

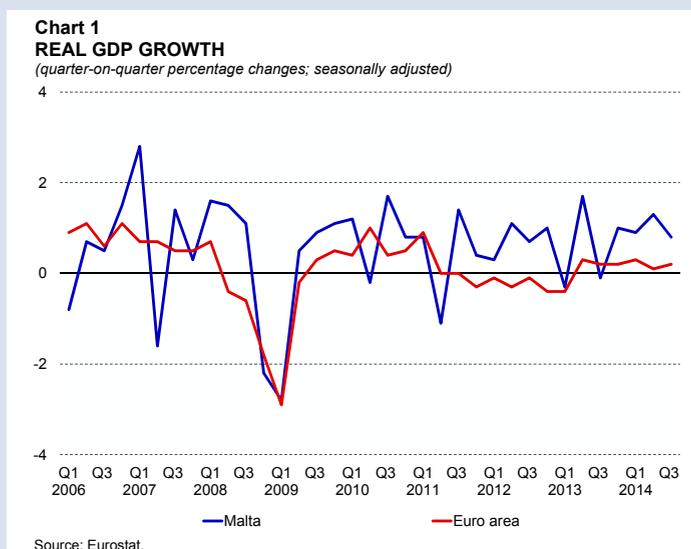
SUPPLEMENT TO THE QUARTERLY REVIEW 2014:3

Real gross domestic product in the third quarter of 2014

Economic growth accelerates

On 9 December 2014 the National Statistics Office (NSO) published provisional gross domestic product (GDP) figures for the third quarter of 2014.¹

During this period the Maltese economy expanded at a faster pace, in annual terms than it did in the second quarter of 2014. Thus, real GDP growth rose to 3.8% in the third quarter, from 3.4% in the previous quarter (see Table 1). Seasonally adjusted quarter-on-quarter growth, however, slowed down to 0.8% from 1.3% in the second quarter. Both net exports and domestic demand contributed to the annual expansion in GDP.



Malta's annual growth rate exceeded that of the euro area as a whole. The latter edged up to 0.8% in the third quarter from 0.6% in the second quarter. Quarter-on-quarter growth rate in the euro area increased from 0.1% to 0.2% over this period (see Chart 1).²

Exports and imports increase

During the third quarter of 2014 net exports contributed half a percentage point to real GDP growth (see Table 1).

With exports of services declining marginally, the annual expansion in exports of 0.7% was entirely due to goods. Imports also increased but at a more moderate pace of 0.3%. The increase in merchandise imports partly reflected the expansion of domestic demand.

Domestic demand continues to drive economic growth

In the quarter under review, domestic demand expanded by 3.9% and accounted for most of the growth in real GDP. All major components of domestic demand were higher compared with the third quarter of 2013, whereas changes in inventories had a slightly negative impact on growth.

Private consumption continued to rise, albeit at a slightly slower rate compared with the previous quarter. It was 3.2% higher on an annual basis, contributing 1.7 percentage points to GDP growth.

¹ See NSO News Release 232/2014. These statistics are not commented on in the main text of the *Quarterly Review* 2014:3, as they became available after the *Review's* cut-off date.

² The data for the euro area shown in Chart 1 are in line with the GDP estimate for the third quarter of 2014, published on 5 December 2014.

Table 1
GROSS DOMESTIC PRODUCT AT CONSTANT

	2013		2014		
	Q3	Q4	Q1	Q2	Q3
	<i>Annual percentage changes</i>				
Private final consumption expenditure	2.5	2.6	1.3	3.3	3.2
Government final consumption expenditure	0.4	-1.2	2.7	9.2	5.9
Gross fixed capital formation	0.5	6.0	14.5	4.7	4.6
Domestic demand	5.1	2.5	4.2	2.5	3.9
Exports of goods & services	2.5	-2.4	-0.4	1.6	0.7
Imports of goods & services	4.1	-2.4	0.2	0.9	0.3
Gross domestic product	2.1	2.1	3.7	3.4	3.8
	<i>Percentage point contributions</i>				
Private final consumption expenditure	1.3	1.4	0.7	1.8	1.7
Government final consumption expenditure	0.1	-0.2	0.6	1.9	1.0
Gross fixed capital formation	0.0	1.1	2.8	0.8	0.7
Changes in inventories ⁽¹⁾	2.7	0.1	0.2	-2.2	-0.1
Domestic demand	4.1	2.3	4.3	2.3	3.3
Exports of goods & services	4.0	-3.7	-0.8	2.5	1.0
Imports of goods & services	-6.1	3.5	0.2	-1.4	-0.5
Net exports	-2.0	-0.2	-0.6	1.0	0.5
Gross domestic product	2.1	2.1	3.7	3.4	3.8

⁽¹⁾ Includes acquisitions less disposal of valuables.

Sources: NSO, Central Bank of Malta calculations.

Gross fixed capital formation rose by 4.6% marginally less than in the previous quarter. It boosted real GDP growth by 0.7 of a percentage point. The increase in investment was largely attributed to higher spending on non-residential construction. Expenditure on machinery and transport equipment and information technology rose moderately. Conversely, investment in dwellings was lower.

Government consumption growth decelerated significantly, to 5.9% from 9.2% in the previous three month period. Higher expenditure on health and education services mainly accounted for the growth in the third quarter. In contrast, intermediate consumption was only marginally higher than its year-ago level.