 8.12 years of income to purchase a flat, 8.87 years of income to purchase a maisonette and 15.53 years for terraced houses. For the whole period 1982-2004, the affordability ratio averaged 5.64 years for flats, 6.47 years for maisonettes and 10.20 years for terraced houses. One notes that over the last two years, the ratio has increased significantly.

Demographic factors, mainly the increase in households, have slowly increased the demand for housing on a yearly basis. Furthermore, the growth in average yearly income provided further

impetus for the banks to provide larger amounts of credit towards house purchases.

Factors influencing supply

Table 4 shows the overall position of the housing stock as at the 1995 Census of Population. In every category of housing a significant proportion of properties appears vacant. Overall, 35,723 properties (23% of total) were vacant as at census date, a third of which were summer residences (12,967 properties). At 40%, the highest proportion of vacant properties was recorded in the flats category.

The phenomenon of vacant properties also existed in previous censuses. According to the 1957 Census, vacant properties were 6.13% of total housing stock. In 1967 the proportion stood at 14.7% and in 1985 this rose to 19.2%. Over the span of 38 years to 1995, the proportion of vacant properties rose to 23.0%. Moreover, according to the 1995 Census, 23.6% of 35,723 vacant properties were newly constructed, 50% were in a good state of repair, 20% were in need of repair while the rest (6.4%) were in a dilapidated condition.

Table 4
THE 1995 HOUSING STOCK

	Total	Occupied	Vacant	Ratio of vacant on total
Terraced house	66,017	55,703	10,314	0.156
Semi-detached	7,921	6,984	937	0.118
Detached	3,649	3,076	573	0.157
Ground floor tenement	17,658	12,882	4,776	0.270
Maisonette	20,225	16,602	3,623	0.179
Flats	35,782	21,562	14,220	0.397
Other	3,950	2,670	1,280	0.324
Total	155,202	119,479	35,723	0.230

Source: 1995 Census of Population.

Table 5 shows the ratio of total new permits for the construction of apartments and maisonnettes to the number of marriages each year.⁸ It is assumed that the housing market is partially segmented and that these types of dwellings are mainly sold to newly-weds who are first-time buyers. Over the eight years to 2000, 18,401 permits were granted for new apartments and maisonnettes while 19,390 marriages took place. This amounts to a ratio of 0.95 dwellings per couple. Hence, if we assume a segmented housing market with newly-weds purchasing mainly apartments and maisonnettes, one can conclude that there was a relatively stable relationship between demand and supply in this market during this period. However, between 2001

and 2003, 13,394 permits were granted for apartments and maisonnettes while 6,784 marriages occurred. The ratio of dwellings to marriages stood at 1.97. Consequently, over this period one notes a significant excess supply of apartments and maisonnettes for first-time buyers, though this excess may be overstated if other categories of buyers also entered the market. Prices of apartments and maisonnettes kept on rising during this latter period, despite the presence of an apparently significant excess supply.

The relationship between total permits for new dwellings and the increase in households per year between 1993 and 2003 is shown in Table 6.⁹ Over this period, permits for a total of 37,066 new

Table 5
TOTAL PERMITS AS A RATIO OF MARRIAGES

Year	Apartments	Maisonnettes	Total permits	Marriages	Permits/ marriages
1993	1,192	651	1,843	2,476	0.74
1994	1,095	476	1,571	2,483	0.63
1995	1,910	1,064	2,974	2,317	1.28
1996	1,601	1,183	2,784	2,370	1.17
1997	1,656	1,060	2,716	2,414	1.13
1998	1,742	790	2,532	2,376	1.07
1999	1,452	473	1,925	2,409	0.80
2000	1,473	583	2,056	2,545	0.81
2001	2,657	774	3,431	2,194	1.56
2002	3,420	910	4,330	2,240	1.93
2003	4,548	1,085	5,633	2,350	2.40
Total	22,746	9,049	31,795	26,174	1.21
1993-2000	12,121	6,280	18,401	19,390	0.95
2001-2003	10,625	2,769	13,394	6,784	1.97

Sources: MEPA; NSO.

⁸ Units need not have been completed during the same year that the permit was issued. Data comprise the actual number of units, for example, a block of apartments may consist of several units and is recorded as such.

⁹ The increase in households reflects the number of marriages less deaths of people living alone.

dwellings (apartments, maisonettes and terraced houses) were issued while the increase in households stood at 14,154. If we accept the above reasoning that the supply of apartments and maisonettes is being met by the demand from newly-weds (at least up to 2000), then 22,912 mostly already-built properties (the difference between 37,066 new dwellings and the 14,154 increase in households) became vacant between the years 1993 and 2003.¹⁰ This has pushed up the ratio to 2.62 new dwellings for every new household over the ten-year period. Thus, one can conclude that up to the year 2000, the vacant property phenomenon is what caused excess supply in the total property market, as until then, the number of new flats and maisonettes equalled the number of marriages. After 2000, the vacant properties included both previously-built properties and newly-built apartments and maisonettes. An increase in vacant properties

normally implies a less efficient use of scarce land resources.

If this line of reasoning holds, one has to consider why such a large number of properties were still being held vacant. The current rent legislation is probably one of the reasons for this phenomenon. The fact that housing is also considered as a prime investment vehicle by the Maltese is another possible factor. Hence, the increase in housing stock could reflect a desire to allocate a larger share of total investment to housing due to a perceived lack of alternative local investment outlets. In addition, developers may consider property to be a good investment and so are reluctant to lower prices.

Paradoxically, vacant properties increased simultaneously with the increase in house prices, possibly because property owners were expecting

Table 6

TOTAL PERMITS AS A RATIO OF CHANGE IN HOUSEHOLDS

	Apartments	Maisonettes	Terraced houses	Total permits	Change in households	Permits/households	Marriages	Permits/marriages
1993	1,192	651	1,016	2,859	2,528	1.13	2,476	1.15
1994	1,095	476	488	2,059	2,409	0.85	2,483	0.83
1995	1,910	1,064	1,094	4,068	1,993	2.04	2,317	1.76
1996	1,601	1,183	495	3,279	983	3.34	2,370	1.38
1997	1,656	1,060	570	3,286	937	3.51	2,414	1.36
1998	1,742	790	339	2,871	751	3.82	2,376	1.21
1999	1,452	473	271	2,196	799	2.75	2,409	0.91
2000	1,473	583	246	2,302	898	2.56	2,545	0.90
2001	2,657	774	203	3,634	1,091	3.33	2,194	1.66
2002	3,420	910	135	4,465	898	4.97	2,240	1.99
2003	4,548	1,085	414	6,047	869	6.96	2,350	2.57
Total	22,746	9,049	5,271	37,066	14,154	2.62	26,174	1.42

Sources: MEPA; NSO.

¹⁰ Some may have been demolished to make way for new buildings.

large capital appreciation on their property and so they were reluctant to sell at lower prices. Other reasons could be inheritance problems within families and the perception among the Maltese public that property appreciates faster than other assets.

One should also note that the 37,066 new permits issued between 1993-2003 amount to 23.9% of the total housing stock as at the 1995 Census. On the basis of past trends and the analysis above, it is likely that the Census of 2005 will reveal an even larger proportion of vacant properties. Indeed, Manduca (2004), quoting the Malta Environment and Planning Authority (MEPA), reports that the vacant housing stock increased by 4,000 properties in 2003 alone.

MEPA was established on 30 October 1992, evolving from the Planning Area Permits Board (PAPB) within the Works Department. To date and under the present planning system, urban development and environmental protection are controlled by MEPA through the Development Planning Act (1992) and the Environment Protection Act (1991).¹¹

The 1988 Act allocated schemes for building development and designated the boundaries for future urban areas. The Structure Plan set up a number of local plans which required the revision of the existing building schemes based on the Temporary Provisions Schemes (TPS) of 1988.¹² The Structure Plan includes two main policies:

first, that no form of urban development can be permitted outside the existing and committed built-up areas and, second, that any permits for urban development outside the specified boundaries must first be approved by MEPA. These policies probably increased the relative price of land within the acceptable building boundaries.

Another factor influencing supply was the strictness of the rent-related regulatory regime existing before 1995, which was a key element deterring owners from putting their property on the rental market.¹³ As time went by, rent regulations created significant market inefficiencies, exacerbating the shortage in available housing for rent even though many vacant properties existed. Over time, the lack of available property for rent induced households to purchase property and become homeowners. Apart from causing a shortage in supply of housing for rent, rent regulations also led to a deterioration of the housing stock that was rented for minimal amounts, as it was not profitable for landlords to invest in the upkeep of their property.

In 1995 the rent laws were amended so that landlords could start renting to Maltese tenants at market rates and could raise the rent on the expiration of the lease agreement.¹⁴ However, owners may still be reluctant to rent to Maltese tenants, possibly due to fears that the current legislation may be revised, combined with a lack of faith in the ability of the judicial system to enforce rent agreements efficiently.

¹¹ The main strategic planning document followed by MEPA to direct urban development is the 'Structure Plan for the Maltese Islands' (1990), which adopted the Building Permits (Temporary Provisions) Act 1988.

¹² Any changes to the boundaries of these schemes specified in the Local Plans have to be approved by the MEPA Board and by Parliament.

¹³ The Re-letting of Urban Property (Regulation) Ordinance 1939 stipulated that it is unlawful for the lessor, at the expiration of the tenancy agreement, to refuse the renewal of the lease or to raise the rent without the permission of the Rent Regulation Board. This ordinance was made permanent by Ordinance XXII of 1942. In addition, the Rent Restriction (Dwelling Houses) Ordinance provided for the concept of 'fair rent'. The legal rental fee was 3% per annum on the value of the site and 3.25% on the value of improvements. However, these rental fees were based on the 1939 value.

¹⁴ Act XXIV of 1992 was amended by Act III of 1995.

Monetary factors

Every transaction in the real sector of the economy is accompanied by a corresponding one in the monetary sector. The majority of house purchases are financed through bank mortgages. Hence, the volume of house loans outstanding represents the monetary side of the transactions that occur when house purchases are made. The monetary values of bank loans directed towards house purchases provide the mechanism that matches the demand with the supply side of the market.

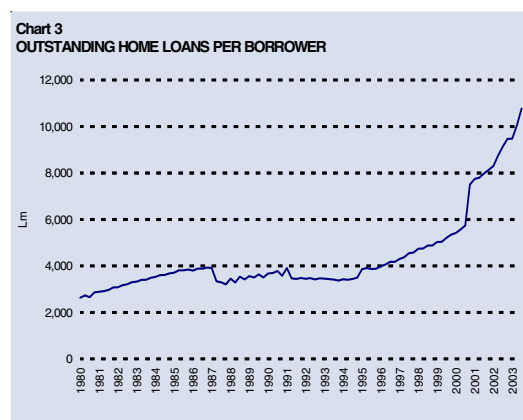
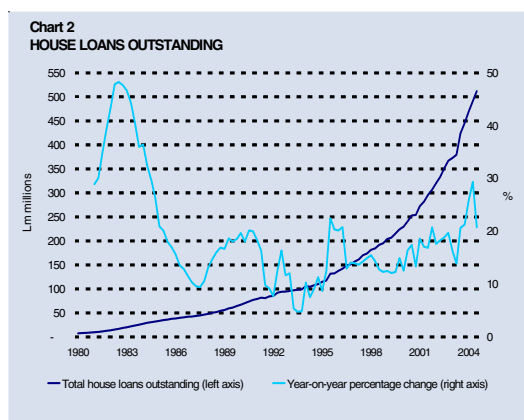
Chart 2 shows the total house loans outstanding in the banking system between 1980 and the third quarter of 2004. Total house loans include loans towards the construction and modernisation of existing dwellings, together with loans for the purchase of completed dwellings. As indicated in the Chart, total house loans have increased over the years at a steady exponential rate, reaching Lm512 million in the third quarter of 2004.

Chart 2 also illustrates the year-on-year percentage change in total house loans outstanding. Rapid growth rates are evident in the early 1980s up to March 1986, where the average yearly percentage change amounted to 33.5%. Subsequently, the annual percentage change of house loans fluctuated almost within a band of 10% to 20%. Between March 1986 and September

2004, the average percentage change amounted to 15%, while the average growth rate for the whole period was 19.1%.

Monetary theory links movements in prices to monetary growth, reflected to a large extent in domestic credit expansion when there are no distortions in the credit market. House prices, as measured by the revised Central Bank of Malta house price index, increased on average by 7% per year from 1980 to 2004. The link between the movements in house prices and bank credit is clearly observed in the years after 1986. Thus, while the annual increase in house prices between 1986 and 2004 was 8.5%, there was a 15% yearly growth in bank credit for mortgages. However, house prices between 1980 and 1986 remained stable despite significantly high growth rates in total mortgage loans (averaging 33.5% on an annual basis) during this period. This was due to the fact that the Government was actively subsidising the housing market through the sale of plots of land at very low prices to young couples. In addition, there was a greater tendency towards home ownership coinciding with a new burst of borrowing for housing at that time. Thus, one can conclude that monetary growth is necessary, but not sufficient to generate increases in house prices.

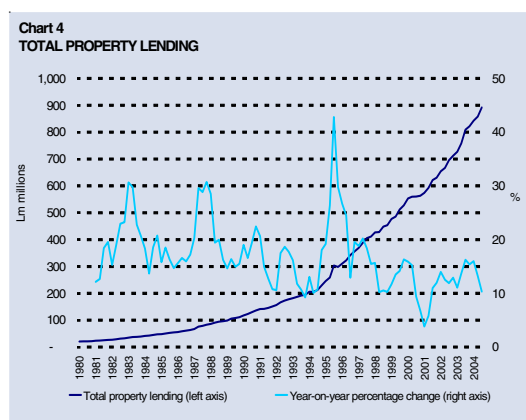
Strong expansion in mortgage lending in recent



years is also shown by the growth in total house loans per capita as depicted in Chart 3. Total home loans outstanding per capita steadily increased from Lm2,637 in March 1980 to Lm3,925 in December 1986, remaining below Lm4,000 up to June 1996, and then steadily increasing to reach Lm6,000 by December 2000. Since then, home loans per capita continued to increase, reaching an estimated Lm8,000 by December 2001, Lm10,000 by June 2003 and Lm10,778 by September 2003.

The house loans mentioned above are not the only bank credit provided to the property sector. Three other types of property-related facilities were identified. These include loans towards the building and construction sector, loans for re-sale and development of property and loans towards the construction, upgrading and modernisation of hotels. The total outstanding credit to these three sectors, together with the total mortgages for house loans, is depicted in Chart 4. This chart shows that total property lending reached Lm200 million by the first quarter of 1994, before accelerating to reach Lm900 million by September 2004.

The year-on-year percentage change in total property lending is also depicted in Chart 4, which shows a double-digit rise in almost all the years.

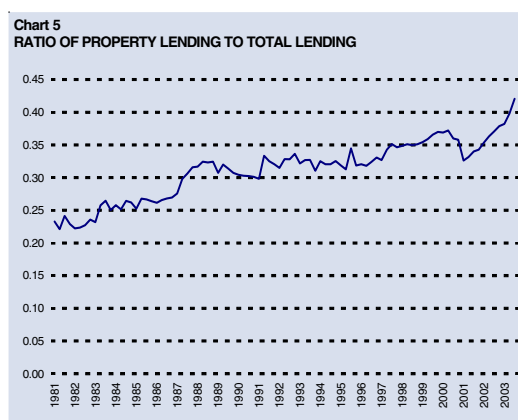


Annual growth rates fluctuated for most of the years within a band between 10% and 20%, with an average annual growth of 17%.

The rapid rates of growth in property lending caused the proportion of total property lending to total bank lending, which is depicted in Chart 5, to increase. In the early 1980s property lending accounted for 22% of total bank lending. This ratio increased throughout the years to reach 43% by the third quarter of 2004. Similarly, total house mortgages accounted for 10% of total bank lending in 1980, rising to 25% by 2004. Chart 7 clearly shows the growing importance of property lending for banks. Over the last 25 years bank credit related to property increased significantly and almost doubled as a share of the total loan portfolio. This reflects the increased importance of the growth of the property industry in the Maltese economy relative to other productive sectors.

