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Address
Pjazza Kastilja
Valletta VLT 1060
Malta

Telephone
(+356) 2550 0000

Fax
(+356) 2550 2500

Website
www.centralbankmalta.org

E-mail
info@centralbankmalta.org

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CONTENTS

ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
ECB	European Central Bank
ecu	european currency unit
EONIA	Euro OverNight Index Average
ESA 95	European System of Accounts 1995
ESA 2010	European System of Accounts 2010
ESCB	European System of Central Banks
ETC	Employment and Training Corporation
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FTSE	Financial Times Stock Exchange
GDP	gross domestic product
HCI	harmonised competitiveness indicator
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
IC	Insurance Corporations
IF	Investment Funds
IMF	International Monetary Fund
LFS	Labour Force Survey
LTRO	longer-term refinancing operation
MFI	monetary financial institution
MFSA	Malta Financial Services Authority
MGS	Malta Government Stocks
MIGA	Multilateral Investment Guarantee Agency
MRO	main refinancing operation
MSE	Malta Stock Exchange
NACE	statistical classification of economic activities in the European Community
NCB	national central bank
NPISH	Non-Profit Institutions Serving Households
NSO	National Statistics Office
OECD	Organisation for Economic Co-operation and Development
OMFI	other monetary financial institution
OMT	Outright Monetary Transaction
RPI	Retail Price Index
SPE	Special Purpose Entities
ULC	unit labour cost

FOREWORD

The Governing Council of the European Central Bank (ECB) maintained an accommodative monetary policy stance during the first five months of 2015, as euro area inflation was expected to remain considerably less than the target below, but close to, 2.0% for a prolonged period.

The interest rate on the main refinancing operations was held at a historical low of 0.05%, the rate on the marginal lending facility remained at 0.30%, while the deposit facility rate was kept unchanged at -0.20%. Meanwhile, in January the ECB also announced an expansion of its asset purchase programme to include purchases of sovereign bonds in the secondary market. The extended programme envisages combined asset purchases of €60.0 billion a month, which are intended to be carried out at least until September 2016. In February the ECB also conducted the third in a series of targeted longer-term refinancing operations that had been announced in June 2014.

During the first quarter of 2015, gross domestic product (GDP) in the euro area rose by 0.4% on the previous quarter. Domestic demand drove growth, whereas the contribution from net exports turned negative.

Inflationary pressures remained muted. In March the annual rate of inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), rose to -0.1%, from -0.2% in December. By April consumer prices were no longer declining on a year earlier, with the annual rate of change at nil. The recovery in euro area inflation between December and April was largely driven by faster growth in food prices and by weaker annual drops in energy prices. The annual rate of change of the HICP excluding food and energy prices remained moderate, reflecting persistent slack in the economy.

According to Eurosystem staff projections published in June, euro area real GDP growth is expected to rise to 1.5% in 2015, from 0.9% last year. It is then expected to accelerate to 1.9% in 2016 and 2.0% in 2017. The annual HICP inflation rate is projected to ease marginally from 0.4% in 2014 to 0.3% this year. It is then set to accelerate to 1.5% in 2016, before reaching 1.8% by 2017.

The Maltese economy expanded at a robust pace in the last quarter of 2014, with real GDP growing by 4.0% on an annual basis. All major domestic demand components increased at a strong pace during the quarter. In contrast, net exports had a negative impact on economic growth, as exports fell while imports increased.

The annual HICP inflation rate in Malta stood at 0.5% in March, marginally up from 0.4% in December. This slight acceleration was mainly due to more rapid growth in unprocessed food prices, although prices of non-energy industrial goods and processed food also rose at a faster pace. In contrast, services price inflation eased slightly, while energy prices fell more strongly than before, partly owing to cuts in fuel and gas prices. Moving into the second quarter of 2015, the annual rate of inflation rose to 1.4% in April, largely because the electricity tariff cut of April 2014 no longer had an effect on the annual rate.

Labour market data show continued growth in employment and a further decline in unemployment during the final quarter of 2014. According to the Labour Force Survey (LFS), employment went up by 1.2% on the corresponding quarter of 2013, resulting in a 3.1% increase in the year as a whole. Data issued by the Employment and Training Corporation also show increases, with the number of persons in full-time employment in the private sector in December up by 3.5% on a year earlier. Meanwhile, the unemployment rate based on the LFS fell to 5.9% in the last quarter of 2014, from 6.4% a year earlier.

With regard to competitiveness indicators, in the first quarter of 2015 Malta's unit labour costs, measured as a four-quarter moving average, were 1.1% higher on a year earlier, following a 1.0% increase in the final quarter of 2014. Both the nominal and real harmonised competitiveness indicators (HCI) declined during the first quarter of 2015, standing around 9% lower than their end-December levels, and around 15% lower in annual terms. These declines reflect the sharp weakening of the euro against major foreign currencies. The nominal and real HCIs fell further in April.

Turning to external developments, in the last quarter of 2014 the current account of the balance of payments posted a larger surplus than in the corresponding period of 2013. This reflected favourable movements on the primary income account and a higher surplus on services. In contrast, the deficit on trade in goods widened, while net inflows of secondary income declined. In 2014 as a whole, the current account surplus stood at 2.7% of GDP, down from 3.1% in 2013.

Residents' deposits with the domestic banking system continued to expand during the first quarter of 2015. Total residents' deposits increased at an annual rate of 14.6% in March, the same rate recorded in December. Overnight deposits, as well as deposits with maturities exceeding two years, rose at a faster pace than before. However, deposits with a maturity of up to two years fell more strongly.

Meanwhile, credit to residents fell at an annual rate of 1.1% in March, following a 2.7% decline in the year to December. Credit to government rose at a faster annual pace; at the same time, though credit to other residents contracted further, it did so at a slower rate.

Decreases in euro area interest rates were broadly reflected in domestic financial markets. The three-month Treasury bill rate in the secondary market fell by 3 basis points between December and March, to 0.00%. Yields on five-year and ten-year government bonds also declined. The five-year yield fell by 31 basis points to 0.58% at the end of March, while the ten-year yield decreased by 71 basis points to 1.16%. Bank lending rates also edged down. The weighted average interest rate charged by monetary financial institutions on outstanding loans to resident households and non-financial corporations fell by 3 basis points during the March quarter to 3.98%.

With regard to fiscal developments, during the final quarter of 2014 the general government surplus increased on a year earlier, as revenue outpaced expenditure. This contributed to an improvement in the fiscal position for the year as a whole, with the general government deficit narrowing to 2.1% of GDP. Meanwhile, general government debt fell to 68.0% of GDP. The Government's fiscal position continued to improve going into 2015, as the Consolidated Fund deficit for the first four months of the year decreased on the corresponding period of 2014.

In its latest projection exercise, which was concluded in May, the Central Bank of Malta expects real GDP growth to accelerate from 3.5% in 2014 to 3.6% in 2015. Economic growth is then set to moderate to 3.0% in 2016. Domestic demand is expected to remain the main driver of economic expansion, supported by strong growth in private consumption and investment. On the other hand, net exports are set to have a negative impact on GDP, as imports are projected to expand at a faster pace than exports.

HICP inflation in Malta is expected to accelerate to 1.4% this year from 0.8% in 2014. It is set to pick up further to 1.8% in 2016. The acceleration in 2015 is largely driven by unprocessed food prices, which are projected to recover from last year's decline. Services inflation is also set to accelerate slightly, while energy inflation is foreseen to be less negative. In 2016 inflation is expected to rise further, principally as a result of a continued acceleration in service prices. Moreover, energy prices are expected to begin recovering as global oil prices increase.

Risks to the GDP growth projections are balanced. Downside risks relate to the fragility of the global economic recovery and the possibility that growth in the euro area falls short of expectations. Private investment and government consumption could also be weaker than expected. On the other hand, government investment could surprise on the upside. The positive impact of the ECB's non-standard measures could also be stronger than assumed in the projections.

Risks to the inflation projections are broadly balanced. A prolongation of the current weak inflation environment abroad could translate into lower domestic consumer prices. However, a further weakening of the euro, or a sharper than expected rebound in international commodity prices, would have an upward impact on domestic inflation.

From a policy perspective, the likely abrogation of the Excessive Deficit Procedure for Malta is welcome. Nevertheless, it is important that the fiscal stance remains oriented towards achieving the targets specified in the *Update of Stability Programme 2015-2018*, which foresees a progressive narrowing of the fiscal deficit to 0.2% of GDP by 2018.

The financial system remains sound, as reflected in a further strengthening of residents' deposits. However, further efforts are needed to diversify funding sources, raise provisions and reduce exposure to non-performing loans in the property sector. Moreover, the reduction of exposure to the property sector should preferably translate into a reallocation of funding towards growth-enhancing activities.

Given the banks' relatively healthy position, there may be scope for increased lending to the private sector, possibly financed through the facilities being offered by the Eurosystem. The ECB's asset purchase programme could also enhance the flow of credit to the domestic economy. The current accommodative monetary policy stance should lead to lower bank interest rates, while the liquidity received by banks through the asset purchase programme should be transmitted to the rest of the economy. It remains important to ensure that the private sector, particularly small and medium-sized enterprises, benefit from improved access to finance. The Bank supports institutional reforms in this area, notably the establishment of a development bank.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY[1]

Economic growth in the world's developed nations was uneven during the first quarter of 2015. Early estimates of quarter-on-quarter gross domestic product (GDP) growth show that the US economy contracted in the first quarter of the year, while the United Kingdom also experienced a sharp slowdown. Japan's economy accelerated slightly, however, while the nascent recovery in the euro area appears to have maintained its momentum. With regard to emerging market economies, growth generally slowed down, weakening in China, Brazil and Russia.

Between December and March, prices of crude oil and of many other basic commodities declined gradually, as markets remained oversupplied. Against this backdrop of low price pressures, advanced economies retained an accommodative monetary policy stance. Weak economic growth and low inflation in the United States led the markets to anticipate a postponement of the Federal Reserve's monetary policy tightening. In January the European Central Bank (ECB) announced an expansion of its asset purchase programme (APP) to include sovereign bonds. On the other hand, the Bank of Japan kept its monetary policy stance unchanged.

The international economy

United States economy stalls

The US economic recovery lost momentum in the first quarter of the year, with real GDP decreasing by 0.2%, after it had expanded by 0.5% in the three months to December 2014. This marked a break from the modest recovery in 2014, although it still compared favourably with the decrease of 0.5% seen in the first quarter of that year (see Table 1.1).

The economy faced strong headwinds in the quarter under review, as severe winter weather and a labour dispute in important West Coast ports coincided with a marked drop in non-residential investment. The latter fell as declining oil prices decreased appetite for further investment in the energy sector. Additionally, the stronger dollar hampered exports and made imports cheaper. These developments more than offset increases in private inventories and government

Table 1.1
REAL GDP GROWTH IN ADVANCED ECONOMIES
Quarterly percentage changes; seasonally and working day adjusted (1)

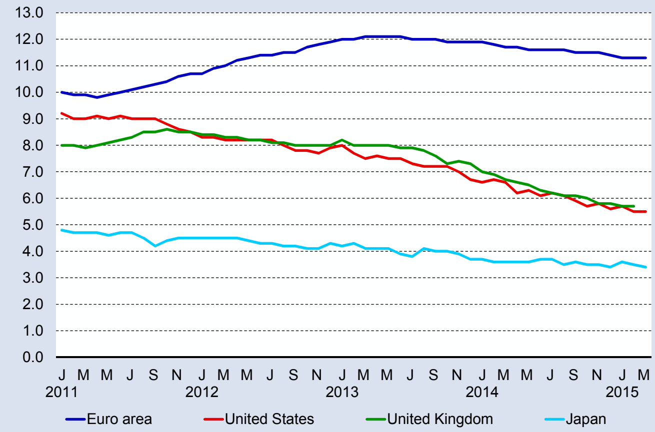
	2014				2015
	Q1	Q2	Q3	Q4	Q1
United States	-0.5	1.1	1.2	0.5	-0.2
Euro area	0.2	0.1	0.2	0.4	0.4
United Kingdom	0.9	0.8	0.6	0.6	0.3
Japan	1.2	-1.8	-0.5	0.3	0.6

(1) Data for Japan is seasonally adjusted only.
Sources: Bureau of Economic Analysis, US; Eurostat; Cabinet Office, Japan.

1 The cut-off date for data in this Chapter is 29 May 2015. However, the cut-off date for euro area GDP data has been extended to 9 June 2015.

expenditure. Personal consumption expenditures also rose, but moderated on the December quarter.

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



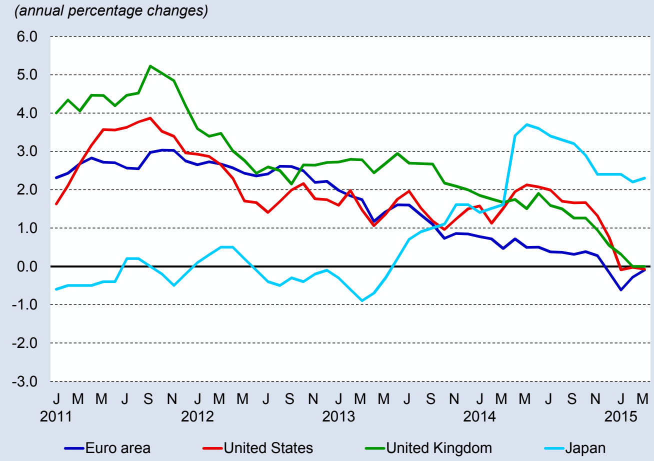
Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

On the other hand, employment grew in the first three months of 2015, though at a more moderate pace towards the end of the quarter. Employment again increased across most sectors of the economy, driven mainly by private services. At the same time, however, the labour force participation rate remained at the low levels observed since the second quarter of 2014, just below 63%. The unemployment rate rose marginally in January, before easing to 5.5% in March, slightly below the 5.6% rate recorded in December (see Chart 1.1).

By April unemployment fell further to 5.4%, with month-on-month additions in employment across all sectors of the economy, particularly in services.

The annual inflation rate, as measured by the overall consumer price index turned negative, falling to -0.1% in March 2015 from 0.8% in December (see Chart 1.2). Price developments during the first quarter were heavily influenced by movements in international commodity prices. In particular, lower oil prices followed a strong decline in energy prices, with the annual rate of decline almost double that in December. Meanwhile, the annual rate of change in prices of food & beverages also moderated, ending the quarter at 2.3%, down from 3.3% in December. Excluding food and energy, inflation edged up by 0.2 point to 1.8% in March.

Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



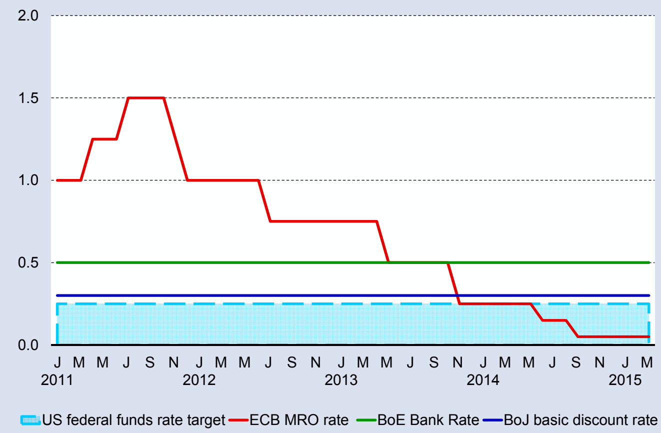
Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

In April the annual inflation rate in the United States fell further to -0.2%, with energy and goods prices again decreasing. Overall, therefore, price pressures fell significantly on a year earlier, with the inflation rate remaining close to zero for the first four months of the year.

The Federal Reserve maintained an accommodative monetary policy stance in the first quarter of 2015, leaving the federal funds target rate unchanged in a range between

0.00% and 0.25% (see Chart 1.3). The Fed indicated a possible normalisation in monetary policy later on in the year. Conditions in the labour market and progress towards the 2.0% inflation rate target continue to determine the monetary policy stance of the Federal Reserve.

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



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

UK economic growth slows to weakest pace in three years

The UK economy expanded by 0.3% in the first quarter of 2015, half the growth rate in the preceding quarter, highlighting weaknesses in the country's recovery (see Table 1.1). The deceleration in output growth in the three months to March 2015 reflected declines in the construction, production and agricultural industries, and more modest growth in services. Manufacturing struggled to expand owing to the stronger pound and the economic uncertainty in the run-up to the general elections held in May.

The labour market situation in the United Kingdom continued to improve, with employment rising and unemployment falling, quarter on quarter. In February the unemployment rate was 5.7%, slightly down from 5.8% in December (see Chart 1.1).

Inflation continued to decelerate significantly in the first quarter of 2015, with the annual rate falling from 0.5% in December to 0.0% three months later (see Chart 1.2). The slowdown in inflation over the quarter was mainly driven by a significant decline in energy prices and a faster drop in prices of food & beverages, whereas inflation on services remained constant at 2.4% in March. In April the inflation rate fell to -0.1%, this being the first negative reading since 1960.

The Bank of England's key monetary policy instruments were unchanged in the first four months of 2015, with the official Bank Rate kept at 0.50% and its stock of asset purchases standing at GBP 375.0 billion (see Chart 1.3). Given the continued persistence of headwinds affecting the British economy, the Bank indicated that it expected to tighten its monetary policy more gradually than in previous cycles.

The Japanese economy continues to recover

The Japanese economy grew by 0.6% over the previous quarter, though GDP remained below its level a year earlier (see Table 1.1). Growth in the first quarter reflected strong investment and private stockbuilding, increased exports and higher private consumption. Higher imports, however, dampened economic growth and led to a negative contribution of the trade component. The Japanese unemployment rate remained unchanged over the previous quarter, ending March 2015 at 3.4% (see Chart 1.1).

Meanwhile, price pressures eased slightly, with the annual inflation rate falling to 2.3% in March 2015 from 2.4% three months earlier (see Chart 1.2). While food price inflation accelerated over the end of the previous quarter, energy prices fell. In fact, excluding food and energy, the inflation rate remained unchanged over the previous quarter.

With regard to monetary policy, the Bank of Japan kept its monetary easing commitment unchanged, as it continued to pursue its price stability target. The Bank's quantitative and qualitative easing programme was kept in place, with the targeted annual pace of expansion of the monetary base confirmed at about 80.0 trillion yen in the May meeting.

Activity weakens in most emerging markets

Economic activity slowed across major emerging economies in the first months of 2015. GDP growth in China rose by 1.3% over the previous quarter. As a result, the annual rate of growth slowed down to 7.0%. This reflected the authorities' new target for more modest growth, as the economy rebalances away from investment and towards domestic consumption. Economic growth also weakened in other major emerging economies. Activity in Russia remained subdued, as the economy grapples with the effect of trade sanctions, as well as with lower prices for its principal exports, while the Brazilian economy remains weak. On the other hand, activity in India accelerated in the first three months of 2015.

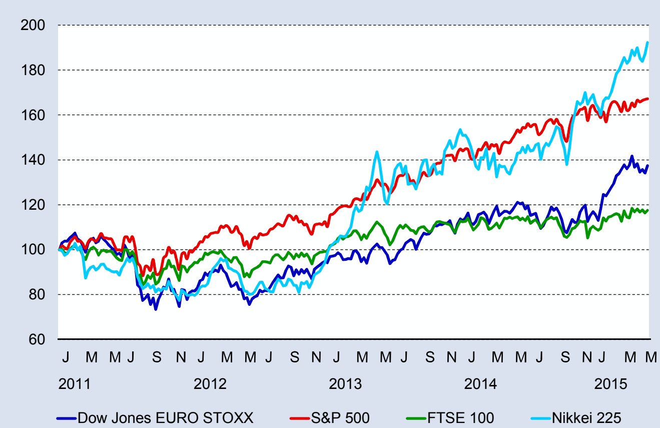
Inflation moderated slightly in China, but accelerated in Brazil, India and Russia. Inflation remains particularly elevated in Russia, in March rising further above the double-digit rate recorded in December, partly as a result of the depreciation of the Russian rouble.

International financial markets

Stock markets surge ahead

Equity prices in advanced economies generally rose over the first quarter, in some markets continuing a rally that had begun in 2012 (see Chart 1.4). Share prices in the euro area (DJ EUROSTOXX) and Japan (Nikkei 225) rose by 18.2% and 10.1%, respectively, during the quarter, with the former reflecting the impact on financial markets of the ECB's expanded asset purchase programme (EAPP). In the United Kingdom, the FTSE100 Index went up a more modest 3.2% in value, again highlighting the Index's rather high exposure to commodity producers and the fall-out from lower oil prices. In contrast, share prices in the United States, as measured by the S&P500, ended March 0.4% above their end-December level. In March all main indices were higher on the corresponding month of 2014.

Chart 1.4
STOCK PRICE INDICES
(end of week index; Jan. 2011=100)

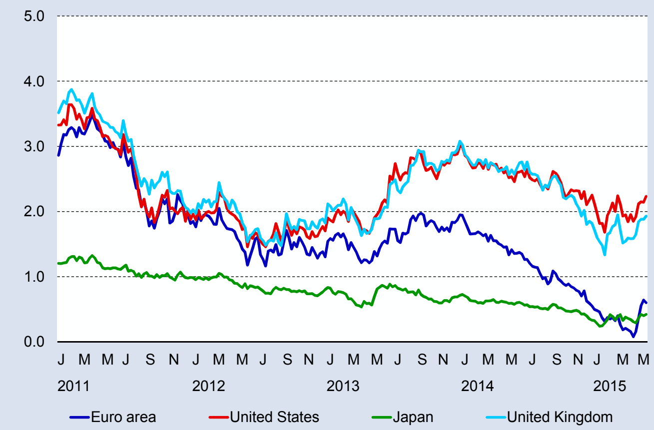


Source: Reuters.

Bonds yields fall across advanced economies

Ten-year sovereign bond yields in most advanced economies continued to drop during the first quarter. Benchmark yields in the euro area, the United States, the United Kingdom and Japan fell in the three months to March 2015, by 36, 24, 18 and 7 basis points, respectively (see Chart 1.5). The main driver behind the drop in euro area bond yields was the ECB's EAPP, which pushed up demand for sovereign bonds, while the United States continued to benefit from its "safe haven" status. More recently, sovereign bond yields began to rise again. However, they remained below their year-ago levels.

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



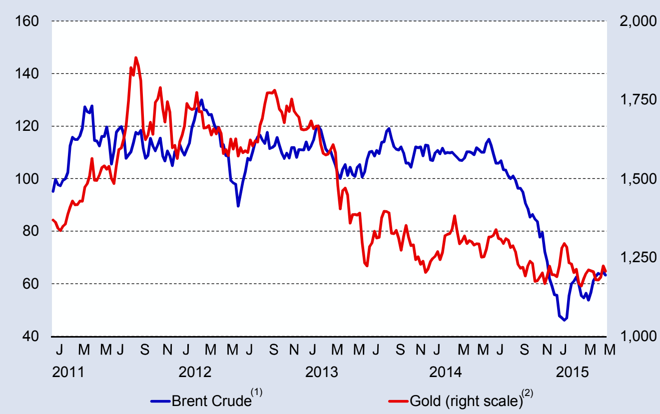
Source: Reuters.

Commodities

Oil price eases slightly

The sharp decline in oil prices seen in the second half of 2014 moderated. The price of Brent crude oil stood at USD 53.3 per barrel at the end of March 2015, 3.9% lower than its value at the end of 2014 (see Chart 1.6). Excess oil supplies on the market weighed again on prices, which were also depressed by weaker than expected demand. The oil price recorded sharp swings more recently, with Brent tending upwards in April on the back of low growth in US oil stocks and slower than expected progress towards the lifting of sanctions on Iran.

Chart 1.6
OIL AND GOLD PRICES
(end of week)



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

Gold price broadly unchanged

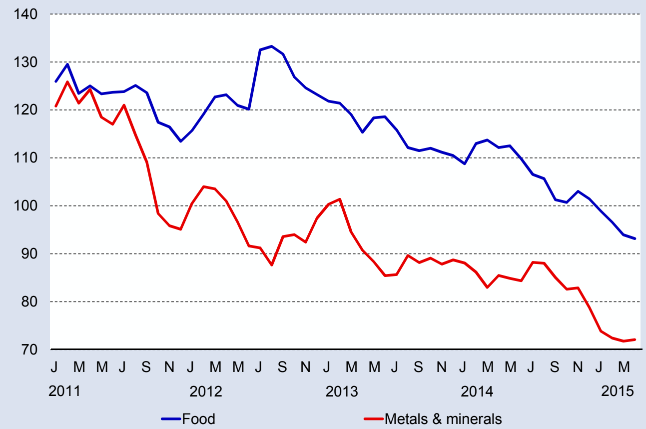
In the first quarter of 2015, the price of gold remained practically unchanged from December, ending March at USD 1183.1 (see Chart 1.6). Gold prices were reinforced early in the first quarter by "safe haven" demand in response to renewed tensions in the Middle East, as well as by continued pursuit of an aggressive monetary policy easing stance by numerous central banks. Since March, gold prices retreated somewhat, with the price of gold falling to USD 1183.9 at end-April, or 8.3% less than its year-ago level.

Metal prices ease further

Prices of metals dropped again in the first quarter of the year, with the World Bank's Metals and Minerals Index falling by 8.9%, after a drop of 7.4% in the previous quarter (see Chart 1.7).

Looking at specific commodities, an expansion in low-cost production in Australia again led to a drop in iron ore prices. The same market forces fuelled a drop in tin prices, while weak demand from China lowered lead and copper prices.

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



Source: World Bank.

Abundant supply pushes down food prices

Food prices extended their downward trend during the first three months of 2015. The World Bank's Food Index lost 7.4% of its value on the previous quarter (see Chart 1.7). Falling grain and maize prices, in the context of an improvement in crop supply prospects in key producing countries, were the main driver behind the overall decrease. Edible oil prices also declined, with record expansion in soybean production in the Americas depressing prices further.

Economic and financial developments in the euro area

Economic activity in the euro area continues to grow

The recovery in the euro area strengthened in the first quarter of the year, with recent estimates showing the economy growing by 0.4%, the same rate as in the previous quarter (see Table 1.2).

Table 1.2
REAL GDP GROWTH IN THE EURO AREA[1]
Seasonally and working day adjusted

	2014				2015
	Q1	Q2	Q3	Q4	Q1
	Quarterly percentage changes				
Private consumption	0.3	0.3	0.5	0.4	0.5
Government consumption	0.2	0.2	0.2	0.1	0.6
Gross fixed capital formation	0.5	-0.5	0.1	0.4	0.8
Exports	0.5	1.3	1.4	0.8	0.6
Imports	0.7	1.3	1.7	0.8	1.2
GDP	**0.2**	**0.1**	**0.2**	**0.4**	**0.4**
	Percentage point contributions				
Private consumption	0.1	0.2	0.3	0.3	0.3
Government consumption	0.0	0.1	0.0	0.0	0.1
Gross fixed capital formation	0.1	-0.1	0.0	0.1	0.2
Change in inventories	0.0	-0.1	-0.1	0.0	0.1
Exports	0.2	0.6	0.6	0.4	0.3
Imports	-0.3	-0.5	-0.7	-0.3	-0.5
GDP	**0.2**	**0.1**	**0.2**	**0.4**	**0.4**

[1] Figures may not add up due to rounding.
Source: Eurostat.

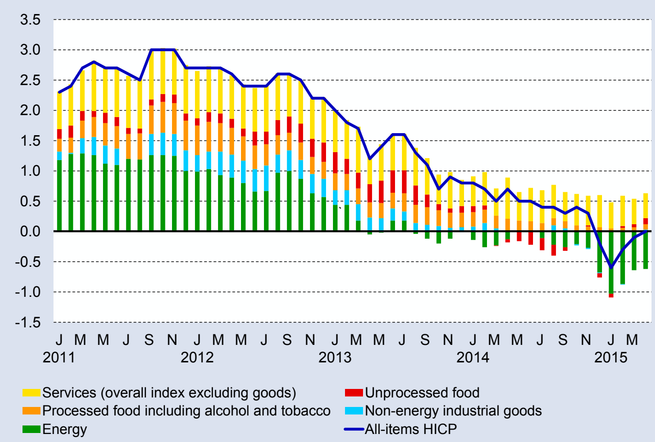
Private consumption expenditure and exports were the largest contributors to growth during the period, while investment continued to gain ground. An acceleration in government consumption also contributed positively to the increase in output. On the external side, imports outstripped exports over the quarter. As a result, the contribution of net trade to GDP growth turned negative during the period under review.

Annual inflation remains negative in the first quarter

The annual rate of inflation in the euro area, as measured using the Harmonised Index of Consumer Prices (HICP), rose slightly during the March quarter. In January inflation fell from -0.2% in December to -0.6% on the back of lower energy prices, but began to pick up again in February. By March, the area-wide inflation rate edged up to -0.1%. The inflation rate edged up further in April, reaching 0.0%. The recovery in euro area inflation between December and April was largely driven by faster growth in food prices, and weaker annual drops in energy prices (see Chart 1.8).

Although positive, the annual rate of change of the HICP excluding food and energy prices also remained moderate, reflecting persistent slack in the economy. In March 2015 it stood at 0.6%, down by 0.1 percentage point over December, and remained unchanged at that rate in April.

Chart 1.8
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)

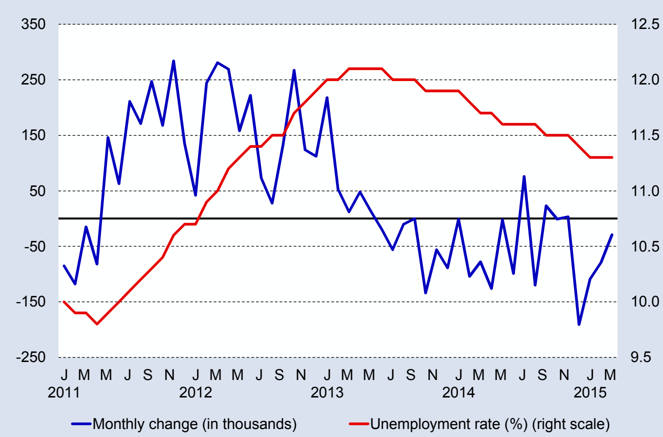


Source: Eurostat.

Mixed labour market trends

Labour market conditions continued to be fragile in the first quarter of the year, with a still elevated, if declining, unemployment rate. The latter, which has been trending downwards since late 2013, fell to 11.3% by March 2015, down from 11.4% in December and 11.7% a year earlier (see Chart 1.9).

Chart 1.9
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)



Source: Eurostat.

Euro area GDP expected to recover

According to the Eurosystem staff's macroeconomic projections published in June, euro area real GDP is set to continue its recovery over the forecast horizon, expanding by 1.5% in 2015 before rising by 1.9% in 2016 and 2.0% in 2017 (see Table 1.3). Gradually improving credit supply conditions, the

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

	2014	2015	2016	2017
GDP	**0.9**	**1.5**	**1.9**	**2.0**
Private consumption	1.0	1.9	1.6	1.6
Government consumption	0.7	0.7	0.7	0.8
Gross fixed capital formation	1.2	1.9	3.5	3.9
Exports	3.8	4.2	5.4	5.6
Imports	4.1	4.8	5.8	5.9
HICP	**0.4**	**0.3**	**1.5**	**1.8**

(1) Eurosystem staff macroeconomic projections (June 2015).
Source: ECB.

continued accommodative monetary policy stance in the euro area and improved confidence are expected to spur domestic demand during the period. Moreover, the fiscal stance is expected to be neutral, whereas fiscal tightening had dampened growth in the past. On the external side, exports are projected to contribute positively to the recovery, reflecting the effect of the euro's recent depreciation, as well as steady growth in foreign demand – particularly in advanced economies. However, the overall impact of trade on growth over the forecast horizon will be marginal, as export growth is to be mostly offset by a strong recovery in imports.

These figures are broadly unchanged from the previous forecasts released in March, with a slight downward revision in 2017.

With regard to prices, the annual HICP inflation rate is forecast to remain subdued, averaging 0.3% for 2015 as a whole. However, this low rate masks sustained upward pressures expected further on in the year, as the drop in energy prices begins to be reversed and economic slack diminishes. In fact, annual inflation is expected to rise by the last quarter of 2015. External price pressures, notably rising oil prices and lagged exchange rate effects, are expected to drive developments in the HICP over the forecast horizon, with inflation gradually accelerating to 1.5% in 2016, and 1.8% in 2017. Compared with the March projections, the outlook for inflation has been revised upwards for 2015, while it remained largely unchanged over the subsequent two years.

ECB expands asset purchase programme

The Governing Council of the ECB kept interest rates unchanged in the first quarter of the year (see Chart 1.3). The rate on the main refinancing operations (MRO) was held at a historical low of 0.05%, the rate on the marginal lending facility stood at 0.30% while the deposit facility rate was kept unchanged at -0.20%. This accommodative stance reflects the fact that euro area inflation was expected to remain considerably below the 2.0% level for a prolonged period.

On 22 January, the Governing Council decided to expand the APP that had been launched in 2014. This now includes purchase of public sector bonds, in addition to asset-backed securities and covered bonds. Under this programme, the combined monthly purchases of the Eurosystem will amount to €60.0 billion. The purchases are intended to be carried out until end-September 2016 and will in any case be conducted until a sustained adjustment in the path of inflation towards the ECB's target is achieved. This decision was taken in the light of weak inflation dynamics and to address concerns that monetary policy measures taken earlier were insufficient to address the risks of too prolonged a period of low inflation.

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

	2014				2015			
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Currency in circulation	6.0	5.6	5.9	6.4	7.7	7.9	7.3	8.2
Overnight deposits	6.2	6.3	7.1	8.2	9.2	9.4	10.6	11.0
M1	**6.2**	**6.2**	**6.9**	**7.9**	**8.9**	**9.1**	**10.0**	**10.5**
Time deposits	-1.5	-2.1	-1.8	-2.3	-3.0	-3.2	-3.3	-3.3
M2	**3.0**	**2.7**	**3.3**	**3.7**	**4.0**	**4.1**	**4.6**	**4.9**
Marketable instruments	-4.1	-0.7	0.6	4.0	1.0	3.8	4.4	11.6
M3	**2.5**	**2.5**	**3.1**	**3.7**	**3.8**	**4.1**	**4.6**	**5.3**

Source: ECB.

Monetary and credit dynamics recover

Annual growth in the broad monetary aggregate (M3) in the euro area accelerated in the March quarter, going from 3.7% in December to 4.6% three months later (see Table 1.4). Monetary growth was supported by increased investor confidence in the euro area and the accommodative monetary policy stance.

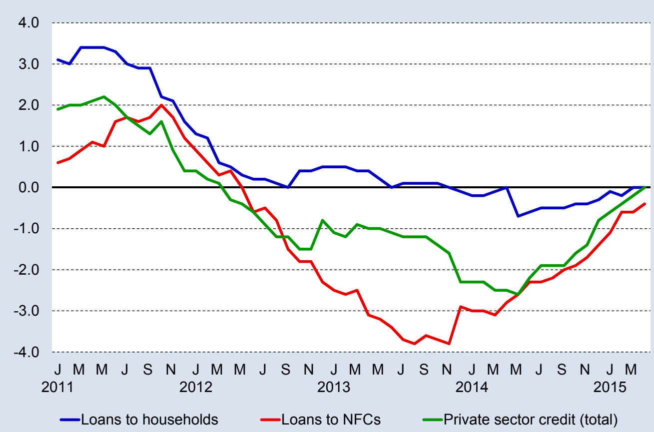
The annual growth rate of the narrow money component M1 increased from 7.9% to 10.0%, illustrating a strong preference for liquidity in an environment of very low interest rates. This was confirmed by both components of this monetary aggregate, with annual growth in overnight deposits rising from 8.2% to 10.6%, and that of currency in circulation rising from 6.4% to 7.3%.

These patterns continued into April, when the annual rate of growth of M3 reached 5.3%.

Turning to the counterparts of broad money, credit to the private sector continued to recover, but remained weak. The annual rate of change of private sector credit ended the first quarter at -0.2%. This compares with rates of -0.8% in December and -2.5% a year earlier. The improvement was driven by both loans to non-financial corporations (NFC) and loans to households (see Chart 1.10).

The small contraction in credit in the year to March took place despite the ample reduction in lending rates experienced since mid-2014 and may reflect the fact that credit standards remain tight from a historical perspective. The April 2015 Bank Lending Survey in the euro area indicated improvements in lending conditions to NFCs, while developments for households were rather mixed. The survey also highlighted, however, that liquidity from the

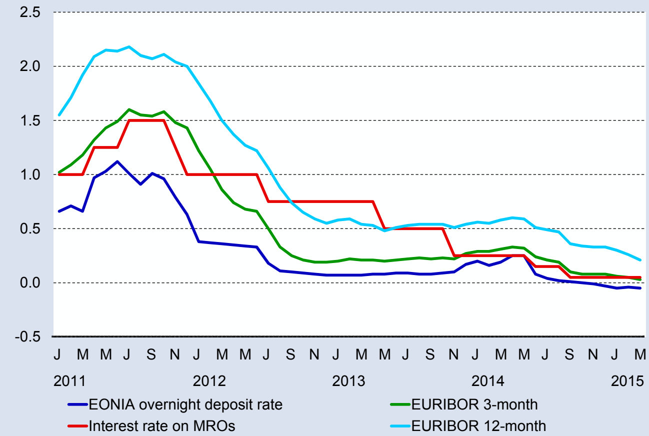
Chart 1.10
MFI CREDIT TO THE PRIVATE SECTOR IN THE EURO AREA
(annual percentage changes)



Source: ECB.

APP was being used to extend credit, which suggests that the contraction in credit should continue to dissipate. The low costs of finance and the pick-up in economic activity may also be supporting credit demand. In fact, credit to the private sector in April was unchanged from a year earlier.

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



Source: Central Bank of Malta.

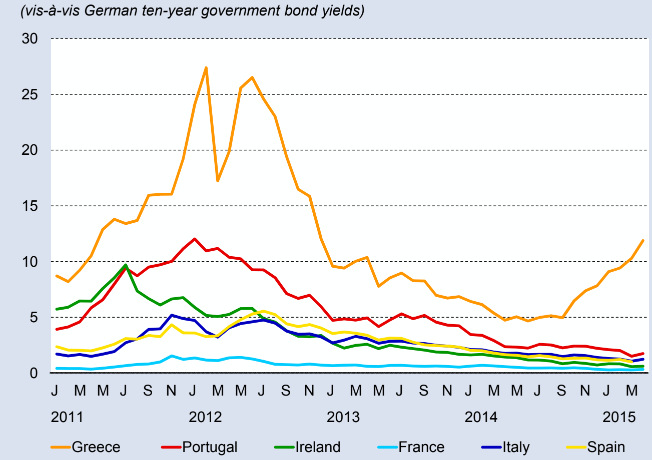
Money market rates at record lows

Money market rates fell further in the presence of excess liquidity, with some benchmarks again registering new historic lows. The three and 12-month EURIBOR and the EONIA deposit rates fell during the three months to March 2015 (see Chart 1.11).[2] The three-month EURIBOR edged closer to zero, ending the quarter at 0.03%, while the EONIA deposit rate extended its decline into negative territory, reaching -0.05%. These low levels reflect the accommodative monetary policy stance of the ECB. The spread between the ECB's MRO rate and the three-month EURIBOR remained narrow and close to zero, returning to positive territory by end-March 2015.

Bond yield spreads narrow further

Yields on ten-year government bonds in the euro area trended lower in the first quarter of 2015, with spreads between yields on ten-year German bonds and those issued by most other governments narrowing further (see Chart 1.12). This contraction was particularly evident following the expansion of the APP announced by the ECB, which boosted demand for bonds issued by most countries of the euro area, particularly in the periphery. Greece remained the exception, with rising political uncertainty leading to the spread widening over the three months to March and into the following quarter.

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



Source: ECB.

[2] EURIBOR is an interest rate benchmark indicating the average rate at which principal European banks lend unsecured funds on the interbank market in euro for a given period. The EONIA (Euro OverNight Index Average) is an effective overnight interest rate, measured as the weighted average of all overnight unsecured lending transactions on the euro area interbank market.

The euro weakens dramatically

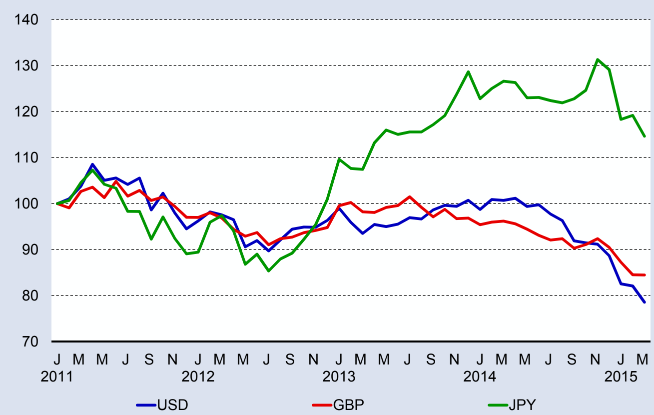
The euro exchange rate depreciated substantially over the first quarter of the year, with the nominal effective exchange rate against the EER-19 group of countries losing 8.2% from its level at the end of 2014, and dropping by 13.2% from March 2014 (see Chart 1.13).[3] This weakening partly reflected the persistent drop in euro area interest rates as a result of the ECB's accommodative monetary policy measures, the expectation of a tighter monetary policy stance in the United States and the impact of the expanded APP in the first quarter of the year.

Chart 1.13
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

On a bilateral basis, during the March quarter the euro lost 11.4% against the US dollar, owing to monetary policy divergence between the United States and the euro area (see Chart 1.14). The euro dropped by 11.2% against the Japanese yen, while the exchange rate against the pound sterling fell a relatively more modest 6.6%. In April the single currency weakened further against the pound sterling, while it partly reversed the decline against the Japanese yen and the US dollar.

Chart 1.14
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2011=100; an increase in the index implies euro appreciation)



Source: Eurostat.

[3] This measure, the effective exchange rate (EER), is based on the weighted averages of the euro or, prior to 1999, of the exchange rates of the currencies preceding the euro against the currencies of Australia, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Hong Kong, Hungary, Japan, Norway, Poland, Romania, Singapore, South Korea, Sweden, Switzerland, the United Kingdom and the United States.

2. OUTPUT AND EMPLOYMENT

During the fourth quarter of 2014, the Maltese economy continued to expand rapidly, driven by domestic demand. However, net exports dampened growth. Services continued to contribute significantly to economic growth, while activity in manufacturing and construction was largely unchanged from a year earlier. In line with broader economic developments, employment continued to increase, while the unemployment rate dropped.

GDP and industrial production

Economic activity accelerates, driven by domestic demand

Economic activity in Malta continued to grow at a steady pace during 2014, with real gross domestic product (GDP) growth rising to 3.5% in the year as a whole.[1]

The pace of activity was particularly strong in the fourth quarter, when real GDP growth accelerated to 4.0% on an annual basis, from 3.7% in the previous quarter. All major domestic demand components increased robustly during the quarter. However, with exports falling and imports rising, net exports contributed negatively to GDP growth (see Table 2.1).

On a quarter-on-quarter basis, in the fourth quarter real GDP increased by 0.8% in seasonally adjusted terms. This rate of growth, which was unchanged from the third quarter, exceeded

Table 2.1
GROSS DOMESTIC PRODUCT[(1)]

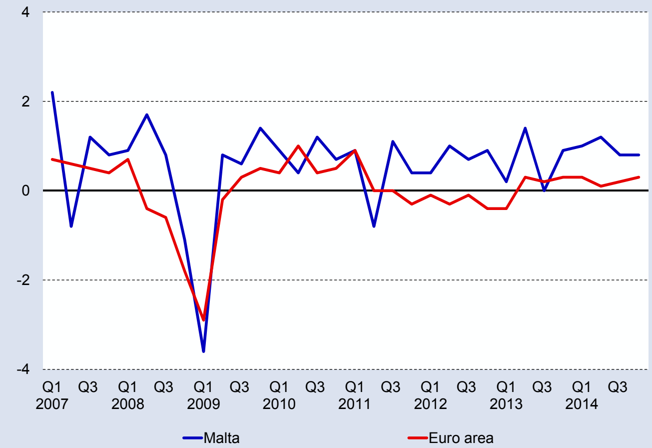
	2013	2014			
	Q4	Q1	Q2	Q3	Q4
	Annual percentage changes				
Private final consumption expenditure	3.0	1.5	3.5	3.2	5.0
Government final consumption expenditure	-1.9	4.8	12.1	4.0	8.3
Gross fixed capital formation	11.3	16.5	8.5	14.1	16.5
Domestic demand	**2.9**	**1.8**	**2.6**	**2.5**	**10.2**
Exports of goods & services	-1.6	-0.7	3.7	-2.2	-1.5
Imports of goods & services	-1.5	-1.3	3.3	-3.5	2.3
Gross domestic product	**2.5**	**3.2**	**3.3**	**3.7**	**4.0**
	Percentage point contributions				
Private final consumption expenditure	1.7	0.9	2.0	1.8	2.8
Government final consumption expenditure	-0.4	1.0	2.4	0.7	1.6
Gross fixed capital formation	1.9	3.2	1.5	2.1	3.0
Changes in inventories	-0.5	-3.3	-3.3	-2.4	2.0
Domestic demand	**2.7**	**1.8**	**2.5**	**2.2**	**9.4**
Exports of goods & services	-2.4	-1.3	5.7	-3.5	-2.1
Imports of goods & services	2.2	2.7	-5.0	4.9	-3.4
Net exports	**-0.2**	**1.4**	**0.8**	**1.5**	**-5.5**
Gross domestic product	**2.5**	**3.2**	**3.3**	**3.7**	**4.0**

(1) Chain-linked volumes, reference year 2010.
Sources: NSO; Central Bank of Malta calculations.

[1] The analysis in this Chapter of the *Quarterly Review* is based on data compiled on the basis of ESA 2010 and released on the NSO website on 9 March 2015. See NSO *News Release* 046/2015.

the rate in the euro area as a whole, where the quarter-on-quarter growth rate increased to 0.3%, following 0.2% in the third quarter (see Chart 2.1). Initial estimates for the first quarter of 2015 show that in the euro area growth rose further, to 0.4%.

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



Source: Eurostat.

Domestic demand accelerates in the fourth quarter

Domestic demand contributed 9.4 percentage points to real GDP growth in the last quarter of 2014, with the expansion spread across all its components.

During the quarter the largest contributor remained investment, or gross fixed capital formation (GFCF). GFCF expanded for the fifth consecutive quarter in annual terms, up by 16.5% on a year earlier and adding 3.0 percentage points to overall GDP growth. This increase stemmed mostly from higher investment in non-residential construction, which accounted for around three-fourths of the total rise. Spending on residential construction, IT-related investment and machinery & transport equipment also rose. On a sectoral basis, the Government accounted for around three-quarters of the increase in GFCF in the fourth quarter, driven mainly by expenditure on non-residential construction. Private investment also rose, mainly owing to higher spending on non-residential construction.

Both private and government consumption supported economic activity, which gathered momentum in the quarter reviewed. Private consumption increased by 5.0% on a year earlier and boosted real GDP growth by 2.8 percentage points. It was sustained by buoyant real disposable income, as employee compensation continued to rise. Spending went up across most commodity types, but mainly on furnishings & household equipment, clothing and transport. Indeed, the number of newly registered vehicles went up significantly when compared with the fourth quarter of 2013.

Government consumption rose by 8.3% on a year earlier, reflecting additional spending on both intermediate consumption and compensation of employees, notably in the public administration, health and education sectors. It contributed a further 1.6 percentage points to growth.

Contrary to outcomes in the previous four quarters, changes in inventories increased on a year earlier, adding an estimated 2.0 percentage points to GDP growth.

Imports increase while exports decline

The impact of strong domestic demand growth on real GDP during the fourth quarter of 2014 was partly dampened by net exports. The latter lowered GDP growth by 5.5 percentage points compared with positive contributions in the previous three quarters. This followed an increase in imports and a drop in exports during the quarter reviewed.

Imports expanded at an annual rate of 2.3% and contributed a negative 3.4 percentage points to GDP growth. This was entirely driven by goods, as imports of services declined. Customs data indicate that the increase in merchandise imports was driven by a larger fuel bill and, to a smaller degree, capital and consumer goods. In turn, exports were down by 1.5% in annual terms, lowering GDP growth by a further 2.1 percentage points. This reflected declines in exports of both goods and services. Customs data suggest that the dip in goods exports was largely due to lower sales of fuel and, to a lesser extent, electronic components. Special purpose entities accounted for the drop in exported services.

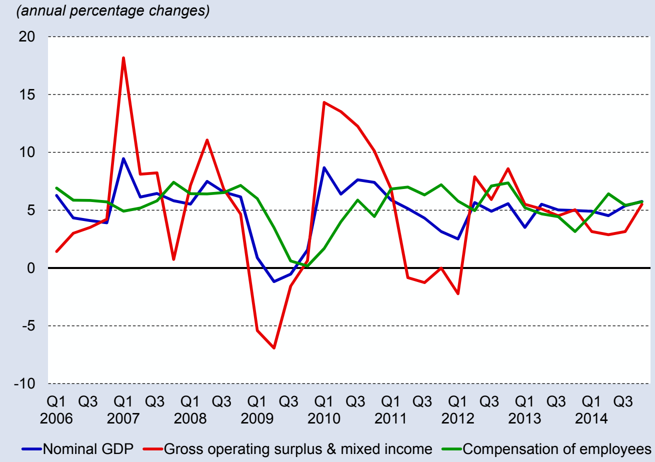
Nominal GDP growth increases in the fourth quarter

In nominal terms, annual GDP growth reached 5.8% during the fourth quarter of the year, up from 5.4% in the third quarter (see Chart 2.2).

Looking at the distribution of GDP by factor income, gross operating surplus (which includes the income of the self-employed) went up by 5.5% compared with a year earlier. This was a faster rate of growth than in previous quarters. In absolute terms, the largest increases were in wholesale & retail trade, land transport, gambling & betting activities and professional services. On the other hand, a number of sectors, notably manufacturing, saw gross operating surplus fall. In addition, a drop was also recorded in services, notably in financial services and real estate activities, partly reflecting the closure of a financial institution involved in the provision of money brokering services during 2014.

Compensation of employees continued with its general upward trend, with the annual growth rate accelerating from 5.4% in the third quarter to 5.7% in the following three months. Growth was registered across all major sectors, except agriculture and fishing. Around one half of the increase in compensation of employees arose in the sector comprising public administration, health, education & defence, in line with the additional government consumption referred to earlier. Compensation in professional & scientific activities also went up significantly and accounted for approximately a further fifth of the overall increase. Significant growth was also recorded in the wholesale & retail, transport & accommodation sector, which continued to benefit from a buoyant performance in tourism. The smallest increases were recorded in construction, manufacturing and the utilities.

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



Source: NSO.

Services continue to drive growth in gross value added

The annual rate of growth of gross value added (GVA) reached 5.4% in the last quarter of 2014 (see Table 2.2). GVA contributed 4.6 percentage

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

	2013	2014			
	Q4	Q1	Q2	Q3	Q4
Agriculture, forestry & fishing	-0.1	-0.1	-0.1	-0.1	-0.1
Mining & quarrying; utilities	1.2	0.3	-0.3	0.0	0.1
Manufacturing	-1.1	-0.4	0.1	-0.1	0.0
Construction	-0.1	0.1	0.1	0.0	0.0
Services	3.5	3.2	4.2	3.9	4.6
of which:					
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	0.8	0.6	1.1	0.7	1.4
Information & communication	0.6	0.5	0.4	0.6	0.5
Financial & insurance activities	0.0	-0.6	-0.2	-0.5	-0.1
Real estate activities	0.2	0.1	0.0	0.2	0.0
Professional, scientific, administrative & related activities	0.8	1.0	0.9	1.2	1.0
Public administration & defence; education; health & related activities	0.7	1.4	1.3	1.0	1.2
Arts, entertainment; household repair & related services	0.3	0.4	0.6	0.6	0.6
Gross value added	**3.4**	**3.0**	**4.0**	**3.6**	**4.6**
Net taxation on products	**1.5**	**1.9**	**0.6**	**1.7**	**1.2**
Annual nominal GDP growth (%)	**5.0**	**4.9**	**4.5**	**5.4**	**5.8**

Source: NSO.

points to nominal GDP growth.[2] From a sectoral perspective, services continued to drive the expansion in GVA, accounting for almost all the expansion in nominal GDP. GVA in the rest of the economy increased only marginally.

The strongest contribution, at 1.4 percentage points, came from the sector incorporating wholesale & retail trade, transport and accommodation. Mirroring the strong rise in government consumption, public administration, health & education also contributed significantly, adding 1.2 percentage points to growth. Professional & scientific activities contributed a further 1.0 percentage point. The remaining service sectors together added a further percentage point to nominal GDP growth, offsetting a marginal negative contribution from financial services. GVA in the construction and manufacturing sectors remained broadly stable on a year earlier, whereas it increased marginally in utilities.

The contraction in industrial output bottoms out

The subdued performance of the manufacturing sector during the last quarter of 2014 is also reflected in data on industrial production. The latter decreased by 0.3%, on average, compared with a year earlier, following a 5.1% drop reported in the third quarter of 2014 (see Table 2.3).[3] Among the largest sectors, the most significant decline was recorded in the output of computer, electronic & optical products. Smaller declines, however, were also recorded in the energy and

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

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

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

	Shares	2013 Q4	2014 Q1	Q2	Q3	Q4
Industrial production	**100**	**-9.6**	**-7.4**	**-8.3**	**-5.1**	**-0.3**
of which:						
Computer, electronic & optical products	18.4	-30.1	-30.0	-27.5	-16.3	-15.6
Energy[1]	11.8	0.5	-1.1	-0.4	-3.3	-3.2
Basic pharmaceutical products & pharmaceutical preparations	10.4	-46.1	-61.7	-38.8	-1.7	21.3
Food products	8.1	19.7	19.9	-0.6	8.0	18.2
Printing and reproduction of recorded media	5.9	-5.2	15.6	-23.8	-17.2	35.2
Water collection, treatment and supply	4.6	-1.0	-0.1	0.6	-0.3	-1.8
Rubber & plastic products	4.4	-1.5	2.6	2.2	-5.2	8.5
Beverages	3.9	-5.0	10.2	6.6	4.3	17.5

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

water collection sectors. These offset strong increases among firms in printing & reproduction of recorded media, as well as in the production of pharmaceuticals, food and beverages. Output of rubber & plastic products also rose, though to a lesser extent.

This tentative recovery extended into the first quarter of 2015, when industrial production went up by 3.3% when compared with the same period in the previous year. This increase was primarily driven by a strong expansion in output in the pharmaceutical, printing and energy sectors, which offset a drop in the sector producing computer, electronic & optical products.

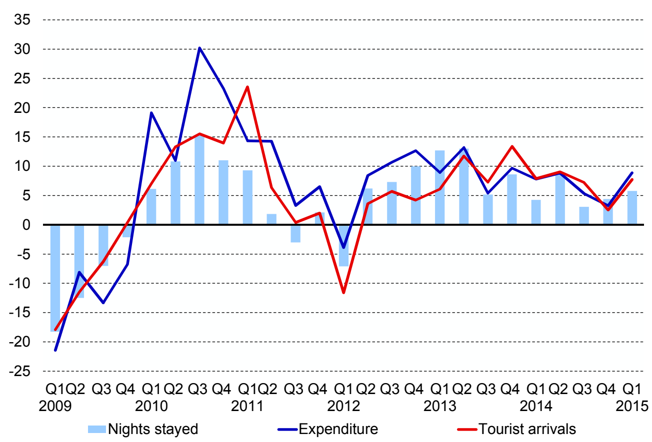
BOX 1: TOURISM ACTIVITY

The tourism industry expands further

Main tourism indicators suggest that the buoyancy in the industry continued to persist in 2015. During the first three months, the number of inbound tourists, nights stayed and visitor expenditure all expanded on a year earlier.

National Statistics Office (NSO) data show that the number of tourists in the first quarter of 2015 was 250,565, an addition of 7.7% on the corresponding quarter of 2014 (see Chart 1). This was primarily driven by a rise in

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



Source: NSO.

the number of leisure travellers, although a smaller increase in the "other" category also contributed. Travellers in the latter category include those visiting for educational, religious and health reasons.

In terms of geographical distribution, the United Kingdom and Italy remained Malta's most important source markets, with visitors from these countries accounting for nearly half of total arrivals. These two countries contributed significantly to the increase in the number of visitors over the first quarter of 2014. Slightly more than half of the overall rise in tourist arrivals stemmed from Italy, with the United Kingdom contributing an additional 25% (see Table 1). However, noticeable additions were also registered in a number of other source markets, particularly France, Germany and Ireland.

Conversely, reflecting the closure of routes from Libya and a reduction in flights from Russia, the number of arrivals from these countries markedly declined in annual terms. Smaller drops were also seen from the Dutch and American markets.

In the first three months of 2015, nominal tourist spending in Malta reached €192.1 million, up by 8.9% in annual terms.[1] Although all spending categories registered increases when compared with a year earlier, over three-quarters of this surge was attributable to higher spending on package holidays. At the same time, tourists' non-package expenditure on travel fares and accommodation went up by 4.2% on the comparable months of 2014.[2]

Table 1
INBOUND TOURISTS BY COUNTRY OF RESIDENCE
Number of visitors

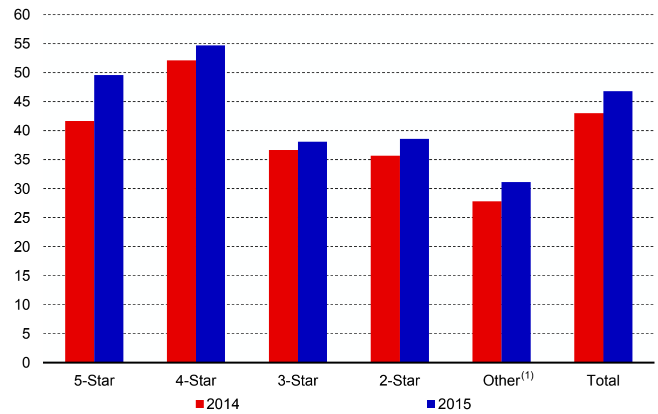
	2014 Q1	2015 Q1	Annual Change
Total tourists	**232,624**	**250,565**	**17,941**
Austria	3,866	4,450	584
France	13,660	16,965	3,305
Germany	22,668	24,613	1,944
Ireland	4,120	5,277	1,156
Italy	37,565	46,734	9,169
Libya	12,638	1,840	-10,798
Netherlands	5,021	4,341	-680
Russia	4,851	2,016	-2,835
Scandinavia	8,404	8,950	546
Spain	3,499	3,533	34
United Kingdom	72,929	77,417	4,488
USA	3,653	3,297	-356
Other	39,749	51,135	11,386

Source: NSO.

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

In per capita terms, tourist expenditure stood at almost €767, marginally higher than a year earlier. While expenditure per night stayed generally increased, the average stay was slightly shorter, dipping marginally to 7.4 nights. On average, tourists from Switzerland, the United States of America, Libya and Russia were the biggest spenders.

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



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

Total nights stayed by tourists rose by 101,420 nights, or 5.8% over the level recorded in the first quarter of 2014, with around four-fifths of the increase involving collective accommodation (including mainly hotels), which rose by 6.8%. Meanwhile, nights stayed in private accommodation rose by 3.5%.[3]

While during the first quarter of 2015 the number of nights stayed in collective accommodation establishments increased, the number of net bed places available decreased on a year earlier, reflecting the temporary closure of a number of hotels for expansion or refurbishment. As a result, the average occupancy rate in collective accommodation establishments edged up on a year earlier. This ended the quarter at 46.8%, an increase of 3.8 percentage points on the same period of 2014 (see Chart 2).[4] Higher occupancy rates were evident across all hotel categories; however, most of the improvement was propelled by a rise of 7.9 percentage points in the five-star category.

Quarterly surveys conducted by the Malta Hotels and Restaurants Association indicate that, during 2014 as a whole, occupancy rates and gross operating profits per available room improved in all three main hotel categories. When compared with 2013, significant improvements were also recorded in the average achieved room rates, up by annual rates of 6.5%, 7.4% and 19.0%, in the five, four and three-star categories, respectively.[5]

3 Private accommodation includes self-catering apartments, farmhouses, and private residences. As per Eurostat recommendation, timeshare accommodation is classified as “private accommodation”. Collective accommodation comprises hotels, aparthotels, guesthouses, hostels and tourist villages.

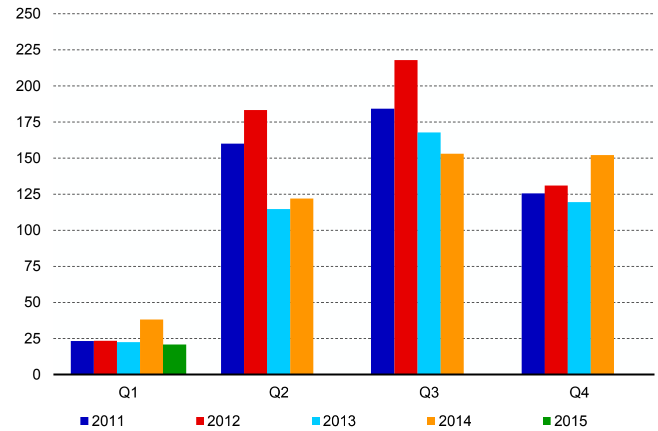
4 Occupancy rates are reported by collective establishments and include nights spent in timeshare accommodation. As a result, developments in these rates may differ from those in nights stayed in collective accommodation, as the latter exclude timeshare accommodation.

5 See *BOV-MHRA Survey* – Q4 2014.

Cruise liner visits decrease

The number of cruise liner calls in the first three months of the year dipped to nine, a decrease of 14 from the exceptionally high number recorded a year earlier. Concurrently, the total number of cruise liner passengers stood at 20,652, down by 45.8%, on the first quarter of 2014 (see Chart 3).

Chart 3
CRUISE LINER PASSENGERS
(thousands)



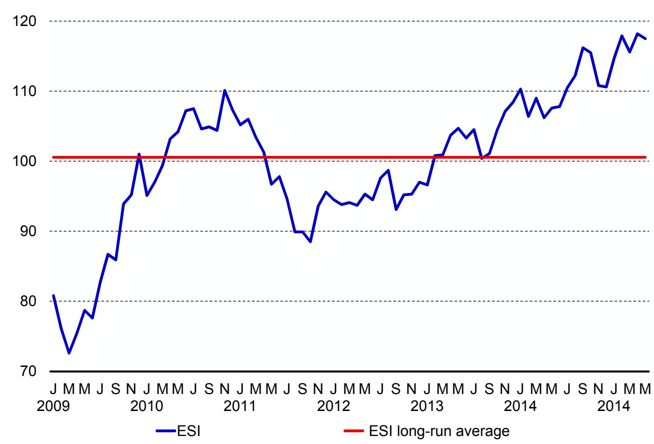
Source: NSO.