Rate of growth in house prices

The Central Bank of Malta has extended its house prices index, which is based on advertised prices, to include average and median prices for different types of properties since 1980 (Central Bank of Malta, 2004).¹⁵ The types of properties

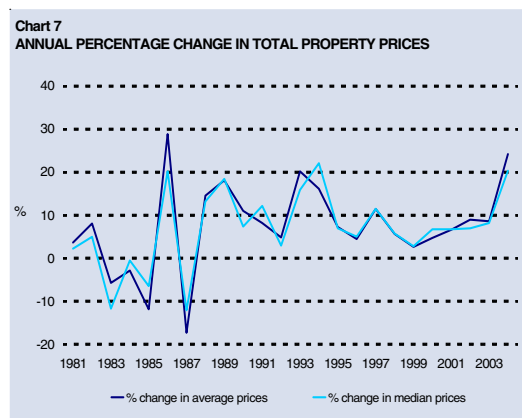
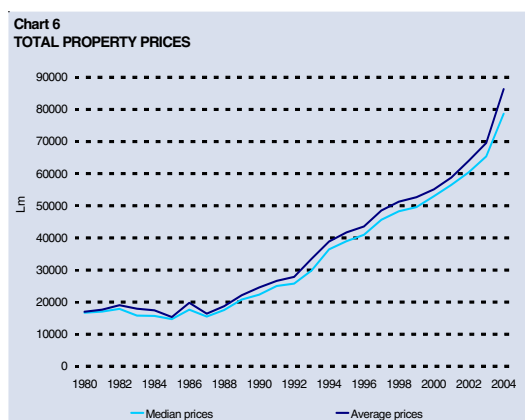


¹⁵ Both the average and the median are measures of central tendency. The average is the value obtained by dividing the sum of a set of quantities by the number of quantities in the set, while the median is the value below which 50% of the observations in the set fall.

surveyed include flats and maisonettes in both shell and finished form, terraced houses, town houses, houses of character, villas and bungalows as well as luxury properties. A price index was developed for each of these categories as well as for the overall average, weighted by the number of properties in each category. See Appendix 1 for average property prices and Appendix 2 for median prices. Work on further refinements to the index is ongoing.

Chart 6 shows the growth in advertised median and average prices across all types of property. A close relationship is observed between the growth rates in median and average prices. Prices remained relatively stable between 1980 and 1987 and started to increase thereafter. Overall, average prices were Lm17,009 in 1980 and Lm16,364 in 1987, and then increased 5.3 times to Lm86,376 by 2004. Similarly, overall median prices were Lm16,661 in 1980 and Lm15,509 in 1987, and had increased 5.1 times to Lm78,690 by 2004.

Chart 7 highlights the annual percentage change in total property prices where a variable annual percentage increase can be seen. The growth rates of average and median prices track each other relatively well with similar positive and negative changes in the same years. Negative double-digit growth rates occurred in 1985 and



1987 for average prices and in 1983 and 1987 for median prices. Also, double-digit positive growth rates for both average and median total prices are evident in eight other years of the sample.

In addition, Table 7 shows the annual average compound growth rates for each of the ten categories of properties for both the 1980-2004 and 1987-2004 periods. Since property prices remained relatively stable between 1980-1987, the compound growth rates in the 1987-2004 period are higher than in the 1980-2004 period for both the average and median prices. Moreover, for almost all categories of properties the growth rate in median prices is smaller than the growth rate in average prices.

For the 1980-2004 sample period, average prices rose by 7% per year, while median prices rose by 6.7% per year. The highest annual rate of change in average prices was for the luxury category at 8.6% per annum, while for median prices the highest yearly growth rate was 8.2% for terraced houses.

For the 1987-2004 sample period, average prices and median prices rose by 10.3% per year and 10% per year, respectively. The fastest annual growth rate in average prices was 12.2% registered in the maisonettes in shell form category, while the

Table 7
ANNUAL AVERAGE COMPOUND GROWTH RATES

	1980 - 2004		1987 - 2004	
	Average prices	Median prices	Average prices	Median prices
Flats - shell	0.0578	0.0734	0.1009	0.0870
Flats - finished	0.0653	0.0609	0.1032	0.1002
Maisonettes - shell	0.0820	0.0789	0.1217	0.1146
Maisonettes - finished	0.0683	0.0659	0.1018	0.1023
Terraced houses	0.0827	0.0815	0.1110	0.1085
Town houses	0.0586	0.0498	0.0843	0.0846
Houses of character	0.0617	0.0566	0.1022	0.1157
Villas	0.0781	0.0736	0.1115	0.1066
Luxury	0.0855	0.0768	0.1179	0.1063
TOTAL	0.0701	0.0668	0.1028	0.1002

Source: Authors' estimates.

largest annual growth rate in median prices was 11.6% registered in the houses of character category.

Meanwhile, the average yearly growth in the CPI for the 1980-2004 period was 2.5%, while for the 1987-2004 period it also stood at 2.5%. This implies that homeowners enjoyed a 4.6% real return per year on average prices on overall property types (4.2% real return on total median prices) for the 1980-2004 period. In the latter period (1987-2004) home owners enjoyed a 7.8% real return per year on average prices on overall property types and a 7.5% real return on total median prices.

One effect of house price increases is an expansion in consumption through a perceived rise in consumer wealth. This increase in consumption can take place through two channels: directly through increased consumption out of current income due to a lesser need to save, and indirectly through borrowing for consumption purposes as the rise in property prices can provide additional equity release which

is collateralised by property. Ludwig and Sløk (2002) analyse the different impacts of stock and house prices on consumption in 16 OECD countries. They found that the long-run impact on consumption of an increase in stock and house prices is in general higher in countries with a market-based (as opposed to bank-based) financial system. In addition, the sensitivity of consumption to changes in stock wealth is approximately twice as large as the sensitivity to changes in housing wealth.

The potential wealth effect is shown in Table 8. The monetary value of the housing stock over the years was calculated each year by multiplying the number of dwellings in each housing category in the 1995 Census by the final average price in each category derived from the Central Bank of Malta house price index. The loans taken up by the personal sector towards the purchase of dwellings were then deducted to arrive at the net monetary value of the housing stock. The net monetary value of 1995 housing stock was Lm21.4 billion in 1995. By 2004, this value at market prices more than doubled to

Table 8
VALUE OF 1995 CENSUS HOUSING STOCK

	Lm000's				Ratio of housing net stock value to GDP
	Housing stock gross value	Q2 house loans	Housing stock net value	Nominal GDP	
1995	21,579,397	125,646	21,453,751	1,226,453	17.49
1996	21,671,135	141,916	21,529,219	1,286,229	16.74
1997	25,671,260	161,320	25,509,940	1,379,225	18.50
1998	26,265,831	184,442	26,081,389	1,458,488	17.88
1999	26,560,254	206,751	26,353,503	1,558,832	16.91
2000	28,318,840	240,656	28,078,184	1,668,141	16.83
2001	30,562,424	281,761	30,280,663	1,694,283	17.87
2002	32,203,608	333,271	31,870,337	1,741,573	18.30
2003	37,526,554	379,540	37,147,014	1,796,270	20.68
2004	45,014,022	491,037	44,522,985	1,854,263	24.01

Sources: Author's estimates; Central Bank of Malta; 1995 Census of Population; NSO.

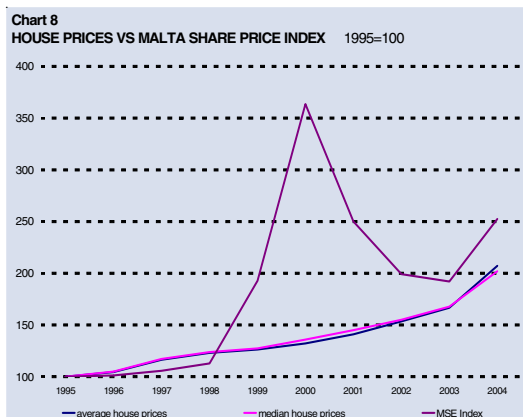
Lm44.5 billion. Table 8 also shows the ratio over the years of the value of the housing stock to nominal GDP. One notes that although between 1995 and 2002 the ratio of the net monetary value of the housing stock to nominal GDP was relatively stable at an average of 17.56 times, in 2003 the ratio rose to 20.68 and in 2004 to 24.01 times.

A BIS study (Sutton, 2002) on house prices in six advanced economies found a positive relationship between changes in equity values and house prices over the medium to longer term. Nevertheless, when comparing the return on housing with the return on stock exchanges, one has to note that households can borrow funds from credit institutions to finance the purchase of property but are unable to borrow the equivalent

funds to purchase equities to the same extent. Hence, households face a credit constraint to invest in stock indices. One should also note that for individual households, the interest payments on mortgages should first be deducted before any comparison of the rate of return on housing can be made.¹⁶

Chart 8 compares developments in house prices and equity prices in Malta since the end of the second quarter of 1995. Over this period, whereas average house prices rose by 8.42% and median house prices increased by 8.11% at an annual compound rate, the MSEI went up by 10.83% on the same basis. An explanation for the higher rate of growth on the MSE could possibly be that the MSE was still in its infancy and was characterised by shallow trading where a few transactions could

¹⁶ In addition, the total return on investment in equities is the price appreciation plus dividends. On property, the index is similarly measuring price appreciation. Home-owners or investors in a vacant property do not receive any rental income. In this analysis, any dividend income on equities or rental income on property is ignored.



have had significant effects on market movements.

However, the cumulative annual return on house prices surpassed the return on other domestic financial assets. Between 1995 and 2004, the compound annual growth rate for time deposits was 4.7%, for one-year Treasury bills it was 4.6%, while that on ten-year government bonds was 5.88%. One should note that these assets are more liquid and less risky and should therefore offer lower returns than property.

Conclusion

This paper analysed the various factors that influenced house prices in Malta between 1980 and 2004, when they increased by 7% on average annually. It was found that the estimated increase in the annual number of households is less than the increase in the annual number of newly-built properties. This suggests that there has been a progressive increase in the excess supply of properties in Malta. In spite of this excess, house prices rose each year. The paper also analysed the relationship between bank credit and the demand for housing. It was noticed that banks eased their lending practices in recent years and consequently were able to provide larger

mortgages for an extended number of years, thus accommodating demand. Finally, it was noted that over the last ten years, the return on property in Malta was lower than that on the MSE but surpassed that on other financial assets.

House prices in Malta appear to be increasing due to the relative scarcity of land for development purposes. As long as land remains scarce, its relative price is expected to keep on rising with demand. Prices in the housing market also depend on the purchasing capacity of first-time buyers. This factor drives the lower end of the housing market, with prices of more expensive properties also increasing as a result. This paper has shown that the ratio between flat and maisonette prices and first-time buyers' income has increased. As long as supply costs due to increased land and construction prices keep on rising, and buyers still have the capacity to purchase property due to the availability of increased mortgages, house prices are likely to continue to rise. The rising trend, however, might end should current policies governing the allocation of land for building be eased or if the terms and conditions of mortgages for house purchases are tightened.

A number of issues merit further study and econometric work is underway to derive the estimated empirical relationships between house prices, bank credit and average disposable income.

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Appendix 1

AVERAGE HOUSE PRICES

Lm

	Flats - shell	Flats - finished	Maisonettes- shell	Maisonettes- finished	Terraced houses	Town houses	Houses of character	Villas	Luxury	Total
1980	10,293	11,442	6,680	11,681	14,805	21,433	23,825	30,726	35,325	17,009
1981	6,329	12,632	7,918	11,980	17,456	16,230	19,458	28,483	30,000	17,629
1982	7,920	14,339	7,754	12,934	18,549	12,962	17,904	28,255	65,000	19,050
1983	5,814	11,240	6,158	10,970	23,992	14,650	18,544	29,778	42,173	17,954
1984	5,500	11,550	7,133	12,758	15,147	24,875	29,827	28,274	43,830	17,442
1985	6,500	9,703	7,490	11,462	15,664	12,878	17,281	24,970	42,850	15,368
1986	5,983	12,261	12,577	13,846	23,167	14,033	18,227	28,547	35,089	19,803
1987	7,738	9,821	6,285	10,973	16,652	21,263	19,185	30,994	38,042	16,364
1988	4,775	12,223	8,730	11,829	17,333	24,725	18,470	35,140	65,014	18,741
1989	6,402	14,302	9,565	14,188	24,012	21,947	23,930	43,678	51,750	22,136
1990	7,353	15,382	10,426	15,799	26,478	20,748	29,533	48,734	69,539	24,573
1991	9,275	15,444	14,085	16,933	26,328	19,327	31,774	65,239	73,405	26,577
1992	8,073	16,484	13,574	18,637	30,455	24,018	32,137	55,611	71,136	27,860
1993	13,983	17,999	17,173	21,288	33,393	40,350	50,883	68,711	102,018	33,483
1994	14,353	20,440	19,658	28,173	36,748	24,069	39,917	91,682	120,637	38,882
1995	18,460	22,210	22,874	26,606	42,619	24,167	48,814	98,374	126,500	41,704
1996	18,523	23,140	26,224	30,307	45,615	26,065	55,873	89,608	136,265	43,563
1997	20,261	26,608	26,293	33,225	53,472	41,483	56,980	111,096	107,178	48,547
1998	21,548	28,500	26,744	33,074	56,813	51,558	56,486	109,276	155,303	51,291
1999	21,540	29,859	27,736	38,624	55,200	37,392	53,437	105,360	167,394	52,654
2000	25,900	31,699	29,831	38,913	61,684	45,464	58,967	116,039	144,905	55,129
2001	26,817	33,768	33,195	42,359	64,147	55,012	62,157	128,580	153,180	58,771
2002	26,616	36,838	37,161	43,259	71,405	47,873	72,302	129,743	269,731	64,037
2003	32,245	39,785	39,723	49,242	83,300	56,070	81,792	158,128	197,569	69,537
2004	39,681	52,162	44,285	56,997	99,742	84,129	100,325	186,922	253,025	86,376
Continuously compounded growth rate	0.056	0.063	0.079	0.066	0.079	0.057	0.060	0.075	0.082	0.068
Annual growth rate	0.058	0.065	0.082	0.068	0.083	0.059	0.062	0.078	0.085	0.070

Appendix 2

MEDIAN HOUSE PRICES

Lm

	Flats - shell	Flats - finished	Maisonettes- shell	Maisonettes- finished	Terraced houses	Town houses	Houses of character	Villas	Luxury	Total
1980	6,400	11,000	6,950	11,900	14,500	26,000	24,000	30,000	33,000	16,661
1981	5,750	12,000	7,050	11,500	17,300	15,000	21,000	27,500	29,000	17,033
1982	6,650	13,500	7,300	12,000	18,000	10,850	12,000	26,500	65,000	17,879
1983	5,500	10,500	5,625	10,250	18,150	12,500	19,500	27,000	26,800	15,783
1984	5,500	10,500	7,500	11,250	15,000	25,000	25,900	22,750	35,500	15,700
1985	6,500	9,500	6,800	10,750	15,900	10,000	18,650	22,900	29,900	14,682
1986	4,950	11,000	8,500	11,900	21,900	16,800	14,850	26,000	32,000	17,646
1987	8,475	8,975	6,800	10,500	16,500	21,000	14,000	29,500	35,000	15,509
1988	4,900	11,250	8,750	11,350	16,900	20,750	14,400	33,000	58,750	17,554
1989	6,300	13,000	9,500	14,500	22,250	18,900	22,500	41,750	42,500	20,790
1990	6,500	14,000	9,950	15,000	26,375	22,000	26,500	43,000	45,000	22,317
1991	8,900	14,500	13,000	16,500	25,000	20,000	31,500	62,250	47,000	25,032
1992	6,800	14,950	13,000	18,500	30,000	20,000	30,000	46,750	56,500	25,764
1993	8,700	15,950	16,500	23,250	32,000	34,500	37,750	59,000	73,000	29,854
1994	15,000	17,800	18,000	28,500	35,800	22,700	38,850	85,000	97,500	36,451
1995	15,900	21,000	21,500	26,500	41,000	21,900	45,500	89,000	78,000	38,980
1996	16,500	21,800	24,250	31,750	45,500	23,000	47,500	85,000	95,000	40,936
1997	21,000	25,000	24,800	32,500	52,000	39,000	52,750	99,500	80,000	45,642
1998	22,000	26,000	25,500	31,000	57,900	45,000	50,000	105,000	125,000	48,261
1999	21,000	27,000	27,000	38,000	55,000	29,500	49,250	105,000	128,500	49,612
2000	26,500	29,500	29,500	37,000	64,000	45,000	55,000	115,000	125,000	52,950
2001	26,500	31,000	31,750	39,900	66,500	45,100	58,000	132,500	132,500	56,517
2002	26,000	34,250	35,000	41,000	75,000	44,250	69,000	115,000	238,500	60,445
2003	29,500	37,000	35,000	47,500	82,500	53,000	79,750	139,000	180,000	65,390
2004	35,000	45,500	43,000	55,000	95,000	83,500	90,000	165,000	195,000	78,690
Continuously compounded growth rate	0.071	0.059	0.076	0.064	0.078	0.049	0.055	0.071	0.074	0.065
Annual growth rate	0.073	0.061	0.079	0.066	0.081	0.050	0.057	0.074	0.077	0.067

NEWS NOTES

LOCAL NEWS

European Commission assesses Malta's updated Convergence Programme

On 2 February the European Commission presented its assessment of Malta's updated Convergence Programme which was submitted in December 2004. It noted that the Maltese Government is on track in bringing its deficit below the 3% reference value in 2006. The Commission recognised the particular characteristics of the Maltese economy when assessing risks to the outlook, but stated that the prudent underlying macro-economic scenario, the nature of the announced measures aiming at reducing the deficit, as well as budgetary projections set up in the Programme, make the consolidation path broadly possible.