BOX 2: BUSINESS AND CONSUMER SURVEYS

Economic sentiment continues to improve

In the first quarter of 2015, confidence improved strongly among service providers and retailers, and more modestly among manufacturing firms, consumers and the construction sector. As a result, the economic sentiment indicator (ESI) extended its upward trend, rising to 116 in March from 111 in December 2014. The ESI therefore remained above its long-term average of 101 (see Chart 1).[1,2]

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



Source: European Commission.

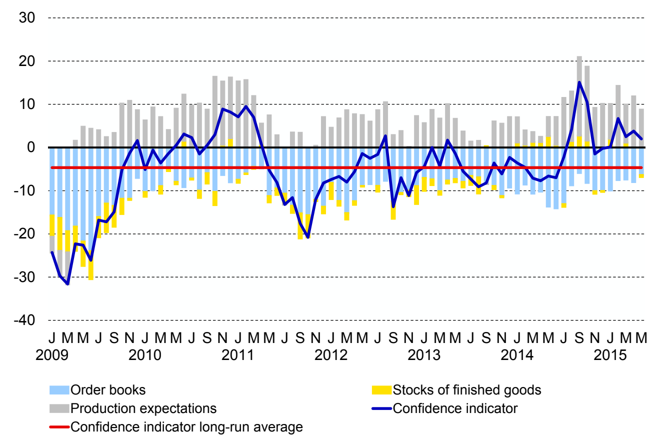
[1] The ESI summarises developments in confidence in five surveyed sectors (industry, services, construction, retail and consumers).

[2] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicator, data became available in November 2002, while the services and construction confidence indicator data became available in May 2007 and May 2008, respectively. The long-term average of the ESI is computed from November 2002.

Industrial confidence slightly improves[3]

After moving briefly into negative territory in the last quarter of 2014, industrial confidence turned positive again during the first quarter of 2015. In March it stood at three, up from nil in December 2014, and above its long-term average of -5 (see Chart 2).

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



Source: European Commission.

The pick-up in industrial confidence reflected more favourable views on order books and stock levels.[4] Between December and March, firms' assessment of order books improved. Moreover, whereas in December stocks were on balance assessed to be increasing marginally, in March a small net percentage of respondents reported that they had declined. On the other hand, production expectations slightly deteriorated as the number of respondents expecting a rise in production over the subsequent three months decreased. All three components of the industrial sentiment indicator were more favourable than the respective long-term average.

From a sectoral perspective, between December and March confidence increased most among manufacturers of paper & paper products and computer, electronic & optical products, largely as a result of improvements in production expectations. On the other hand, confidence among producers of electrical equipment, firms involved in printing and reproduction of recorded material and those in the chemical sector declined and turned negative in March. The decline in confidence among the first two sectors is largely the result of significant deterioration in production expectations. Decreased confidence among producers of chemical products was mostly driven by lower order book levels.

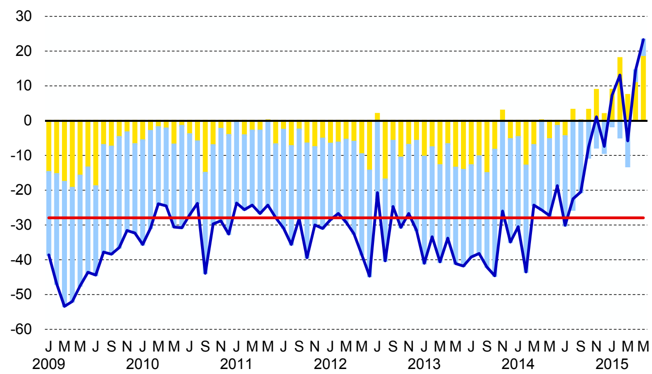
According to additional information collected through the survey, on balance respondents were expecting to expand their workforce in the months ahead. In March the proportion of respondents anticipating an increase in their labour complement was broadly stable compared with December. Moreover, the proportion of respondents expecting lower prices for their output in the subsequent months increased.

[3] The industrial confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished goods.

[4] A decline in stock levels indicates higher turnover and affects the overall indicator in a positive way. Such decreases are thus represented by positive bars in Chart 2.

Confidence in the construction sector improves[5]

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



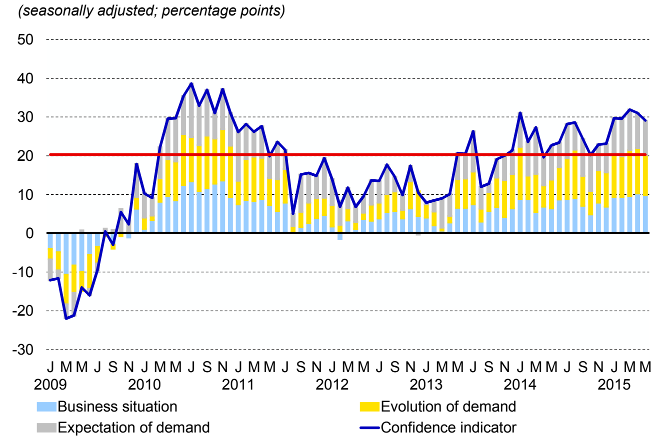
Source: European Commission.

Confidence in the construction sector fluctuated widely during the first quarter of 2015. The construction confidence indicator ended the quarter at -6 in March, up slightly from -7 three months earlier. Although still in negative territory, the indicator remained well above its long-term average and turned positive in the following two months (see Chart 3).

The marginal improvement in confidence in this sector between December and March was driven by respondents' improved employment expectations, which offset a more pessimistic assessment of order books. Additional survey information indicates that a higher share of respondents held positive expectations regarding selling prices for the subsequent three months.

Services sector is more upbeat[6]

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



Source: European Commission.

The confidence indicator in the services industry rose sharply to 32 in March from 23 in December, moving further above its long-term average of 20 (see Chart 4).

All sub-components of the services confidence indicator rose in March compared with December. Respondents' assessments of demand

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

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

and of the business situation over the previous three months improved significantly. A higher share of respondents also expected the increase in demand to be sustained over the subsequent three months. All sub-components of the services confidence indicator stood above their long-term averages.

At a sectoral level, confidence improved most among firms involved in real estate activities, transport and computer programming. In the first two sectors, higher confidence was mostly driven by improvements in the business situation. On the other hand, a more positive assessment of recent demand contributed to improving confidence among firms providing computer programming services. In contrast, confidence fell most among firms involved in audio-visual productions, mostly as a result of worsening demand in the previous three months, and among legal and accounting firms due to expectations of a reduction in demand.

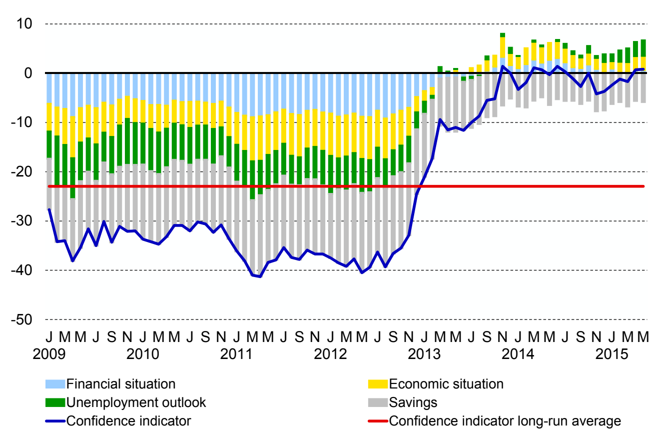
Other information suggests that, on balance, respondents in the services sector still expected to increase their labour complement. However, the share of respondents expecting to create jobs slightly decreased compared with December. Meanwhile, selling price expectations improved.

Consumer confidence improves marginally[7]

Consumer confidence improved modestly in March when compared with December but remained in negative territory. The indicator stood at -2 in March compared to -4 three months earlier. Nonetheless, the indicator remained well above its long-term average of -23 (see Chart 5).

The improvement in consumer confidence was driven considerably by more positive labour market expectations, as a higher share of respondents believed that unemployment over the subsequent 12 months would decrease. Consumers also assessed their own financial situation over the subsequent 12 months more favourably compared with December. Furthermore, a higher share of respondents planned to save in the subsequent 12 months. Respondents' assessment of the

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



Source: European Commission.

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

general economic situation on balance remained positive and broadly unchanged compared with three months earlier. All sub-components, except for future unemployment expectations, stood above their respective long-term averages. At the same time, additional survey information suggests that consumers were also more predisposed than in December to make major purchases over the following year.

Information on consumer price expectations shows that in March a smaller number of respondents expected prices to increase over the subsequent 12 months.

The improvement in economic sentiment extends into the second quarter

Data for the first two months of the second quarter indicate that the ESI rose further, reaching 118 in May. The increase was mostly driven by a strong improvement in confidence in the construction sector. Consumer confidence also edged up slightly and turned positive. In contrast, sentiment in industry and services somewhat declined, although it remained more favourable than in December.

The labour market[4]

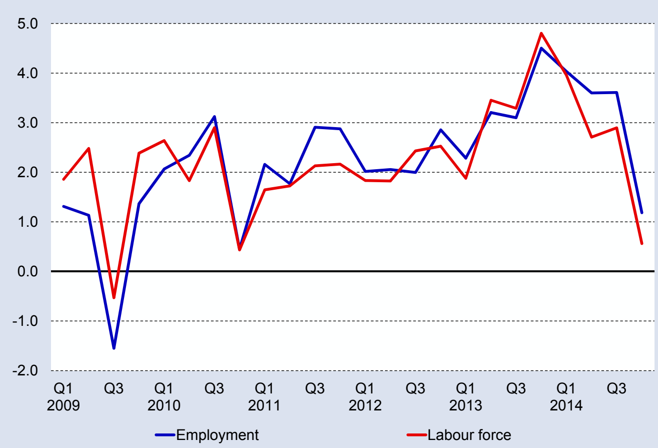
Labour market data for the fourth quarter of 2014, as for the whole year, show continued growth in employment, and a further decline in unemployment. The robust developments seen in the last quarters partly reflect not only government efforts to strengthen labour market performance but also the strong pace of expansion of the economy.

Employment rises further

Labour Force Survey (LFS) data indicate that in the fourth quarter of 2014 the labour force rose by 0.6% on the same quarter a year earlier (see Chart 2.3).[5] This followed a 2.9% rise in the third quarter.

During the fourth quarter of 2014, employment increased by 1.2% on a year earlier, after growing by 3.6% in the preceding quarter, reflecting further – though slower – growth in the number of both full-time and part-time employees (see Table 2.4).

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



Source: Eurostat.

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

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

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

	2013 Q4	2014 Q4	Annual change %	2013	2014	Annual change %
Labour force	**190,253**	**191,319**	**0.6**	**187,869**	**192,595**	**2.5**
Employed	178,005	180,124	1.2	175,871	181,319	3.1
By type of employment:						
Full-time	151,791	152,417	0.4	149,185	151,387	1.5
Full-time with reduced hours	4,489	4,409	-1.8	4,808	5,309	10.4
Part-time	21,725	23,298	7.2	21,877	24,624	12.6
Unemployed	12,248	11,195	-8.6	11,998	11,276	-6.0
Activity rate (%)	**65.7**	**65.5**		**65.0**	**66.3**	
Male	79.5	79.9		79.4	79.9	
Female	51.4	50.5		50.2	52.2	
Employment rate (%)	**61.4**	**61.6**		**60.8**	**62.3**	
Male	74.1	74.9		74.1	74.9	
Female	48.1	47.8		47.0	49.3	
Unemployment rate (%)	**6.4**	**5.9**		**6.4**	**5.9**	
Male	6.6	6.2		6.5	6.1	
Female	6.2	5.3		6.2	5.4	

Sources: NSO; Eurostat.

In absolute terms, the strongest increase in employment in the last quarter of 2014 was recorded among part-time workers, which went up by 1,573, or 7.2%, on the same quarter of 2013. Full-time jobs rose by 626, or 0.4% on a year earlier, while the number of full-timers on reduced hours decreased by 80, or 1.8%.

During the fourth quarter the total employment rate stood at 61.6% and was thus 0.2 of a percentage point higher than a year earlier.[6] This reflected developments in the male employment rate, which rose by 0.8 percentage point on a year earlier, to 74.9%. The largest rise was registered in the 35 – 54 age bracket. On the other hand, the female employment rate dropped by 0.3 percentage point on a year earlier, to 47.8%.

The activity rate dropped to 65.5% in the fourth quarter of 2014 from 65.7% in the same quarter a year earlier.[7] The decline was driven by females and in part reflected a fall in the number of unemployed.

For 2014 as a whole, according to the LFS findings, the labour force increased by 2.5%. Employment grew by 3.1%, after a rise of 3.3% in 2013. The rise was broadly-based across all types of employment, but was mostly due to a higher number of part-timers, which went up by 2,747 or 12.6%. Those working full time also increased by 2,202, or 1.5%.

Over the course of 2014, the total employment rate extended its upward trend. At 62.3%, it was 1.5 percentage points higher than a year earlier. This strong increase goes in line with the

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

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

Government's target to reach an employment rate of 70.0% by 2020. Both female and male employment rose, though the former recorded a stronger gain. The male employment rate went up by 0.8 percentage point on a year earlier, to 74.9%. Moreover, the female employment rate rose by 2.3 percentage points on a year earlier, to 49.3%. The latter suggests that government policies aimed at encouraging labour market participation, which include providing free childcare facilities, school care outside regular hours and fiscal incentives, are bearing results.

In 2014 the activity rate rose to 66.3% from 65.0% a year earlier. Both male and female rates increased, broadly in line with developments in employment rates.

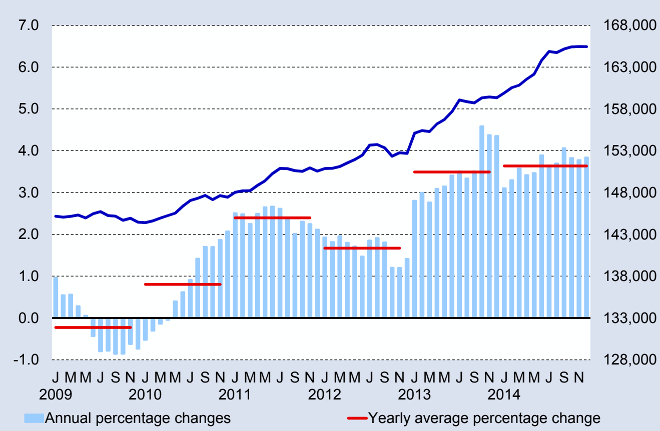
The administrative records of the ETC show that the gainfully occupied population, defined to include all persons in full-time employment, rose to 165,443 in December (see Chart 2.4). The annual growth rate slowed down somewhat to 3.8% in December from 4.1% three months earlier. On average, employment in 2014 was up by 3.6% on a year earlier, sustaining the 3.5% growth recorded in 2013.

Both the private and public sector contributed to employment growth, with the former accounting for most of the gain in absolute terms in December when the number of full-timers in the private sector increased by 4,137, or 3.5% on the same month of the previous year (see Table 2.5).

The rise in full-time private sector employment was mostly evident in market services, where employment grew by 3,638 or 4.3%. New jobs were created in almost all sectors in this category. The biggest increase was registered in real estate, professional & administrative activities, where employment went up by 1,781 or 10.1%, and accounted for almost half of the overall rise registered in private market services. Within this sector, the most significant increases were recorded among firms providing legal & accounting services, administrative & support services, and building & landscaping services. The wholesale & retail and information & communication sub-sectors also generated a significant number of new jobs on a year earlier. The decline in the transport & storage category resulted from the reclassification of workers in the national bus service from the private to the public sector since January 2014.

In December employment in direct production within the private sector grew by 1.6% on a year earlier, up by almost 500 jobs.[8] Growth was observed mainly in specialised construction activities, which include demolition, installation activities and finishing works, as well as in the food and computer & electronics sectors. A significant number of jobs were also created in the repair & installation of machinery & equipment,

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



Source: NSO.

[8] Direct production relates to the production of goods in manufacturing, agriculture & fishing, mining & quarrying, construction and utilities.

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

	2013	2014				Annual change
	Dec.	Mar.	June	Sep.	Dec.	%
Labour supply	**166,729**	**168,482**	**170,548**	**171,765**	**171,730**	**3.0**
Gainfully occupied[(1)]	159,328	160,838	163,797	165,166	165,443	3.8
Registered unemployed	7,401	7,644	6,751	6,599	6,287	-15.1
Unemployment rate (%)	**4.4**	**4.5**	**4.0**	**3.8**	**3.7**	
Private sector	**116,907**	**117,452**	**119,858**	**120,805**	**121,044**	**3.5**
Private direct production[(2)]	**31,435**	**31,599**	**32,038**	**31,908**	**31,934**	**1.6**
Private market services	**85,472**	**85,853**	**87,820**	**88,897**	**89,110**	**4.3**
Wholesale & retail trade	23,416	23,811	23,841	23,799	23,951	2.3
Transportation & storage	7,097	6,424	6,366	6,433	6,428	-9.4
Accommodation & food service activities	9,976	9,921	10,294	10,491	10,207	2.3
Information & communication	5,078	5,152	5,434	5,572	5,538	9.1
Financial & insurance activities	7,192	6,798	7,257	7,450	7,491	4.2
Real estate, professional & administrative activities[(3)]	17,688	18,540	18,949	19,270	19,469	10.1
Arts, entertainment & recreation	3,743	3,786	4,022	4,105	4,161	11.2
Education	4,569	4,611	4,716	4,723	4,709	3.1
Other	6,713	6,810	6,941	7,054	7,156	6.6
Public sector	**42,421**	**43,386**	**43,939**	**44,361**	**44,399**	**4.7**

[(1)] This category measures full-time employment.
[(2)] This also includes employment in agriculture, fishing, mining & quarrying and electricity, gas & water supply.
[(3)] This includes employment in real estate activities, professional, scientific & technical activities and administrative & support service activities.
Source: NSO.

as well as in "other" manufacturing. The increase in the latter partly reflected employment among firms producing games and toys, as well as medical & dental instrument supplies.

Additional disaggregated data suggest that in the year to December, public sector jobs rose by 1,978 or 4.7%, primarily in public administration and in the education and health categories. Meanwhile, the transportation & storage sector also registered a strong increase, as employees of the national bus service were classified in government employment, pending the transfer of ownership of the service to a new operator.

The unemployment rate declines

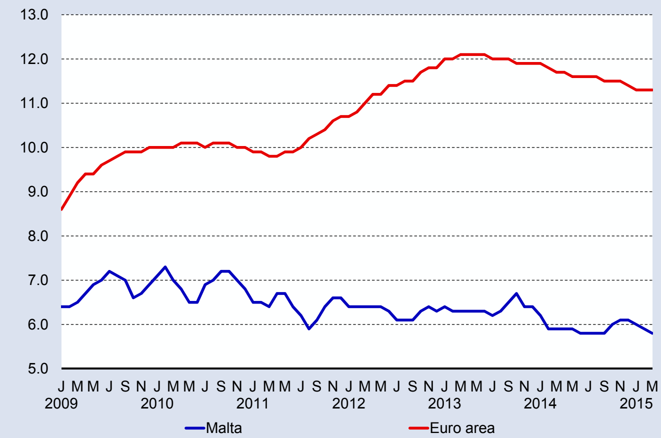
In the December quarter, the unemployment rate based on the LFS stood at 5.9%. This was 0.1 percentage point higher than in the preceding quarter, but half a percentage point less than a year earlier.[9] The jobless rate for females fell by 0.9 percentage point while that of males declined by 0.4 percentage point compared with the fourth quarter of 2013.

The seasonally adjusted unemployment rate averaged 6.0% in the fourth quarter of 2014, also half a percentage point lower than a year earlier, but 0.2 percentage point higher compared

[9] According to the LFS the unemployed comprise persons between 15 and 74 years who are without work, available for work and who have actively sought work during the four weeks preceding the survey. In contrast, the number of unemployed on the basis of ETC data includes only those persons registering for work under Part 1 and Part 2 of the unemployment register.

with the previous quarter (see Chart 2.5).[10] Available data for the first quarter of 2015 show that the seasonally adjusted unemployment rate dropped by 0.1 percentage point to 5.9%. The unemployment rate in Malta remained well below the average rate for the euro area, though the latter continued its downward trend.

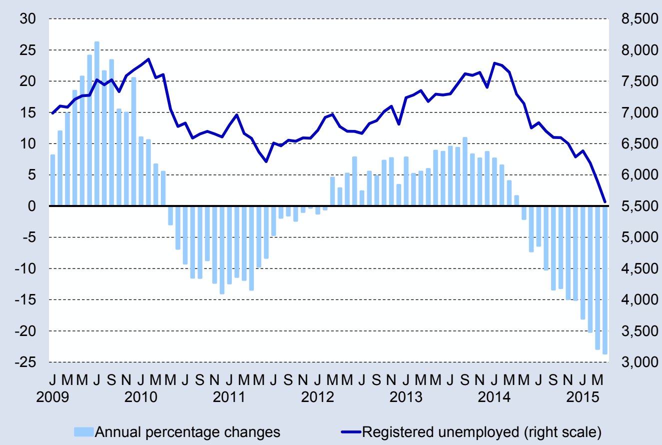
Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

Meanwhile, the administrative records of the ETC show that the number of registered unemployed fell by 312 to 6,287 between September and December 2014, and stood significantly below the level recorded at the end of 2013 (see Chart 2.6). In December the jobless rate based on ETC data stood at 3.7%, 0.7 percentage point below the rate registered a year earlier, and 0.1 percentage point lower than in September.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

Data for the first quarter on 2015 show that the number of claimants for unemployment benefits fell further, by 393 between December and March, to reach 5,894. In March 2015 the number of registered unemployed was 1,750 lower than in the corresponding month of 2014. Data for April show that the number of unemployed persons declined further to 5,568. This was 1,723 lower than in April 2014.

[10] These statistics are based on Eurostat calculations.

BOX 3: A PROFILE OF HOUSEHOLD SAVING BEHAVIOUR IN MALTA[1]

The drivers of household saving behaviour and how these change over the life course are research questions which have been central to improving economists' understanding of consumption dynamics. One answer to these questions is given by the *Life-Cycle Hypothesis*, which states that people tend to prefer to balance consumption over their lifetime rather than consume in line with their current income.[2]

A theory on consumption and saving

This proposition implies that people who spend more than they earn try to bridge the gap by borrowing funds. People in this category are generally of a young age. Subsequently, over a person's lifetime, income tends to grow at a faster pace than consumption, and as a person approaches middle age s/he will repay balances due and start saving for retirement. Upon retirement, s/he draws down on the accumulated funds to sustain consumption. This model implies that saving is a function of a person's age and follows a "hump-shaped" profile: it is negative at a young age, positive at middle age and negative again after retirement.

There are, however, other factors, besides the age of the household, which affect consumption and saving decisions.[3] *Interest rates* are generally expected to be positively related to savings, as they represent the opportunity cost of foregone consumption.[4] The discussion above requires households to be able to bridge the gap whenever consumption is higher than income; therefore, savings are also expected to be positively related to the *availability of consumer credit*. In addition, the discussion above also assumes that households have perfect foresight about their future income streams, which is perhaps not realistic.

As a result, *income uncertainty* is expected to give rise to precautionary savings – households save more than they would under a scenario of perfect foresight – to build a buffer against unanticipated shocks to income. Fiscal policy may also have an impact on saving decisions, as the literature on *Ricardian Equivalence* argues. If households observe government deficits being financed through an increase in public debt, they anticipate the repayment of that debt as a future liability. As a result, an increase in government debt is expected to raise savings. All these considerations take place at household level. At an aggregate level, the median age of households also has a bearing on the saving rate in an economy. An ageing population is expected to have a lower saving rate than a younger one. Thus, the

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[1] Written by William Gatt, Senior Research Economist at the Modelling & Research Department and Visiting Assistant Lecturer, Department of Banking and Finance, University of Malta. Any errors, as well as the views expressed in this article, are the author's sole responsibility. The author would like to thank Dr Aaron Grech, Professor Joseph Bonnici, Mr Alfred Demarco, Mr Sandro Demarco, colleagues from the Modelling & Research and Economic & Monetary Analysis departments, as well as Mr Joseph Bonello, Mr Etienne Caruana, Ms Nikita Ellul and Mr Silvan Zammit from the National Statistics Office for useful comments and suggestions.

[2] Brumberg, R., & Modigliani, F. "Utility Analysis and the Consumption Function". *Post-Keynesian Economics*, Princeton University Press, Princeton, New Jersey, 1954, and Ando, A., & Modigliani, F., "The 'life cycle' hypothesis of saving: Aggregate implications and tests", *The American Economic Review*, Volume 53 Issue 1, pp. 55-84, 1963.

[3] See Sturm, P.H., "Determinants of saving: theory and evidence", *OECD Economic Studies* Volume 1, pp. 147-196, 1983, Callen T. and Thimann, C., "Empirical determinants of household saving: evidence from OECD countries", *IMF Working Paper* 97/181, 1997, and Masson, P.R., Bayoumi, T. & Samiei, H. "International evidence on the determinants of private saving" *The World Bank Economic Review* Volume 12 Issue 3, pp. 483-501, 1998.

[4] If a household is a net debtor, then higher interest rates increase the burden of outstanding debt, reducing the amount of resources that a household affords to save. Therefore, in this case, we would expect that the interest rate and saving rate are negatively related.

old-age-dependency ratio, defined as the number of people aged 65 and above as a ratio of the working age population, is expected to be negatively related to the saving rate.[5]

Evidence from macroeconomic data

These hypotheses were tested empirically for Malta for the period 2000-12 using regression analysis.[6] It resulted that the saving rate in Malta is positively related to the real deposit interest rate and negatively related to the wealth-to-income ratio, which acts as a proxy for the accumulation of savings under the precautionary motive. Government deficits (surpluses) were also found to have an effect on the saving rate, although the strength of this relationship is weaker than predicted by theory. This analysis also found that consumer credit growth and the old-age-dependency ratio did not play a role in influencing saving decisions of Maltese households during the period 2000-12.

Evidence from microeconomic data

We can better understand the profile of household saving by looking at data at household level, which were obtained from the Household Budgetary Survey carried out in 2008.[7] This exercise tracks the expenditure and income of a sample of households and can be used to build saving distributions across different strata.[8]

Data from this survey indeed show the hump-shaped saving profile across a household's lifetime predicted by theory, although households whose representative is older than 75 is seen as having the highest saving rate (Chart 1). This apparent contradiction is due to a number of reasons, primarily being that only old people still living in their homes were surveyed. The latter's expenditure is expected to be lower than those living in residential homes. Another reason for this result is the so-called "retirement-savings puzzle", a phenomenon observed in various empirical studies.[9] On retirement, the sudden drop in income that ensues causes people to lower their consumption drastically. Bequest motives, which were not discussed in the basic framework described above, could also be behind a positive saving rate amongst old people.

Chart 1 also shows the median saving rate across households with different employment status. As expected, unemployed households have negative savings, while the retired had a saving rate of almost 10%, a result which follows from the distribution across household age. Home ownership is also a factor which influences the saving rate of households, as households which own a house have a higher saving rate than households which rent property.

Another factor which could influence saving behaviour is education. Higher levels of educational attainment are expected to lead to higher income and hence to a higher saving

5 An ageing population is expected to be at a "dissaving" stage.

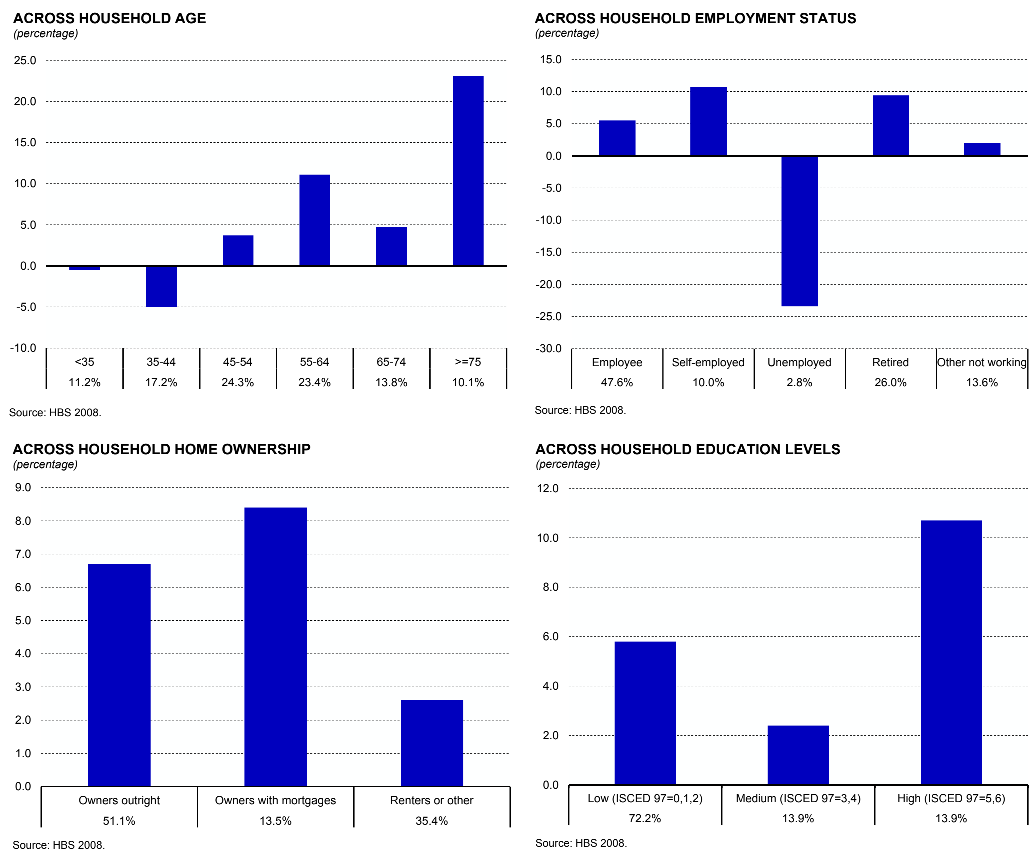
6 See Gatt, W. "The determinants of household saving behaviour in Malta", *Central Bank of Malta Working Paper* 03/2014, 2014. http://www.centralbankmalta.org/file.aspx?f=999

7 Household Budgetary Survey 2008, National Statistics Office, 2010.

8 Although the survey collects data on both consumption and income, the data for income are not corrected for household size. Hence, the resulting saving rates across strata should be interpreted with caution.

9 See, Banks, J., Blundell, R., & Tanner, S. "Is there a retirement-savings puzzle?" *American Economic Review*, Volume 88 Issue 4, 1988, pp. 769-788. For a discussion on reasons behind this phenomenon, see Hurd, M. D. & Rohwedder, S. "Some answers to the retirement-consumption puzzle", *NBER Working Paper* number w12057, National Bureau of Economic Research, 2006.

Chart 1
HOUSEHOLD MEDIAN SAVING RATE
(% of median income; the numbers in percentages below groups are the proportion of respondents for each household falling within that group)



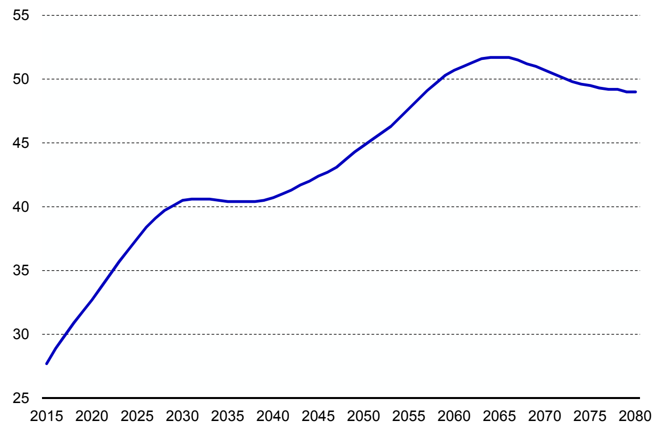
rate. This pattern is not evident across different levels of educational attainment in Malta, although respondents with the highest level of education also had the highest saving rate.

The preceding analysis has shown that while there may be many factors which influence household saving decisions, the predictions of the basic Life-Cycle Hypothesis are largely borne out by the data, with the possible exception of the large saving rate observed by households aged 75 and over in Malta.

Household saving in the future

Demographic projections by Eurostat show that the Maltese population is expected to age over the next 30 years, with the median age rising from 41 in 2015 to just over 46 by 2045. The result is an increase in the old-age-dependency ratio, from 27.7% to 42.4% over the same period (see Chart 2). Such a development is bound to have an effect on aggregate saving in the future, unless individual saving rates rise. In this light, incentives aimed at increasing saving rates appear warranted. Such saving would also compensate for the drop in social security contributions that could accompany the ageing of the Maltese population and which would lower public saving. On the other hand, the household data described here indicate that having a more educated, employed and home-owning workforce could raise the average saving rate. In this respect, the family friendly measures that have been promoted during past years, such as the four-week maternity leave extension and greater availability of affordable child care, could also help to improve the prospective trend of household saving behaviour in Malta.

CHART 2
PROJECTED OLD-AGE-DEPENDENCY RATIO
(% of population above 65 years as a ratio of the working age population)



Source: Eurostat.

BOX 4: ESTIMATES OF OUTPUT, INCOME, VALUE ADDED AND EMPLOYMENT MULTIPLIERS FOR THE MALTESE ECONOMY[1]

This Box summarises the results of a broader study conducted for the Central Bank of Malta that aims to derive and analyse industry specific multipliers based on the input-output methodological framework.[2] These multipliers portray, at a highly disaggregated industry level, how an increase in final demand to each of these industries could potentially affect the Maltese economy. A significant advantage of utilising the input-output methodology is that the resulting multipliers incorporate not only the direct effects, but also the indirect and induced effects on the economy of an exogenous shock to one of the components of final demand.

Data and methodology

In this study we describe output (production), income (income-output), value added (value added-output) and employment (employment-output) multipliers, using techniques which have their foundation in the work of Wassily Leontief, for which he was awarded a Nobel Prize in economics in 1973.[3] Only a few studies exist in this field which are applied to the Maltese economy, with the majority of these aimed at evaluating the overall impact of the

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1 Prepared by Dr Ian P. Cassar, who was engaged by the Central Bank of Malta to conduct the research under the editorial supervision of Dr Aaron G. Grech, Head of Modelling and Research Department. Dr Cassar is a lecturer in the Economics Department of the University of Malta.

2 This study is found at http://www.centralbankmalta.org/en/working-papers-2015 and follows the approach taken by the author in, "A study of the production structure of the Maltese economy: An input-output approach" *Unpublished doctoral dissertation*, Heriot-Watt University, Edinburgh, 2013.

3 Leontief, W, *The Structure of American Economy*, 1919-1929. 2nd edn. Harvard University Press, Cambridge, 1951.

tourism sector.[4,5] However, these studies either utilise input-output tables, which are not highly disaggregated, or have missing components, or which do not comply with the Eurostat System of National and Regional Accounts or with Eurostat methodological guidelines for the construction of a symmetric input-output table (SIOT).

The multipliers derived here are based on a SIOT for 2008, constructed by the author by transforming the supply and use tables for the Maltese economy published by the NSO in 2013, using the fixed product sales assumption transformation model described in the Eurostat Manual of Supply, Use and Input-Output Tables, published in 2008. The resulting SIOT has a 59-industry level of disaggregation, which follows in large part the classification according to the European Statistical Classification of Economic Activates (NACE) Rev.2.

An input-output table records the economy's inter-industry transactions via the disaggregation of the economic activity into "n" sectors or industries, representing the various producing sectors of the economy. The core data required to populate the Leontief demand driven model essentially consist of the flows of products from each of the "n" producing sectors to each of the "n" sectors purchasing input requirements in order to undertake the production of output. An increased demand for a product or service results in an increased demand for other products and services, which serve as inputs to produce this product or service. Besides these effects on production, referred to as Type I multipliers, one also needs to consider that higher production leads to more labour input, which in turn raises household income leading to more demand, and consequently production. This broader impact is referred to as Type II multipliers.

One of the main factors, which has a significant role in determining the overall magnitude of the derived Type I multipliers, relates to the relative share of leakages from the domestic inter-industry system in terms of import use, labour use or even total primary inputs use as a share of the total input requirements for each industry. Given that Malta is a small, open economy, the extent of import use as a share of total input requirements per sector is of great significance to the relative magnitude of the multipliers for each industry. The higher the import content within the production process of a sector, the smaller the magnitude of the resulting multipliers for that sector will be. Additionally, since we will also derive the Type II multipliers, another factor which will have a significant impact in determining the size of these multipliers relates to the consumption pattern of households. The larger the share of household income that is spent on consumption expenditure, rather than being leaked out of the system via, for example savings or taxation, the larger will be the induced effects.

A realistic estimate of the true direct and indirect effects of an increase in final demand on output, income and employment generally lies half way between the Type I and Type

[4] Bonnici, J. "Integrating Input-Output and Keynesian Models: A Case Study of Malta", *Unpublished doctoral dissertation*, Simon Fraser University, Canada, 1980, and "The Relevance of Input Substitution in the Inter-Industry Model", *European Economic Review*, 22, 1983, pp. 277-296.
Gravino, D., "Economic and Policy Implications of Industry Interdependence: An Input-Output Approach, *International Journal of Economics and Finance*, 4 (6), 2012.

[5] Briguglio, L., "Tourism Multipliers in the Maltese Economy", In Johnson, P. and Thomas, B. (eds.), *Perspectives on Tourism Policy*, Mansell, London, 1992, pp. 76-80, and Blake, A., Sinclair, T.M., Sugiyarto, G. and DeHann, C., "The Economic Impact of Tourism in Malta: Input-Output Modelling", *Report* for the Malta Tourism Authority, The University of Nottingham, 2003.

II multipliers. This statement is motivated by the suggestion that Type I multipliers probably underestimate economic impacts, given that they omit household and factor income activities, while, on the other hand, Type II multipliers probably overestimate these impacts owing to the rigid assumptions regarding household behaviour.[6]

Estimates for Malta for selected industries

In this Box we focus our analysis on ten sectors. Two of them, electronics and pharmaceutical products, are key players in the manufacturing industry, while construction and retail trade are traditionally domestically-oriented important sectors. The public sector is represented by public administration and health (though the latter also includes private sector operators). The other four sectors – financial services, information technology services, creative arts & betting, accommodation & food services – all form part of the services sector, but are mostly export oriented. Taken together, in 2014 these ten sectors constituted 41.9% of total employment, 45.6% of total value added and 47.2% of total output.

Table 1 shows the Type I and Type II output, income, value added and employment multipliers for these ten sectors. Thus, for instance, every additional €1.0 million increase in demand for the construction sector results in a direct and indirect increase in production of €1.69 million from all sectors of the economy. This rise in production would, via the impact of additional labour income, stimulate consumption and generate further rounds of production activity, such that the overall Type II multiplier for the construction industry would amount to an increase in output of €2.19 million. Similarly, when one accounts for the direct, indirect and induced effects, this €1.0 million rise in demand for the construction sector would result in an additional €0.39 million in household income, €0.82 million in value added and 32 jobs.

Table 1
INDUSTRY MULTIPLIERS FOR MALTA: SELECTED INDUSTRIES(1)

	Output		Income		Value added		Employment	
	Type I	Type II	Type I	Type II	Type I	Type II	Type I	Type II
Manufacture of electronics	1.12	1.29	0.10	0.13	0.19	0.27	5	7
Manufacture of pharmaceuticals	1.31	1.60	0.17	0.23	0.70	0.83	8	12
Construction	1.69	2.19	0.30	0.39	0.60	0.82	27	32
Retail trade, except of motor vehicles	1.51	2.20	0.41	0.54	0.81	1.11	34	43
Accommodation & food services	1.63	2.25	0.37	0.49	0.65	0.93	23	30
Financial services, except insurance	1.51	2.52	0.60	0.79	0.79	1.24	20	32
Information technology services	1.61	2.10	0.29	0.38	0.65	0.87	12	18
Creative arts, gambling & betting	1.34	1.54	0.12	0.16	0.49	0.58	5	7
Public administration	1.42	2.53	0.65	0.86	0.82	1.32	26	39
Human health	1.36	2.34	0.58	0.77	0.84	1.29	21	33

(1) This table is a summarised output of the tables contained in the broader study available on the Bank's website, which classifies the industries following NACE Rev.2. The multipliers show the impact on output, income, value added and employment of a one million increase in exogeneous final demand. For instance, a one million euro increase in demand for electronics would generate €1.29 million increase in total production across the industry (€0.27 million of which from induced demand) and generate 7 additional jobs.
Source: Author's calculations.

6 Refer to Oosterhaven, J., Piek, G. and Stedler, D., "Theory and Practice of Updating Regional Versus Interregional Interindustry Tables", *Papers in Regional Science*, 59 (1), 1986, pp. 57-72.

The first thing immediately evident in Table 1 is the considerable heterogeneity in these multipliers. A sector like electronics manufacturing, which, given its importance in the productive structure of the Maltese economy, would be expected to have a significant output multiplier, but much smaller value added, income and employment multipliers. This reflects the fact that some industries are very capital intensive or can generate considerable value added using very few workers. While traditionally this tended to be a feature of manufacturing, as can be seen in Table 1, a number of fast-growing service sectors, such as information technology services, also share this trait. However, the estimated multipliers confirm that labour-intensive sectors, such as public administration and retail trade, tend to have the highest employment multipliers. The nature of the industry also affects the difference between its Type I and Type II multipliers. Thus, for instance, the induced effects of an increase in demand for the health sector and for the financial services sector are more significant than those for the construction sector, reflecting the different type of interlinkages these sectors have with the rest of the economy and the resulting change in household income.

Returning to the issue of heterogeneity in multipliers, one can notice that the output multipliers display the least variation, with the Type I multiplier for construction being one and a half times that for the manufacture of electronics. When one considers the induced effects, the gap between the two sectors grows considerably. The public administration sector, which, when excluding induced effects, has a smaller output multiplier than construction, overturns this result when one considers induced effects. The greatest variation in multipliers is found in the income and employment multipliers, and reflects the capital intensity and/or the total employment share of the sector. A €1.0 million increase in demand for the creative arts, gambling & betting sector generates €0.16 million rise in household income, whilst the same increase in demand for accommodation & food services generates a rise three times as much. The variation in value-added multipliers, though less pronounced than in income and employment multipliers, is more than twice that in output multipliers.

It should be noted that while the ten sectors, which are analysed here, constitute a considerable part of the Maltese economy, they do not necessarily feature as having the highest multipliers amongst all 59 sectors.[7] For instance, the highest output Type II multiplier – 2.96 - is found in the insurance sector, while social work has the largest employment multiplier – 145. Employment services have the highest income and value-added multipliers, 1.11 and 1.53, respectively. The manufacture of electronics has the lowest value-added multiplier, the second lowest output multiplier, the third lowest income and employment multipliers. Similarly, the creative arts, gambling & betting sector occupies the fourth from bottom spot in all four types of multipliers. That said, it should be kept in mind that an increase of €1.0 million demand for a sector, such as employment services, is the equivalent of 1.7% of its current value added, while the same increase for creative arts, gambling & betting would represent 0.2%, or ten times less in proportionate terms.

Conclusion

Input-output analysis allows one to obtain a clear picture of the strength of inter-industry relations and how these impact the Maltese economy in terms of productive output generated,

[7] Details on the ten highest ranking multipliers for each dimension are provided in the *Working Paper* on this subject found at http://www.centralbankmalta.org/en/working-papers-2015.

household income, value added generated and employment created. These measures can either be used for the study of the characteristics of the structure of production, or can be of crucial aid to policy makers for the identification of industry-specific policies aimed at improving Malta's competitiveness and economic resilience.

Thus, for instance, taking accommodation and food service activities as an approximation for the tourism sector, it can be inferred that, based on the reference year 2008, an additional €1.0 million worth of exogenous final demand injection for this sector through the direct, indirect and induced effects on production would have generated an average total value in production from all sectors in the economy amounting to €2.25 million, an average increase in household income of €0.49 million, a rise in value added of €0.93 million, and would have created approximately 30 new jobs.[8] Similarly, based on this study, a policymaker can understand that an increase in demand for a particular sector, such as construction, will generate much higher demand for labour than a rise in the demand for another sector, such as the manufacture of pharmaceuticals, hence requiring different labour market strategies.

This type of analysis provides a different approach to evaluating the relative significance of an industry within the context of the entire production structure. For example, if one were to look at solely the share of output or value added of a particular industry in relation to the total of the other industries, areas such as the creative arts, gambling & betting and electronics manufacturing would stand out as being the most significant productive sectors in the economy. However, when the potential impacts of these industries, in terms of the additional generation of domestic production, income and value-added generation, and employment creation per euro increase in final demand, are assessed, they rank consistently among the bottom quartile for each of the multiplier measures derived. On the other hand, sectors which have a relatively low share of total output, such as insurance, employment services and education, consistently rank amongst the industries which generate the highest overall multiplier effects.

It should, however, be noted that interpreting multiplier estimates in the context of modelling marginal changes in activity will implicitly invoke assumptions about how the economy behaves in response to changes in demand, since these measures would effectively be estimating the resulting impact in an economic scenario which differs from that of the given base year. Multiplier estimates tend to overestimate the real impact on the economy caused by an exogenous increase in final demand, as economies do not exhibit the levels of excess capacity assumed by the model, especially in the short run for which most impact analysis is conducted.[9] An alternative interpretation views the estimates obtained from the various multiplier measures as long-run multiplier effects on the economy.[10] While the multipliers derived here should be evaluated with caution by policy makers, they provide a useful tool to assess the possible effects on output production that can be generated as a result of an increase in exogenous final demand.

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8 For further explanation of this ad-hoc approximation refer to Fletcher, J., "Input-output analysis and tourism impact studies", *Annals of Tourism Research*, 16 (4), 1989, pp. 514-529.

9 Refer to Ten Raa, T. and Rueda-Cantuche, J.M., "Stochastic Analysis of Input-Output Multipliers on the basis of Use and Make Matrices", *Review of Income and Wealth*, 53, 3, 2007, pp.1-17.

10 Refer to Charney, A. and Vest, M., "Modeling Practices and Their Ability to Assess Tax/Expenditure Economic Impacts", *Paper* prepared for the AUBER Conference, New Orleans, the University of Arizona, Tucson, AZ, October 2003.

3. PRICES, COSTS AND COMPETITIVENESS

During the first quarter of 2015, the annual rate of inflation based on the Harmonised Index of Consumer Prices (HICP) picked up slightly from the low level recorded in December 2014. Inflation remains subdued from a historical perspective, as falling energy prices offset high price pressures in other components. These developments are also mirrored in movements in the Retail Price Index (RPI) between December and March. Meanwhile, producer prices extended their downward trend, while the harmonised competitiveness indicators also fell during the first quarter of the year.

HICP inflation

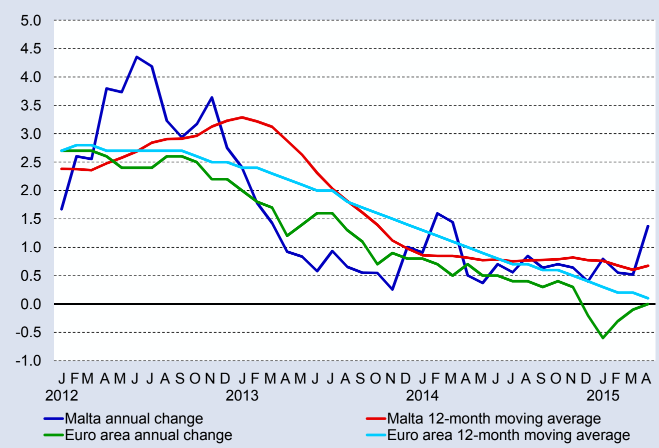
HICP inflation accelerates marginally

The annual inflation rate based on the HICP stood at 0.5% in March, up from 0.4% in December (see Chart 3.1 and Table 3.1).[1] Meanwhile, the 12-month moving average rate dropped to 0.6% from 0.8% in December.

Malta's low inflation rate must be considered against the backdrop of moderating price pressures in trading partners, in particular the general downward trend (as shown by the 12-month moving average) in euro area inflation.

The annual rate of HICP inflation in the euro area turned negative in December, mainly

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



Sources: NSO; Eurostat.

Table 3.1
HICP INFLATION
Annual percentage change

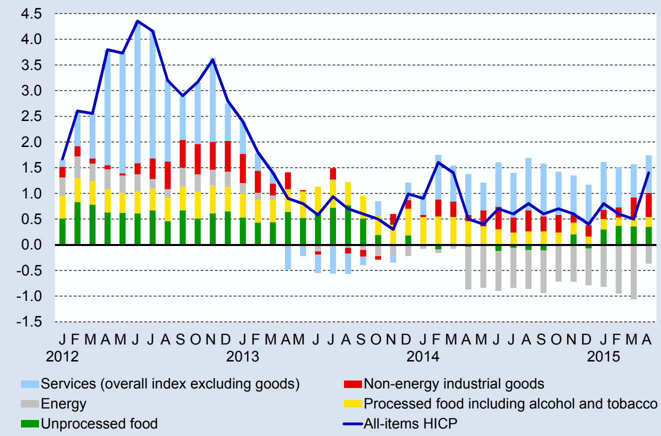
	2014						2015		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Unprocessed food	-0.9	-1.3	-1.4	-0.2	2.7	-0.8	4.1	5.0	5.0
Processed food including alcohol and tobacco	2.0	2.1	2.0	1.9	1.8	1.2	1.6	1.3	1.3
Energy	-10.0	-9.8	-10.6	-8.9	-8.9	-8.9	-10.0	-11.6	-13.0
Non-energy industrial goods	1.0	1.5	1.0	1.2	0.5	0.8	0.6	0.7	1.4
Services (overall index excluding goods)	1.9	2.2	2.3	1.9	1.8	1.8	2.2	1.8	1.5
All Items HICP	**0.6**	**0.8**	**0.6**	**0.7**	**0.6**	**0.4**	**0.8**	**0.6**	**0.5**

Source: NSO.

[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. In January 2015 the weight allocated to energy fell by 0.6 percentage point to 7.4%, while that of non-energy industrial goods declined by 0.2 point to 28.9%. In contrast, the weight related to services rose by a full percentage point to 43.4%, while the share allocated to food remained largely unchanged at 20.3%.

owing to the sharp decline in the price of oil. Prices in the euro area continued to fall during the first quarter of 2015, with inflation standing at -0.1% in March. Malta's higher inflation rate can be partly explained by a more buoyant economic activity relative to the euro area.

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



Source: Eurostat.

The slight acceleration in inflation in Malta between the end of 2014 and March was mainly due to unprocessed food prices. Prices of vegetables and fish & seafood rose significantly during the first three months of the year, driving the annual rate of change of unprocessed food prices up from -0.8% in December to 5.0% in March of this year. Unprocessed food contributed 0.4 percentage point to overall inflation in March (see Chart 3.2).

Meanwhile, processed food prices increased at an annual rate of 1.3% in March, marginally stronger than in December 2014. This category contributed 0.2 percentage point to headline inflation in March, as in December. Annual price growth continued to be driven by higher prices of alcohol and cigarettes, following the increase in excise duty announced in the Budget for 2015.

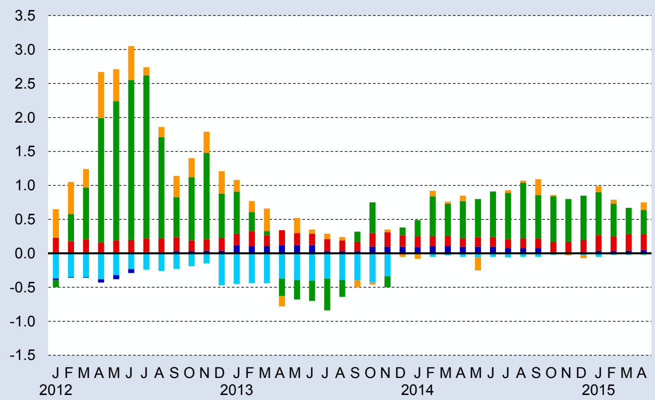
Faster growth in prices of non-energy industrial goods (NEIG) also contributed to the acceleration in inflation in Malta during the period under review. NEIG price inflation appears to be on an upward trend, rising to 1.4% in March from 0.8% in December, mainly reflecting more rapid growth in garment prices. As a result, its contribution to headline inflation rose to 0.4 from 0.2 percentage point.

While services price inflation remained the largest contributor to local inflation, it slowed down during the period under review. Thus, service prices rose at an annual rate of 1.5% in March, compared with 1.8% three months earlier. The deceleration in services inflation was mainly caused by slower growth in accommodation rates.

As a result, the contribution of service prices to overall inflation marginally dropped from 0.8 to 0.7 percentage point. Despite slower growth in accommodation rates, the recreational & personal component of services still remained the largest contributor to overall inflation, on the back of faster growth in restaurant prices (see Chart 3.3). Meanwhile, price growth of miscellaneous services remained strong, and prices of services relating to housing also increased at a slightly faster rate than in December, adding to overall inflation. In contrast, prices of services relating to transport were flat against a year earlier, compared with an annual decline of 0.6% in December, as prices of passenger transport by road rose at a quicker pace. On the other hand, communication service prices continued to decline marginally.

In contrast, the energy component dampened overall inflation. Energy prices decreased by 13.0% in March against the same month a year earlier, following a drop of around 9% in December. Energy price inflation has been negative since mid-2013, with the year-on-year decline becoming stronger in recent months, as the effect of the electricity tariff cut in April 2014 was buttressed by decreases in the prices of transport fuels and, to a lesser extent, gas. In fact, the prices of petrol and diesel fell by 6.1% between December 2014 and March 2015, causing the annual inflation rate of this component to turn negative. Such price decreases have occurred against the backdrop of a falling oil price on the international market.

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



Source: Eurostat.

As a result of these price drops, the energy component contributed -1.1 percentage points to overall inflation in March, compared with -0.7 point in December. This is in line with developments in the euro area, where energy has been a significant negative contributor to inflation over the previous months.

Moving into the second quarter of 2015, the rate of HICP inflation rose by 0.9 percentage point in April, to 1.4%. This significant pick-up was primarily the result of a base effect on energy price inflation, as the electricity tariff cut in April 2014 no longer has an effect on the annual inflation rate. In fact, energy price inflation in April 2015 was of -5.1%, reflecting falling transport fuel prices, compared with -13.0% in the previous month.

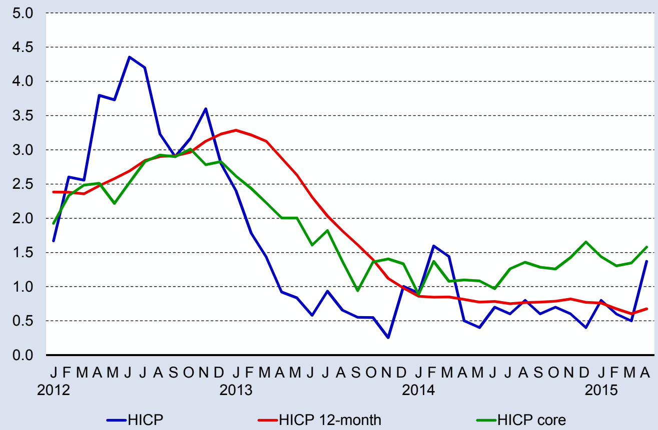
The acceleration in inflation in April was also the result of more rapid NEIG inflation, which extended its recent upward trend, rising by 0.2 percentage point to stand at 1.6%. In addition, services price inflation edged up marginally to 1.6%, from 1.5% in March. Meanwhile, food price inflation remained largely stable.

To better gauge underlying inflationary pressures in the Maltese economy, the Central Bank of Malta has developed a new measure of core inflation based on HICP data, which is available at a more detailed level of disaggregation.[2] This replaces the old measure, which relied on a persistence-weighted approach and which was based on the RPI. The new measure is based on a "trimmed mean" method, whereby the components of core inflation are selected in each period according to the variance in their inflation rates. Components which exhibit the largest movements in their respective inflation rates (whether downwards or upwards) are removed from the basket. Thus, the most extreme components in any month are excluded from the headline rate to arrive at the "trimmed" rate.

[2] Refer to "An Evaluation of Core Inflation Measures for Malta", Box 3, *Quarterly Review* 2014:3.

According to this measure, core inflation in Malta has been on a general upward trend over the past year, peaking in December 2014 at 1.7% and decelerating to 1.3% by March 2015 (see Chart 3.4). Moving into the second quarter, the core rate has picked up again to 1.6%.

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



Sources: Central Bank of Malta estimates; NSO.

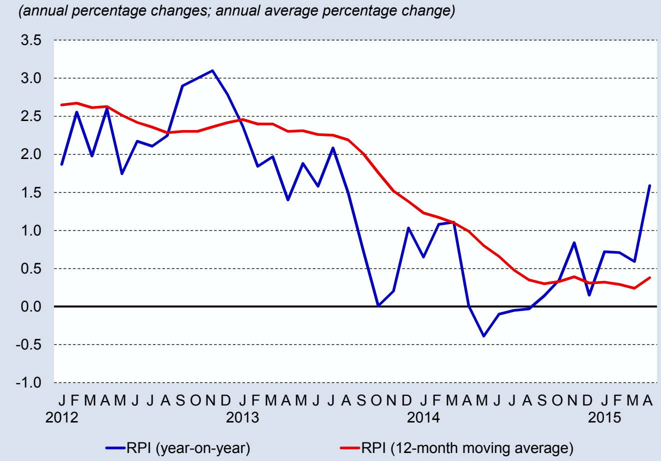
RPI inflation[3]

RPI growth picks up

In the first three months of 2015, inflation based on the RPI picked up at its fastest pace since the electricity tariff cut of April 2014. The annual inflation rate based on the RPI rose from 0.2% in December to 0.6% in March (see Chart 3.5).

Similarly to the HICP measure, this acceleration in RPI inflation was spearheaded by developments in food prices. The annual rate of change of food prices rose from 0.1% to 3.5% over this period. As a result, they contributed 0.7 percentage point to the headline RPI inflation rate, by far the largest contributing component (see Table 3.2). Clothing and footwear prices also contributed to the acceleration, as they rose by 4.4% in annual terms in March, compared with 2.7% three months earlier. In fact, clothing & footwear accounted for the second-highest contribution to RPI inflation in recent months.

Chart 3.5
RPI INFLATION
(annual percentage changes; annual average percentage change)



Sources: Central Bank of Malta estimates; NSO.

Meanwhile, the declining trend in beverages and tobacco inflation witnessed in recent months was interrupted by a minor pick-up in the first quarter of 2015. The acceleration reflected the increases in excise duties on alcohol and tobacco products announced last November. Yet fluctuations in price growth have been relatively small, and,

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

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

	2014						2015		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Food	0.1	0.1	0.0	0.1	0.6	0.0	0.8	0.9	0.7
Beverages & tobacco	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Clothing & footwear	0.0	0.1	0.3	0.4	0.1	0.2	0.1	0.1	0.3
Housing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water, electricity, gas & fuels	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7
Household equipment & house maintenance costs	0.1	0.1	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
Transport & communications	-0.3	-0.3	0.1	0.0	0.2	0.1	0.2	-0.1	-0.3
Personal care & health	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Recreation & culture	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.2
Other goods & services	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.1
RPI (annual percentage change)	**0.0**	**0.0**	**0.1**	**0.4**	**0.8**	**0.2**	**0.7**	**0.7**	**0.6**

Sources: Central Bank of Malta; NSO.

as a result, the contribution to headline inflation remained unchanged at 0.2 percentage point for the third consecutive quarter.

On the other hand, transport and communications price inflation turned negative in March; prices dropped by -1.2% on a year earlier, as airfares fell significantly, possibly reflecting heightened competition in the airline industry and falling fuel costs. As a result, this component pulled headline RPI inflation down by 0.3 percentage point, the largest negative contribution since August 2014.

Prices of water, electricity, gas & fuels fell by 19.6% against their year-ago level, mirroring similar developments in the comparable component of the HICP. This drop lowered overall RPI inflation by 0.7 percentage point, enough to offset the upward thrust from food prices.

Meanwhile, developments in the other RPI components were broadly similar to recent trends. Overall, these components contributed 0.4 percentage point to the final RPI rate in March, unchanged from end-2014.

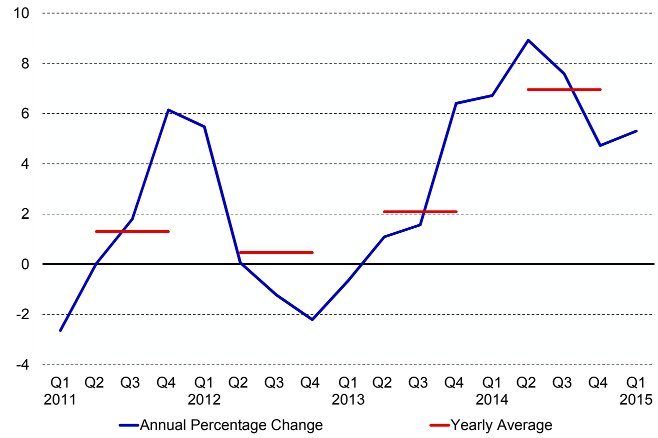
The annual inflation rate based on the RPI rose to 1.6% in April, reflecting the base effect on energy prices.

BOX 5: RESIDENTIAL PROPERTY PRICES

Residential property prices continue to post strong growth

In the first quarter of 2015, the Central Bank of Malta's index of advertised prices of residential property went up by 5.3% against the same quarter a year earlier, following a 4.7% increase in the last quarter of 2014 (see Chart 1). This marks the sixth consecutive quarter of a strong year-on-year rise in advertised prices, following a period of decline or weak growth. The pick-up in advertised house prices evident since the last quarter of 2013 has thus been sustained.

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES

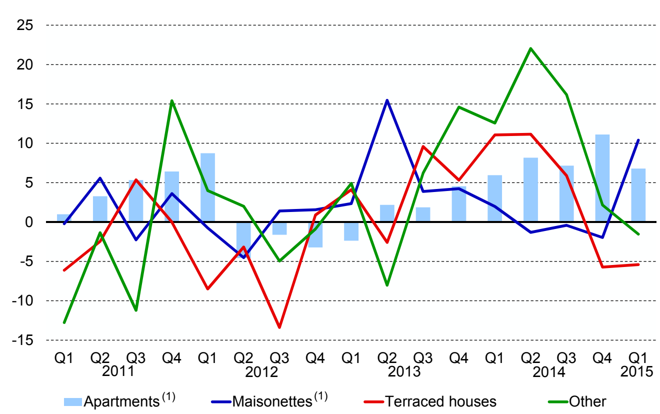


Source: Central Bank of Malta.

This may be partly influenced by government measures supporting demand for property in Malta. These have included the introduction of the Individual Investor Programme, which targets high net worth individuals, and a fiscal incentive for first-time buyers announced in the Government's Budget in November 2013, and which was subsequently extended. The effects of these measures may be spilling over into 2015.