Bank buys its own premises

In reviewing its relations with the Government following its membership of the ESCB, the Central Bank of Malta expressed its interest in purchasing its main premises in Valletta, which was held on temporary lease from the Government. The Government acceded to this request and on 5 January the Bank announced that it had acquired from the Government for Lm4.3 million the main building at Castille Place, and the adjoining house located in Pope Pius V Street in Valletta.

Issue of Malta Government securities

On 17 March the Government of Malta issued the following securities, announced through LNs 64 and 65:

- Lm 20 million worth of 5% MGS 2021 (First Issue) (Fungibility Issue). This stock was issued at par for amounts not exceeding

Lm50,000 and by auction for bids exceeding this amount.

- Lm 20 million worth of 5.7% MGS 2014 (Third Issue) (Fungibility Issue). This stock was issued by auction for bids exceeding Lm50,000 at not less than Lm108 per Lm100 nominal.

Act to prevent financial market abuse introduced

On 16 March Parliament enacted the Prevention of Financial Markets Abuse Act 2005. The purpose of this Act is to safeguard the integrity of Maltese and European Community financial markets and to enhance investor confidence in those markets. The Act transposes and implements the Market Abuse Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation and includes any implementing measures issued thereunder.

Legal Notices on banking and financial issues

- **Malta Financial Services Act (Cap. 330), Distance Selling (Retail Financial Services) Regulations 2005, issued on 4 February 2005 through LN 36.** The objective of these regulations is to implement the provisions of Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services, and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC.
- **Financial Administration and Audit Act (Cap. 174), Transparency of Financial Relations between the State and Public Undertakings Regulations 2005, issued on 11 February 2005 through LN 45.** These regulations state

that financial relations between the Government of Malta and public undertakings shall be transparent as provided in Commission Directive 80/723/EEC of 25 June 1980 on the transparency of financial relations between Member States and public undertakings, as well as on financial transparency within certain undertakings as amended by Directive 85/413/EEC of 24 July 1985, Directive 93/84/EEC of 30 September 1993 and Directive 2000/52/EEC of 26 July 2000. The transparency requirements referred to in Regulation 3 of these Regulations shall not apply to financial relations between the Government of Malta and various public undertakings, including the Central Bank of Malta and public credit institutions, with respect to deposits of public funds placed with them by the Government of Malta on normal commercial terms.

- **Set-Off And Netting On Insolvency Act (Cap. 459) Financial Collateral Arrangements (Amendment) Regulations 2005, issued on 1 March 2005 through LN 53.** Minor amendments were made to bring these Regulations in line with EU Directive 2002/47/EC.
- **Financial Markets Act (Cap. 345), Off-Exchange Trading (Amendment) Regulations 2005, issued on 4 March 2005 through LN 56.** Minor amendments were made to bring these Regulations in line with EU Directive 93/22/EEC.
- **Banking Act (Cap. 371), European Passport Rights for Credit Institutions (Amendment) Regulations 2005, issued on 11 March 2005 through LN 66.** The purpose of these Regulations is to extend the application of the provisions of the principal Regulations to electronic money institutions and to transpose the provisions of Directive 2000/28/

EC of the European Parliament and of the Council of 18 September 2000, amending Directive 2000/12/EC relating to the business of credit institutions.

- **Prevention of Market Abuse Act (Act IV of 2005), Prevention of Financial Markets Abuse (Fair Presentation of Investment Recommendations and Disclosure of Conflicts of Interest) Regulations 2005, issued on 12 March 2005 through LN 106.** The objective of these Regulations is to facilitate the application of Article 12 of the Act and implement the relevant provisions of the Market Abuse Directive and all related implementing measures.
- **Prevention of Market Abuse Act (Act IV of 2005), Prevention of Financial Markets Abuse (Market Practices and Manipulative Behaviour) Regulations 2005, issued on 12 March 2005 through LN 107.** The objective of these Regulations is to implement the relevant provisions of the Market Abuse Directive and all related implementing measures.
- **Prevention of Market Abuse Act (Act IV of 2005), Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations 2005, issued on 12 March 2005 through LN 108.** The objective of these regulations is to implement the relevant provisions of sub-articles (1) to (4) and sub-article (9) of Article 6 of the Market Abuse Directive and all related implementing measures. Pursuant to Article 4 of the Act, the provisions of Regulations 4, 5 and 7 of these Regulations shall not apply to any issuer who has not requested or received approval for admission of his financial instruments to trade on a regulated market in Malta or in any other Member State or EEA State.

Commonwealth Bank of Australia set up operations from Malta

On 5 March it was announced that the Commonwealth Bank of Australia set up a financial institution in Malta, CommFinance Ltd, to extend premium business services internationally. A team from the Australian bank visited Malta to establish a structured finance operation.

INTERNATIONAL NEWS

ECOFIN meetings

The ECOFIN Council met three times during the first quarter.

On 18 January the Council agreed that additional initiatives vis-à-vis Germany and France under the excessive deficit procedure were not necessary at this stage. It adopted Decisions establishing that effective action had not been taken by Greece and Hungary in response to its Recommendations for the correction of their excessive deficit. It also continued reviewing the Stability and Growth Pact and adopted Opinions on the Stability and Convergence Programmes drawn up by a set of Member States.

On 17 February the Council gave notice to Greece to remedy its excessive deficit, following the Recommendations which had been addressed to it. The Council also continued reviewing the

Stability and Growth Pact and gave its Opinion on the Stability and Convergence Programmes of a second set of Member States.

On 8 March the Council examined the main elements concerning the review of the Stability and Growth Pact in preparation for the European Council on 22 and 23 March 2005. It adopted Opinions on the Stability and Convergence Programmes of a third set of Member States and issued new Recommendations with a view to bringing to an end the excessive government deficit in Hungary.

European Council meeting

On 22 and 23 March the European Council, under the Luxembourg Presidency of the EU, discussed several matters on the main developments at EU and international levels. In particular, the Council endorsed the Report of the ECOFIN Council of 20 March 2005 entitled “Improving the Implementation of the Stability and Growth Pact” and approved its findings and proposals. The Report presents proposals for strengthening and clarifying the implementation of the Stability and Growth Pact, with the aim of improving the coordination and monitoring of economic policies according to Article 99 of the Treaty, and of avoiding excessive deficits as required by Article 104(1) of the Treaty. Other matters discussed include the mid-term review of the Lisbon Strategy, sustainable development and climate change.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-December 2004, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km ²	
CURRENCY UNIT	Maltese lira exchange rates: Lm1 = USD 3.1393 Lm1 = EUR 2.3023	
CLIMATE	Average temperature (1990-2004): Dec. - Feb.	13.2° C
	June - Aug.	26.1° C
	Average annual rainfall (1990-2004)	603.75mm
SELECTED GENERAL	GDP growth at constant 2000 prices ¹	1.5%
ECONOMIC STATISTICS	GDP per inhabitant at current market prices ^{1,2}	USD13,431
	GDP per capita in PPS relative to the EU-25 average ¹	72%
	Ratio of gross general government debt to GDP ^{1,3}	75.6%
	Ratio of general government deficit to GDP ^{1,3}	5.2%
	Retail Price Index - inflation rate	2.8%
	Harmonised Index of Consumer Prices - inflation rate	2.7%
	Ratio of exports of goods and services to GDP ¹	75.8%
	Ratio of current account deficit to GDP ¹	10.3%
	Employment rate	54%
	Unemployment rate	6.9%
POPULATION	Total Maltese and foreigners (Dec. 2003)	399,867
	Males	198,099
	Females	201,768
	Age composition in % of population (Dec. 2003)	
	0 - 14	18%
	15 - 64	69%
	65 +	13%
	Average annual growth rate (1990-2003)	0.79%
	Density per km ² (Dec. 2003)	1,265
HEALTH	Life expectancy at birth - Males (Dec. 2003)	76.4
	- Females (Dec. 2003)	80.4
	Crude birth rate, per 1,000 Maltese inhabitants (Dec. 2003)	10.1
	Crude mortality rate, per 1,000 Maltese inhabitants (Dec. 2003)	7.9
	Doctors	1,170
EDUCATION	Combined gross enrolment ratio % (2001/2002)	77
	Number of educational institutions (2003/2004)	289
	Teachers per 1,000 students (2003/2004)	85
	Adult literacy rate: % age 10+ (Dec. 2003)	92.8
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2002)	31
	Mobile phone subscriptions per 100 population	77
	Private motor vehicle licences per 1,000 population	512
	Internet subscribers per 100 population	22

¹ Provisional.

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

³ Source: Excessive Deficit Procedure Notification.

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 December 2004:

Deposit Money Banks

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

International Banking Institutions

Akbank TAS
Disbank Malta Ltd.
Erste Bank (Malta) Ltd.
Investkredit International Bank Ltd.
Izola Bank Ltd.
Raiffeisen Malta Bank plc
Sparkasse Bank Malta plc
Turkiye Garanti Bankasi AS

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TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA¹

Liabilities

Lm thousands

End of period	Currency notes & coins issued	IMF-related liabilities	Deposits				Capital & reserves	Foreign liabilities ³	Other liabilities ⁴
			Banks ^{2,4}	Government	Other	Total			
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	-	35,265
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
2003									
Jan.	450,395	33,495	282,620	49,124	7,508	339,252	100,211	2,291	19,140
Feb.	452,689	33,495	268,964	65,531	7,463	341,958	95,243	2,910	26,247
Mar.	456,791	33,495	250,596	74,451	7,196	332,243	95,789	5,838	13,317
Apr.	465,032	33,495	260,883	59,482	15,549	335,914	95,671	1,955	14,664
May	465,814	32,740	297,630	61,162	7,226	366,018	95,470	2,680	17,242
June	471,111	32,740	282,003	65,191	8,870	356,064	96,058	4,774	17,708
July	471,576	32,740	261,529	84,406	8,361	354,296	96,091	2,499	19,393
Aug.	472,417	32,740	289,896	67,959	7,731	365,586	96,192	5,386	20,595
Sept.	475,795	32,740	289,866	67,763	8,276	365,905	90,689	7,624	22,249

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
Oct.	475,818	32,740	301,884	65,194	8,489	375,567	90,682	2,395	23,030
Nov.	474,370	32,740	261,164	94,206	10,633	366,003	90,653	4,819	24,338
Dec.	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

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, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995).

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

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

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA¹

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 ³	Total				
1998	688	40,429	598,855	639,972	19,086	24,322	50,696	714,991
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
2003								
Jan.	510	36,978	854,421	891,909	33,470	2,119	17,285	944,784
Feb.	759	37,335	862,145	900,239	33,470	2,633	16,200	952,543
Mar.	723	37,316	845,994	884,034	33,470	2,639	17,330	937,473
Apr.	461	36,800	853,834	891,095	33,470	4,288	17,878	946,731
May	474	36,035	891,189	927,699	32,715	2,268	17,283	979,964
June	458	36,453	889,371	926,283	32,715	2,421	17,036	978,454
July	480	36,682	882,228	919,389	32,715	8,464	16,026	976,595
Aug.	515	37,470	903,181	941,166	32,715	2,941	16,092	992,914
Sept.	503	36,620	906,154	943,277	32,715	3,153	15,856	995,001

End of period	External Assets				IMF currency subscription	Central government securities	Other assets	Total assets/ Total liabilities
	Gold	IMF- related assets ³	Other	Total				
Oct.	504	36,673	910,671	947,847	32,715	3,744	15,925	1,000,231
Nov.	507	36,319	895,535	932,361	32,715	11,819	16,028	992,922
Dec.	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

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.

³ Valued 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.

**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			
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
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
2003							
Jan.	251,185	724,204	1,657,386	2,632,775	1,049,620	297,128	380,431
Feb.	251,491	714,989	1,648,298	2,614,778	1,034,531	297,128	375,880
Mar.	249,459	731,118	1,628,213	2,608,790	1,029,180	297,127	390,435
Apr.	254,647	735,794	1,642,450	2,632,891	1,032,584	297,163	386,260
May	263,970	748,382	1,635,936	2,648,288	1,021,480	297,127	381,808
June	278,620	755,702	1,623,632	2,657,954	1,043,193	297,127	401,387
July	281,553	742,923	1,619,020	2,643,496	1,046,568	297,127	406,127
Aug.	280,262	755,188	1,628,766	2,664,216	1,063,210	297,127	411,457
Sept.	283,638	765,827	1,620,026	2,669,491	1,022,531	302,118	411,314

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				
Oct.	1,040,829	29,344	1,622,654	2,692,827	1,056,493	31,834	414,591	354,223
Nov.	1,046,820	28,235	1,599,771	2,674,826	1,059,350	31,690	596,394	371,642
Dec.	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	1,353,640	48,880	658,614	351,738

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

² From September 1992, the bulk of foreign liabilities belonging to a Deposit Money Bank was transferred to its offshore bank subsidiary.

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
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
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
2003						
Jan.	304,093	1,307,320	1,890,261	700,389	157,890	4,359,953
Feb.	284,217	1,294,386	1,876,815	706,001	160,897	4,322,316
Mar.	272,104	1,283,624	1,919,127	720,555	130,121	4,325,531
Apr.	282,147	1,266,474	1,925,836	736,349	138,092	4,348,898
May	308,692	1,238,948	1,922,318	732,738	146,008	4,348,703
June	301,037	1,273,046	1,919,728	754,824	151,027	4,399,661
July	277,958	1,302,899	1,912,632	744,518	155,312	4,393,318
Aug.	312,372	1,329,512	1,903,063	721,744	169,318	4,436,009
Sept.	314,116	1,283,146	1,938,457	728,874	140,862	4,405,455

End of period	Balances held with Central Bank of Malta ¹	Loans	Securities other than shares	Shares & other equity	External assets	Other assets	Total Assets/ total liabilities
Oct.	322,345	1,878,804	651,510	35,403	1,352,794	309,114	4,549,969
Nov.	279,929	1,890,275	659,820	214,854	1,357,872	331,149	4,733,900
Dec.	260,873	1,909,932	622,093	216,477	1,405,740	335,107	4,750,222
2004							
Jan.	312,047	1,902,808	607,539	215,368	1,406,513	339,089	4,783,362
Feb.	307,741	1,905,858	628,275	214,980	1,495,175	337,404	4,889,433
Mar.	298,278	1,947,956	649,840	211,193	1,500,755	308,603	4,916,626
Apr.	295,735	1,939,989	657,379	209,856	1,542,336	320,845	4,966,140
May	249,406	1,955,450	680,574	210,607	1,550,744	328,834	4,975,616
June	247,127	1,964,152	675,661	210,762	1,576,363	311,448	4,985,513
July	287,482	1,965,875	657,162	210,187	1,606,035	315,156	5,041,897
Aug.	255,095	1,974,645	666,967	210,823	1,569,054	327,214	5,003,797
Sept.	268,144	2,017,036	656,712	211,999	1,688,383	292,954	5,135,227
Oct.	253,636	2,004,395	669,438	213,281	1,694,696	298,341	5,133,788
Nov.	227,690	2,011,774	675,385	214,141	1,706,541	313,108	5,148,638
Dec.	192,578	2,029,380	657,326	214,966	1,713,635	334,907	5,142,791

¹ Includes holdings of cash.