The annual rate of change in prices for apartments, which make up almost three-fifths of properties in the sample, moderated from 11.1% to 6.8% (see Chart 2). Despite this deceleration, the growth rate of apartment prices remains significantly positive, marking the eighth consecutive quarter of growth. In fact, apartment prices are at the highest level ever since the Bank's index began in 2000.

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



(1) Includes both units in shell form and finished units.
Source: Central Bank of Malta.

Overall, property price inflation was also driven by maisonettes, the prices of which rose by 10.4% on a year earlier, following three successive quarters of decline. As with apartments, maisonette prices are also at the highest level on record.

On the other hand, prices of terraced houses fell by 5.4% on their year-ago level. This follows an annual decline in terraced house prices of similar magnitude in the last quarter of 2014. In fact, prices are now at around the same level as in 2013.

Meanwhile, prices of properties in the "other" category, which consists of town houses, houses of character and villas, declined by 1.5% on the same quarter last year, following two quarters of rising prices. Prices in this category have thus retreated somewhat from the peak recorded in 2014, though they remain high from a historical perspective.

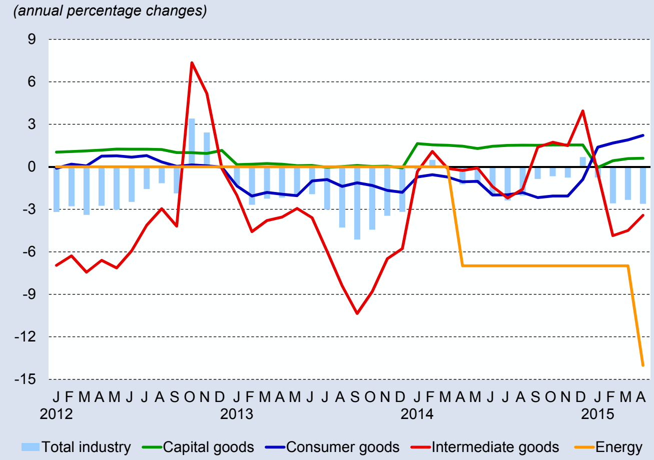
Costs and competitiveness

Producer prices extend their downward trend[4]

Producer prices continued to decline during the first quarter of 2015. The annual rate of change of the producer price index (PPI), which had risen temporarily to 0.7% in December, fell back to -2.3% in March (see Chart 3.6).

This swing to a negative inflation rate was mainly driven by intermediate goods prices. The latter comprise around 40% of the overall PPI and mainly include semiconductors, pharmaceuticals, paper and plastic products. Intermediate goods prices have been on a general downward path since late 2006, with negative annual rates of change characterising most of this period. The annual rate of change turned briefly positive in September 2014, ending at 3.9% in December. In the first three months of 2015, however, the

Chart 3.6
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

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

annual rate of inflation of this component turned negative again, standing at -4.5% in March, pulling down the PPI by 2.1 percentage points.

In addition, energy output prices remained unchanged during the first quarter of 2015, resulting in a year-on-year inflation rate of -7.0% in March, contributing -0.9 percentage point to the overall PPI.

On the other hand, producer prices for consumer goods and capital goods increased. Consumer goods producer price inflation turned positive during the first quarter of 2015, after having been negative for two consecutive years. Moreover, capital goods prices continued to rise, albeit more slowly than in previous months. These two components together pushed up the PPI by 0.6 percentage point, partly offsetting the downward pressure from intermediate goods and energy prices.

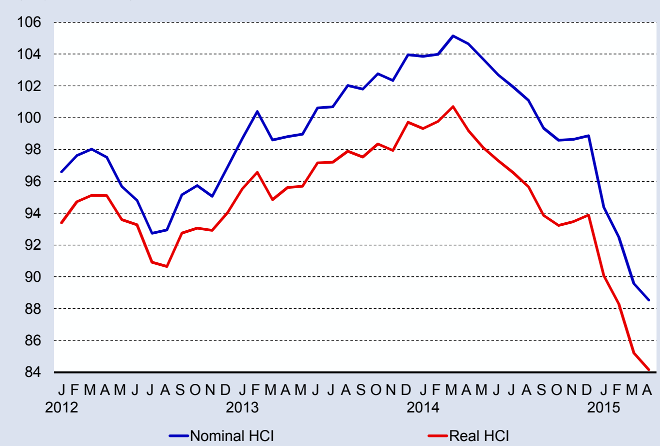
More recent data suggest that producer prices in April remained in negative territory, contracting by 2.6% on a year earlier. This faster decline compared with March was entirely on account of a sharp fall in energy producer prices, following the administrative reduction in utility tariffs for businesses.

Harmonised competitive indices decline sharply during the first quarter

During the first quarter of 2015, both the nominal and real harmonised competitiveness indicators (HCI) extended the downward trend evident since March 2014 (see Chart 3.7).[5] During the first quarter, both the nominal and real HCIs dropped sharply against their December level, declining by 9.4% and 9.2%, respectively. This is explained by the sharp weakening of the euro against major foreign currencies. The fact that the nominal indicator fell more than the real indicator implies that competitiveness gains arose solely from exchange rate movements, as the inflation differential between Malta and its trading partners widened.

When compared with the same month a year earlier, the drops are even more pronounced, at 14.8% and 15.4% for the nominal and real indicator, respectively. In this case too, the improvement in price competitiveness signalled by these

Chart 3.7
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)



Source: ECB.

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

indicators was largely due to favourable exchange rate movements. At the same time, inflation in Malta was lower than its main trading partners', implying a larger decline in the real HCI. Both indicators fell further in April.

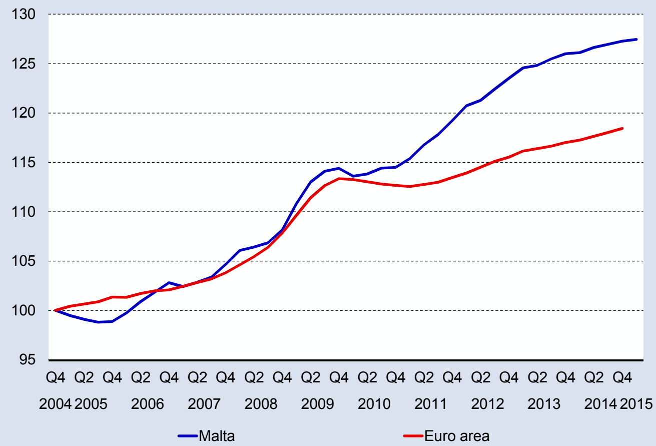
Unit labour costs extend their upward trend

During the first three months of 2015 Malta's unit labour cost (ULC) index, measured as a four-quarter moving average, was 1.1% higher on a year earlier (see Chart 3.8).[6] This increase followed a 1.0% rise in the last quarter of 2014.

The slight acceleration in Malta's ULC growth during the January-March period resulted from a pick-up in compensation per employee, which rose by 0.7% on a moving average basis, following growth of 0.1% in the previous quarter. This upward pressure on ULC was partly offset by a slower contraction in productivity, which fell by 0.5% in the March quarter, as opposed to a decline of 0.9% three months earlier (see Charts 3.9 and 3.10).

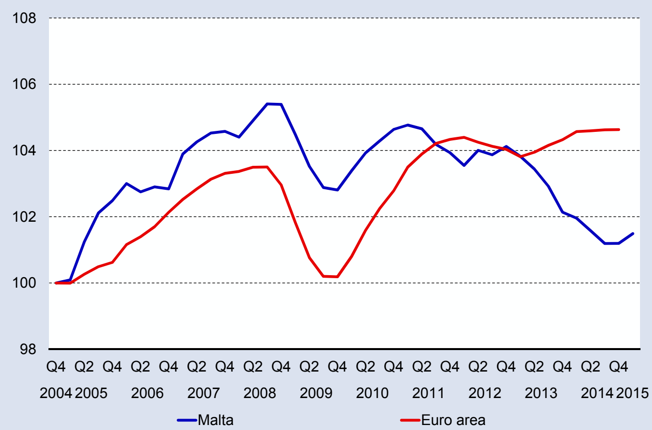
Up until the final quarter of 2014, ULCs in Malta were growing at a faster pace than in the euro area as a whole. This reflects a combination of more rapid growth in compensation per employee and weaker increases in productivity.

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



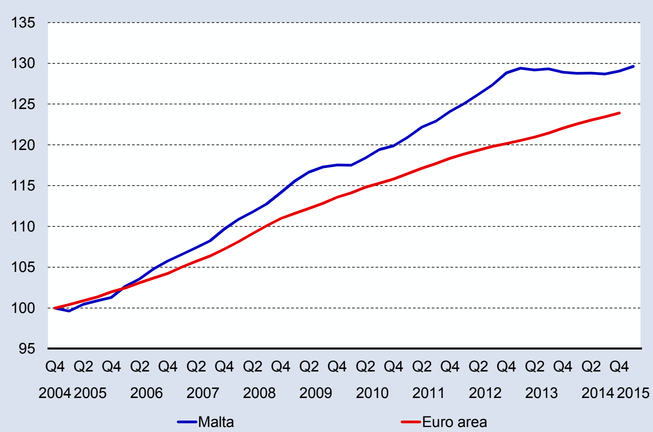
Sources: ECB; Central Bank of Malta estimates.

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



Sources: ECB; Central Bank of Malta estimates.

Chart 3.10
COMPENSATION PER EMPLOYEE IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

[6] ULCs measure the average cost of labour per unit of output and are calculated as the ratio of compensation per employee to labour productivity. At the time of going to print, the corresponding figures for the euro area were not available. The latest available data for the euro area pertain to the last quarter of 2014.

BOX 6: THE COMPETITIVENESS RESEARCH NETWORK[1]

A commonly used definition of a competitive economy is an environment in which institutional and macroeconomic conditions allow productive firms to thrive and expand, thereby supporting the expansion of job creation, investment and trade.[2]

In 2012 the European Central Bank (ECB) established a Competitiveness Research Network (CompNet) to better understand the drivers of competitiveness and productivity in the European Union, and to identify how competitiveness indicators are related to policy outcomes, such as exports and economic growth. The network has participants from all EU national central banks, including the Central Bank of Malta, as well as from international institutions interested in competitiveness issues.[3]

Discussions on competitiveness have traditionally centered on price and cost indicators, such as ULCs and real effective exchange rates. However, it is increasingly recognised that such traditional indicators do not tend to clearly explain developments in trade and related imbalances.

The objective of CompNet is therefore to complement traditional indicators regularly used by policy institutions by acknowledging the multi-faceted aspects of competitiveness, encompassing macroeconomic, firm-level and cross-border features. On the macroeconomic front, new indicators on sectoral information have been developed to investigate non-price competitiveness aspects. On the microeconomic front, a lot of effort has been devoted to the collection of firm-level information to arrive at cross-country indicators of productivity and its drivers. Finally, to take into account the cross-border dimension, new indicators have been established to break down the added value incorporated internationally at various stages of production.

Trade performance and competitiveness

Standard export equations, with foreign demand and price competitiveness as the two main explanatory variables, are normally unable to explain more than 60% to 70% of the variation in exports. This implies that other factors, such as non-price competitiveness, are likely to play an important role in driving exports of individual euro area countries. However, even when the sensitivity of exports towards price competitiveness is considered, euro area countries exhibit significant differences. One particular study finds that Maltese exports of goods are among the most sensitive to relative price movements among euro area countries, whereas exports of services are less sensitive to price developments.[4] Of course, differences exist even within the services sector, with traditional markets like tourism being more sensitive to price and cost developments compared with other industries.[5] For instance, two recent studies that focused on the price sensitivity of British, French and

[1] Prepared by Brian Micallef. Mr Micallef is a Senior Research Economist in the Modelling and Research Department of the Central Bank of Malta.

[2] Draghi, M., "Competitiveness: the key to balanced growth in monetary union", *Speech* delivered on 30 November 2012.

[3] Further information on CompNet is available at: https://www.ecb.europa.eu/home/html/researcher_compnet.en.html

[4] Christodoulopoulou, S. and Tkačevs, O., "Measuring the effectiveness of price and cost competitiveness in external rebalancing of euro area countries: what do alternative HCIs tell us?", *Working Paper* 1736, European Central Bank, 2014.

[5] See for instance, the article entitled "Wage and price setting in Malta", *Quarterly Review* 2010:4, Central Bank of Malta, 2010.

German tourists coming to Malta found that, in the context of a competitive Mediterranean market, tourists are very sensitive to price changes, especially the German market.[6]

A holistic analysis of macroeconomic competitiveness should therefore also include non-price elements with traditional indicators of price competitiveness. The former include, for instance, product quality, technological innovation, and the geographical and country sectoral specialisation.

Productivity and reallocation

Economic literature points to the crucial role of firm-level factors, such as size, ownership and technological capacity, in understanding the drivers of competitiveness, the determinants of productivity and the role of resource misallocation.

From the outset, the CompNet recognised the importance of firm-level indicators and embarked on an ambitious exercise to collect micro-data that led to new evidence on competitive drivers across European countries. Given the promising results, the database was further expanded to collect additional firm-level indicators on trade, the labour force, mark-ups and financial information, together with a thorough validation process to ensure data quality. The expanded CompNet database covers 13 euro area countries, including Malta, and 70% of EU gross domestic product.[7] The Maltese sample covers more than 1,000 firms for the period 2003-11 and, in addition to information on size, costs and productivity, covers also structural characteristics of the companies, such as their involvement in foreign trade.

In-depth studies have been undertaken to understand the shape of firm-level productivity distribution instead of looking at simple averages. This was primarily done as the impact of a given shock, similar to events during the financial crisis of 2009, may differ, depending on the underlying distribution of firms' performance. For instance, highly productive firms may react differently to a given shock compared with less productive ones. In addition, the high heterogeneity and skewness of firm distribution enlarge the scope to enhance overall productivity through the reallocation of resources across firms.

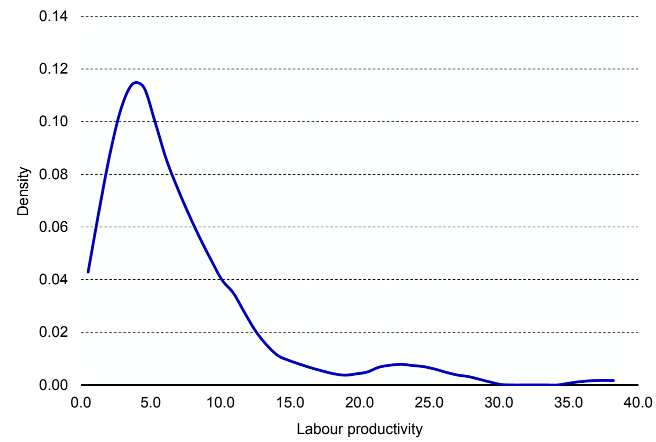
A number of stylised facts were identified from the firm-level information.[8] First, there are wide variances in firm productivity, not only across sectors but also within sectors. Firms in both tails of the productivity distribution, that is, the most and least productive firms within the sector, display different dynamics, for instance, with respect to interaction between respective sizes and labour costs. This finding would suggest that structural policies should aim at exploiting the shape of the productivity distribution. For example, policies targeted to switch resources from non-tradable to tradable sectors should also be complemented with others intended to improve resource reallocation within the tradable sector.

Second, there is a positive relationship between labour productivity and the size of the firm. Export activities are typically concentrated among a limited number of firms that are larger

[6] Gatt, W., and Falzon, J., "British tourism demand elasticities in Mediterranean countries", *Applied Economics*, Volume 46 Issue 29, pp. 3548-3561, 2014 and Gatt, W., and Falzon, J., "French and German tourism in the Mediterranean – A market share analysis", *Journal of Tourism & Recreation* Volume 1 Issue 1, pp. 21-36, 2014.
[7] Lopez-Garcia, P., di Mauro, F. and CompNet Taskforce, "Assessing European competitiveness: the new CompNet micro-based database", *Working Paper* 1764, European Central Bank, 2015.
[8] CompNet, "Competitiveness Research Network: First year results", *Publication*, European Central Bank, June 2013.

and exhibit higher productivity. These results imply that there is a substantial potential to boost overall productivity by fostering reallocation of resources within and across industries, over and above enhancing productivity of incumbent firms.

Chart 1
LABOUR PRODUCTIVITY KERNEL OF MALTESE FIRMS
(total economy; sample of firms with more than 20 employees)



Source: Author's calculation based on CompNet methodology.

Chart 1 plots the distribution of labour productivity for the Maltese sample of firms with more than 20 employees. As in other countries, the accumulation of density is centred on low productive levels with a long right tail of the distribution. This feature confirms that the productivity distribution is not only dispersed but also very asymmetric, featuring a large mass of low productive firms and very few high productive ones.

The CompNet micro-database sheds light on different features among firms. For instance, capital intensity, defined as the capital stock per employee, in top productive firms is around four times larger than in the least productive firms within the same sector. This confirms that productivity is highly related to capital deployment and the exploitation of technology.

Studies using this database also suggest that an increase in ULC does not necessarily negatively affect the exporting capacity of firms engaged in research and development (R&D) activities.[9] On the other hand, an increase in ULCs for firms that do not undertake R&D activities translates more strongly into a probable reduction in their ability to export. Such findings provide additional evidence that quality considerations may severely alter the ability of aggregate cost measures, such as ULCs, to provide an adequate description of external competitiveness.

The role of global value chains

At cross-border level, CompNet research points to the importance of understanding the implications of integration into global value chains (GVC) for the overall assessment of competitiveness. Studies indicate that European countries are highly and increasingly integrated into GVCs.[10] Most of them have moved upstream along the production chain, which is consistent with the general increase in the length of value chains and with the outsourcing phenomenon.

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9 Altomonte, C., di Mauro, F. and Osbat, C., "Going beyond labour costs: how and why 'structural' and micro-based factors can help explaining export performance", *CompNet Policy Brief No.1*, European Central Bank, 2013.

10 De Backer, K. and Miroudot, S., "Global value chains reshape our policy thinking", *CompNet Policy Brief No.6*, European Central Bank, 2014.

A related development associated with additional integration of countries into GVCs is the growing importance of services. It is now widely recognised that production of final manufactured goods embodies a larger share of service activities. One particular study finds that in some European countries job creation in service activities embodied in final manufactured goods more than compensated for the job losses in manufacturing, thus favouring policies that support high-skilled services and improve domestic services infrastructure.[11]

The internal fragmentation of production processes, with intermediate goods and services crossing borders multiple times, inflates gross trade and, thereby, reduces the reliability of international trade statistics as a measure of a country's competitiveness. A more appropriate measure of the value a country exports is domestic value added, which corrects for imported value contained in gross exports.

Studies using World Input-Output Tables show that, being a small and open economy, Malta is one of the most integrated countries in the European Union in GVCs and has a relatively high share of foreign value added in exports.[12] The latter share, however, has been declining over time, from more than 50% in 2000 to around 40% in 2011, as the country's production structure shifted away from manufacturing towards services. In addition to helping policy makers better understand the changing structure of production processes over time, these estimates are also useful for researchers, including those at the Central Bank of Malta, to better calibrate the Bank's macro-econometric model, for instance, on the import content of exports, to ensure that the model remains an adequate representation of the Maltese economy's production structure.

Policy conclusions

Competitiveness is a comprehensive, multi-dimensional concept that is related to a myriad of factors, in addition to the traditional price and cost indicators, such as firm-level characteristics, structural and macroeconomic factors, and international production networks.

The research points to the need for targeted structural reforms to address all components of production costs, such as labour, cost of finance and energy, together with initiatives to reduce red tape, thereby enhancing business ability to compete internationally. Education constitutes a key element in increasing the quality of human capital to ensure that the workforce has adequate skills that are needed by today's industries. The economic and institutional environment must be conducive to innovation, growth and entrepreneurship, thereby allowing businesses and entrepreneurs to upgrade the quality of their products and re-direct their exports towards strongly growing markets, in addition to traditional ones.

Going forward, analysis of Malta's competitiveness should focus more on sectoral trends and, increasingly, on firm-level developments, rather than on economy-wide measures of costs and productivity. This granular detail requires an improvement in the quality and availability of statistics. A number of improvements have already been registered in recent years, such as the close cooperation between the Central Bank of Malta and the National

[11] Di Mauro, F., Plamper, H. and Stehrer, R., "Global value chains: a case for Europe to cheer up", *CompNet Policy Brief No.3*, European Central Bank, 2013.

[12] *Ibid* 10.

Statistics Office in the collection and analysis of firm-level data to produce homogenous indicators aggregated at industry level, which can, in turn, be used in cross-country comparisons. In other areas, however, the absence of key statistics, such as those on sectoral price indices, limits the in-depth analysis of industry-level productivity trends.

The richness of the novel firm-level information provides interesting avenues for further policy research. In particular, future research will focus on the characteristics of exporting and non-exporting firms in Malta, and on better understanding the relationship between productivity, size and export performance. In addition, the use of homogenous indicators facilitates cross-country comparisons, for instance, on export performance, investment and financial constrains by firms in different productivity distributions before and after the financial crisis.

4. THE BALANCE OF PAYMENTS[1]

In the last quarter of 2014 the current account of the balance of payments posted a larger surplus than in the corresponding period of 2013. This reflected lower net outflows of primary income and an increase in net receipts on services. In contrast, the merchandise trade deficit widened, while net inward flows of secondary income declined. Lower net inflows were recorded on the capital account.

Concurrently, the financial account balance swung from a net lending position to a net borrowing one, largely mirroring movements on the direct investment account.[2] Net reserve assets decreased, while errors and omissions turned negative.[3]

The current account

In the December quarter of 2014 the current account showed a surplus of €10.9 million, up from €1.0 million a year earlier (see Table 4.1).

When expressed as a four-quarter moving sum, the current account balance remained positive for the 11th consecutive quarter (see Chart 4.1). The surplus in 2014 as a whole amounted to €215.1 million. However, it narrowed by €19.7 million when compared with 2013 (see Table 4.1). The drop was principally driven by a significant increase in primary income outflows and a wider merchandise trade gap.

Table 4.1
BALANCE OF PAYMENTS
EUR millions

	Four-quarter moving sums						
	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2013 Q4	2014 Q4
Current account	**234.8**	**199.5**	**243.1**	**189.4**	**215.1**	**1.0**	**10.9**
Goods	-1,090.7	-1,105.0	-1,096.9	-1,029.5	-1,120.0	-220.6	-311.1
Services	1,513.9	1,560.1	1,590.0	1,592.1	1,627.3	322.4	353.9
Primary income	-327.4	-381.0	-397.6	-554.7	-484.3	-158.5	-77.2
Secondary income	138.9	125.5	147.4	181.5	192.0	57.6	45.3
Capital account	**129.9**	**142.3**	**180.1**	**178.4**	**138.0**	**49.6**	**9.2**
Financial account	**-382.3**	**-634.4**	**-476.5**	**-451.4**	**-659.1**	**77.5**	**-130.2**
Direct investment	-5,319.9	-4,646.2	-2,985.9	-3,079.2	-5,337.4	13.7	-2,244.5
Portfolio investment	8,903.0	10,159.2	10,245.3	9,009.1	11,034.2	248.6	2,273.6
Financial derivatives	-104.4	-22.7	267.9	-488.8	-578.6	66.7	-23.1
Other investment	-3,822.2	-6,395.2	-8,449.8	-6,097.0	-5,789.3	-274.6	33.1
Reserve assets	-38.8	270.6	446.0	204.4	12.0	23.1	-169.3
Errors and omissions	-747.0	-976.2	-899.7	-819.2	-1,012.2	26.9	-150.4

Source: NSO.

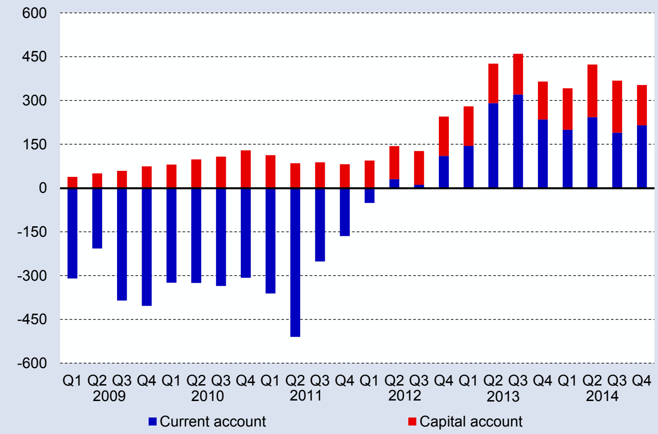
[1] This analysis is based on balance of payments data issued by the National Statistics Office (NSO) in accordance with the guidelines contained in the Sixth Edition of the International Monetary Fund's Balance of Payments and International Investment Position Manual (BPM6). The most notable difference resulting from these guidelines compared with those of the Fifth Edition relates to the inclusion of data pertaining to Special Purpose Entities (SPE) and to new treatment of international banks. From a local perspective, the inclusion of SPEs in external data raises the value of both service exports and imports, and also has an impact on the primary income account. For further information on the new methodology, see NSO *Release* 176/2014.

[2] Following the adoption of BPM6, increases in both assets and liabilities are recorded with a positive sign. Before, increases in assets were recorded with a negative sign, implying financial outflows, and increases in liabilities were recorded with a positive sign, implying financial inflows. Similarly, decreases in assets and liabilities are now both recorded with a negative sign.

[3] Negative net errors and omissions imply an overestimation of the current and capital account surplus and/or an underestimation of the increase in net assets on the financial account.

As a proportion of gross domestic product, the current account surplus stood at 2.7% in 2014, 0.4 percentage point lower compared with 2013.

Chart 4.1
CURRENT AND CAPITAL ACCOUNT BALANCES
(four-quarter moving sums in EUR millions)



Source: NSO.

The merchandise trade gap widens

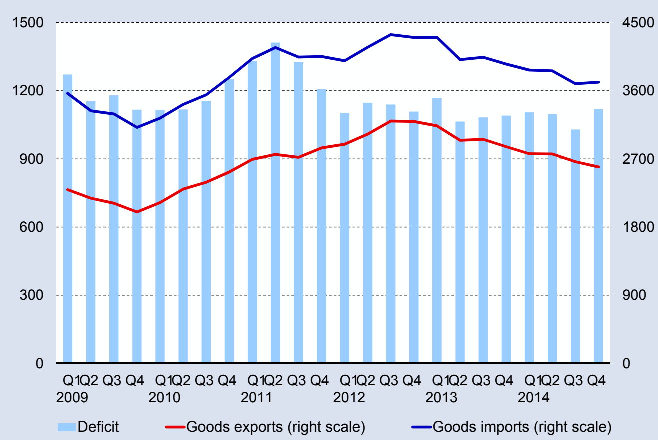
In the December quarter of 2014, the merchandise trade gap widened by €90.5 million on a year earlier. This was attributable to a contraction of €68.8 million in exports and an increase of €21.7 million in imports.

Customs data suggest that the dip in exports during the last quarter of the year was largely due to lower sales of fuel products and, to a lesser extent, electronic components.[4] With regard to imports, these were pushed up by a larger fuel bill and, to a smaller degree, capital and consumer goods.

Over 2014 as a whole, the visible trade gap based on balance of payments data widened to €1,120.0 million, €29.3 million higher than the deficit recorded in 2013. This arose as exports declined by €267.1 million, exceeding a drop of €237.8 million in imports (see Chart 4.2). Both were heavily influenced by transactions related to fuel, although a decline in semiconductor exports and in imports of industrial supplies also played a role. Capital goods imports rose, however, as investment gathered pace.

Customs data for the first three months of 2015 indicate that exports continued to fall whereas imports increased. As a result, the visible trade gap widened to €675.0 million, a deterioration of €300.7 million on a year earlier. This widening is entirely attributable to registrations of aircraft and boats, which normally have only a limited impact on balance of payments data. The balance from trade in fuels was broadly unchanged, as decreases in exports were

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



Source: NSO.

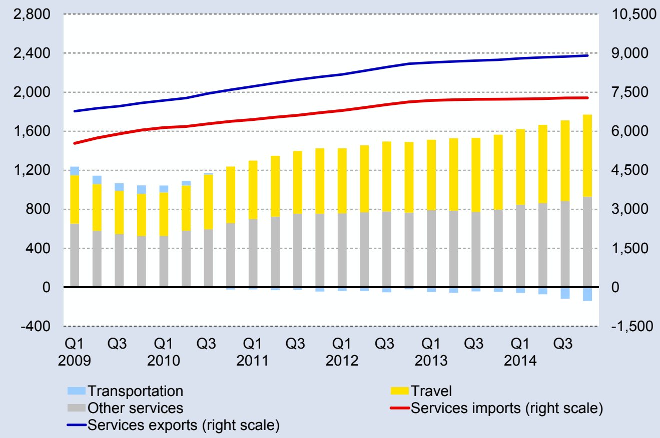
[4] International trade data compiled on the basis of Customs returns differ from balance of payments data as a result of variances in coverage, valuation and timing. Thus, for example, trade data record the physical entry into, and exit from, Maltese territory, of all goods, whereas balance of payments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

broadly matched by a drop in imports. Excluding movements in fuel, aircraft and boats, the visible deficit narrowed by €51.4 million as a result of a contraction in imports and a slight expansion in exports.

The surplus on services increases

Between October and December 2014, the surplus on services stood at €353.9 million, up by €31.5 million on the same period of 2013. This improvement was mainly spurred by an increase in receipts, though payments also dropped marginally.

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



Source: NSO.

Partly reflecting developments in the last quarter of the year, the overall surplus on services in 2014 as a whole stood at €1,627.3 million, up by €113.4 million from the previous year's level (see Chart 4.3). This was attributable to an increase in exports, which outweighed a rise in payments. The rise in net exports continued to be strongly influenced by favourable developments on the "other services" and travel components. Net receipts in the former category increased by €133.7 million to €927.9 million, mainly from a rise in exports of remote gaming, telecommunications and other business services. Conversely, net inflows from financial services, which are influenced by activities of SPEs, contracted when compared with the previous year. Meanwhile, mirroring the buoyancy in the tourism sector, the surplus on travel rose by €73.2 million to €841.6 million (see Chart 4.3).

In contrast, net transport payments climbed to €142.3 million, €93.6 million more than in 2013. This was predominantly driven by a rise in payments, though a negligible drop in transport receipts also contributed.

Net outflows on primary income[5]

In the fourth quarter of 2014, net outflows on the primary income account amounted to €77.2 million. This was €81.2 million less than in the corresponding period of 2013. Flows on this account continued to be heavily influenced by activities of SPEs and internationally-oriented firms, including banks, which predominantly engage in financial operations with non-residents.

In contrast, during 2014 as a whole, net outflows on this account expanded by €156.9 million compared with 2013, to €484.3 million. This was largely driven by a rise in income payments due to non-residents generated by foreign-owned firms operating in Malta. At the same time, a drop in net interest earnings on outstanding loans also contributed. These movements were partly offset by higher net earnings on portfolio investment.

[5] The primary income account shows income flows related mainly to cross-border investment and compensation of employees. The secondary income account shows current transfers between residents and non-residents.

Inward flows recorded on secondary income

In the last quarter of 2014, net inward flows on the secondary income account decreased to €45.3 million, as opposed to €57.6 million in the last three months of 2013. This decline was predominantly due to lower net government receipts, which were once more heavily influenced by timing differences between tax receipts and refunds related to companies engaged in international business. Other relevant items include some budgetary receipts from the European Union, as well as Malta's contribution to the EU budget.

Over the four quarters of 2014, net inward secondary income flows climbed to €192.0 million, up by €53.1 million on the previous year.