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES
INTERNATIONAL BANKING INSTITUTIONS
Liabilities

Lm thousands

End of period	Resident deposits				Foreign liabilities	Capital & reserves	Other liabilities	Total liabilities
	Demand	Savings	Time	Total				
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
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
2003								
Jan.	294	5,571	1,336	7,201	2,161,655	162,453	10,417	2,341,726
Feb.	316	5,302	768	6,386	2,233,730	169,440	11,592	2,421,148
Mar.	312	3,848	789	4,949	2,250,377	169,477	14,479	2,439,283
Apr.	498	4,323	784	5,605	2,273,457	169,688	16,769	2,465,519
May	344	2,618	947	3,909	2,243,020	170,129	21,350	2,438,409
June	969	2,262	1,057	4,288	2,303,399	169,717	20,932	2,498,336
July	596	2,457	1,064	4,117	2,513,736	169,733	20,914	2,708,500
Aug.	680	3,544	454	4,678	2,872,514	169,782	25,978	3,072,951
Sept.	2,916	915	836	4,667	2,789,117	170,848	28,181	2,992,813

End of period	Resident deposits				External liabilities	Capital & reserves	Other liabilities	Total liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
Oct.	903	-	240	1,143	2,653,619	180,378	2,706	2,837,847
Nov.	1,049	-	242	1,290	2,561,798	185,528	3,213	2,751,830
Dec.	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	236,770	4,250	3,803,044

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
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
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
2003						
Jan.	1,179	2,321,045	6,200	8,712	4,590	2,341,726
Feb.	1,223	2,400,272	5,753	8,767	5,133	2,421,148
Mar.	1,270	2,418,695	6,386	8,815	4,117	2,439,283
Apr.	1,214	2,444,223	7,759	8,635	3,687	2,465,519
May	1,212	2,417,272	7,940	8,405	3,580	2,438,409
June	1,156	2,477,243	7,385	8,556	3,996	2,498,336
July	1,222	2,687,743	7,020	8,571	3,943	2,708,500
Aug.	1,354	3,052,321	6,688	8,589	3,999	3,072,951
Sept.	1,382	2,971,456	6,685	8,580	4,710	2,992,813

End of period	Balances held with Central Bank of Malta ¹	External assets	Loans	Securities other than shares	Shares and other equity	Other assets	Total assets
Oct.	-	2,820,718	128	-	623	16,377	2,837,845
Nov.	-	2,734,717	126	-	662	16,324	2,751,830
Dec.	-	2,917,645	121	-	613	16,194	2,934,573
2004							
Jan.	-	2,983,356	120	-	629	16,238	3,000,342
Feb.	-	2,956,685	120	-	633	16,183	2,973,622
Mar.	-	3,081,612	122	-	633	16,278	3,098,644
Apr.	-	3,174,201	126	-	629	16,381	3,191,338
May	-	3,198,105	126	-	624	16,264	3,215,118
June	-	3,171,551	123	-	620	15,662	3,187,957
July	-	3,185,702	121	-	632	18,026	3,204,482
Aug.	-	3,525,363	123	-	645	19,142	3,545,274
Sept.	-	3,509,511	122	-	639	25,659	3,535,932
Oct.	-	3,552,439	125	-	639	23,798	3,577,001
Nov.	-	3,527,014	122	-	644	18,201	3,545,981
Dec.	-	3,775,464	3,321	-	647	23,611	3,803,044

¹ Includes holdings of cash.

TABLE 1.4a BANKING SURVEY¹*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				
1998	355,996	1,459,815	1,815,811	639,991	238,447	878,438	523,628	1,698,959	471,662	2,694,249
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
2003										
Jan.	522,170	1,896,269	2,418,439	889,618	417,091	1,306,709	677,963	2,375,357	671,828	3,725,148
Feb.	513,157	1,884,676	2,397,833	897,328	426,398	1,323,726	680,993	2,357,297	683,269	3,721,559
Mar.	519,247	1,927,805	2,447,052	878,196	422,762	1,300,958	685,794	2,353,109	709,107	3,748,009
Apr.	547,764	1,934,365	2,482,128	889,141	404,656	1,293,796	705,490	2,369,144	701,291	3,775,925
May	540,748	1,929,776	2,470,523	925,019	391,719	1,316,738	710,003	2,371,979	705,280	3,787,261
June	554,868	1,934,429	2,489,297	921,508	403,697	1,325,205	729,233	2,368,868	716,401	3,814,502
July	527,842	1,931,288	2,459,131	916,890	430,338	1,347,228	731,401	2,350,408	724,550	3,806,359
Aug.	518,377	1,920,329	2,438,706	935,781	446,110	1,381,890	730,944	2,373,156	716,496	3,820,596
Sept.	523,298	1,962,161	2,485,460	935,653	442,953	1,378,606	738,817	2,374,408	750,841	3,864,066

TABLE 1.4b MONETARY FINANCIAL INSTITUTIONS (MFIs) SURVEY¹*Lm thousands*

End of period	Domestic credit			Net foreign assets			Broad money (M3)	Other counterparts to broad money (net)	Total assets/liabilities
	Net claims on central government ²	Claims on other residents	Total	Central Bank of Malta	Other Monetary Financial Institutions	Total			
Oct.	566,629	1,916,163	2,482,792	953,334	463,400	1,416,734	2,862,027	1,037,499	3,899,526
Nov.	595,957	2,064,159	2,660,116	935,785	471,441	1,407,226	2,847,973	1,219,370	4,067,342
Dec.	568,436	2,080,347	2,648,782	919,841	497,106	1,416,946	2,849,244	1,216,487	4,065,729
2004									
Jan.	562,778	2,075,065	2,637,844	938,451	482,425	1,420,876	2,865,097	1,193,624	4,058,720
Feb.	579,392	2,080,089	2,659,480	944,205	483,518	1,427,723	2,894,167	1,193,037	4,087,203
Mar.	605,394	2,119,969	2,725,363	933,078	481,439	1,414,517	2,904,751	1,235,130	4,139,880
Apr.	601,279	2,119,975	2,721,254	929,852	536,761	1,466,613	2,933,596	1,254,270	4,187,867
May	565,803	2,156,714	2,722,517	920,605	524,081	1,444,685	2,914,066	1,253,136	4,167,202
June	585,382	2,164,778	2,750,161	906,856	554,620	1,461,477	2,939,288	1,272,347	4,211,637
July	606,953	2,166,226	2,773,179	904,183	559,054	1,463,236	2,970,160	1,266,255	4,236,415
Aug.	576,834	2,169,484	2,746,318	923,751	555,494	1,479,244	2,960,696	1,264,869	4,225,563
Sept.	573,062	2,210,356	2,783,418	928,657	546,259	1,474,916	2,960,436	1,297,898	4,258,334
Oct.	579,520	2,212,922	2,792,442	907,152	566,205	1,473,357	2,954,055	1,311,745	4,265,799
Nov.	581,027	2,218,028	2,799,055	890,747	569,783	1,460,530	2,941,838	1,317,747	4,259,585
Dec.	545,113	2,240,183	2,785,296	870,293	574,077	1,444,370	2,918,320	1,311,345	4,229,666

¹ Includes Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995). All interbank transactions are excluded.

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

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

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

⁵ Government deposits and balances belonging to non-residents.

TABLE 1.5 MONETARY BASE AND MONETARY AGGREGATES

Lm thousands

End of period	Monetary base (M0)			Broad money (M3)						
				Narrow money(M1)			Quasi-money			Total
	Currency issued	Bank deposits with Central Bank of Malta	Total	Currency in circulation	Demand deposits	Total	Savings deposits	Time deposits	Total	
1998	390,911	115,195	506,107	369,493	154,135	523,628	585,131	1,113,828	1,698,959	2,222,587
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
2003										
Jan.	450,395	113,620	564,015	431,459	246,504	677,963	721,974	1,653,383	2,375,357	3,053,320
Feb.	452,689	138,964	591,653	433,321	247,672	680,993	713,379	1,643,918	2,357,297	3,038,290
Mar.	456,791	136,096	592,887	441,041	244,753	685,794	729,258	1,623,851	2,353,109	3,038,903
Apr.	465,032	131,883	596,916	446,294	259,196	705,490	733,117	1,636,027	2,369,144	3,074,634
May	465,814	144,630	610,444	448,999	261,004	710,003	743,195	1,628,784	2,371,979	3,081,982
June	471,111	136,503	607,614	452,335	276,898	729,233	751,905	1,616,963	2,368,868	3,098,101
July	471,576	139,529	611,105	452,458	278,943	731,401	737,987	1,612,421	2,350,408	3,081,809
Aug.	472,417	112,896	585,313	454,221	276,722	730,944	751,513	1,621,643	2,373,156	3,104,100
Sept.	475,795	131,166	606,961	456,444	282,373	738,817	759,693	1,614,715	2,374,408	3,113,225

End of period	Monetary base (M 0)			Broad money (M 3)								
				Intermediate money (M 2)							Repurchase agreements /Debt securities with agreed maturity up to 2 years	Total (M 3)
				Narrow money (M 1)			Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M 2)			
	Currency issued	M F I balances with Central Bank	Total (M 0)	Currency in circulation	Deposits withdrawable on demand					Total (M 1)		
Demand					Savings							
Oct.	475,818	137,887	613,706	456,084	289,164	733,905	1,479,153	29,340	1,353,508	2,862,002	25	2,862,027
Nov.	474,370	150,668	625,038	456,987	293,018	736,803	1,486,808	28,181	1,332,958	2,847,947	26	2,847,973
Dec. 2004	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
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

TABLE 1.6 MONETARY POLICY OPERATIONS OF THE CENTRAL BANK OF MALTA

Lm thousands

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos ¹			Marginal lending facility during the period ²	Term deposits ³			Overnight deposit facility ⁴
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
1998	241,300	237,300	4,000	-	173,000	173,000	-	-
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900 ⁵	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	-	-	-	5,804	2,696,870	2,780,170	21,000	86,850
2003								
Jan.	-	-	-	-	321,600	256,600	169,000	11,300
Feb.	-	-	-	-	242,500	281,500	130,000	7,000
Mar.	-	-	-	-	243,800	259,300	114,500	3,000
Apr.	-	-	-	-	253,300	238,800	129,000	7,400
May	-	-	-	-	332,500	308,500	153,000	25,300
June	-	-	-	-	297,800	305,300	145,500	10,200
July	-	-	-	-	242,200	265,700	122,000	29,100
Aug.	-	-	-	1,000	339,000	284,000	177,000	1,500
Sept.	-	-	-	-	333,900	352,220	158,700	1,000
Oct.	-	-	-	-	362,500	357,200	164,000	6,100
Nov.	-	-	-	-	268,400	321,900	110,500	4,500
Dec.	-	-	-	-	281,700	287,900	104,300	-
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

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

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

³The Central Bank of Malta accepts placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity in the banking sector. The maturity period of these term deposits is 14 days. Up to February 1997 excess liquidity in the banking system was absorbed using repos.

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

⁵Includes Lm28 million bilateral repos.

TABLE 1.7a DEPOSITS WITH ALL BANKING INSTITUTIONS¹
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			
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
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
2003									
Jan.	2,120,956	455,044	19,168	56,896	2,307,613	344,451	2,652,064	862,586	3,514,650
Feb.	2,109,743	451,060	17,590	53,672	2,294,497	337,568	2,632,065	860,486	3,492,551
Mar.	2,114,017	446,341	17,008	50,520	2,281,775	346,111	2,627,886	838,378	3,466,264
Apr.	2,131,526	450,777	19,724	46,803	2,309,409	339,421	2,648,830	877,061	3,525,891
May	2,139,655	450,920	20,603	52,908	2,321,773	342,313	2,664,086	832,339	3,496,425
June	2,136,304	460,819	19,441	55,588	2,340,337	331,815	2,672,152	816,393	3,488,545
July	2,116,196	456,710	20,707	63,213	2,321,043	335,783	2,656,826	815,921	3,472,747
Aug.	2,129,058	451,262	20,694	78,513	2,327,898	351,629	2,679,527	842,895	3,522,422
Sept.	2,144,306	438,268	19,740	81,311	2,334,424	349,201	2,683,625	905,119	3,588,744

TABLE 1.7b DEPOSITS HELD WITH OTHER MONETARY FINANCIAL INSTITUTIONS
analysis by ownership

Lm thousands

End of Period	Resident deposits by owner						Resident deposits	Non-resident deposits	Total deposits
	Central government	Other sectors							
		Other general government	Financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total			
Oct.	19,942	6,484	44,901	446,355	2,176,288	2,674,028	2,693,971	893,003	3,586,974
Nov.	19,728	5,766	52,077	425,142	2,173,403	2,656,388	2,676,116	861,834	3,537,950
Dec.	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

¹ Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1998). 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 DEPOSIT LIABILITIES OF THE OTHER
MONETARY FINANCIAL INSTITUTIONS¹**
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								
Jan.	2,322,673	79,410	121,466	109,991	18,524	36,182	826,404	3,514,650
Feb.	2,309,612	78,730	118,707	106,892	18,124	36,856	823,630	3,492,551
Mar.	2,296,684	79,749	123,098	111,742	16,613	46,957	791,421	3,466,264
Apr.	2,324,302	96,210	116,828	96,251	15,239	44,758	832,303	3,525,891
May	2,339,021	96,019	120,441	93,238	15,366	44,488	787,851	3,496,425
June	2,357,660	90,946	115,508	88,915	19,123	52,948	763,445	3,488,545
July	2,338,447	98,371	114,938	85,632	19,437	52,085	763,836	3,472,747
Aug.	2,345,289	102,146	118,127	91,103	22,862	51,380	791,515	3,522,422
Sept.	2,351,781	99,823	118,216	90,836	22,969	51,650	853,469	3,588,744
Oct.	2,345,891	115,277	127,052	84,819	22,221	49,362	896,237	3,640,860
Nov.	2,336,049	107,952	127,904	82,355	22,783	47,907	866,588	3,591,539
Dec.	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

¹ As from October 2003 also includes loans granted to the reporting banks.

TABLE 1.9 CURRENCY IN CIRCULATION

Lm thousands

End of period	Currency issued and outstanding			Less currency held by banking system ²	Currency in circulation
	Notes ¹	Coins	Total		
1998	375,209	15,702	390,911	21,418	369,493
1999	401,999	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,835	17,994	441,829	22,942	418,887
2002	443,905	17,343	461,247	24,416	436,831
2003					
Jan.	433,272	17,123	450,395	18,936	431,459
Feb.	435,652	17,037	452,689	19,369	433,321
Mar.	439,707	17,084	456,791	15,749	441,041
Apr.	447,809	17,223	465,032	18,738	446,294
May	448,445	17,369	465,814	16,815	448,999
June	453,582	17,529	471,111	18,776	452,335
July	453,611	17,964	471,576	19,118	452,458
Aug.	454,236	18,181	472,417	18,196	454,221
Sept.	457,673	18,122	475,795	19,350	456,444
Oct.	457,701	18,117	475,818	19,734	456,084
Nov.	456,331	18,039	474,370	17,383	456,987
Dec.	467,098	18,275	485,373	24,949	460,424
2004					
Jan.	458,965	18,046	477,011	15,205	461,806
Feb.	462,682	17,914	480,596	16,371	464,226
Mar.	468,052	17,954	486,005	18,516	467,489
Apr.	473,087	18,143	491,230	18,716	472,514
May	475,363	18,254	493,617	16,925	476,693
June	483,772	18,571	502,342	20,782	481,560
July	483,008	18,798	501,806	18,349	483,457
Aug.	484,795	19,081	503,876	20,848	483,028
Sept.	484,754	19,033	503,787	19,752	484,035
Oct.	484,697	19,072	503,769	19,258	484,511
Nov.	481,549	19,088	500,637	20,150	480,486
Dec.	487,165	19,240	506,406	20,412	485,993

¹ From December 1998, the Notes figure in the Central Bank of Malta balance sheet, which is also shown in this Table, includes demonetised notes. As a result it differs from the Notes figure in Table 1.10.

² For the purposes of this classification, the banking system includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995).