The capital account

During the final three months of 2014, net inflows of €9.2 million were recorded on the capital account, down from €49.6 million in the corresponding months of 2013 (see Table 4.1). Nevertheless, during 2014 as a whole, capital inflows expanded to €138.0 million, an increase of €8.1 million on 2013 (see Chart 4.1). This stemmed from a rise in funds paid to Government under EU financing programmes.

The financial account

Meanwhile, in the financial account residents reported an increase of €721.6 million in foreign assets, while foreign liabilities added €851.9 million. As a result, flows on the financial account gave rise to net borrowing of €130.2 million in the December quarter of 2014, in contrast with net lending of €77.5 million in the same quarter of 2013. This swing was largely attributable to a rise in direct investment liabilities in the form of higher reinvested earnings and net debt with parent companies, as well as to a reduction in assets forming part of direct investment. To a lesser extent, a decrease in reserve assets and a rise in financial derivatives liabilities also resulted in net borrowing flows. Together, these were partly counterbalanced by a marked increase in portfolio investment assets. Overall, financial flows continued to be heavily affected by operations of internationally-oriented banks and SPEs.

Developments in the last quarter of 2014 had a bearing on the outcome for the year as a whole. During 2014 residents' foreign assets increased by €1.8 billion, while the corresponding liabilities added €2.4 billion. As a result, the financial account recorded net borrowing flows of €659.1 million, up from net borrowings of €382.4 million in the previous year. This rise was mainly attributable to a substantial decline in other investment assets, such as loans to non-residents and, to some extent, to transactions involving financial derivatives. Conversely, an increase in portfolio investment assets exceeded that in the corresponding liabilities, limiting overall the expansion in net borrowings. Over the year as a whole, reserve assets – the remaining component of the financial account – went up by €12.0 million.

Net errors and omissions remained large and negative.

5. GOVERNMENT FINANCE

The latest general government statistics cover the period up to end-2014. During 2014 the general government deficit ratio to gross domestic product (GDP) decreased to 2.1% from 2.6% in 2013. General government debt as a percentage of GDP declined to 68.0% from 69.2% in 2013.

The latest cash statistics cover the period up to April 2015. In the first four months of 2015, the Consolidated Fund deficit decreased over the same period of 2014.[1] However, central government debt rose, albeit at a much reduced annual rate.

Developments in 2014: general government

General government balance improves

In the final quarter of 2014, the general government surplus increased by €43.7 million on a year earlier, to reach €89.5 million (see Table 5.1). This was brought about by a 16.1% increase in revenue led by higher tax receipts, which outweighed a 11.8% rise in expenditure, which was almost equally divided between current and capital spending. The primary balance, which excludes interest payments from total expenditure, improved by €51.1 million to reach a surplus of €148.1 million.

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2013 Q4	2014 Q4	Change Amount	Change %	2013 Q1-Q4	2014 Q1-Q4	Change Amount	Change %
Revenue	**903.9**	**1,049.2**	**145.2**	**16.1**	**3,005.3**	**3,321.8**	**316.5**	**10.5**
Taxes on production and imports	285.1	309.4	24.4	8.5	981.8	1,087.2	105.4	10.7
Current taxes on income and wealth	315.0	402.1	87.1	27.7	1,043.3	1,155.4	112.2	10.8
Social contributions	155.7	159.6	4.0	2.5	524.8	560.3	35.5	6.8
Capital and current transfers	64.8	88.4	23.6	36.4	178.5	237.7	59.2	33.2
Other(1)	83.4	89.6	6.1	7.4	276.9	281.1	4.2	1.5
Expenditure	**858.1**	**959.6**	**101.5**	**11.8**	**3,199.7**	**3,490.1**	**290.4**	**9.1**
Compensation of employees	246.2	267.2	21.0	8.5	977.2	1,051.9	74.6	7.6
Intermediate consumption	137.6	155.8	18.2	13.2	470.9	525.5	54.6	11.6
Social benefits	240.8	262.3	21.5	8.9	964.2	1,008.4	44.3	4.6
Subsidies	23.5	27.0	3.5	15.0	80.3	103.6	23.3	29.1
Interest	51.2	58.5	7.3	14.3	219.0	230.2	11.2	5.1
Current transfers payable	65.7	51.3	-14.4	-21.9	178.1	181.2	3.1	1.7
Gross fixed capital formation	63.0	111.2	48.2	76.6	209.6	300.2	90.6	43.2
Capital transfers payable	25.5	29.3	3.8	14.9	95.3	88.6	-6.7	-7.1
Other(2)	4.6	-3.0	-7.7	-	5.2	0.6	-4.6	-
Primary balance	**97.0**	**148.1**	**51.1**	**-**	**24.6**	**61.9**	**37.3**	**-**
General government balance	**45.8**	**89.5**	**43.7**	**-**	**-194.4**	**-168.3**	**26.1**	**-**

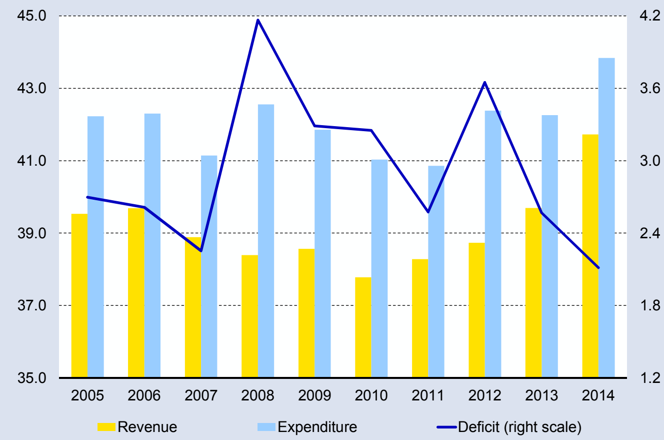
(1) "Other" revenue includes market output as well as income derived from property and investments.
(2) "Other" expenditure principally reflects changes in the value of inventories and in the net acquisition of valuables and other assets.
Source: NSO.

[1] The Consolidated Fund covers most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA2010 regulations, cover central government, which is defined to include extra-budgetary units, as well as local councils, on an accruals basis. On the revenue side, discrepancies between the two sets of accounts mainly stem from the recorded timing of income tax and VAT revenue. On the expenditure side, significant differences often arise in the treatment of capital expenditure. Coverage of government debt also differs between the two methods.

As a result, over the year as whole the deficit narrowed by €26.1 million, to €168.3 million. Its ratio to GDP stood at 2.1%, 0.5 percentage point less than in 2013 (see Chart 5.1).

Both expenditure and revenue as a share of GDP climbed to the highest levels observed in the last ten years. The expenditure-to-GDP ratio rose to 43.8% in 2014, from 42.3% in 2013. However, the share of revenue in GDP increased at a faster pace, from 39.7% to 41.7% by 2014.

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



Source: NSO.

Revenue rises

In 2014 general government revenue expanded by 10.5% over the previous year, buoyed mainly by higher tax revenue. The latter was supported by rapid economic growth, as well as by specific government measures.

The cyclical contribution is reflected in a rise of 6.8% in social contributions, mirroring continued positive labour market developments. Taxes on production and imports increased by 10.7%, partly in line with robust growth in residents' and tourists' consumption. At the same time, current taxes on income and wealth surged by 10.8%.

Specific measures also supported the increase in income tax and indirect tax revenue. Current taxes on income and wealth benefited from exceptional revenue from the Investment Registration Scheme, which allowed Maltese residents to regularise their tax position with regard to undeclared assets. The rise in duties on cement, beer, tobacco and spirits that were announced in the latest Budget boosted taxes on production and imports.

Meanwhile, receipts from capital and current transfers grew by 33.2%, owing to higher grants received from the European Union, mirroring progress on a number of investment projects under the 2007–2013 EU Financial Framework, and reflected in a strong increase in expenditure classified as gross fixed capital formation (GFCF).

Expenditure increases

In 2014 general government expenditure rose by 9.1%, with just under three-fourths of the increase stemming from greater recurrent spending. Compensation of employees grew by 7.6%, reflecting especially higher outlays in the health and education sectors. Intermediate consumption went up by 11.6%, following greater spending in the public administration and health sectors. At the same time, social benefits rose by 4.6%, owing to a higher outlay on retirement pensions and social assistance.

Subsidies went up by 29.1% on the back of additional spending on public transportation. Interest payments grew by 5.1%. The effect of the increase in the level of outstanding debt was in part offset by recent reductions in coupon rates.

Meanwhile, spending on GFCF surged by 43.2%, supported by greater expenditure on infrastructural projects that are partly funded by the European Union. On the other hand, capital transfers declined by 7.1%, as the equity injection into Air Malta was smaller than in the previous year.

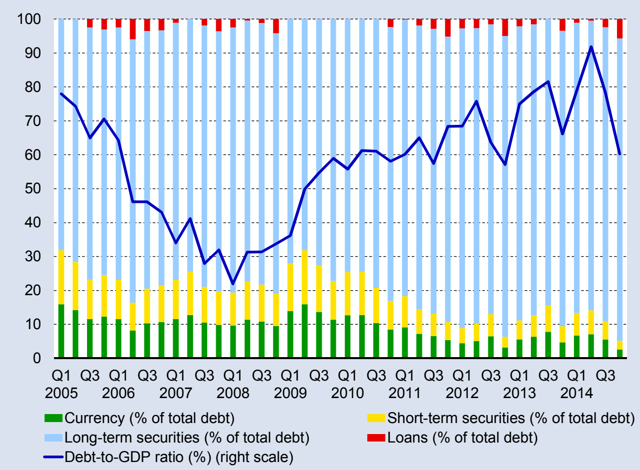
The general government debt ratio declines

In December 2014 the stock of general government debt amounted to €5,417.4 million, down from €5,627.3 million in September 2014. During this period, the debt composition shifted in favour of long-term securities, namely outstanding Malta Government Stocks (MGS), at the expense of short-term securities, i.e., Treasury bills. The share of the latter in total debt declined to 2.6% from 5.5% in the previous quarter, while the share of MGS rose by 2.5 percentage points, to 89.1% (see Chart 5.2). Meanwhile, the share of loans increased slightly from 6.8% to 7.2%, while the proportion of government liabilities in the form of euro coins remained at 1.1%.

In 2014 as a whole, general government debt increased by €176.2 million, largely to finance the deficit (see Table 5.2). However, the deficit-debt adjustment also contributed slightly to the increase in debt, as higher government deposits and additional capital contributions to the European Stability Mechanism were almost fully offset by transactions in net trade receivables. The latter turned negative, as a large part of pending duties on petroleum due from the state energy company were paid.

Overall, the increase in debt was smaller than the contemporaneous growth in economic activity. Consequently, general government debt as a share of GDP declined to 68.0% in 2014, from 69.2% in 2013 (see Chart 5.2).

Chart 5.2
GENERAL GOVERNMENT DEBT



Source: NSO.

Table 5.2
GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT
EUR millions

	2010	2011	2012	2013	2014
Change in Debt	**300.6**	**346.9**	**62.9**	**369.3**	**176.2**
Deficit	214.5	177.8	263.7	194.4	168.3
Deficit-debt adjustment	**86.1**	**169.1**	**-200.8**	**174.9**	**7.9**
of which: Transactions in main financial assets	**76.0**	**165.7**	**-68.6**	**43.2**	**80.4**
Currency and deposits[1]	43.2	65.3	-228.4	-20.1	59.7
Loans, shares and other equity	32.8	100.5	159.9	63.2	20.7
of which: Other[2]	**10.1**	**3.4**	**-132.2**	**131.7**	**-72.5**

[1] Composed mainly of transactions in deposits held with the Central Bank of Malta.

[2] Includes adjustments for valuation and volume effects and transactions capturing the effect of trade credits or other accounts receivable or payable.

Sources: NSO; Central Bank of Malta.

Developments in 2015: Consolidated Fund

The Consolidated Fund deficit narrows in the first four months

Between January and April 2015, the Consolidated Fund deficit narrowed by €129.7 million compared with the same period a year earlier, standing at €108.6 million (see Table 5.3).[2] Concurrently, the primary balance improved by €135.8 million.

Revenue grew by 20.0% compared with the first four months of the previous year, mainly owing to higher non-tax revenue. The latter surged by 138.6%, reflecting a rise in grants received from the European Union. At the same time, indirect tax inflows increased by 10.7% driven by higher receipts from customs and excise duties. The latter in part followed payments of duties on petroleum which had been owed by the state energy company. Meanwhile, favourable economic conditions helped push up receipts from direct taxes by 3.1%.

Between January and April 2015, total expenditure grew by 3.4% compared with the same period a year earlier. Around two-fifths of this increase stemmed from higher personal emoluments within the civil service. Meanwhile, interest payments went up by 8.5% in line with the rising debt level.

Table 5.3
CONSOLIDATED FUND BALANCE
EUR millions

	2014 Jan.-Apr.	2015 Jan.-Apr.	Change Amount	%
Revenue	**829.4**	**995.1**	**165.7**	**20.0**
Direct tax	**432.3**	**445.6**	**13.2**	**3.1**
Income tax	284.2	289.9	5.7	2.0
Social security contributions(1)	148.1	155.6	7.5	5.1
Indirect tax	**311.0**	**344.2**	**33.2**	**10.7**
Value Added Tax	183.5	187.4	4.0	2.2
Customs and excise duties	44.2	71.2	27.0	61.1
Licences, taxes and fines	83.3	85.5	2.2	2.6
Non-tax (2)	**86.1**	**205.4**	**119.3**	**138.6**
Expenditure	**1,067.6**	**1,103.7**	**36.1**	**3.4**
Recurrent (1)	**950.2**	**972.9**	**22.7**	**2.4**
Personal emoluments	210.8	224.8	14.0	6.6
Programmes and other operational expenditure(3)	579.0	580.8	1.8	0.3
Contributions to entities	88.2	89.0	0.8	0.9
Interest payments	72.2	78.4	6.2	8.5
Capital	**117.4**	**130.8**	**13.4**	**11.4**
Primary balance (4)	**-166.0**	**-30.2**	**135.8**	**-**
Consolidated Fund balance	**-238.2**	**-108.6**	**129.7**	**-**

(1) Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both revenue and expenditure.
(2) Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.
(3) Includes programmes & initiatives and operational & maintenance expenditure.
(4) Revenue less expenditure excluding interest payments.
Source: NSO.

[2] Data on the Consolidated Fund that are analysed in this section are compiled on the basis of cash transactions covering most of central government. They vary from general government data, owing to differences in institutional coverage and accounting principles followed.

At the same time, programmes and other operational expenditure increased by just 0.3%. This is mainly due to the timing of disbursement of social benefits, as well as to the restrained growth in utilities and non-office supplies. Contributions to government entities also rose at a moderate pace of 0.9%.

Concurrently, capital expenditure went up by 11.4%, driven by spending on EU-funded projects. The latter did not grow as strongly as revenue from grants, due to differences in the timing of revenue and expenditure on a cash basis.

Government debt increases

Between the end of 2014 and April 2015, central government debt, excluding debt issued by extra-budgetary units and local councils, and excluding also debt held by sinking funds, increased by €234.4 million. At the end of April the outstanding amount stood at €5,364.0 million (see Table 5.4).

During the first four months of the year, MGS outstanding rose by €168.3 million, owing to new stock issues in March. At the same time, the stock of Treasury bills went up by €65.8 million as new issues outweighed redemptions. The share of MGS in government debt stood at 93.2% by end-April, down from 94.2% at end-2014. The share of Treasury bills edged up to 3.8%, from 2.7% at end-2014.

Meanwhile, the value of euro coins in issue rose slightly by €0.4 million, while their share in total debt declined marginally to 1.1% from 1.2% in December. The period under review saw no changes in the stock of local and foreign loans outstanding.

Table 5.4
GOVERNMENT DEBT[(1)]
EUR millions

	2014 end-Dec.	2015 end-Apr.	Change Dec. 14 - Apr. 15
Government debt[(1)]	**5,129.6**	**5,364.0**	**234.4**
Euro coins issued in name of the Treasury	60.4	60.8	0.4
Treasury bills	140.4	206.2	65.8
Malta Government Stocks	4,832.0	5,000.3	168.3
Local loans	56.4	56.4	0.0
Foreign loans	40.4	40.4	0.0

[(1)] Excluding government debt issued by extra-budgetary units and local councils and debt held by Sinking Funds. This definition differs from the general government debt definition that is used in Table 5.2.

Sources: NSO; Central Bank of Malta.

6. MONETARY AND FINANCIAL DEVELOPMENTS

The total assets of the banking system in Malta rose during the first quarter of 2015. Deposits remained the main source of funding, with those belonging to residents growing strongly. Meanwhile, credit granted to residents continued to contract on an annual basis, though at a slower pace.

Domestic money market yields edged down during the quarter under review. In the secondary capital market, yields on five-year and ten-year government bonds extended their downward trend until March, while the spread over the benchmark euro area government securities narrowed. Meanwhile, the Malta Stock Exchange (MSE) share index rose strongly.

Monetary aggregates and their counterparts

Total assets of the Maltese banking system increase

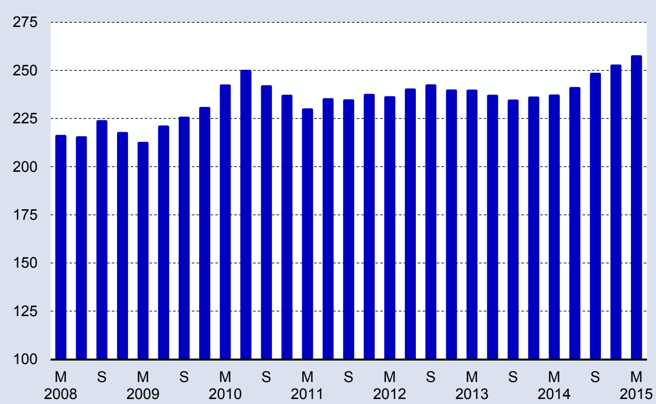
Total assets pertaining to the banking system in Malta rose during the March quarter, growing by €3.5 billion, or 6.2%. In particular, total assets belonging to core domestic banks – the domestically-relevant banking system – stood at 257.1% of gross domestic product (GDP) at end-March 2015, up from 252.3% in the previous quarter (see Chart 6.1).[1,2]

Residents' deposits grow rapidly

Total residents' deposits grew at double-digit rates in recent quarters. During the year to March, residents' deposits went up by 14.6%, the same rate as in the previous quarter (see Table 6.1).

Looking at residents' deposits in more detail, overnight deposits grew at a faster pace during the quarter and were the main contributor. They continued the rapid growth observed lately, with households and non-bank financial intermediaries propelling the increase. Consequently, the annual growth rate of overnight deposits accelerated to 30.5% in March from 29.0% in December. This substantial rise may reflect the reduced opportunity cost of holding overnight deposits in a low interest rate environment applicable across all maturities.

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



Sources: Central Bank of Malta; NSO.

[1] As from January 2015, the core domestic banks are APS Bank Ltd, Banif Bank (Malta) plc, Bank of Valletta plc, HSBC Bank Malta plc, Lombard Bank Malta plc, Mediterranean Bank plc and Mediterranean Corporate Bank. Historical data have also been revised to take the reclassification into account.

[2] GDP statistics are sourced from NSO *News Release* 108/2015, published on 8 June 2015. Otherwise, the cut-off date for statistical information in this Chapter is 29 May 2015.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2015	2014				2015
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Overnight deposits	**8,897.3**	**13.3**	**15.6**	**20.4**	**29.0**	**30.5**
of which						
Households	4,825.8	11.4	13.3	19.6	25.4	29.8
Non-financial corporations	2,286.1	21.2	10.0	15.2	24.0	20.1
Deposits redeemable at notice of up to 3 months	**121.4**	**-5.6**	**-0.5**	**1.4**	**9.3**	**8.2**
of which						
Households	100.4	-2.5	-2.3	-0.8	7.8	4.7
Non-financial corporations	17.2	2.7	9.8	20.4	10.9	14.7
Deposits with an agreed maturity of up to 2 years	**3,742.3**	**1.7**	**6.2**	**4.9**	**-2.0**	**-7.6**
of which						
Households	2,962.8	3.3	2.8	1.3	-0.7	-4.9
Non-financial corporations	305.8	-7.7	-4.9	17.9	-16.0	-26.7
Deposits with an agreed maturity above 2 years	**1,549.2**	**5.8**	**5.5**	**2.4**	**-3.0**	**2.5**
of which						
Households	1,433.2	4.4	2.8	0.1	-5.1	1.1
Non-financial corporations	79.1	29.5	38.9	30.5	14.0	11.4
Total residents' deposits[(1)]	**14,310.3**	**8.2**	**11.0**	**12.9**	**14.6**	**14.6**

[(1)] Total residents' deposits exclude deposits belonging to central government.

Source: Central Bank of Malta.

At the same time, deposits redeemable at a notice of up to three months grew by 8.2% in the year to March, with the annual rate of growth slowing down over December. However, such deposits are small in absolute terms.

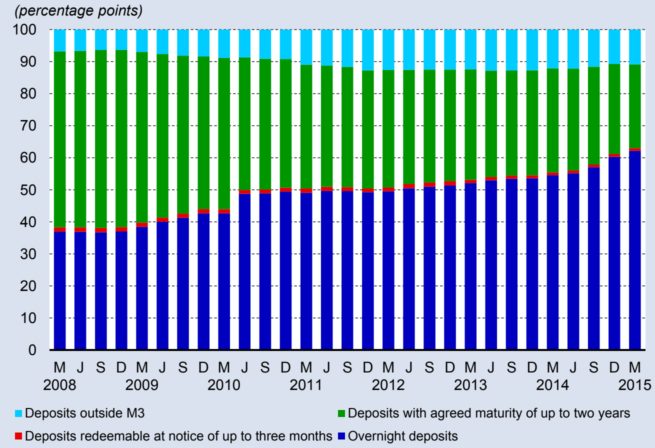
On the other hand, deposits with an agreed maturity of up to two years, the second largest component within residents' deposits, contracted to a greater extent during the quarter under review. Consequently, their annual growth rate fell to -7.6% in March from -2.0% in December. The year-on-year decline was broad-based across different categories of deposit holders, reflecting a decrease in their relative attractiveness as their remuneration fell by more than that on other deposits during the year to March.

Deposits with maturities beyond two years, which are excluded from broad money (M3), expanded during the quarter reviewed after having slowed down in previous quarters. Growth stemmed from higher balances belonging to households. As a result, the annual growth rate rose to 2.5%, following a 3.0% contraction three months earlier.

As a result of these developments, the share of overnight deposits in total residents' deposits extended its upward path, accounting for more than 60% of the total by the end of March (see Chart 6.2). Conversely, the proportion of deposits with an agreed maturity of up to two years decreased further, as did that of deposits redeemable at a notice of up to three months. The share of deposits with an agreed maturity of over two years, which are excluded from M3, increased marginally during the quarter under review, after having decreased throughout 2014.

At the beginning of the second quarter, total residents' deposits regained momentum and grew by 17.0% during the year to April.

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



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

Interest rates on residents' deposits decline

During the first quarter of 2015, the composite interest rate paid by monetary financial institutions (MFI) on all euro-denominated deposits belonging to households and non-financial corporations (NFC) resident in Malta dropped by 10 basis points to 0.93% in March (see Table 6.2).[3] The decline stemmed mainly from drops in rates on time deposits, given that rates on overnight deposits, which were already at an all-time low, hardly changed.

Rates on household overnight deposits fell by 2 basis points to 0.15%, while those on similar deposits belonging to NFCs went down by 1 basis point to 0.17%. Meanwhile, rates on deposits with an agreed maturity of up to two years fell by 20 basis points for households and 12 basis points for NFCs, to 1.53% and 1.33%, respectively. At the same time, rates on longer-time deposits went down by 9 basis points for household balances and by 14 basis points for NFCs.

From a longer-term perspective, the European Central Bank (ECB) reduced the interest rate on its main refinancing operations (MRO) by 20 basis points during the year to March. This reduction

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

	2014				2015
	Mar.	June	Sep.	Dec.	Mar.
Total deposits	1.34	1.30	1.14	1.03	0.93
Overnight deposits					
Households	0.27	0.27	0.17	0.17	0.15
Non-financial corporations	0.26	0.24	0.18	0.18	0.17
Time deposits with agreed maturity up to 2 years					
Households	2.03	1.96	1.85	1.73	1.53
Non-financial corporations	1.93	1.82	1.26	1.45	1.33
Time deposits with agreed maturity over 2 years					
Households	3.54	3.54	3.52	3.44	3.35
Non-financial corporations	3.09	2.88	2.93	2.84	2.70

(1) Annualised agreed rates on outstanding euro-denominated deposits belonging to households and non-financial corporations.
Source: Central Bank of Malta.

3 Data on MFI interest rates on outstanding amounts shown in Table 6.2 cover euro-denominated deposits belonging to households and NFCs resident in Malta. The household sector includes non-profit institutions serving households.

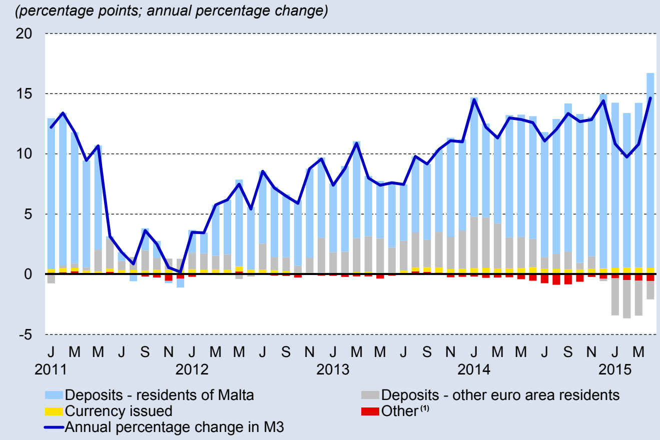
appears to have influenced domestic bank deposit rates. Over the same period, the composite rate on households' and NFCs' deposits fell by 41 basis points. The biggest decline was registered in deposits with an agreed maturity of up to two years, whereby rates offered to households fell by 50 basis points and NFCs' rates dropped by 60 basis points.

Going into the second quarter of 2015, the composite deposit rate declined by 3 basis points to 0.90% in April, following further cuts in households' and NFCs' interest rates.

Contribution to euro area M3 decelerates

The contribution of Maltese MFIs to euro area M3 rose at an annual rate of 10.8% during the March quarter, following a 14.4% increase in December.[4] The moderation in the first quarter of 2014 was mainly driven by a decline in deposits, held by an international bank operating in Malta, belonging to residents of other euro area countries. Deposits belonging to residents of Malta continued to grow substantially, although to a slightly lesser extent than before. Contributions from the remaining components, which include currency issued, were substantially smaller (see Chart 6.3).

Chart 6.3
CONTRIBUTIONS OF RESIDENT MFIs TO EURO AREA M3
(percentage points; annual percentage change)



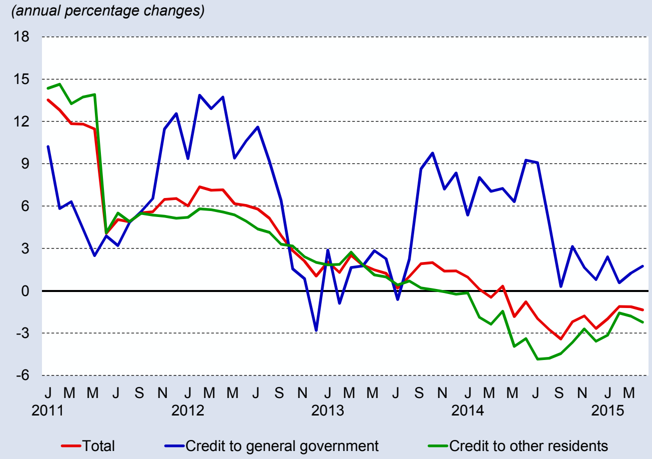
(1) The "other" category consists of loans granted to resident MFIs, money market fund shares/units and debt securities with a maturity of up to and including two years issued by MFIs.
Source: Central Bank of Malta.

In April the annual rate of change of the contribution of Maltese MFIs to euro area M3 recovered to 14.6%, following further increases in residents' deposits.

Credit to residents

During the first quarter of 2015, credit flows to Maltese residents expanded following a rise in credit to general government, as well as to the remaining sectors. As a result, the year-on-year decline in credit moderated. The latter contracted by 1.1% in the year to March compared with a 2.7% drop in the year to December (see Chart 6.4). In comparison,

Chart 6.4
CREDIT TO RESIDENTS OF MALTA
(annual percentage changes)



Source: Central Bank of Malta.

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[4] The contribution of Maltese MFIs to euro area monetary aggregates comprises the notional issue of euro currency attributed to the Central Bank of Malta, deposits held by Maltese and other euro area residents (except those belonging to central governments and interbank deposits) with resident MFIs, having terms to maturity of up to two years, as well as other monetary liabilities of Maltese MFIs towards euro area residents.

credit in the euro area accelerated during the quarter under review, expanding by 0.4% during the year to March, following a 0.2% drop in the year to December.

Credit granted to general government grew by 1.2% during the 12 months to March, up from 0.8% three months earlier. This acceleration reflected an increase in MFIs' holdings of Malta Government Stocks (MGS), as well as of Treasury bills during the period reviewed.

Credit to residents other than general government, which mainly consists of credit to the private sector, also grew during the period reviewed on the back of higher loans granted to households. Consequently, the annual rate of change of credit to other residents, which had reached a low of -4.8% in July, continued to recover. Credit to other residents contracted by 1.8% during the year to March, following a 3.6% drop in the year to December. The year-on-year contraction in credit stemmed entirely from the disposal, by a non-core domestic bank, of holdings of equity issued by non-bank financial intermediaries.

Going into the second quarter of 2015, the annual growth rate of total credit to residents dipped to -1.4% in April. While credit to general government accelerated, credit to the remaining sectors contracted at a faster pace.

Bank lending to NFCs increases

Bank lending to NFCs grew by 1.8% during the year to March, down from 2.0% in the year to December. Most of the growth stemmed from higher loans granted to public NFCs.

A sectoral breakdown of loans extended to NFCs shows that the wholesale & retail trade sector and real estate activities accounted for a significant share of the overall growth during the year to March (see Table 6.3). Lending to firms in the "other" category also increased, driven by the energy sector. On the other hand, loans to the construction sector continued to contract, though at a slower pace than in the previous quarter. Credit to firms in transportation & storage and accommodation & food service activities also decreased during the year to March. At the same time, credit to firms in the manufacturing sector grew marginally, following declines in previous quarters.

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

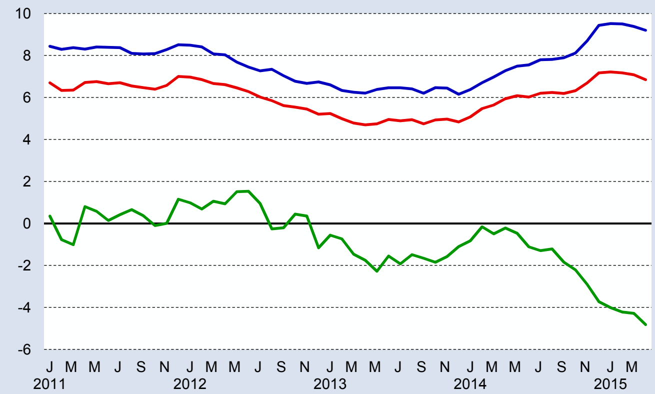
	All NFCs				
	2014				2015
	Mar.	June	Sep.	Dec.	Mar.
Accommodation and food service activities	-0.2	-1.7	-0.5	-0.7	-0.3
Construction	-2.7	-2.7	-1.6	-2.3	-1.9
Manufacturing	-1.1	-0.9	-0.2	-0.2	0.1
Real estate activities	0.3	0.9	0.3	1.3	1.4
Transportation and storage	-0.6	0.5	0.2	-0.1	-0.8
Wholesale and retail trade	-1.2	1.0	1.2	1.7	1.9
Other	-0.4	0.2	2.5	2.3	1.4
Total	**-5.8**	**-2.6**	**1.9**	**2.0**	**1.8**

Source: Central Bank of Malta.