**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
1998	390,911	109,720	234,117	24,174	5,793	373,804
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						
Jan.	450,395	108,876	291,267	26,391	6,739	433,273
Feb.	452,689	108,761	293,500	26,595	6,797	435,653
Mar.	456,791	109,065	296,674	27,116	6,851	439,706
Apr.	465,032	109,948	302,588	28,287	6,986	447,809
May	465,814	110,115	302,817	28,473	7,040	448,445
June	471,111	110,570	306,974	28,899	7,139	453,582
July	471,576	110,120	306,761	29,489	7,241	453,611
Aug.	472,417	109,884	307,666	29,481	7,205	454,236
Sept.	475,795	109,754	310,593	30,071	7,255	457,673
Oct.	475,818	109,526	311,236	29,733	7,206	457,701
Nov.	474,370	109,309	310,891	29,055	7,076	456,331
Dec.	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

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 LIQUIDITY¹

Lm thousands

Period	Liquid assets			Net short-term liabilities ³	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits ²
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
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						
Jan.	1,024,617	586,688	437,929	1,955,628	52.4	71.8
Feb.	1,039,716	570,377	469,340	1,901,255	54.7	71.8
Mar.	1,066,884	569,323	497,561	1,897,743	56.2	73.6
Apr.	1,093,560	571,750	521,810	1,905,832	57.4	73.1
May	1,063,269	584,021	479,248	1,946,737	54.6	72.6
June	1,096,464	585,938	510,527	1,953,125	56.1	72.2
July	1,073,066	578,819	494,247	1,929,398	55.6	72.4
Aug.	1,127,699	597,035	530,664	1,990,118	56.7	71.4
Sept.	1,057,229	589,718	467,511	1,965,726	53.8	72.6
Oct.	1,082,194	598,670	483,524	1,995,568	54.2	72.3
Nov.	1,021,931	615,716	406,215	2,052,386	49.8	73.0
Dec.	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

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

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

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

TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS*Lm thousands*

Period	Cash & deposits with Central Bank of Malta ¹	Treasury bills	Interbank deposits	Marketable debt securities ²	Total liquid assets
1998	31,064	33,110	47,280	485,394	596,848
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					
Jan.	153,795	183,519	132,431	554,872	1,024,617
Feb.	106,557	202,352	177,932	552,875	1,039,716
Mar.	112,774	218,173	175,576	560,361	1,066,884
Apr.	134,493	233,548	170,919	554,600	1,093,560
May	150,676	224,942	134,562	553,089	1,063,269
June	163,023	238,860	147,647	546,934	1,096,464
July	134,067	233,858	150,657	554,484	1,073,066
Aug.	190,650	212,998	173,203	550,848	1,127,699
Sept.	174,016	217,201	128,608	537,404	1,057,229
Oct.	189,383	217,045	122,692	542,320	1,071,440
Nov.	126,748	221,450	98,778	574,955	1,021,931
Dec.	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

¹ Excludes balances held as reserve deposits.² Includes securities issued or guaranteed by governments, supranational institutions or other institutions, discounted on the basis of credit risk and remaining term to maturity.

**TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES
CLASSIFIED BY SIZE AND INTEREST RATES¹**

Lm thousands

End of period		Size of loans and advances ²				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1998	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
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						
Mar.	Amount	232,765	579,593	354,363	993,850	2,160,571
	Interest Rate	6.17	5.97	6.72	4.53	5.45
June	Amount	235,457	588,418	358,575	980,178	2,162,628
	Interest Rate	5.59	5.25	6.11	3.98	4.85
Sept.	Amount	235,904	606,023	357,995	990,225	2,190,147
	Interest Rate	5.43	4.91	6.15	3.98	4.75
Dec.	Amount	235,875	681,763	369,381	1,060,829	2,347,849
	Interest Rate	-	-	-	-	-
2004						
Jan.	Amount	238,052	673,193	358,609	1,067,456	2,337,310
	Interest Rate	-	-	-	-	-
Feb.	Amount	239,448	679,382	360,848	1,046,598	2,326,276
	Interest Rate	-	-	-	-	-
Mar.	Amount	245,023	716,245	388,237	1,119,282	2,468,787
	Interest Rate	-	-	-	-	-
Apr.	Amount	257,750	736,500	396,707	1,114,858	2,505,815
	Interest Rate	-	-	-	-	-
May	Amount	257,087	741,439	397,926	1,118,050	2,514,502
	Interest Rate	-	-	-	-	-
June	Amount	237,478	693,152	371,638	1,240,970	2,543,237
	Interest Rate	-	-	-	-	-
July	Amount	239,100	698,571	367,322	1,221,660	2,526,653
	Interest Rate	-	-	-	-	-
Aug.	Amount	236,495	688,165	367,879	1,222,448	2,514,988
	Interest Rate	-	-	-	-	-
Sept.	Amount	240,521	716,616	383,594	1,212,677	2,553,407
	Interest Rate	-	-	-	-	-
Oct.	Amount	241,785	723,431	381,103	1,182,039	2,528,358
	Interest Rate	-	-	-	-	-
Nov.	Amount	241,453	730,273	383,144	1,179,525	2,534,396
	Interest Rate	-	-	-	-	-
Dec.	Amount	241,926	736,447	394,321	1,227,685	2,600,378
	Interest Rate	-	-	-	-	-

¹ For the purposes of this classification, these include loans and advances extended to residents and non-residents in domestic and foreign currencies. Interest rates are weighted averages of each size group. Data on interest rates 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 AND ADVANCES
OUTSTANDING BY MAIN SECTOR¹**

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
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
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
2003								
Jan.	90,782	126,746	82,918	9,700	188,361	95,344	251,531	289,993
Feb.	92,064	125,109	80,923	9,526	186,417	94,627	245,148	285,913
Mar.	93,883	126,628	80,868	9,733	190,217	96,670	249,631	297,448
Apr.	93,133	127,805	83,564	9,387	188,565	97,503	250,463	296,660
May	88,110	127,732	83,664	9,268	186,040	100,269	247,837	296,975
June	87,524	126,943	81,153	9,747	185,961	100,006	243,706	296,276
July	87,230	122,334	79,105	9,367	177,443	94,842	232,150	288,460
Aug.	85,220	118,983	77,806	9,347	179,917	95,670	232,532	281,970
Sept.	86,197	122,122	74,923	9,588	185,132	99,068	235,555	289,316

End of period	Electricity, gas & water supply	Transport, storage & communication	Financial intermediation	Agriculture & fishing	Manufacturing	Construction	Hotels & restaurants ³	Wholesale & retail trade; repairs
Oct.	85,857	138,148	83,681	9,490	181,670	169,719	212,883	292,491
Nov.	86,660	136,199	79,238	9,464	182,747	171,839	209,285	290,814
Dec.	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	152,537	217,001	205,569	290,297

¹ Includes bills discounted as from October 2003.

² Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995).

³ Excluding related construction activities.

TABLE 1.14 DEPOSIT MONEY BANK LOANS AND ADVANCES
OUTSTANDING BY MAIN SECTOR¹ (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					
1998	91,733	44,627	26,324	162,684	60,829	125,524	1,292,314	5,205	1,297,519
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
2003									
Jan.	372,665	39,445	94,847	506,957	86,875	143,614	1,872,821	267,796	2,140,617
Feb.	367,054	41,645	99,196	507,895	89,965	142,391	1,859,978	258,905	2,118,883
Mar.	372,824	42,007	101,891	516,722	92,440	148,175	1,902,415	258,156	2,160,571
Apr.	377,770	40,830	104,848	523,448	89,875	149,244	1,909,647	255,718	2,165,365
May	382,000	40,344	105,753	528,097	85,339	153,209	1,906,540	257,233	2,163,773
June	382,540	41,406	109,744	533,690	86,658	152,513	1,904,177	258,451	2,162,628
July	410,993	40,392	96,820	548,205	102,918	155,247	1,897,301	258,747	2,156,048
Aug.	413,110	40,906	98,713	552,729	99,574	154,510	1,888,258	261,472	2,149,730
Sept.	424,054	40,395	107,889	572,338	92,505	156,820	1,923,564	266,583	2,190,147

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				
Oct.	125,872	427,632	35,059	128,965	591,744	58,233	1,949,788	291,669	2,241,457
Nov.	124,141	437,214	35,316	129,885	602,505	62,995	1,955,887	288,420	2,244,307
Dec.	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	63,307	2,077,600	522,778	2,600,378

¹ Includes bills discounted as from October 2003.

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

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

**TABLE 1.15a LOANS AND ADVANCES OUTSTANDING
TO THE PRIVATE AND PUBLIC SECTORS BY CATEGORY¹**

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
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
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/public sector	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 and advances extended by Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995). Public sector companies comprise entities that are subject to control by Government, control being defined as the ability to determine general corporate policy.

**TABLE 1.15b DEPOSIT MONEY BANK LOANS
AND ADVANCES TO RESIDENTS**

analysis by sector and category

Lm thousands

End of period	Electricity, gas & water supply		Transport, storage & communication		Agriculture & fishing		Financial intermediation		Manufacturing		Construction	
	General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other
2003	82,882	1,009	60,071	75,435	60	9,177	1308	73,527	61,434	123,388	3,900	197,232
2004												
Jan.	79,956	1,020	62,188	78,799	68	9,122	1336	76,588	60,662	117,646	1,400	196,112
Feb.	78,776	993	61,537	79,110	17	9,262	1289	71,912	58,318	121,018	1,400	191,945
Mar.	77,284	932	62,381	76,997	8	9,310	1302	70,216	60,642	120,816	3,933	196,767
Apr.	77,446	926	59,390	76,948	8	9,385	386	69,651	59,654	120,461	3,900	194,114
May	85,135	733	60,968	74,936	16	9,259	386	68,450	59,613	118,754	4,150	196,830
June	85,493	649	58,365	74,059	25	9,276	374	68,307	58,903	118,185	4,150	198,242
July	90,478	688	56,017	73,491	32	9,428	369	68,457	58,163	116,589	4,150	195,460
Aug.	91,115	949	58,582	69,084	43	9,212	362	70,279	57,779	116,897	4,150	198,380
Sept.	91,690	742	56,729	71,275	57	9,521	4,653	69,454	49,362	119,991	4,150	204,887
Oct.	90,077	772	57,404	69,983	59	9,303	4,335	66,996	33,746	119,602	3,950	205,846
Nov.	88,937	757	56,537	68,906	64	9,592	4,353	68,505	33,753	119,533	3,950	210,298
Dec.	91,328	808	58,010	68,941	72	9,851	28	63,472	32,526	120,011	3,735	213,266

End of period	Hotels & restaurants		Wholesale and retail trade; repairs		Households & individuals	Real estate, renting & business activities		Other		Total lending to residents of Malta	
	General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other		General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other
2003	2,893	203,979	165	288,006	609,955	1,138	117,334	11,278	49,510	225,129	1,748,552
2004											
Jan.	2,862	202,865	4	281,631	616,270	1,038	116,351	11,405	48,058	220,920	1,744,462
Feb.	2,933	201,806	2	281,181	624,657	1,041	117,647	12,875	48,789	218,188	1,748,319
Mar.	2,711	206,792	-	293,256	640,431	1,051	120,569	11,540	50,070	220,853	1,786,157
Apr.	2,695	204,499	62	291,916	644,778	951	120,706	11,477	49,953	215,970	1,783,336
May	2,723	203,803	62	288,827	656,099	950	120,651	11,144	49,747	225,147	1,788,089
June	2,608	201,947	-	288,781	668,339	950	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	1,158	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	231,756	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	11,014	52,293	211,572	1,866,028

TABLE 1.16 NET FOREIGN ASSETS OF THE BANKING SYSTEM¹

Lm thousands

End of period	Central Bank of Malta ²							Total (A+B)
	Foreign Assets				Foreign liabilities	Net (A)	Government & parastatal companies ⁵ (B)	
	Gold ³	Convertible currencies	IMF-related assets ⁴	Total foreign assets				
1998	688	598,874	40,429	639,991	-	639,991	-	639,991
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
2003								
Jan.	510	854,421	36,978	891,909	2,291	889,618	-	889,618
Feb.	759	862,145	37,335	900,239	2,910	897,328	-	897,328
Mar.	723	845,994	37,316	884,034	5,838	878,196	-	878,196
Apr.	461	853,834	36,800	891,095	1,955	889,141	-	889,141
May	474	891,189	36,035	927,699	2,680	925,019	-	925,019
June	458	889,371	36,453	926,283	4,774	921,508	-	921,508
July	480	882,228	36,682	919,389	2,499	916,890	-	916,890
Aug.	515	903,181	37,470	941,166	5,386	935,781	-	935,781
Sept.	503	906,154	36,620	943,277	7,624	935,653	-	935,653

End of period	Central Bank of Malta ²					
	Foreign Assets				Foreign Liabilities	Net Foreign Assets (A)
	Gold	IMF-related assets	Other	Total		
Oct.	633	69,388	920,606	990,627	37,293	953,334
Nov.	636	69,034	905,340	975,010	39,226	935,785
Dec.	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

¹ On accrual basis.

² Up to 1998 this comprised the position of the monetary authorities, including the Central Bank of Malta and small amounts of Treasury balances. From 1998 it comprised only the foreign assets of the Central Bank of Malta.

³ Includes small amounts of other precious metals.

⁴ Includes IMF reserve position and holdings of SDRs.

⁵ 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 BANKING SYSTEM¹
(continued)

Lm thousands

End of period	Deposit money banks ²			Total (A+B)	International banking institutions ²			Grand total (A+B+C)
	Assets	Liabilities	Net (B)		Assets	Liabilities	Net (C)	
1998	607,354	518,557	88,797	728,788	1,627,452	1,477,802	149,650	878,438
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								
Jan.	1,307,320	1,049,620	257,701	1,147,319	2,321,045	2,161,655	159,390	1,306,709
Feb.	1,294,386	1,034,531	259,856	1,157,184	2,400,272	2,233,730	166,542	1,323,726
Mar.	1,283,624	1,029,180	254,445	1,132,640	2,418,695	2,250,377	168,317	1,300,958
Apr.	1,266,474	1,032,584	233,890	1,123,030	2,444,223	2,273,457	170,766	1,293,796
May	1,238,948	1,021,480	217,468	1,142,486	2,417,272	2,243,020	174,251	1,316,738
June	1,273,046	1,043,193	229,853	1,151,361	2,477,243	2,303,399	173,844	1,325,205
July	1,302,899	1,046,568	256,331	1,173,221	2,687,743	2,513,736	174,007	1,347,228
Aug.	1,329,512	1,063,210	266,302	1,202,083	3,052,321	2,872,514	179,807	1,381,890
Sept.	1,283,146	1,022,531	260,614	1,196,267	2,971,456	2,789,117	182,339	1,378,606
Oct.	1,352,794	1,056,493	296,301	1,249,635	2,820,718	2,653,619	167,099	1,416,734
Nov.	1,357,872	1,059,350	298,522	1,234,307	2,734,717	2,561,798	172,919	1,407,226
Dec.	1,405,740	1,077,630	328,110	1,247,951	2,917,645	2,748,650	168,995	1,416,946
2004								
Jan.	1,406,513	1,095,935	310,578	1,249,029	2,983,356	2,811,509	171,847	1,420,876
Feb.	1,495,175	1,189,417	305,758	1,249,963	2,956,685	2,778,925	177,760	1,427,723
Mar.	1,500,755	1,207,806	292,949	1,226,027	3,081,612	2,893,122	188,490	1,414,517
Apr.	1,542,336	1,184,591	357,745	1,287,597	3,174,201	2,995,185	179,016	1,466,613
May	1,550,744	1,206,292	344,453	1,265,057	3,198,105	3,018,477	179,628	1,444,685
June	1,576,363	1,208,629	367,733	1,274,590	3,171,551	2,984,665	186,887	1,461,477
July	1,606,035	1,237,404	368,631	1,272,813	3,185,702	2,995,279	190,423	1,463,236
Aug.	1,569,054	1,213,159	355,895	1,279,645	3,525,363	3,325,764	199,599	1,479,244
Sept.	1,688,383	1,333,436	354,947	1,283,604	3,509,511	3,318,199	191,312	1,474,916
Oct.	1,694,696	1,326,208	368,488	1,275,640	3,552,439	3,354,721	197,718	1,473,357
Nov.	1,706,541	1,340,872	365,669	1,256,416	3,527,014	3,322,900	204,114	1,460,530
Dec.	1,713,635	1,353,640	359,995	1,230,288	3,775,464	3,561,382	214,082	1,444,370

¹ From 1995, data are 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. Includes data belonging to the Other Banking Institutions sector up to December 2000.