Bank lending to households grows strongly

Bank lending to households, the other major component of credit to the private sector, continued to grow strongly during the March quarter, although the annual growth rate edged marginally down to 7.1% from 7.2% in December (see Chart 6.5). Annual growth stemmed entirely from loans granted for house purchases – the dominant component of household credit – and partly reflects greater demand from first-time buyers in the light of measures announced in the 2014 Budget to stimulate the housing market. In contrast, consumer credit and other lending to households contracted at a faster pace than in the previous quarter, falling at an annual rate of 4.3% in March as opposed to a drop of 3.7% in the year to December.

Chart 6.5
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

Going forward, lending to households grew by 6.8% during the year to April.

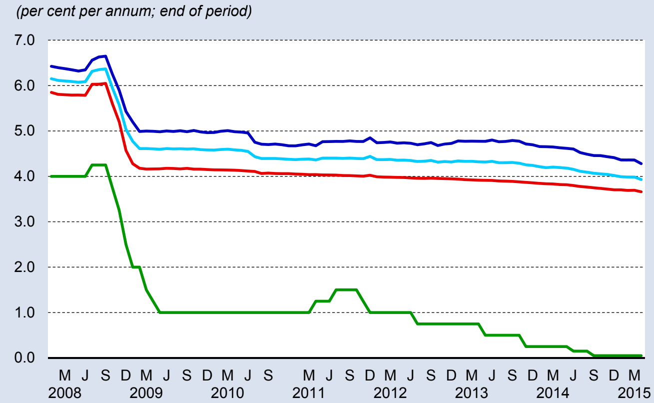
Interest rates on loans to Maltese residents

The composite interest rate charged by MFIs on outstanding loans to resident households and NFCs fell marginally by 3 basis points to 3.98% during the March quarter (see Chart 6.6). Rates paid by households dipped by 1 basis point to 3.69%, reflecting marginal declines in rates on mortgages and consumer credit. Rates charged on NFC loans fell by 5 basis points to 4.36%.

From a longer perspective, the composite interest rate on loans to households and NFCs was 22 basis points lower in March than a year earlier. Lending rates to NFCs fell slightly more than lending rates to households.

During the first month of the following quarter, the composite lending rate dropped by 5 basis points to 3.93%.

Chart 6.6
INTEREST RATES ON LOANS TO MALTESE RESIDENTS[(1)]
(per cent per annum; end of period)



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

Credit standards for enterprises and households remain unchanged

The Bank Lending Survey (BLS) conducted in April 2015, covering the previous three months, revealed that credit standards applied to enterprises and households remained unchanged.[5] Despite this, one bank reported that the share of enterprise loan applications that were completely rejected increased during the quarter under review.

The survey also asked about the current level of credit standards relative to levels prevailing between the first quarters of 2003 and 2015, as well as between the second quarter of 2010 and the first quarter of 2015, to understand how standards have evolved from a longer perspective. Almost all banks reported tighter conditions for enterprises over both periods. With regard to credit standards for households' mortgages, banks reported either looser conditions or identical standards, with the exception of one bank, which reported tighter conditions since 2003. On the other hand, credit standards with respect to consumer credit were either tightened or unchanged.

Turning to demand for loans, two of the banks surveyed reported a decrease in demand for loans by enterprises, whereas another reported increased demand. The remaining bank reported no change in corporate demand for loans. A survey conducted by the Malta Chamber of Commerce, Enterprise and Industry (MCCEI) in April shows that most of the firms that applied for a loan obtained the majority of the requested amount.[6] However, firms in the construction sector reported a higher degree of loan rejections by banks. Furthermore, a number of firms in the manufacturing and retail sectors reported that conditions on bank loans became more difficult during the quarter under consideration.

With regard to demand for loans by households, half of the banks surveyed in the BLS reported an increase in demand for mortgage loans, with the other half reporting unchanged demand. Demand for loans for consumer credit remained stable.

Looking ahead to the second quarter of 2015, banks expected standards applied to loans to NFCs and households to remain constant. At the same time, all respondents foresaw unchanged corporate and household demand for loans.

Banks largely unaffected by the ECB's asset purchase programme

The BLS also attempted to gauge the impact of the expanded asset purchase programme (EAPP), announced by the ECB on 22 January 2015, on banks' assets, liquidity, market financing, profitability and capital.[7] Banks responded that the programme had not affected the above-mentioned factors in the previous six months. Although net interest margins declined, they were counteracted by higher capital gains, leading profitability to remain unchanged. The situation is expected to stay constant in the forthcoming six months. Furthermore, only one bank reported that it had used the additional liquidity arising from the ECB's asset purchase programme to grant loans to enterprises.

Credit granted to euro area residents outside Malta rises

Credit granted to euro area residents outside Malta expanded by €620.5 million, or 17.9%, during the year to March, as against an annual increase of 22.6% in December. This rise mainly reflected higher lending to non-bank financial intermediaries, coupled with higher claims on other euro area sovereigns.

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

[6] As part of their survey on confidence among firms in the manufacturing, service, retail and construction sectors, the MCCEI added questions to gauge developments in financing conditions, which started being assessed in 2014 on a quarterly basis. See Box 7 for a review of the results for 2014.

[7] The ECB's programme encompasses the ongoing purchase programmes for asset backed securities and covered bonds, as well as secondary market purchases of euro-denominated bonds issued by euro area central governments, certain agencies established in the euro area and European institutions.

BOX 7: MALTA CHAMBER OF COMMERCE, ENTERPRISE AND INDUSTRY SURVEY ON FINANCING CONDITIONS[1]

Surveys provide important information for the analysis of economic and financial developments, but those analysing such developments in Malta are limited. In 2008 the European Commission and the ECB launched the Survey on Access to Finance (SAFE) to assess financing conditions of enterprises in the European Union (EU). A survey covering the largest euro area economies is run every six months by the ECB, while a more comprehensive exercise, covering all EU countries, is carried out every year in cooperation with the European Commission.[2] The first wave of the surveys was conducted in 2009.

To gauge developments in financing conditions on a timelier basis, in 2014 the MCCEI, in conjunction with the Central Bank of Malta, introduced questions on access to finance, based on the SAFE. The survey, carried out on a quarterly basis, covers firms in the manufacturing, service, retail and construction sectors.

This note reviews the key results of the first four sets of collected data covering 2014. When appropriate, comparisons are made with results from the SAFE and enhanced by responses from the BLS, which gauges credit demand and supply conditions from the banks' point of view.[3]

The sample

In carrying out this survey, the MCCEI generates a sample, which includes a number of large companies in each quarter and another number of randomly selected firms from the rest of the population. On average, 1,481 companies were chosen to take part in the survey and response rates fluctuated between 20% and 35%.

Including the same set of large companies each time is meant to aid representativeness within individual sectors and favours comparability of results across rounds. However, this may intensify sampling bias, since large firms are more likely to be included than others. At the same time, it may also skew results as the financing behaviour of large companies may differ from that of smaller ones. In particular, larger companies may be in a better position to tap capital markets and may obtain funding from foreign parents, which may bias downwards the incidence of loan applications. These caveats need to be kept in mind when analysing survey results.

The results of the MCCEI surveys presented hereafter are based on weighted responses, with the weights based on the number of employees.

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1 Prepared by Tiziana Gauci. Ms Gauci is an Economist in the Bank's Economic and Monetary Analysis Department. The author would like to thank Mr John Caruana, Ms Rita Schembri and Dr Bernard Gauci for helpful comments and suggestions. The views expressed are those of the author and do not necessarily reflect the views of the Central Bank of Malta. Any errors are the author's own.

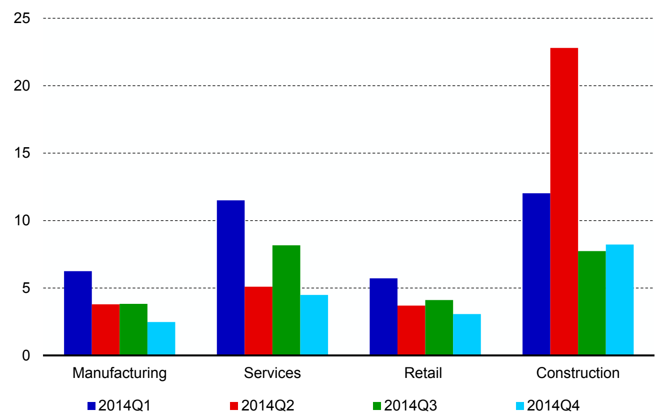
2 The bi-annual survey conducted by the ECB covers the largest euro area countries, excluding the seven smallest ones – Malta, Cyprus, Estonia, Latvia, Luxembourg, Slovakia and Slovenia.

3 The SAFE refers to the 11th wave of the survey for the reference period April to September 2014. The BLS is carried out on a quarterly basis, analysing developments in the previous three months. The relevant surveys for this Box are those conducted between April 2014 and January 2015.

Demand for funding by firms

The SAFE shows that the use of bank loans by Maltese firms was rather low during the six months to September 2014, with overdrafts and credit lines being more relevant sources of financing.

Chart 1
PROPORTION OF FIRMS THAT APPLIED FOR A LOAN IN THE PREVIOUS THREE MONTHS
(percentage)



Source: MCCEI.

Chart 1 shows the proportion of firms that applied for a bank loan in the previous three months according to the MCCEI survey. The survey shows that there was only a small percentage of such firms, with the figure never exceeding 25%. This is broadly in line with the results from the SAFE, which shows that 27% of Maltese firms applied for a bank loan during the six months to September 2014.

The MCCEI survey shows that, with the exception of construction firms, loan applications were highest in the first quarter of 2014, with applications generally falling thereafter. According to BLS data, only one bank out of the four surveyed reported an increase in demand for loans by enterprises in the second quarter of 2014. Subsequently, banks reported declines in demand in the second half of the year.

In general, the MCCEI survey shows that construction firms were the most likely to apply for bank loans. Firms in services were the next most likely to apply for a loan, followed by those in retail and manufacturing.

A point of interest is the increase in loan applications recorded within the services sector in the third quarter. Part of this rise came from firms operating in the accommodation sector, in which the percentage applying for a loan rose to 13.5%, up from zero in the previous quarter. This may reflect higher demand for finance by hotel operators, following the decision of the Malta Environment and Planning Authority to allow hotels to build additional floors, though the lag between this policy decision and the eventual loan applications is hard to ascertain.[4]

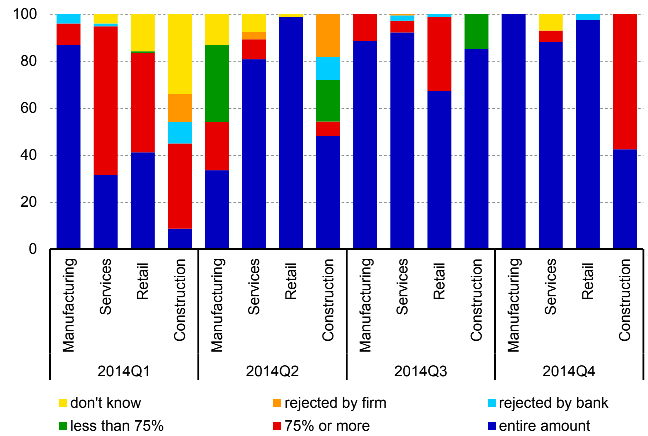
Availability of funding

In a separate question, the survey also asks firms that have applied for a loan whether their request had been accepted or rejected. If accepted, the firm is asked to indicate whether it had obtained the entire amount or part of it. On the other hand, if rejected, firms are

[4] See "Height Limitation Adjustment Policy for Hotels – Boosting Malta's competitiveness in the tourism market", *MEPA*, June 2014.

asked to indicate whether they refused the offer themselves because of unattractive conditions or whether it was the bank that had rejected the request. This question seeks to shed light on loan supply in Malta, that is, banks' willingness to provide credit.

Chart 2
AMOUNTS OBTAINED BY FIRMS
(per cent of requested amount)



Source: MCCEI.

Acceptance rates for loans were, in general, quite high. Around 85% of firms operating in the manufacturing, service and retail trade sectors that had applied for a loan obtained 75% or more of the requested amount (see Chart 2). This is in line with results obtained from the SAFE, in which the percentage of firms that had applied for a loan and obtained the full amount stood at 71.2% in 2014, up from 55.6% in the previous year.

On the other hand, on the basis of the MCCEI surveys, the percentage of firms in the construction sector that had applied for a loan and obtained 75% or more of the requested amount was lower than in other sectors in the first two rounds, at around 50%. Furthermore, higher shares of loan rejections by banks were also recorded in this sector. This indicates that banks may have been more cautious in increasing their exposure to this sector. In turn, this could reflect vulnerabilities stemming from the level of exposure to the property market, coupled with a relatively high level of non-performing loans in this sector as highlighted in the Central Bank of Malta's *Financial Stability Review* and by the International Monetary Fund.[5] Although the exposure of the Maltese banking sector to the property market has decreased in recent years, loans to the construction sector account for a large proportion of total loans to resident private NFCs, with this share standing above 20% as at the end of 2014.

Furthermore, amounts obtained by firms in the construction sector were also relatively low in the first half of the year because a number of firms rejected the banks' offer. This may indicate that banks offered loans, but with conditions that were assessed as too onerous by firms. However, during the second half of the year, the share of construction firms that obtained most of the loan required rose to over 85%, with this figure approaching 100% in the last quarter of 2014. It will be important to monitor this apparent improvement in access to bank loans over 2015.

[5] See Central Bank of Malta: *Financial Stability Report Update* 2014, and "Malta: Concluding Statement of the 2014 Article IV Mission", *International Monetary Fund*, 2014.

Overall, firms reported that loans were primarily used to finance working capital and to obtain additional tangible assets, such as property, plant, equipment and motor vehicles, or replace existing ones. The use of funds to finance R&D or intellectual property was mentioned solely by firms operating in the services sector. Meanwhile, firms rarely used loans for product promotion, market development or staff training. These results are similar to those in the SAFE, in which small and medium-sized enterprises' need for external financing is predominantly to finance inventory and working capital, followed by new fixed investment.

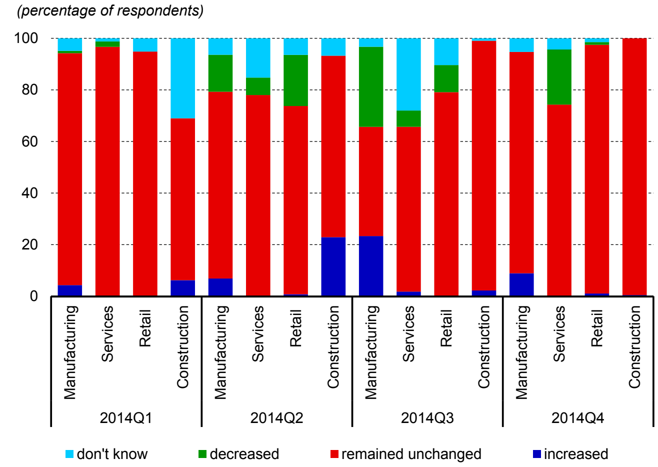
Interest rates on bank loans

When asked about interest rates on bank loans, most respondents answered that they had remained unchanged over the previous three months, in all four quarters (see Chart 3).

In the first quarter, however, increases were reported by a small share of firms in construction and manufacturing sectors. In the following two quarters all sectors, except the construction sector, reported on balance lower interest rates. This corresponds to a decline in interest rates reported by credit institutions on new business in the same period. In the last quarter of 2014, however, net decreases in interest rates were mentioned by firms in the services sector. Manufacturing firms reported an increase in interest rates, while firms in the remaining sectors replied that interest rates had remained unchanged.

Central Bank of Malta data on bank lending rates show that banks reduced their lending rates following the fall in the ECB's key refinancing rate to record lows of 0.15% in June and 0.05% in September. Nevertheless, interest rate pass-through in Malta has been incomplete.[6] Relatively high lending interest rates were still being observed in certain sectors.[7] The weighted average rate on outstanding bank loans to NFCs stood at 4.41% at the end of 2014, down from 4.70% a year earlier.

Chart 3
INTEREST RATES OVER PAST THREE MONTHS
(percentage of respondents)



Source: MCCEI.

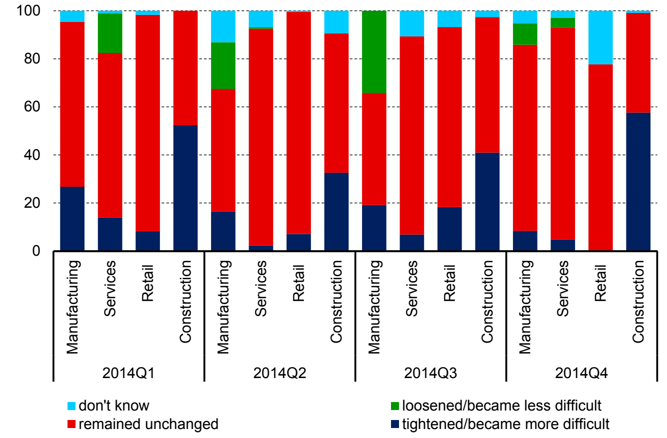
Non-interest terms and conditions on bank loans

Firms were also asked about other conditions on bank loans, such as collateral requirements, non-interest rate charges and the time required for

[6] Micallef, B. and Gauci, T., "Interest Rate Pass-Through in Malta", *Quarterly Review,* Vol. 47 No. 1, Central Bank of Malta, 2014, pp. 71-82.

[7] "Malta: Concluding Statement of the 2014 Article IV Mission, 2014", *International Monetary Fund,* 2014.

loan approval. In general, most firms reported that these conditions remained unchanged over the course of 2014.



Source: MCCEI.

A look into particular sectors reveals varying developments. In the manufacturing sector, around 27% of firms saw conditions on bank loans tightening during the first quarter. However, in the remaining quarters, manufacturers reported easing conditions on balance (see Chart 4). This is in line with the increased proportion of loan demands that were met.

On the other hand, in the construction sector firms reported a tightening of non-price lending conditions in each of the survey rounds. The share of firms reporting a tightening in non-interest conditions fell from around 50% in the first quarter to just above 30% and 40%, respectively, in the second and third quarters. However, it rose again in the last quarter of 2014.

Firms in the retail sector also reported tightening conditions, on balance, across the year while the services sector reported easing conditions, on balance, in the first quarter, and a tightening thereafter.

In summary, all firms except those in the manufacturing sector saw conditions tightening as the year progressed. The SAFE shows similar results: in 2014 a bigger percentage of responding firms reported an increase in the cost of financing other than interest rates when compared with the previous year.

Conclusion

The MCCEI survey aims to provide information on access to finance by Maltese firms as perceived by firms themselves. It also helps in explaining demand and supply factors influencing the provision of loans to the private sector. While the SAFE has an important role in this regard, the MCCEI survey provides more timely information, given its quarterly frequency. Furthermore, it enhances the information gathered by differentiating between firms in four different sectors.

The survey results show that only a small percentage of responding firms applied for a bank loan in the previous three months, suggesting that other sources of finance, which include bank overdrafts, loans from parent companies and financing from capital markets, are more popular. It also suggests that the majority of firms that had applied for a loan obtained most of the funds. In general, firms within the manufacturing, service and retail sectors obtained 75% or more of the amount requested. Loan success rates in the construction sector were lower in the first half of the year, indicating that banks were cautious in increasing their exposure to the sector. However, success rates for these firms rose in the second half of the year.

With regard to interest rates, the majority of respondents saw no change over the course of 2014. However, a greater percentage of firms mentioned a fall in interest rates in the middle of the year as banks reduced lending rates, following further cuts in the ECB's main refinancing rate. Nevertheless, it appears that these declines were not passed on fully to firms in the construction sector, given the significant percentage that reported a rise in interest rates in the second quarter. Firms in this sector were also more likely to report a tightening in other conditions on bank loans. Conversely, credit conditions eased for manufacturing firms.

One drawback of the survey is its short history, which does not allow one to compare results over a longer time period. Furthermore, results must be treated with caution because of the manner in which the sample is drawn up.

The money market

Domestic yields decline

During the first quarter of 2015, the ECB kept its key interest rates unchanged while expanding the asset purchase programme to include public sector securities. At the same time, the three-month EURIBOR fell by 6 basis points to 0.02% by end-March.

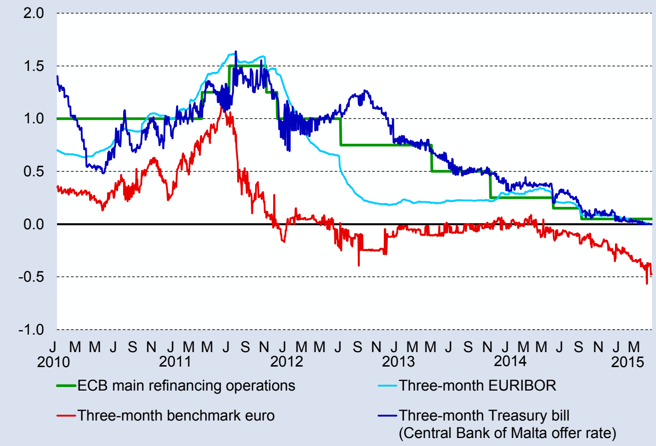
Movements in the domestic money market interest rates reflected developments in the EURIBOR. The primary market yield on three-month Treasury bills fell by 8 basis points to stand at 0.00%. One-month bills were also zero, while six-month bills offered 0.01%.

Government issued €165.6 million worth of Treasury bills in the first quarter of 2015, €62.2 million less than in the previous quarter. Domestic banks bought the entire amount. Over half of the Treasury bills issued during the quarter had a maturity of three months, while most of the remaining bills had a six-month tenor. Meanwhile, no turnover was recorded in the secondary market for Treasury bills following the weak turnover seen in recent quarters as investors held on to their bills.

The secondary market yield on German government three-month securities, which serve as a benchmark for the euro area, fell by 7 basis points to -0.39% at the end of March. At the same time, the corresponding domestic yield fell by 3 basis points to 0.00%. Consequently, the spread over the euro area benchmark widened to 39 basis points at end-March (see Chart 6.7).

Going into the second quarter of 2015, the ECB kept the interest rate on its MROs unchanged at 0.05%. The three-month EURIBOR declined by an additional 2 basis points in April. Domestically, the secondary rate on short-term government securities remained unchanged in April, while the corresponding benchmark yield in the euro area fell by 8 basis points.

Chart 6.7
MONEY MARKET INTEREST RATES
(percentages per annum; daily rates)



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

The capital market

During the first quarter of 2015, Government raised €168.3 million through two new MGS issues with a value of €120.0 million, subject to an over-allotment option of up to €60.0 million. The bonds offer fixed coupons of 2.00% and 3.00%, and mature in 2020 and 2040, respectively. The 25-year bond was a first for the local market as bond issues had never exceeded a 20-year term. The Treasury took advantage of the downward trend in bond yields in previous months and locked in long-term borrowings at relatively low rates.

Demand for these bonds was substantial and the Treasury received bids totalling €453.1 million, leading to a bid-to-cover ratio of 2.69.[8] Given that the issue was oversubscribed by retail investors, no bonds were allocated under the auction system. The bonds were acquired primarily by households and by stockbrokers acting on behalf of their clients.

Meanwhile, no new issues were recorded in the corporate bond market following a strong participation in the last quarter of 2014. Although no corporate bonds were issued during the quarter, primary market activity is expected to continue in 2015, as indicated by the tentative listing calendar published by the MSE.

In the secondary market, turnover for government bonds surged to €311.5 million, €153.4 million more than in the previous quarter. Higher turnover stemmed from greater activity in short-term securities, in particular those with a remaining maturity of less than a year, as well as long-term securities with a remaining maturity exceeding ten years. These longer-term securities rose in value over the quarter under review after a positive performance in 2014, and some investors may have opted to lock in their profits. The Central Bank of Malta, acting as market-maker, accounted for around 56% of the value traded.[9]

In the secondary corporate bond market, trading during the March quarter fell to €19.6 million, from €43.2 million. More than one-fourth of trading was concentrated around securities issued by

[8] The bid-to-cover ratio is the amount of bids received divided by the amount of bids accepted.

[9] The quarter under review also saw the Central Bank of Malta starting to purchase MGS as part of the EAPP. These transactions are not included in the reported turnover. As at the end of March 2015, the Bank's holdings of debt securities under this programme amounted to €5.0 million.

the financial sector, with securities issued by property development firms and the hospitality sector accounting for most of the remainder.

Government bond yields decline

Secondary market government bond yields continued on their downward trend in the first three months of the year, largely mirroring developments in the euro area as a whole. Yields on five-year bonds went down by 31 basis points to 0.58% at the end of March, while the corresponding yield on AAA-rated securities in the euro area fell by 15 basis points, dipping below zero to -0.08% (see Chart 6.8). At the same time, yields on ten-year domestic bonds declined by 71 basis points to 1.16%, while benchmark yields for the euro area dropped by 39 basis points. As a result, spreads over the euro area benchmarks narrowed, with the five-year differential falling by 16 basis points to 66 basis points and the ten-year differential shedding 32 basis points to 90 points.

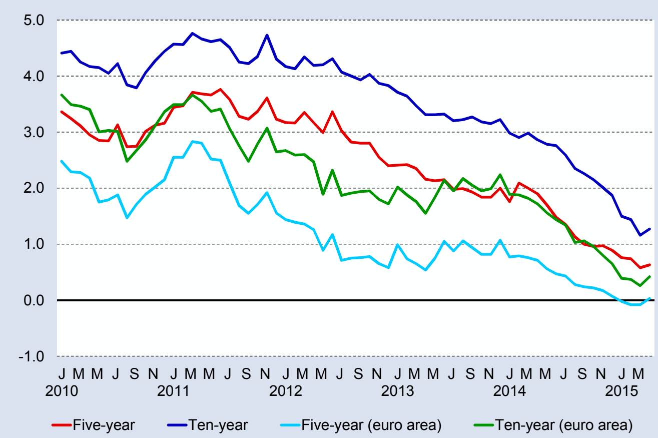
In April yields on domestic five and ten-year government bonds rose to 0.63% and 1.27%, respectively. With euro area benchmark yields increasing even faster, the spread on five-year bonds decreased by 6 basis points to 60 basis points while the ten-year differential narrowed by 5 basis points to 85 points.

MSE share index rises strongly

Activity in the domestic equity market rose during the first quarter of 2015, with turnover going up to €20.8 million from €12.2 million in the previous quarter. This reflected a general increase in share prices and a rise in the number of shares traded. A number of shares experienced double-digit growth in their prices, with the best performers being companies in the commercial property and real estate developments sectors following improved financial performance. As a result, the MSE share index went up by 13.4% over the period under consideration, to end March at 3,776.1 (see Chart 6.9).

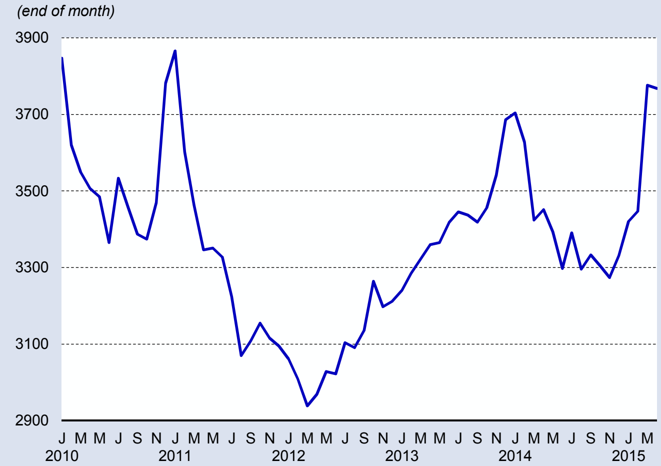
Going into the second quarter, the MSE share index went down marginally by 0.2% during April.

Chart 6.8
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

Chart 6.9
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)



Source: MSE.

7. ECONOMIC PROJECTIONS FOR 2015 AND 2016

Outlook for the Maltese economy[1]

The Bank's latest macroeconomic projections indicate that, following the strong expansion of 2014, gross domestic product (GDP) growth will pick up slightly further in 2015, before easing in 2016. Thus, in 2015 real GDP growth is expected to edge up from 3.5% last year to 3.6%. It is set to moderate to 3.0% in 2016 (see Table 7.1).

Table 7.1
PROJECTIONS FOR THE MAIN MACROECONOMIC AGGREGATES FOR MALTA[(1)]

	2014[(1)]	2015[(2)]	2016[(2)]
Real economic activity (% change)			
GDP	3.5	3.6	3.0
Private consumption expenditure	3.4	3.2	2.9
Government consumption expenditure	7.3	1.8	4.1
Gross fixed capital formation	14.0	12.3	3.5
Exports of goods & services	-0.2	3.0	3.5
Imports of goods & services	0.1	3.6	3.7
Contribution to real GDP growth (in percentage pts)[(3)]			
Final domestic demand	5.7	4.5	3.1
Net exports	-0.5	-0.6	-0.1
Changes in inventories	-1.7	-0.2	0.0
Real disposable household income[(3)]	3.5	3.5	2.6
Household saving ratio[(3)]	9.5	9.7	9.5
Balance of payments (% of GDP)			
Goods and services balance	6.0	5.9	5.4
Current account balance	2.4	2.2	1.8
Labour market (% change)			
Total employment	4.2	2.8	2.3
Unemployment rate (% of labour force)	5.7	5.9	5.8
Prices and costs (% change)			
RPI	0.3	1.1	1.3
Overall HICP	0.8	1.4	1.8
HICP excluding energy	1.5	1.9	1.8
Compensation per employee	0.9	1.5	2.0
ULC	1.5	0.7	1.4
Public finances (% of GDP)			
General government balance	-2.1	-1.8	-1.7
General government debt	68.0	66.9	66.1
Technical assumptions			
EUR/USD exchange rate	1.33	1.12	1.12
Oil price (USD per barrel)	98.9	63.8	71.0

(1) Data on GDP were sourced from NSO *News Release* 046/2015 published on 9 March 2015.
(2) Central Bank of Malta projections.
(3) Data for 2014 are Central Bank of Malta estimates.

[1] The Bank's outlook for the Maltese economy is based on information available up to 20 May 2015 and is conditional on the technical assumptions shown in Table 7.1.

Compared with the Bank's previous projections, GDP growth has been revised up by 0.2 percentage point in 2015 and 2016.[2]

These revisions mainly reflect a more favourable outlook for investment, following a reassessment of capital expenditure in the private sector. Government consumption growth is also slightly higher in both years. Moreover, export growth has been revised upwards, reflecting the improved economic situation in Malta's trading partners and the recent weakening of the euro. However, given the high import content of investment and exports, import growth has also been revised upwards, particularly in 2015. As a result, the overall revision in GDP growth is small.

Domestic demand expected to drive economic growth

The Bank expects economic growth in 2015 and 2016 to be driven by domestic demand, particularly private consumption and private investment. Government consumption is also expected to support activity, though to a more limited extent.

Private consumption growth is projected to moderate to 3.2% in 2015 and to 2.9% in 2016. In 2015 private consumption is expected to be supported by robust disposable income growth, partly under the impact of a reduction in personal income tax rates. Given the structure of the tax cut, the saving ratio is expected to rise slightly. In 2016 private consumption is expected to decelerate, as growth in disposable income slows down.