TABLE 1.17 FINANCIAL MARKET RATES

%

	1998	1999	2000	2001	2002	2003				2004			
						Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
INTEREST RATES													
Central Bank of Malta													
Central intervention rate	5.45	4.75	4.75	4.25	3.75	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00
Money market interventions													
Term deposit rate	5.43	4.70	4.72	4.22	3.70	3.70	3.20	2.95	2.95	2.95	2.95	2.95	2.95
Reverse repo rate	5.50	4.80	4.80	4.29	3.80#	3.80#	3.30#	3.05#	3.05#	3.05#	3.05#	3.05#	3.05#
Standby (collateralised) loan facility	6.00	5.30	5.30	4.80	4.30	4.30	3.80	3.55	3.55	4.50	4.50	4.50	4.50
Overnight deposit facility	-	1.80	1.80	1.30	0.80	0.80	0.30	0.30	0.30	1.50	1.50	1.50	1.50
Reserve requirements remuneration	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.75	2.75	2.75	2.75
Interbank market offered rates													
Overnight	5.50	4.75	4.75	3.65	3.73*	3.69	3.23*	3.20	2.95	2.95	2.90	2.90	2.95
1 week	5.56	4.74	4.78	4.25	3.76*	3.63*	3.26*	3.21	2.96	2.95*	2.95	2.95*	2.95
1 month	5.70	4.75	4.90	4.58*	3.80*	3.73*	3.27*	3.00*	2.98*	2.82	2.96*	2.97*	2.98
3 month	5.95	5.27	4.92*	4.82*	3.90*	3.76*	3.34*	3.03*	3.00*	2.99*	2.98*	3.01*	3.01*
Deposit Money Banks													
Weighted average deposit rate	4.42	4.32	4.17	3.96	3.49	3.27	3.01	2.77	2.46	2.26	2.13	2.06	2.04
Current	1.49	1.11	1.32	1.48	1.12	0.93	0.75	0.71	0.44	0.45	0.43	0.47	0.47
Savings	3.04	2.81	2.52	2.22	1.80	1.64	1.43	1.23	1.01	0.99	1.00	0.96	0.95
Time	5.35	5.43	5.25	4.98	4.39	4.23	4.06	3.77	3.45	3.17	3.00	2.90	2.87
Weighted average lending rate	8.08	7.28	7.23	6.50	6.07	6.12	5.97	5.94	5.31	5.32	5.31	5.32	5.33
Government securities													
Treasury bills													
1 month	5.43	-	4.85	4.80	-	-	-	-	-	-	-	2.96	2.96
3 month	5.49	4.95	4.90	4.53	3.67	3.46	3.38	3.15	2.94	2.93	2.90	2.96	2.96
6 month	5.48	4.96	4.94	5.04	3.80	3.57	3.35	3.11	2.93	2.92	2.91	2.94	2.97
1 year	5.50	5.12	-	-	-	-	3.52	3.13	-	2.93	2.95	2.97	2.97
Government stocks													
2 year	-	-	-	-	-	3.91	3.55	3.64	3.39	3.12	3.21	3.30	3.21
5 year	5.80	5.46	5.33	5.40	5.15	5.13	4.61	4.38	4.37	4.32	4.27	4.26	4.26
10 year	6.00	5.55	5.99	6.15	5.43	5.40	5.11	4.73	4.71	4.70	4.65	4.70	4.70
15 year	6.47	6.03	6.39	6.44	5.86	5.85	5.36	4.94	4.96	5.03	4.89	4.95	4.97
MALTA STOCK EXCHANGE SHARE INDEX	1211	3278	3376	2200	1871	1885	1920	2071	2126	2765	2524	2861	3069

Note: # denotes the corridor linked to the central intervention rate.

* denotes Central Bank of Malta fixing rate average.

"-" sign implies that no transactions occurred during the preceding quarter.

TABLE 2.1 CENTRAL GOVERNMENT REVENUE AND EXPENDITURE ¹

Lm thousands

Period	Revenue			Expenditure			Deficit(-)/ Surplus(+)	Financing			Residual
	Ordinary ^{2,3}	Foreign Grants	Total	Recurrent ^{2,4}	Capital ⁵	Total		Local ⁷	Foreign ⁸	Total	
1990	325,917	7,677	333,594	269,721	108,276	377,997	-44,403	37,266	11,054	48,319	3,917
1991	349,649	16,374	366,023	297,825	115,493	413,318	-47,295	35,217	6,467	41,684	-5,611
1992	341,413	16,392	357,805	325,999	58,017	384,016	-26,211	34,819	-1,603	33,216	7,005
1993	387,531	8,429	395,960	364,793	59,673	424,466	-28,506	27,772	747	28,519	13
1994	403,410	12,852	416,262	405,127	62,340	467,467	-51,205	38,911	8,514	47,425	-3,780
1995	468,248	4,517	472,765	446,628	70,344	516,972	-44,207	44,624	-2,733	41,891	-2,316
1996	447,467	20,804	468,271	498,020	73,527	571,547	-103,276	66,505	-449	66,056	-37,220
1997 ⁶	504,297	9,811	514,108	528,903	103,392	632,295	-118,187	162,342	-1,042	161,300	43,113
1998	503,683	10,043	513,726	556,930	96,846	653,776	-140,050	137,854	-4,688	133,166	-6,884
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
2003											
Jan.	44,263	282	44,545	59,018	12,282	71,300	-26,755	-	-	-	-26,755
Feb.	55,284	5	55,289	59,745	9,625	69,370	-14,080	24,126	-	24,126	10,046
Mar.	49,216	102	49,318	55,535	10,561	66,096	-16,778	-	-	-	-16,778
Apr.	61,911	60	61,972	74,059	9,791	83,851	-21,879	-	-460	-460	-22,339
May	51,849	931	52,780	66,107	11,749	77,856	-25,076	-	32,205	32,205	7,128
June	54,909	143	55,052	59,181	4,989	64,169	-9,117	334	-2,558	-2,223	-11,340
July	57,735	100	57,836	59,064	12,821	71,885	-14,049	44,424	-	44,424	30,375
Aug.	64,378	416	64,794	56,208	7,045	63,253	1,541	-	-	-	1,541
Sept.	54,921	76	54,997	59,303	5,316	64,619	-9,621	-	-	-	-9,621
Oct.	64,321	14	64,335	62,339	6,146	68,484	-4,149	-	-	-	-4,149
Nov.	59,838	-	59,838	54,246	7,278	61,524	-1,687	26,913	-	26,913	25,226
Dec.	118,079	387	118,466	75,893	6,366	82,259	36,207	-99	-3,359	-3,458	32,749
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

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

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

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

⁴ Excludes loan capital repayments and contributions to sinking funds.

⁵ From 1992, excludes capital expenditure incurred by the public authorities/ corporations.

⁶ A loan to the Malta Drydocks Corporation amounting to Lm24.6 million is included under capital expenditure.

⁷ Includes revenues from sale of MGS, receipts from sale of shares and from the sinking funds of converted loans less contributions to sinking funds and repayment of domestic loans.

⁸ 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 SOURCES¹

Lm thousands

Period	Tax revenue						Non-tax revenue ⁵	Ordinary revenue ⁶	Foreign grants	Total revenue
	Income tax	National insurance contributions ²	VAT & CET ³	Licences, taxes & fines ⁴	Customs & excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	106,119	325,917	7,677	333,594
1991	61,637	72,041	-	27,017	75,951	236,647	113,002	349,649	16,374	366,023
1992	71,353	80,469	-	29,448	82,310	263,580	77,833	341,413	16,392	357,805
1993	85,113	97,004	-	30,447	83,541	296,105	91,426	387,531	8,429	395,960
1994	87,852	101,663	-	46,127	72,059	307,701	95,709	403,410	12,852	416,262
1995	99,758	115,480	78,108	54,556	32,595	380,497	87,751	468,248	4,517	472,765
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,753	447,467	20,804	468,271
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,490	504,297	9,811	514,108
1998	110,561	135,656	72,628	60,678	52,698	432,221	71,462	503,683	10,043	513,726
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
2003										
Jan.	5,015	7,714	9,856	5,553	4,229	32,366	11,897	44,263	282	44,545
Feb.	10,277	12,510	8,372	8,091	4,668	43,919	11,366	55,284	5	55,289
Mar.	7,065	12,633	9,333	4,975	4,748	38,754	10,463	49,216	102	49,318
Apr.	21,029	15,508	10,654	6,886	4,816	58,893	3,018	61,911	60	61,972
May	11,954	15,360	9,522	7,318	4,997	49,151	2,698	51,849	931	52,780
June	16,944	15,686	8,159	5,926	5,297	52,012	2,897	54,909	143	55,052
July	12,069	15,173	12,051	8,577	5,257	53,128	4,607	57,735	100	57,836
Aug.	24,387	16,055	9,421	7,306	5,395	62,563	1,815	64,378	416	64,794
Sept.	16,261	15,329	8,695	6,993	5,535	52,811	2,110	54,921	76	54,997
Oct.	16,503	15,768	13,246	9,482	5,808	60,806	3,515	64,321	14	64,335
Nov.	17,141	14,266	11,180	7,768	5,411	55,766	4,072	59,838	-	59,838
Dec.	46,574	32,426	13,420	10,286	5,416	108,121	9,958	118,079	387	118,466
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

¹ Excluding Extra Budgetary Units.

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

³ Value Added Tax, Customs & Excise Tax.

⁴ Includes revenues from death and donation duties up to December 1994.

⁵ Includes mainly Central Bank of Malta profits.

⁶ From 1992, excludes the contribution by the public corporations/ authorities towards their own capital programme.

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

**TABLE 2.3 CENTRAL GOVERNMENT CAPITAL EXPENDITURE
BY TYPE OF INVESTMENT^{1,2}**

Lm thousands

Period	Productive	Infrastructure	Social	Total
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997 ³	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
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
2003				
Jan.	1,703	2,774	7,805	12,282
Feb.	2,899	3,426	3,300	9,625
Mar.	3,810	2,543	4,208	10,561
Apr.	2,167	1,989	5,635	9,791
May	3,018	3,801	4,931	11,749
June	2,174	2,375	440	4,989
July	4,778	3,034	5,009	12,821
Aug.	1,913	1,486	3,646	7,045
Sept.	976	2,185	2,155	5,316
Oct.	1,029	3,708	1,409	6,146
Nov.	2,918	3,090	1,270	7,278
Dec.	987	3,685	1,695	6,366
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

¹ Excluding Extra Budgetary Units.

² As from 1992, excludes capital expenditure incurred by public corporations/authorities.

³ Includes a loan to Malta Drydocks amounting to Lm24.6 million.

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

**TABLE 3.1a GROSS CENTRAL GOVERNMENT¹ 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			
1995	71,406	285,952	357,358	53,433	410,791	414,488
1996	108,935	356,119	465,054	51,789	516,843	489,663
1997	89,980	523,369	613,349	50,449	663,798	490,973
1998	83,713	633,369	717,082	46,513	763,595	463,867
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						
Mar.	248,740	839,963	1,088,703	45,103	1,133,806	344,159
June	272,060	839,963	1,112,023	75,101	1,187,124	325,480
Sept.	251,007	883,029	1,134,036	75,051	1,209,087	324,085
Dec.	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	95,999	1,356,050	303,534

¹ Extra Budgetary Units are not included. Not consolidated with the Malta Government Sinking Fund.

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: Malta Stock Exchange; Ministry of Finance; The Treasury.

TABLE 3.1b GROSS GENERAL GOVERNMENT DEBT OUTSTANDING¹

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 budgetary units ⁴	Central government debt		
1997	54,767	523,369	50,501	34,564	663,202	146	663,348
1998	55,534	633,319	46,512	39,978	775,343	102	775,445
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 ⁵	232,286	906,831	114,527	49,775	1,303,419	696	1,304,115
2004 ⁶	245,355	1,011,391	95,253	48,568	1,400,567	732	1,401,299

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

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

³ Includes domestic and foreign loans.

⁴ Extra Budgetary Units are publicly owned entities whose revenues, over a period of time cover less than half their production costs.

⁵ Half finalized.

⁶ Estimate.

Sources: Excessive Deficit Procedure Notifications; Eurostat.

TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING¹*Lm thousands*

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding ⁴ and held by		
		Banking system ²	Non-bank public ³	Total	Banking system ²	Non-bank public ³	Total
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
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	595,730	502,298	106,501	608,799	200,373	44,982	245,355
2003							
Jan.	82,000	84,723	12,277	97,000	184,390	49,441	233,831
Feb.	43,240	32,736	12,004	44,740	203,743	31,588	235,331
Mar.	69,591	72,579	10,421	83,000	219,859	28,881	248,740
Apr.	82,000	89,635	7,365	97,000	236,886	26,854	263,740
May	73,740	59,987	16,073	76,060	226,041	34,019	260,060
June	71,000	73,213	9,787	83,000	240,022	32,038	272,060
July	52,000	39,095	2,937	42,032	241,040	21,052	262,092
Aug.	76,060	41,280	15,695	56,975	214,733	28,274	243,007
Sept.	61,000	44,964	24,036	69,000	219,180	31,827	251,007
Oct.	34,007	31,994	5,006	37,000	218,979	35,021	254,000
Nov.	21,000	21,276	910	22,186	227,287	27,899	255,186
Dec.	47,000	16,198	7,902	24,100	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

¹ Amounts are at nominal prices.² Includes Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995).³ Includes the Malta Government Sinking Fund.⁴ On 10 January 1995, the House of Representatives approved a motion empowering the Government to increase the issue of permissible outstanding Treasury bills from Lm30 million to Lm100 million. On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million and, subsequently, to Lm300 million on 27 November 2002.

Source: Central Bank of Malta.

TABLE 3.3 MALTA GOVERNMENT STOCKS(Outstanding as at end-December 2004)¹*Lm thousands*

Stock	Year of maturity	Year of issue	Issue price Lm	Interest dates	Held by		Amount
					Banking system	Others ²	
7.25 % MGS	2005	1997	100	24 May - 24 Nov.	18,292	5,208	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	29,012	2,488	31,500
7.00 % MGS	2006	1994	100	19 May - 19 Nov.	1,699	8,301	10,000
7.00 % MGS	2006 (IV) ³	1996	100	30 June - 30 Dec.	-	167	167
7.25 % MGS	2006 (II)	1996	100	1 Feb. - 01 Aug.	6,367	12,883	19,250
7.25 % MGS	2006 (III) ⁴	1996	100	20 Jan. - 20 July	7,747	7,253	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,507	8,243	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,998	1,002	10,000
5.60 % MGS	2007 (III)	2000	100	10 June - 10 Dec.	22,732	12,518	35,250
7.20 % MGS	2008	1998	100	10 June - 10 Dec.	8,814	1,186	10,000
7.20 % MGS	2008 (II)	1998	100	28 Feb. - 28 Aug.	20,406	9,594	30,000
7.00 % MGS	2009	1999	100	30 June - 30 Dec.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,142	10,858	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	40,686	4,614	45,300
5.90 % MGS	2009 (III) FI	2004	107.8	30 Mar. - 30 Sept.	15,200	3,800	19,000
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,660	1,340	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,542	1,958	18,500
7.00 % MGS	2010 (III) ³	2000	100	30 June - 30 Dec.	-	545	545
5.40 % MGS	2010 (IV)	2003	100	21 Feb. - 21 Aug.	3,175	31,825	35,000
5.40 % MGS	2010 (V) FI	2004	100/104.5	22 Feb. - 22 Aug.	6,650	6,350	13,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,447	7,553	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	18,367	21,634	40,000
7.00 % MGS	2011 (III) ³	2002	100	30 June - 30 Dec.	-	125	125
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	14,483	20,017	34,500
7.00 % MGS	2012 (II) ³	2002	100	10 June - 30 Dec.	-	176	176
5.70 % MGS	2012 (III)	2002	100	30 Mar. - 30 Sept.	2,009	18,991	21,000
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	11,951	22,299	34,250
6.35 % MGS	2013 (II)	2001	100	19 May. - 19 Nov.	511	25,489	26,000
7.00 % MGS	2013 (III)	2003	100	30 June - 30 Dec.	-	67	67
6.60 % MGS	2014	2000	100	30 Mar. - 30 Sept.	907	9,593	10,500
5.10 % MGS	2014 (III)	2003	100	6 Jan. - 6 July	159	29,841	30,000
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,930	22,070	30,000
7.00 % MGS	2014 (IV) ³	2004	100	30 June - 30 Dec.	-	1,719	1,719
5.10 % MGS	2014 (IV) FI	2004	100/103.25	6 Jan. - 6 July	12,598	4,402	17,000
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	10,206	19,794	30,000
5.90 % MGS	2015 (II) FI	2002/2003	100/102	9 Apr. - 9 Oct.	1,098	39,102	40,200
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	3,611	26,389	30,000
4.80 % MGS	2016 (II)FI	2003/2004	100/101	26 May - 26 Nov.	15,692	39,308	55,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	17,957	52,043	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	13,724	30,276	44,000
5.00 % MGS	2021	2004	100	8 Feb. - 8 Aug.	7,408	32,592	40,000
5.10 % MGS	2022	2004	100	16 Feb. - 16 Aug.	85	10,415	10,500
5.10 % MGS	2022	2004	100	16 Feb. - 16 Aug.	894	19,106	20,000
5.50 % MGS	2023	2003	100	6 Jan. - 6 July	459	33,375	33,833
Total					398,124	616,573	1,014,697

¹ Amounts are at nominal prices.² Include non-resident banks.³ 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.⁴ Interest is payable on 20 January and 20 July except for the last coupon payment which is payable on the redemption date.

Source: MSE.

**TABLE 3.4 MALTA GOVERNMENT STOCKS
BY REMAINING TERM TO MATURITY¹**

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
1990	3,500	93,285	10,000	-	-	106,785
1991	5,500	106,285	25,400	-	-	137,185
1992	1,000	125,285	41,400	-	-	167,685
1993	49,885	84,367	90,300	-	-	224,552
1994	37,900	95,352	110,000	10,000	-	253,252
1995	7,000	158,651	120,300	-	-	285,951
1996	15,800	213,302	112,017	15,000	-	356,119
1997	48,452	279,800	111,367	83,750	-	523,369
1998	46,750	255,650	177,219	83,750	70,000	633,369
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

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

**TABLE 3.5 GOVERNMENT EXTERNAL LOANS
BY TYPE OF CREDITOR**

Lm thousands

End of period	Official bilateral entities ¹	Official multilateral organisations ²	Private commercial banks ³	Total
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
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
2004⁴				
Mar.	13,447	58,357	-	71,804
June	12,550	57,912	-	70,462
Sept.	12,387	58,167	-	70,554
Dec.	11,206	57,365	-	68,571

¹ Bilateral loans are loans from governments and their agencies (including central banks), and loans from autonomous bodies.

² Multilateral organisations include the World Bank, regional development banks, and other multilateral and inter-governmental agencies.

³ Commercial bank loans from private banks or financial institutions.

⁴ 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 (from end-1999); Financial Report, The Treasury.

**TABLE 3.6 GOVERNMENT EXTERNAL LOANS
BY CURRENCY**

Lm thousands

End of period	FFR	GBP	DM	JPY	EUR	USD	LIT	Others	Total
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
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
2004¹									
Mar.	-	301	-	945	62,877	7,547	-	134	71,804
June	-	246	-	780	62,106	7,199	-	131	70,462
Sept.	-	242	-	758	62,408	7,013	-	133	70,554
Dec.	-	185	-	611	62,369	5,277	-	129	68,571

¹ 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 (as from end-1999); Financial Report, The Treasury.

**TABLE 3.7 GOVERNMENT EXTERNAL LOANS
BY REMAINING TERM TO MATURITY¹**

Lm thousands

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	-	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
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
2004²							
Mar.	2,034	14,045	9,504	45,055	133	1,033	71,804
June	1,579	13,661	9,040	45,018	131	1,033	70,462
Sept.	1,569	13,534	9,022	45,276	133	1,020	70,554
Dec.	647	12,396	8,658	45,708	129	1,033	68,571

¹ With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the current end-year.

² 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 (as from end-1999); Financial Report, The Treasury.

**TABLE 4.1 MALTESE LIRA EXCHANGE RATES
AGAINST MAJOR CURRENCIES¹**

end of period closing rates

End of period	GBP	DM	USD	EUR ²	LIT	FFR	NLG	BFR	JPY	SFR
1990	1.7335	5.0006	3.3249	0.4107	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	0.4090	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	0.4518	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	0.4410	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	0.4528	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	0.4633	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	0.4510	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	0.4329	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	0.4417	4382.63	14.870	4.990	91.360	300.71	3.645
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
2004										
July 2	1.5716	-	2.8757	0.4265	-	-	-	-	311.27	3.559
9	1.5678	-	2.9036	0.4267	-	-	-	-	314.56	3.558
16	1.5587	-	2.9100	0.4261	-	-	-	-	317.04	3.585
23	1.5587	-	2.8599	0.4253	-	-	-	-	314.77	3.596
30	1.5614	-	2.8474	0.4253	-	-	-	-	316.62	3.623
Aug. 6	1.5571	-	2.8374	0.4248	-	-	-	-	316.65	3.622
13	1.5728	-	2.8616	0.4263	-	-	-	-	319.81	3.601
20	1.5796	-	2.8842	0.4272	-	-	-	-	315.63	3.599
27	1.5759	-	2.8389	0.4262	-	-	-	-	310.87	3.615
Sept. 3	1.5913	-	2.8476	0.4275	-	-	-	-	310.84	3.588
10	1.5971	-	2.8706	0.4283	-	-	-	-	314.66	3.597
17	1.5901	-	2.8545	0.4275	-	-	-	-	314.04	3.619
24	1.5964	-	2.8795	0.4284	-	-	-	-	318.41	3.612
Oct. 1	1.6098	-	2.8884	0.4295	-	-	-	-	318.39	3.607
8	1.6089	-	2.8863	0.4294	-	-	-	-	317.52	3.615
15	1.6086	-	2.8981	0.4295	-	-	-	-	316.04	3.586
22	1.6075	-	2.9317	0.4300	-	-	-	-	315.63	3.577
29	1.6163	-	2.9597	0.4311	-	-	-	-	313.66	3.549
Nov. 5	1.617	-	2.9739	0.4313	-	-	-	-	315.98	3.551
12	1.6214	-	2.9879	0.4319	-	-	-	-	317.24	3.523
19	1.623	-	3.0166	0.4324	-	-	-	-	311.29	3.499
26	1.6167	-	3.0571	0.4326	-	-	-	-	314.74	3.503
Dec. 3	1.5975	-	3.0884	0.4317	-	-	-	-	317.45	3.535
10	1.6022	-	3.0580	0.4316	-	-	-	-	323.47	3.556
17	1.5903	-	3.0749	0.4310	-	-	-	-	321.45	3.566
24	1.6201	-	3.1212	0.4337	-	-	-	-	323.31	3.565
31	1.6252	-	3.1393	0.4343	-	-	-	-	321.71	3.554

¹ Closing Central Bank of Malta middle rates.

² The euro replaced the ECU as from 1 January 1999. Quotation of the Maltese Lira against the euro.

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES
AGAINST MAJOR CURRENCIES¹**

averages for the period

Period	GBP	DM	USD	EUR ²	LIT	FFR	NLG	BFR	JPY	SFR
1990	1.7701	5.0852	3.1527	0.4043	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	0.4003	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	0.4117	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	0.4475	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	0.4485	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	0.4615	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	0.4576	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	0.4363	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	0.4356	4469.45	15.180	5.104	93.404	336.67	3.730
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
2003										
Jan.	1.5667	-	2.5330	0.4196	-	-	-	-	300.80	3.485
Feb.	1.5881	-	2.5548	0.4216	-	-	-	-	304.89	3.480
Mar.	1.6121	-	2.5554	0.4234	-	-	-	-	302.91	3.469
Apr.	1.6247	-	2.5580	0.4243	-	-	-	-	306.75	3.527
May	1.6603	-	2.6956	0.4295	-	-	-	-	316.15	3.528
June	1.6400	-	2.7228	0.4286	-	-	-	-	322.26	3.593
July	1.6387	-	2.6613	0.4274	-	-	-	-	315.87	3.621
Aug.	1.6392	-	2.6124	0.4264	-	-	-	-	310.37	3.612
Sept.	1.6341	-	2.6344	0.4265	-	-	-	-	302.66	3.629
Oct.	1.6298	-	2.7328	0.4281	-	-	-	-	299.35	3.617
Nov.	1.6203	-	2.7373	0.4275	-	-	-	-	298.95	3.647
Dec.	1.6306	-	2.8539	0.4303	-	-	-	-	307.65	3.613
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

¹ Calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates.

² The euro replaced the ECU as from 1 January 1999. Quotation of the Maltese Lira against the euro.

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		
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,376	490,902	747,770	-256,868
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,657	-362,717
1996	569,901	54,250	624,151	1,007,796	-383,645
1997	563,950	64,980	628,930	984,231	-355,300
1998	664,816	47,169	711,985	1,034,921	-322,936
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 ²	816,389	112,102	928,491	1,279,832	-351,341
2004	-	-	909,320	1,316,927	-407,607
2003²					
Jan.	61,218	11,490	72,708	93,989	-21,281
Feb.	58,938	9,792	68,730	103,820	-35,090
Mar.	72,677	6,901	79,578	107,714	-28,136
Apr.	65,698	11,615	77,313	116,978	-39,665
May	63,641	11,502	75,143	107,847	-32,704
June	69,870	11,212	81,082	108,472	-27,390
July	69,110	9,253	78,363	117,050	-38,687
Aug.	64,494	6,275	70,769	95,207	-24,438
Sept.	74,406	6,516	80,922	107,262	-26,340
Oct.	67,787	9,294	77,081	112,342	-35,261
Nov.	71,086	8,068	79,154	101,905	-22,751
Dec.	77,464	10,184	87,648	107,246	-19,598
2004²					
Jan.	64,343	6,417	70,760	91,427	-20,667
Feb.	66,338	9,459	75,797	94,503	-18,706
Mar.	76,207	12,992	89,199	126,954	-37,755
Apr.	63,037	13,423	76,460	125,966	-49,506
May	-	-	74,190	103,571	-29,381
June	-	-	74,021	99,368	-25,347
July	-	-	69,000	115,387	-46,387
Aug.	-	-	75,971	101,187	-25,216
Sept.	-	-	82,452	95,867	-13,415
Oct.	-	-	77,469	114,534	-37,065
Nov.	-	-	79,513	123,410	-43,897
Dec.	-	-	64,489	124,753	-60,264

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
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,889
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,422
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,940
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,930
1998	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
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 ¹	109,020	31,494	95,235	120,195	55,250	22,115	134,202	360,980	928,491
2004 ¹	109,731	28,194	97,463	140,600	65,594	33,113	141,765	293,221	909,320
2003¹									
Jan.	9,522	2,748	7,384	10,561	4,581	1,855	8,717	27,340	72,708
Feb.	8,657	2,875	8,147	8,630	5,020	1,591	8,068	25,742	68,730
Mar.	10,119	2,937	8,738	11,764	5,016	1,373	9,610	30,022	79,579
Apr.	8,570	2,594	7,048	10,359	5,758	3,935	10,595	28,454	77,313
May	8,336	2,704	9,013	9,078	5,853	2,082	9,223	28,854	75,143
June	8,835	4,420	8,202	10,254	5,546	1,294	9,801	32,729	81,081
July	8,874	2,249	8,296	9,047	5,608	1,439	10,574	32,276	78,363
Aug.	6,996	1,774	5,911	8,604	3,081	1,895	12,307	30,201	70,769
Sept.	10,838	2,243	8,115	11,060	3,525	1,180	13,219	30,741	80,921
Oct.	8,814	2,396	7,211	11,513	3,801	2,283	13,357	27,706	77,081
Nov.	10,305	2,111	8,170	9,770	3,422	1,470	13,767	30,139	79,154
Dec.	9,154	2,443	9,000	9,555	4,039	1,718	14,964	36,776	87,649
2004¹									
Jan.	9,226	2,534	7,325	9,556	5,095	1,694	12,906	22,424	70,760
Feb.	9,217	1,828	7,891	11,004	5,605	1,955	12,484	25,813	75,797
Mar.	8,569	3,091	9,082	13,243	6,246	2,954	11,961	34,053	89,199
Apr.	9,883	3,137	10,128	11,090	4,900	1,804	10,809	24,709	76,460
May	7,172	1,903	7,333	12,869	5,160	2,204	11,412	26,137	74,190
June	7,843	1,938	7,509	11,178	6,103	2,323	10,884	26,243	74,021
July	10,235	2,198	8,928	11,596	5,627	1,371	9,986	19,059	69,000
Aug.	6,613	2,053	6,536	10,496	4,547	4,731	15,390	25,605	75,971
Sept.	15,611	3,001	8,215	13,163	5,491	3,919	12,910	20,142	82,452
Oct.	7,761	2,249	9,246	12,468	6,051	4,576	11,320	23,798	77,469
Nov.	9,076	2,083	9,422	13,099	5,824	3,211	12,292	24,506	79,513
Dec.	8,165	2,179	5,848	10,838	4,945	2,371	9,411	20,732	64,489

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
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
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 ¹	118,638	294,408	29,696	218,912	100,988	104,719	102,364	310,106	1,279,831
2004 ¹	154,827	275,634	40,622	210,867	111,966	123,105	76,842	323,064	1,316,927
2003¹									
Jan.	9,119	20,842	2,244	17,705	5,339	6,427	10,603	21,710	93,989
Feb.	8,751	23,937	2,533	17,432	8,848	8,906	8,498	24,915	103,820
Mar.	9,944	25,557	2,531	17,691	11,043	7,929	7,215	25,804	107,714
Apr.	9,346	27,288	2,414	19,564	10,166	9,439	10,087	28,674	116,978
May	10,574	24,643	2,134	18,241	8,238	9,064	9,306	25,647	107,847
June	10,259	24,799	2,208	15,788	8,440	10,642	10,234	26,101	108,471
July	10,373	31,082	3,012	19,470	8,882	8,714	8,412	27,105	117,050
Aug.	10,011	17,715	2,720	16,373	6,870	7,971	6,397	27,150	95,207
Sept.	11,324	22,222	2,441	17,314	7,861	8,245	8,826	29,029	107,262
Oct.	10,700	25,609	2,978	19,763	9,077	9,119	7,587	27,509	112,342
Nov.	8,970	27,222	2,338	18,149	8,625	9,163	5,496	21,942	101,905
Dec.	9,267	23,492	2,143	21,422	7,599	9,100	9,703	24,520	107,246
2004¹									
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

¹ Provisional.

Source: NSO.

TABLE 4.6a DOMESTIC EXPORTS BY COMMODITY SECTIONS¹*Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,720
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,950
1998	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
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 ¹	33,140	1,959	2,457	218	4	14,846	44,733	549,219	169,664	133	816,389

¹ This table was discontinued as from December 2003.**TABLE 4.6b TOTAL EXPORTS BY COMMODITY SECTIONS²***Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
2004	25,376	14,166	3,232	39875	11	23,886	50,569	580,996	170,814	391	909,320
2004¹											
Jan.	1,184	1,082	355	2570	-	1,843	3,937	44,380	15,364	44	70,760
Feb.	1,047	1,012	138	4615	-	3,835	3,601	47,492	13,962	95	75,797
Mar.	2,637	1,473	275	6736	-	2,267	5,193	54,935	15,649	34	89,199
Apr.	1,886	730	160	4082	-	2,532	3,670	48,547	14,851	-	76,460
May	2,738	961	156	3829	-	2,371	4,158	49,629	10,328	20	74,190
June	3,458	501	303	3333	-	1,443	3,627	47,762	13,547	47	74,021
July	1,494	1597	88	1723	-	1,574	3,780	44,709	14,001	35	69,000
Aug.	2,273	1915	268	4745	-	1,165	3,575	49,987	12,029	14	75,971
Sept.	2,070	1,696	179	812	-	1,236	5,208	54,353	16,887	9	82,451
Oct.	2,215	880	513	5285	-	2,382	5,264	-	14,675	14	77,469
Nov.	1,694	1,645	198	1778	-	1,604	4,765	50,160	17,668	-	79,513
Dec.	2,680	674	599	367	11	1,634	3,791	42,802	11,853	79	64,489

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-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,510
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
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 ¹	116,764	24,788	12,101	102,070	2,548	103,155	145,434	619,221	142,993	10,756	1,279,831
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
Jan.	8,006	1,854	728	8,803	197	7,477	10,732	47,404	7,849	939	93,989
Feb.	9,063	2,312	1,162	9,923	262	7,729	12,319	48,734	10,755	1,561	103,820
Mar.	8,534	1,678	1,139	8,237	172	7,664	12,261	55,743	11,333	953	107,714
Apr.	11,273	1,912	1,122	7,602	241	8,923	13,330	58,773	13,033	769	116,978
May	8,957	2,313	1,164	8,277	173	8,562	12,600	49,711	15,248	842	107,847
June	7,936	1,820	1,075	7,527	140	8,426	12,969	55,406	12,561	612	108,471
July	9,613	3,360	926	13,723	237	10,842	13,720	52,275	11,662	692	117,050
Aug.	10,677	1,926	835	10,038	181	7,953	10,038	43,385	9,169	1,004	95,207
Sept.	11,673	2,019	827	7,758	339	8,987	11,468	51,296	12,006	888	107,262
Oct.	10,683	1,759	997	7,415	246	9,532	12,860	52,603	15,495	752	112,342
Nov.	10,028	1,837	943	7,008	186	8,578	12,264	47,770	12,429	862	101,905
Dec.	10,321	1,998	1,183	5,759	174	8,482	10,873	56,121	11,453	882	107,246
2004¹											
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

¹ Provisional.

Source: NSO.

**TABLE 5.1 a GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS
IN LINE WITH ESA 1995¹**

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	1,072,803	323,112	374,379	65,124	1,835,418	1,572,823	1,740,099	-167,276	1,668,142	1,615,047
2001	1,092,212	354,306	322,329	-6,762	1,762,085	1,419,830	1,487,633	-67,803	1,694,282	1,705,390
2002	1,099,696	372,936	266,522	-16,571	1,722,583	1,492,598	1,473,608	18,990	1,741,573	1,744,127
2003	1,129,874	392,942	361,889	9,883	1,894,588	1,419,565	1,517,883	-98,318	1,796,270	1,811,688
2004	1,179,183	408,041	385,430	24,175	1,996,829	1,406,309	1,548,875	-142,566	1,854,263	1,831,163
2003										
Mar.	264,681	103,541	89,047	9,984	467,253	310,951	363,861	-52,910	414,343	428,812
June	275,651	101,171	97,581	3,315	477,718	362,128	387,962	-25,834	451,884	452,475
Sept.	295,320	93,088	86,383	-2,330	472,461	384,932	386,386	-1,454	471,007	486,683
Dec.	294,222	95,142	88,878	-1,085	477,157	361,554	379,674	-18,120	459,037	443,719
2004										
Mar.	266,736	103,888	88,990	-5,310	454,304	327,131	341,267	-14,136	440,168	437,635
June	287,165	102,447	100,452	-1,083	488,981	358,076	394,037	-35,961	453,020	472,076
Sept.	316,292	98,444	100,252	-23,658	491,330	377,651	384,537	-6,886	484,444	446,872
Dec.	308,990	103,262	95,736	54,226	562,214	343,451	429,034	-85,583	476,631	474,580

¹ Provisional.

² Including Non-Profit Institutions Serving Households (NPISH).

³ Including acquisitions less disposals of valuables.

Source: NSO.

**TABLE 5.1b GROSS DOMESTIC PRODUCT AND EXPENDITURE COMPONENTS
IN LINE WITH ESA 1995¹**

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	1,072,803	323,112	374,379	65,124	1,835,418	1,572,823	1,740,099	-167,276	1,668,142
2001	1,074,572	324,089	311,166	-6,259	1,703,568	1,526,344	1,590,392	-64,048	1,639,520
2002	1,065,063	336,367	249,348	-15,708	1,635,070	1,593,220	1,552,636	40,584	1,675,654
2003	1,086,197	346,460	335,082	9,034	1,776,773	1,531,999	1,663,020	-131,021	1,645,752
2004	1,096,805	348,671	352,968	21,899	1,820,343	1,570,765	1,720,922	-150,157	1,670,186
2003									
Mar.	257,623	92,274	82,493	9,121	441,511	343,448	399,507	-56,059	385,452
June	265,205	89,183	90,171	3,068	447,627	388,407	428,163	-39,756	407,871
Sept.	282,557	81,544	80,078	-2,159	442,020	407,844	422,065	-14,221	427,799
Dec.	280,812	83,459	82,339	-996	445,614	392,300	413,285	-20,985	424,629
2004									
Mar.	254,063	88,473	81,603	-4,810	419,329	361,944	387,055	-25,111	394,218
June	265,653	87,794	91,907	-981	444,373	394,334	432,742	-38,408	405,965
Sept.	292,261	83,960	91,760	-21,431	446,550	416,417	427,178	-10,761	435,789
Dec.	284,827	88,443	87,697	49,122	510,089	398,071	473,946	-75,875	434,214

¹ Provisional.

² Including Non-Profit Institutions Serving Households (NPISH).

³ Including acquisitions less disposals of valuables.

Source: NSO.

TABLE 5.2 TOURIST DEPARTURES BY NATIONALITY¹

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	466,005	69,885	79,770	147,765	35,986	11,389	286,027	1,096,827
2003 ³	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	1,127,408
2003³								
Jan.	23,375	5,021	2,027	4,264	1,098	1,100	12,593	49,478
Feb.	25,041	2,605	2,745	5,677	1,119	503	11,330	49,020
Mar.	30,467	4,330	4,158	12,474	2,356	1,223	16,670	71,678
Apr.	39,129	5,871	8,043	14,488	3,038	834	21,884	93,287
May.	40,103	5,683	11,908	11,000	5,468	1,467	26,951	102,580
June	45,031	6,958	7,621	11,436	3,769	1,245	28,034	104,094
July	50,549	11,949	8,991	8,858	6,324	1,716	37,656	126,043
Aug.	60,730	18,896	12,435	15,808	3,846	1,068	44,887	157,670
Sep.	55,717	6,480	7,168	11,821	4,803	1,528	30,955	118,472
Oct.	50,487	4,616	7,592	14,288	4,370	1,338	27,114	109,805
Nov.	32,063	3,091	2,945	9,351	3,277	1,215	13,839	65,781
Dec.	19,207	2,861	1,394	5,304	1,893	658	9,862	41,179
2004³								
Jan.	20,183	6,880	1,613	5,966	1,346	885	11,947	48,820
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

¹ Based on the NSO's inbound tourism survey.

² Comprising Denmark, Norway and Sweden.

³ Provisional.

Source: NSO.

**TABLE 5.3 LABOUR MARKET INDICATORS
BASED ON ADMINISTRATIVE RECORDS**

Period ¹	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	% ²	Amount	% ³	Amount	% ⁴
1995	102,628	36,423	139,050	98,215	35,637	133,852	4,412	4.3	785	2.2	5,198	3.7
1996	104,096	37,571	141,666	99,374	36,590	135,963	4,722	4.5	981	2.6	5,703	4.0
1997	104,467	38,588	143,055	98,697	37,479	136,176	5,770	5.5	1,109	2.9	6,878	4.8
1998	104,134	38,936	143,070	97,949	37,897	135,847	6,185	5.9	1,040	2.7	7,224	5.1
1999	104,649	40,011	144,660	97,966	38,818	136,783	6,684	6.4	1,193	3.0	7,877	5.4
2000	103,763	40,123	143,886	97,272	38,960	136,232	6,492	6.3	1,163	2.9	7,654	5.3
2001	104,439	40,801	145,240	98,490	39,661	138,151	5,949	5.7	1,140	2.8	7,089	4.9
2002	104,015	41,112	145,127	97,814	39,732	137,546	6,202	6.0	1,379	3.4	7,581	5.2
2003	103,851	41,740	145,592	97,602	40,173	137,775	6,250	6.0	1,567	3.8	7,817	5.4
2003												
Jan.	104,245	41,409	145,654	97,853	39,922	137,775	6,392	6.1	1,487	3.6	7,879	5.4
Feb.	104,169	41,496	145,665	97,932	40,026	137,958	6,237	6.0	1,470	3.5	7,707	5.3
Mar.	104,081	41,419	145,500	97,930	40,006	137,936	6,151	5.9	1,413	3.4	7,564	5.2
Apr.	104,080	41,463	145,543	98,020	40,043	138,063	6,060	5.8	1,420	3.4	7,480	5.1
May	103,758	41,511	145,269	97,848	40,100	137,948	5,910	5.7	1,411	3.4	7,321	5.0
June	103,813	41,783	145,596	97,933	40,425	138,358	5,880	5.7	1,358	3.3	7,238	5.0
July	104,308	42,399	146,707	98,133	40,660	138,793	6,175	5.9	1,739	4.1	7,914	5.4
Aug.	103,927	42,165	146,092	97,676	40,364	138,040	6,251	6.0	1,801	4.3	8,052	5.5
Sept.	103,877	41,806	145,683	97,612	40,129	137,741	6,265	6.0	1,677	4.0	7,942	5.5
Oct.	103,763	41,978	145,741	97,240	40,252	137,492	6,523	6.3	1,726	4.1	8,249	5.7
Nov.	103,342	41,897	145,239	96,798	40,164	136,962	6,544	6.3	1,733	4.1	8,277	5.7
Dec.	102,851	41,558	144,409	96,245	39,989	136,234	6,606	6.4	1,569	3.8	8,175	5.7
2004 ⁵												
Jan.	103,246	41,607	144,853	96,304	39,755	136,059	6,942	6.7	1,852	4.5	8,794	6.1
Feb.	103,315	41,716	145,031	96,344	39,857	136,201	6,971	6.7	1,859	4.5	8,830	6.1
Mar.	103,143	41,623	144,766	96,465	39,881	136,346	6,678	6.5	1,742	4.2	8,420	5.8
Apr.	103,266	41,723	144,989	96,591	40,059	136,650	6,675	6.5	1,664	4.0	8,339	5.8
May	103,298	41,814	145,112	96,756	40,252	137,008	6,542	6.3	1,562	3.7	8,104	5.6
June	103,485	42,005	145,490	97,051	40,497	137,548	6,434	6.2	1,508	3.6	7,942	5.5
July	103,816	42,394	146,210	97,285	40,794	138,079	6,531	6.3	1,600	3.8	8,131	5.6
Aug.	103,605	42,337	145,942	97,259	40,730	137,989	6,346	6.1	1,607	3.8	7,953	5.4
Sept.	103,554	42,294	145,848	97,049	40,659	137,708	6,505	6.3	1,635	3.9	8,140	5.6
Oct.	103,266	42,173	145,439	96,748	40,519	137,267	6,518	6.3	1,654	3.9	8,172	5.6
Nov.	103,258	42,269	145,527	96,770	40,632	137,402	6,488	6.3	1,637	3.9	8,125	5.6

¹ Annual figures reflect the average for the year.

² As a percentage of male labour supply.

³ As a percentage of female labour supply.

⁴ As a percentage of total labour supply.

⁵ Provisional.

Sources: ETC; NSO.

TABLE 5.4 LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY¹

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
2003												
Mar.	109,800	49,584	159,384	102,613	46,185	148,798	7,187	6.5	3,399	6.9	10,586	6.6
June	110,729	50,134	160,863	103,638	45,180	148,818	7,091	6.4	4,954	9.9	12,045	7.5
Sept.	110,038	49,730	159,768	101,706	44,896	146,602	8,332	7.6	4,834	9.7	13,166	8.2
Dec.	109,661	49,977	159,638	101,159	45,883	147,042	8,502	7.8	4,094	8.2	12,596	7.9
2004												
Mar.	111,734	48,449	160,183	104,061	44,594	148,655	7,673	6.9	3,855	8.0	11,528	7.2
June	110,596	46,977	157,573	102,943	43,101	146,044	7,653	6.9	3,876	8.3	11,529	7.3
Sept.	110,134	50,256	160,390	103,463	45,146	148,609	6,671	6.1	5,110	10.2	11,781	7.3
Dec.	109,098	50,040	159,138	102,801	45,301	148,102	6,297	5.8	4,739	9.5	11,036	6.9

¹ The Labour Force Survey is carried out on a quarterly basis using a random sample of private households. As from Q1 of 2004, this figure was compiled on an evenly spread survey throughout the 13 weeks of the quarter and not on one specific reference week representing the whole quarter.

² Annual figures reflect the average for the year.

³ As a percentage of male labour supply.

⁴ As a percentage of female labour supply.

⁵ As a percentage of total labour supply.

Source: NSO.

**TABLE 5.5 NUMBER OF APPROVED PERMIT APPLICATIONS FOR
COMMERCIAL, SOCIAL AND OTHER PURPOSES¹**

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			
1994	82	37	222	21	-	61	171	594	1,559	2,153
1995	133	65	281	15	-	116	224	834	1,932	2,766
1996	145	65	204	19	5	106	139	683	2,402	3,085
1997	116	37	197	16	14	79	132	591	2,465	3,056
1998	135	43	209	21	17	98	143	666	2,956	3,622
1999	122	104	183	22	29	72	124	656	2,402	3,058
2000	108	77	228	19	33	74	175	714	2,690	3,404
2001	124	46	235	26	34	51	162	678	2,540	3,218
2002	281	69	282	13	49	119	154	967	3,430	4,397
2003	242	26	181	15	24	91	134	713	2,685	3,398
2004	261	31	192	8	25	49	105	671	2,583	3,254

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

² Includes mineral working.

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

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

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

Source: Malta Environment & Planning Authority.

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

Period	Dwelling Permits ²			Dwelling Units ³				
	New Dwellings ⁴	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
1994	1,953	934	2,887	1,095	476	488	44	2,103
1995	2,413	1,082	3,495	1,910	1,064	1,094	161	4,229
1996	1,784	1,085	2,869	1,601	1,183	495	72	3,351
1997	1,805	1,149	2,954	1,656	1,060	570	125	3,411
1998	1,698	909	2,607	1,742	790	339	133	3,004
1999	1,257	689	1,946	1,452	473	271	77	2,273
2000	1,408	705	2,113	1,473	583	246	67	2,369
2001	1,299	483	1,782	2,657	774	203	546	4,180
2002	1,422	595	2,017	3,420	910	135	1,016	5,481
2003	1,321	517	1,838	4,548	1,085	414	81	6,128
2004	1,378	435	1,813	5,265	966	353	123	6,707

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 (eg. a block of apartments may consist of several units).

⁴ Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

TABLE 5.7 INFLATION RATES¹
(Base 1946 = 100)

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

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

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

TABLE 5.8 RETAIL PRICE INDEX

(Base December 2002 = 100)

Period	All items
1995	83.58
1996	85.66
1997	88.33
1998	90.43
1999	92.36
2000	94.55
2001	97.32
2002	99.45
2003	100.75
2004	103.56
2003	
Jan.	99.12
Feb.	99.60
Mar.	100.36
Apr.	100.40
May	100.73
June	100.88
July	100.54
Aug.	100.47
Sept.	100.82
Oct.	101.91
Nov.	101.75
Dec.	102.38
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

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

Sources: Central Bank of Malta; NSO.

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

(12-month moving average rates - Base 1996=100)¹

%

Period	00		01	02	03	04	05	06	07	08	09	10	11	12
	Index	12-month moving average												
1998	107.8	3.7	2.2	10.1	1.4	0.6	0.5	4.4	4.1	0.2	2.1	5.0	6.8	4.8
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	-0.2	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2003														
Jan.	117.6	2.3	1.5	6.9	-2.0	2.1	0.4	2.4	0.7	0.7	2.2	9.8	4.3	3.0
Feb.	118.1	2.2	1.4	6.3	-3.1	1.9	0.2	2.3	0.8	0.8	2.2	9.5	4.6	2.9
Mar.	119.0	2.2	1.4	5.6	-3.7	1.7	0.1	2.3	0.9	0.9	2.1	9.2	4.8	2.8
Apr.	122.2	2.1	1.3	5.0	-4.1	1.6	0.0	2.1	1.2	1.0	2.2	8.3	5.2	2.6
May	123.0	2.1	1.2	4.4	-4.5	1.5	-0.2	2.5	1.4	1.0	2.2	7.4	5.7	2.5
June	123.2	2.1	1.1	3.8	-4.9	1.6	-0.2	2.9	1.7	1.0	2.2	6.6	6.1	2.4
July	123.9	2.0	1.0	3.2	-5.6	1.8	-0.2	3.3	1.7	1.0	2.2	5.8	6.5	2.3
Aug.	124.1	2.0	1.0	2.7	-6.9	2.0	-0.1	3.8	1.8	0.8	2.2	5.0	7.1	2.3
Sept.	123.8	2.0	1.2	2.1	-7.9	2.0	-0.2	4.2	2.0	0.6	2.2	4.2	7.5	2.2
Oct.	124.5	2.0	1.4	1.5	-7.9	2.0	-0.2	4.6	1.9	0.3	2.1	3.7	7.9	2.2
Nov.	120.4	1.9	1.6	0.9	-7.4	1.9	-0.3	5.1	2.0	0.0	1.7	3.5	7.7	2.2
Dec.	121.6	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														
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	-3.0	2.5	1.4	7.4	2.8	2.2	-0.1	3.6	5.0	5.0
Aug.	127.2	2.6	1.6	10.2	-1.9	2.2	1.6	7.3	2.9	3.8	-0.3	3.8	4.1	5.1
Sep.	127.8	2.8	1.3	11.4	-1.4	2.3	1.9	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	-0.4	3.6	3.4	5.5
Nov.	122.7	2.8	0.2	13.7	-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	-0.2	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8

¹ Provisional data.

COICOP/HICP Code:

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

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 issues 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 headquartered 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 consolidated monetary statistics are posted on the Central Bank of Malta website by the end of the month following the reference month. Subsequently, detailed 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*.

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, however, 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 it 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 **credit institutions**, whose business it 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 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:

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 principally engaged in the production of non-market goods and services intended for particular sections of households.

Financial market indicators

The statutory interest rates used by the Central Bank of Malta and other indicative bench-mark 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 occurred 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 and Economic Affairs. 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.