After having expanded strongly in 2014, government consumption is expected to grow less rapidly over the forecast horizon, as growth in public employment and in intermediate consumption moderates.

Following an increase of 14.0% in 2014, investment is set to expand slightly less rapidly in 2015, adding 12.3%, before slowing down more significantly in 2016. Continued strong growth in investment in 2015 reflects developments in private investment, while developments in both government and private investment explain the slowdown in 2016.

After having increased very strongly in 2014, government investment is set to remain broadly stable at a high level in 2015, as projects under the 2007-2013 EU financing framework approach completion. In the following year, it is expected to fall as the take-up under the new EU financing programme would be initially moderate.

Private investment is expected to accelerate strongly in 2015 and to revert to a less rapid rate of growth in 2016. This profile is heavily influenced by expenditure on the new gas power plant and the conversion of the existing oil-fired plant to gas. Outlays on these projects are set to pick up sharply in 2015, and then rise less rapidly in 2016, when they are expected to become operational.

In contrast, other private investment is expected to be broadly stable in 2015 and to accelerate in 2016, when underlying investment in machinery is expected to pick up. Over the projection period, dwelling investment is also expected to recover, partly because the Eurosystem's expanded asset purchase programme (EAPP) should have a positive effect on the domestic property market. Non-residential construction is expected to grow robustly in 2015 and to remain at a high level in 2016, supported by initiatives such as the increased height allowed in the case of eligible hotels.

[2] See *Annual Report* 2014, Central Bank of Malta, pp. 77-81.

Net exports expected to dampen GDP growth

After having declined in 2014, exports are set to grow by 3.0% in 2015, mainly due to an improvement in exports of semiconductors and services. The latter are boosted by receipts related to a buoyant tourism sector and underlying growth in other service exports. Export growth is set to accelerate further in 2016, in line with improving foreign demand conditions. Over the forecast horizon, exports are also set to benefit from an improvement in price competitiveness, partly as a result of the decline in utility tariffs for businesses in April 2015.

Largely mirroring developments in exports and investment, imports are also set to recover, growing by 3.6% in 2015 and by 3.7% in 2016. The recovery is particularly strong in 2015, as a result of a large increase in imports of machinery & equipment. In 2016 imports are projected to grow at a marginally higher rate. Although export growth is set to accelerate again that year, slower growth in private consumption and investment will dampen the overall rise in imports.

On balance, net exports are foreseen to provide a negative, though diminishing, contribution to economic growth in 2015 and 2016.

The surplus on external trade is set to narrow marginally

The surplus on external trade in goods and services is expected to narrow marginally to 5.9% of GDP in 2015 and to decline further to 5.4% next year. Over the projection horizon, a widening of the merchandise trade deficit should offset a larger surplus on services. The low oil price that is assumed to prevail over the projection period is expected to have a positive effect on the balance of trade in goods. However, it is expected to be offset by a substantial rise in import volumes related to investment and exports.[3]

Broadly reflecting expected movements in the trade balance, the current account surplus is also expected to decline as a share of GDP, ending at 1.8% in 2016.

Employment growth is expected to moderate

Following a 4.2% increase in 2013 and 2014, employment growth is set to moderate over the forecast horizon. Growth in private sector employment is expected to slow down as firms react to declining productivity by moderating their hiring. Recruitment in the public sector is also expected to be moderate in 2015 and 2016.

The unemployment rate is expected to rise slightly from a historically low level of 5.7% in 2014 to 5.9% on average over the forecast horizon.[4] This slight increase is in line with the expected slowdown in activity and employment growth.

Nominal compensation per employee rose by 0.9% in 2014, as a small drop in average wages in the private sector partly offset an increase in the general government sector. Growth in compensation per employee is set to reach 1.5% in 2015, and to accelerate further to 2.0% next year, largely reflecting an expected recovery in wages in the private sector.

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[3] Data on the trade balance and the current account in this Chapter are consistent with NSO *News Release* 046/2015 and with projections for real exports and imports reported in Table 7.1. These may differ from the balance of payments data published in NSO *News Release* 054/2015 that are referred to elsewhere in this *Review*.

[4] In the Bank's projection exercise, the unemployment rate is computed as the ratio of the number of unemployed reported in the Labour Force Survey(LFS) to a measure of the labour force based on the LFS and national accounts data. For this reason, references to the unemployment rate in this Chapter may differ from those mentioned elsewhere in this *Review*.

Following a period of negative wage growth and against a backdrop of rising productivity, tighter labour market conditions and a gradual pick-up in consumer price inflation, faster wage growth is expected in the private sector in 2015 and 2016. In contrast, average compensation growth in the public sector is set to be weaker than in 2014.

Productivity is set to recover after four consecutive years of negative or very low growth. This is expected to dampen growth in unit labour costs (ULC). As a result, ULC growth is set to decelerate from 1.5% in 2014 to 0.7% in 2015. ULC growth is projected to pick up again to 1.4% in 2016, however, as compensation per employee rises faster than productivity.

The fiscal deficit is projected to narrow further[5]

The general government deficit-to-GDP ratio narrowed to 2.1% in 2014. The Bank expects the deficit ratio to fall further in 2015 and 2016, to 1.8% and 1.7%, respectively.

The narrowing in 2015 mainly reflects the Bank's expectation that, following a strong increase last year, government consumption will moderate. The smaller deficit this year also reflects a rise in indirect tax revenue as a result of continued strong growth in private consumption and higher excise duties announced in the Budget 2015. These factors offset the impact of lower income tax rates for households and a one-time bonus.

The deficit is set to decrease marginally in 2016, reflecting the fact that the bonus granted in 2015 is not repeated and as a result of continued restraint in current expenditure in general. Additionally, as the national airline is expected to return to profitability in 2016, the related capital transfers are projected to decline.

The general government debt-to-GDP ratio is set to fall from 68.0% in 2014 to 66.1% by 2016.

Inflation is projected to accelerate

The inflation projections are influenced by the technical assumptions reported in Table 7.1, which entail a significant decline in the US dollar price of oil in 2015, and a simultaneous weakening of the euro against the US dollar. With the exchange rate assumed to remain broadly unchanged in 2016 and oil prices in dollar terms increasing, the oil price in euro terms is expected to rise that year.

Overall, the effect of the lower oil price in 2015 is exceeded by the impact of a weaker euro and other domestic factors that are expected to push up a number of price indices. Thus, the annual average rate of inflation, measured by the Harmonised Index of Consumer Prices (HICP), is expected to accelerate from 0.8% in 2014 to 1.4% in 2015. It is set to pick up further to 1.8% in 2016.

Various other factors are also behind the acceleration in HICP inflation in 2015. First, in the initial quarter of 2015, unprocessed food prices rose by 4.7% on a year earlier, after having declined in 2014. These prices are expected to continue to grow strongly in the rest of the year. Prices of various types of services are also set to accelerate slightly, largely reflecting projected developments in the prices charged by restaurants and hotels in the context of a buoyant tourism sector. The annual rate of change of energy prices is set to be less negative compared with 2014, as the effect of the cut in household electricity tariffs of April 2014 drops out of the annual inflation rate.

[5] The Bank's fiscal projections may differ from those of the Government owing to variances in the underlying macroeconomic projections and different assessments about the impact of fiscal measures.

A further pick-up in inflation is expected in 2016, mainly because prices of services accelerate further. Additionally, with oil prices increasing and electricity tariffs assumed to remain unchanged, the annual rate of change of energy prices is expected to turn positive.

Compared with the Bank's previous projections, the latest inflation outlook entails a small upward revision in 2015 and a slight downward adjustment in 2016. These revisions largely reflect the slightly higher than expected inflation readings in the first four months of 2015, which were largely driven by stronger than expected outcomes for food, accompanied by a higher oil price and a weaker euro. These factors offset additional reductions in domestic fuel and gas prices.

The downward revision for 2016 reflects negative adjustments to the forecasts for both energy and services inflation compared with the previous projection round.

Risks to the projections

Risks to the GDP growth projections are balanced. Downside risks relate to the fragility of the global economic recovery and the possibility that growth in the euro area would be weaker than expected. This would weigh on external demand. Exports could also surprise on the downside if the envisaged recovery in the semiconductor industry falls short of expectations. On the domestic front, private investment could also be weaker than expected if major projects are delayed. Stronger government current expenditure restraint could also pose a downside risk. Upside risks relate to the possibility that government capital expenditure increases, particularly in 2015. Moreover, the EAPP could have more favourable effects on activity than envisaged in the baseline.

Risks to the inflation projections are also balanced. On the one hand, a prolongation of the current weak inflation environment in Malta's main trading partners could translate into weaker import prices that may feed into lower consumer prices. Inflation would also be lower than expected if domestic fuel prices were to fall further in response to earlier declines in international oil prices. On the other hand, a further weakening of the euro, or a sharper than expected rebound in international commodity prices, would result in higher inflation in Malta. Upside risks also stem from the EAPP, if its effects on domestic activity are stronger than assumed in the projections.

NEWS NOTES

ECB announcements

Lithuania adopts the euro and joins the Single Supervisory Mechanism

On 1 January 2015 Lithuania became the 19th EU Member State to adopt the euro as its national currency, at the irrevocably fixed exchange rate of €1 = 3.45280 Lithuanian litas. Lithuania also joined the Single Supervisory Mechanism, which brings bigger banks under European Central Bank (ECB) supervision.

As Lithuania's central bank joined the Eurosystem, a system of rotating voting rights began to apply at the ECB's Governing Council.

ECB monetary policy decisions

On 22 January the ECB announced the expansion of its asset purchase programme to include bonds issued by euro area central governments, agencies and European institutions, to address the historically low inflation environment. The programme is expected to further ease credit conditions in the euro area and thereby support investment and consumption, while bringing inflation closer to 2.0%. The programme, which also encompasses the asset-backed securities purchase programme and third covered bond purchase programme introduced in 2014, caters for asset purchases amounting to €60.0 billion to be carried out until at least September 2016, and in any case until the Governing Council would see a sustained adjustment in the path of inflation. The Governing Council further decided to keep the interest rates on its main refinancing operations (MRO), marginal lending and deposit facilities unchanged at 0.05%, 0.30% and -0.20%, respectively.

On the same date, the Council decided that the interest rate on the remaining six targeted longer-term refinancing operations (TLTRO) would be equal to the rate on the Eurosystem's MRO prevailing at the time when each TLTRO is conducted.

On 20 February the ECB published a new Guideline (ECB/2014/60) on the implementation of the Eurosystem monetary policy. The Guideline, which replaces Guideline ECB/2011/14, sets a revised framework for Eurosystem monetary policy instruments and procedures as from 1 May 2015. The new Guideline aligns its provisions to the recently adopted practices in the conduct of Eurosystem market operations. It also updates certain definitions and eligibility criteria, as well as cross references to several EU legal acts, including the Capital Requirements Regulation (CRR), Capital Requirements Directive IV (CRD IV) and ESA2010.

The Governing Council met again to discuss monetary policy on 5 March and on 15 April. On both occasions, the Council decided to keep official interest rates unchanged.

New €20 banknote

On 24 February the ECB unveiled the new €20 banknote. This is the third in the Europa series that is being replaced and includes an innovative security feature in the form of a "portrait window" set in the hologram. When the banknote is held against the light, the window becomes transparent and reveals a portrait of the mythological figure "Europa", which is visible on both sides of the note. Like the new €5 and €10 notes, this note also includes an "emerald number" and a portrait of Europa in the watermark. The new banknote will enter into circulation on 25 November 2015.

Central Bank of Malta announcements

Issue of numismatic coins

On 30 January the Bank announced the issue of a numismatic silver coin, which commemorates the 400th anniversary of the inauguration of the Wignacourt Aqueduct. The reverse of the coin features aspects of the aqueduct. The obverse displays a portrait of Grand Master Alof Wignacourt who financed a large part of the acqueduct's construction costs. The coin was designed and engraved by Noel Galea Bason. It was minted at the Royal Belgian Mint and has a face value of €10.

On 16 March the Bank issued two numismatic coins in gold and silver commemorating the 1989 meeting held in Malta between the former US President, George H. W. Bush, and the leader of the USSR, Mikhail Gorbachev. The coins were issued under the Europa Programme with the theme, "Fall of the Iron Curtain." The reverse of the coins features the US President and the Soviet Leader shaking hands, whilst the obverse shows the coat of arms of Malta. The gold and the silver versions have a face value of €50 and €10, respectively. The coins were designed and engraved by Noel Galea Bason and were minted at the Royal Dutch Mint.

On 30 April the Bank issued a gold coin commemorating Pope John Paul II on the tenth anniversary of his demise. The coin, which has a face value of €5, carries a portrait of Pope John Paul II on its reverse side. The obverse features the emblem of Malta and the year of issue. This coin was designed and engraved by Noel Galea Bason, and was minted at the Royal Dutch Mint.

Fiscal and economic policy developments

European Commission assessments on Malta

On 5 February the European Commission published its *Winter Forecasts*. In its report, the Commission acknowledged Malta's investment environment and favourable labour market developments as underpinning the positive economic results for 2014. The Commission also reported that it expected economic growth and labour market conditions to remain strong relative to the euro area. At the same time, the budget deficit-to-gross domestic product (GDP) ratio was set to narrow in 2015 and 2016, while the general government debt ratio was projected to decline.

On 26 February the European Commission published its *Country Report* for Malta. The Commission recognised Malta's progress on a number of Country Specific Recommendations, including the implementation of measures to contain the deficit and debt, improve labour market participation, reform the energy sector and ameliorate the relevance of education and training to the needs of industry. However, the *Report* also reiterated the need for additional pension and health care reforms, further measures to ensure the sustainability of public finances, and policies to improve participation amongst women and older workers.

IMF Concluding Statement on Malta

On 26 February the International Monetary Fund (IMF) issued a Statement on Malta. The IMF observed that Malta's recent economic performance was stronger than the euro area's. This reflected a relatively diversified economy and a stable banking sector, which had withstood well the economic slowdown and shocks from international financial markets. The IMF highlighted, however, that a number of vulnerabilities remain, including the relatively high level of public debt, a high cost of capital and the challenge of maintaining competitiveness. Additionally, although the financial sector remained sound, non-performing loans were relatively elevated and reducing them would help improve the resilience of the banking system.

National Reform Programme

On 15 April the Ministry for Finance presented the *National Reform Programme* to the European Commission. The document outlines Government's policies to address Malta's Country Specific Recommendations to sustain economic growth and improve job creation. It also outlines measures to reach the Europe 2020 targets. The measures detailed in the *Programme* aim to address the sustainability of public finances, labour market performance, resource efficiency in the energy and transport sectors, and to strengthen Malta's business environment.

Update of Stability Programme

On 30 April the Government submitted the seventh *Update of the Stability Programme* to the European Commission. The document sets out the Government's budgetary objectives until 2018. The *Update* foresees GDP to grow by 3.4% and 3.1% in 2015 and 2016, respectively, and to moderate to 2.8% in 2017 and 2018. The Government targets a deficit of 1.6% this year and expects it to narrow progressively thereafter, falling to 0.2% of GDP by 2018. The debt-to-GDP ratio is expected to drop towards 61.2% by the end of the *Programme* period.

Banking and finance legislation

Acts

Act No. III of 2015, dated 20 February, amends various laws relating to the prevention of money laundering and the funding of terrorism. The main purpose of these amendments is to widen the meaning of a transaction suspected to involve money laundering or funding of terrorism to cover also property that may have derived directly or indirectly from, or constitutes the proceeds of, criminal activity. It also introduces new rules on delay of execution of a suspicious transaction, attachment orders and temporary freezing orders. The meaning of terrorist offences is also widened.

Act No. X of 2015, dated 10 April, amends the Banking Act. It mainly transposes the relevant provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, known as CRD IV.

Act No. XIII of 2015, dated 30 April, amends various laws to bring into effect the measures announced in the Budget presented in November 2014. The Act also authorises Government to borrow a sum of money not exceeding €500 million.

Legal Notices

Legal Notice 2 of 2015, dated 6 January, establishes the National Development and Social Fund in the form of a Government Agency. It also establishes that the Fund shall receive from the Identity Malta Agency a percentage of the revenue from the Individual Investor Programme. The funds may be used for projects of national importance and initiatives in the public interest.

Legal Notice 4 of 2015, dated 6 January, brought into force all the provisions of the Retirement Pensions Act 2011 with effect from the beginning of this year. This Act repeals and replaces the Special Funds (Regulation) Act and related directives and regulations.

Legal Notice 5 of 2015, which carries the same date, provides that any scheme or arrangement, retirement fund, or any person registered in terms of the Special Funds (Regulation) Act, has until 31 December 2015 to comply with the Retirement Pensions Act (RPA). Until such time that a licence is granted by the Malta Financial Services Authority (MFSA) under the RPA, such persons remain subject to the provisions of the Special Funds (Regulation) Act.

Legal Notices 6 to 11 of 2015, also dated 6 January, supplement in more detail the legal framework for the licensing and regulation of retirement schemes, retirement funds and related service providers, as well as for the requirement of recognition for persons carrying on back-office administrative activities.

Legal Notice 13 of 2015, dated 6 January, implements certain provisions of Directive 2013/14/EU on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), and Directive 2011/61/EU on Alternative Investment Funds Managers (AIFM) in respect of overreliance on credit ratings. The Legal Notice, titled Over-Reliance on Credit Rating Regulations, 2015, states that the MFSA is to monitor the adequacy of credit assessment processes of Maltese UCITS, AIFMs and occupational retirement schemes. The MFSA is also to assess the use of references to credit ratings in the investment policies of UCITS, AIFMs and occupational retirement schemes and, when appropriate, encourage mitigation of the impact of such references to credit ratings to reduce the sole and mechanistic reliance on credit ratings.

Legal Notice 111 of 2015, dated 27 March, amends the Financial Conglomerates Regulations, 2013. The Legal Notice requires the MFSA to apply the Joint Guidelines on the convergence of supervisory practices relating to the consistency of supervisory coordination arrangements for financial conglomerates (JC/GL/2014/01) when carrying out the provisions set by the Regulations. These Guidelines were issued jointly by the European Banking Authority, the European Securities and Markets Authority, and by the European Insurance and Occupational Pensions Authority.

Surrender of banking licence

On 13 January the MFSA announced that Investkredit International Bank plc had surrendered its licence to undertake credit institution activities in terms of the Banking Act. The surrender was entirely voluntary and did not result from any regulatory action taken by the MFSA. The Bank ceased to be licensed as a credit institution with effect from 3 November 2014.

Credit ratings

On 10 January the credit rating agency Standard and Poor's confirmed Malta's BBB+/A-2 long-term and short-term ratings, and reaffirmed the outlook of the Maltese economy as stable. The rating agency expected Malta to continue to enjoy faster rates of economic growth compared with its euro area counterparts.

On 27 February the rating agency Fitch reaffirmed Malta's "A" rating with a stable outlook. The rating agency stated that Malta's economic growth outperformed similarly rated countries and the euro area. It also expected Malta's positive economic performance to persist during the forecast horizon, supported by increases in real disposable income, improvements in the labour market and sustained growth in investment and exports. The agency welcomed the adoption of the Fiscal Responsibility Act, which is expected to help anchor future fiscal policies. Fitch observed that public finances had improved and the budget deficit and the debt-to-GDP ratio were expected to decline further in the coming years.

On 4 April the credit rating agency DBRS assigned an "A" rating to Malta. DBRS, in its first credit rating for Malta, noted that the country had avoided the financial imbalances that had emerged in other euro zone peripheral countries. Whilst welcoming the measures taken by Government to reduce the budget deficit and debt, DBRS emphasised the need for pension reform and improvements in the education system.

Capital market developments

Issue of Malta Government Stocks

On 13 February the Government, through Legal Notice 48 of 2015, announced the issue of two Malta Government Stocks (MGS) for a total amount of €120.0 million maturing in 2020 and 2040. The issue was subject to an over-allotment option of up to €60 million. The Treasury received bids totalling €443.1 million, of which it allotted €6.0 million to the 2.00% MGS 2020 (V) (Fungibility Issue) and €162.3 million to the 3.00% MGS 2040 (I). The 2.00% MGS 2020 (V) (Fungibility Issue) was issued at a price of €105.75 per €100 nominal, whereas the 3.00% MGS 2040 (I) was issued at par.

Issue of corporate bonds

On 10 April International Hotel Investments plc announced the issue of €45.0 million bonds maturing in 2025. The bonds were issued at par and carry a coupon rate of 5.75%. The issue was oversubscribed and the bonds were listed on the Malta Stock Exchange on 19 May.

International economic and financial news

Council of the European Union (Economic and Financial Affairs)

On 27 January the ECOFIN Council agreed on an amendment to the European Union's parent-subsidiary directive, which adds a binding anti-abuse clause to prevent tax avoidance and aggressive tax planning by corporate groups. The aim of the new clause is to stop the parent-subsidiary directive from being misused for tax avoidance, and to achieve greater consistency in its application in different Member States.

On the same date the ECOFIN Council adopted a regulation, which adjusts the powers of the ECB to impose sanctions in the light of its supervisory role in relation to euro area banks.

On 17 February the ECOFIN Council decided not to object to the adoption by the Commission of a regulation supplementing the CRR with regard to regulatory technical standards for own funds requirements of credit institutions. The Council also adopted conclusions regarding the Commission's Annual Growth Survey (AGS) 2015 and Alert Mechanism Report (AMR). The Council agreed on the priority policy areas of the AGS as outlined by the Commission, including boosting investment, advancing structural reforms and pursuing fiscal responsibility. It also welcomed the Commission's suggestions to streamline and reinforce the European Semester. With respect to the AMR, the Council noted the progress achieved by Member States to correct their macroeconomic imbalances. It also highlighted that the slow growth and low inflation environment weighed on the reduction of imbalances, and recognised that further measures were required, in particular to reduce the high level of indebtedness. The Council also took note of the 16 Member States which the AMR identified as experiencing macroeconomic imbalances and that were subsequently subject to an in-depth review.

European Council Summit

On 19 and 20 March, the European Council discussed the EU energy policy, the economic situation, the European Semester and the geopolitical situation. With respect to economic issues, the European Council endorsed the three main pillars of the AGS and invited Member States to reflect these priorities in their National Reform Programmes and Stability Programmes. It also discussed the European Fund for Strategic Investments and the state of play of negotiations with the United States on the Transatlantic Trade and Investment Partnership.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics
(as at 27 May 2015, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates:	EUR 1 = USD 1.0863	
		EUR 1 = GBP 0.7070	
CLIMATE	Average temperature (2015):	Jan. - Mar.	12.8
	Average temperature (2014):	July - Sep.	26.5^{o}C
	Annual rainfall (2014)		504.3mm
SELECTED GENERAL	GDP growth at chain-linked volumes 2010 prices (2015 Q1)[1]		4.0%
ECONOMIC STATISTICS	GDP per capita at current market prices (2014)[1]		EUR18,560
	GDP per capita in PPS relative to the EU-27 average (2013)		86.0%
	Ratio of gross general government debt to GDP[1] (2014)		68.5%
	Ratio of general government deficit to GDP[1] (2014)		2.1%
	RPI inflation rate (12-month moving average) (Apr. 2015)		0.4%
	HICP inflation rate (12-month moving average) (Apr. 2015)		0.7%
	Ratio of exports of goods and services to GDP (2014 Q4)[1]		138.3%
	Ratio of current account surplus to GDP (2014 Q4)[1]		0.5%
	Employment rate (2014 Q4)[2]		61.6%
	Unemployment rate (2014 Q4)[2]		5.9%
	Long term government bond yield (Apr. 2015)		1.2%
POPULATION	Total Maltese and foreigners (2014)		425,384
	Males		212,424
	Females		212,960
	Age composition in % of population (2013)		
	0 - 14		14.4%
	15 - 64		67.7%
	65 +		17.9%
	Annual growth rate (2014)		1.0%
	Density per km[1] (2013)		1,333
HEALTH	Life expectancy at birth (2013)		81.9
	Males		79.6
	Females		84.0
	Crude birth rate, per 1,000 Maltese inhabitants (2013)		9.5
	Crude mortality rate, per 1,000 Maltese inhabitants (2013)		7.6
	Doctors		1,775
EDUCATION	Gross enrolment ratio (2012/2013)		71.1%
	Teachers per 1,000 students (2010/2011)[1]		147
ELECTRICITY	Domestic Consumption (million kwh) (2013)		609
WATER	Average daily consumption ('000 m^3) (2013)		73
LIVING STANDARDS	Human Development Index: rank out of 187 countries (2013)		39
	Mobile phone subscriptions per 100 population (2014 Q4)		128.4
	Internet subscribers per 100 population (2014 Q4)		35.6
	Private motor vehicle licences per 100 population (2015 Q1)		60.9

[1] Provisional.

[2] Labour Force Survey.

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

The monetary and financial statistics shown in the "Statistical Tables" annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at May 2015:

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

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

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

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

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents[3]	Claims on euro area residents	Claims on non-euro area residents[2,3]				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
2010	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011	10.3	1,382.9	182.3	276.7	387.0	498.2	51.0	769.8	3,558.2
2012	13.4	1,305.0	382.7	224.2	512.1	378.2	52.8	736.2	3,604.4
2013	12.5	1,451.0	607.2	137.5	418.8	200.1	52.2	730.8	3,610.1
2014									
Jan.	12.5	1,414.5	472.0	100.4	463.7	198.1	53.1	807.5	3,521.8
Feb.	12.5	1,369.8	493.0	85.0	468.2	207.1	53.4	862.9	3,551.9
Mar.	13.5	1,321.1	619.4	201.4	677.9	217.1	53.4	917.8	4,021.5
Apr.	8.2	1,349.0	726.4	164.3	644.5	220.6	53.4	1,001.2	4,167.7
May	8.2	1,319.8	646.8	93.5	824.1	214.6	53.4	1,001.2	4,161.5
June	8.4	1,316.3	700.7	91.9	849.9	220.1	53.4	1,070.2	4,310.9
July	8.4	1,271.7	676.1	75.0	493.0	208.1	53.4	1,066.5	3,852.2
Aug.	8.3	1,291.0	678.9	80.2	492.0	192.1	53.4	1,074.0	3,869.9
Sep.	8.3	1,383.5	657.0	93.5	657.4	207.1	53.4	1,102.8	4,162.8
Oct.	8.3	1,330.0	664.5	74.1	487.8	328.1	53.4	1,068.4	4,014.6
Nov.	6.0	1,346.8	691.9	113.0	523.6	323.6	53.4	1,076.7	4,135.0
Dec.	4.5	1,400.2	837.4	105.5	518.9	411.3	53.4	995.0	4,326.3
2015									
Jan.	4.5	1,397.3	788.6	74.4	521.6	295.4	55.5	1,116.3	4,253.6
Feb.	4.5	1,358.7	822.5	92.2	543.2	294.5	53.4	1,136.6	4,305.6
Mar.	5.0	1,347.3	834.8	124.2	545.0	368.5	53.4	1,132.8	4,411.0
Apr.	5.0	1,431.5	873.7	130.3	541.4	370.5	53.4	1,130.9	4,536.5

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

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

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations: Total	Liabilities related to monetary policy operations: (of which): Minimum Reserve Requirements	Liabilities in euro: Liabilities to euro area residents	Liabilities in euro: Liabilities to non-euro area residents	Liabilities in foreign currency: Liabilities to euro area residents	Liabilities in foreign currency: Liabilities to non-euro area residents	Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
2008	693.1	483.5	474.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	447.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010	701.2	501.2	470.4	410.9	97.0	96.5	0.0	110.4	1,329.7	116.2	280.7
2011	737.6	1,101.1	431.6	438.6	86.5	122.5	0.0	113.2	557.9	103.1	297.1
2012	757.5	1,474.0	252.6	297.0	84.8	151.6	0.0	111.2	292.0	105.6	330.7
2013	803.2	1,144.0	327.3	340.0	1.8	61.1	0.0	106.7	709.8	115.7	327.6
2014											
Jan.	792.4	1,186.6	288.7	251.4	316.4	70.1	6.9	106.7	353.7	110.7	327.0
Feb.	793.6	1,453.6	292.8	412.9	58.2	63.4	1.4	106.7	230.7	87.8	343.6
Mar.	798.4	1,174.8	266.4	374.0	31.2	77.5	0.0	106.9	1,023.2	88.4	347.2
Apr.	806.6	1,093.6	258.2	390.3	15.1	63.9	0.0	106.9	1,249.0	94.8	347.6
May	810.7	1,229.3	243.0	392.7	12.9	34.9	0.0	106.9	1,129.5	96.4	348.3
June	815.4	262.3	245.4	788.0	96.3	61.1	0.0	108.0	1,718.1	108.3	353.4
July	824.1	255.8	241.9	398.0	97.1	53.5	0.0	108.0	1,647.3	113.8	354.8
Aug.	825.5	383.7	236.5	540.2	208.3	61.5	0.0	108.0	1,265.6	121.7	355.4
Sep.	825.6	525.8	241.2	433.9	8.3	68.6	0.0	112.4	1,680.7	147.6	360.0
Oct.	828.9	459.2	263.6	474.7	8.1	34.8	0.0	112.4	1,581.7	154.3	360.5
Nov.	833.8	337.2	266.7	406.9	12.0	51.0	0.0	112.4	1,869.4	151.6	360.8
Dec.	864.1	499.1	257.3	342.0	3.4	50.3	0.0	113.8	1,932.8	163.1	357.9
2015											
Jan.	853.3	761.1	263.7	362.4	10.6	47.8	0.0	113.8	1,583.9	163.1	357.7
Feb.	855.7	477.9	261.7	746.3	6.8	41.3	0.0	113.8	1,543.5	162.7	357.6
Mar.	863.8	955.6	275.4	526.5	16.7	49.2	0.0	122.4	1,350.6	145.2	381.0
Apr.	872.4	1,140.7	278.8	472.4	329.4	48.8	0.0	122.4	1,019.8	149.2	381.5

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.
[2] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key. This amount is purely notional and may not reflect the amount of currency in circulation in Malta; the series is not comparable with the data prior to January 2008. For 2008, remaining outstanding Maltese lira banknotes are included.
[3] Includes items in course of settlement.
[4] Includes provisions and revaluation accounts.

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

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets[2]	Total		
2008	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
2009	0.4	5.4	214.7	220.2	1,069.8	355.4	246.9	1,672.1	1,380.8	3,273.4
2010	0.2	5.9	274.7	280.6	1,555.4	381.3	285.3	2,222.1	1,182.7	3,685.6
2011	0.1	6.2	343.9	350.1	1,910.9	434.4	301.8	2,647.1	612.9	3,610.3
2012	0.3	6.3	302.3	308.6	1,729.6	760.9	315.4	2,806.0	556.5	3,671.4
2013	0.3	6.6	331.8	338.4	1,673.8	1,146.2	291.5	3,111.5	308.4	3,758.5
2014	0.2	6.8	398.3	405.1	1,739.5	1,533.3	280.8	3,553.6	528.8	4,487.8
2015										
Jan.	0.2	6.8	412.9	419.7	1,830.4	1,514.2	290.6	3,635.2	412.3	4,467.4
Feb.	0.2	6.7	419.6	426.2	1,809.9	1,559.2	291.3	3,660.4	414.7	4,501.5
Mar.	0.2	6.7	427.7	434.4	1,824.3	1,567.1	292.6	3,684.0	489.9	4,608.5
Apr.	0.2	6.7	483.0	489.7	1,853.1	1,596.8	298.6	3,748.5	492.7	4,731.1

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

EUR millions

End of period	Currency issued[4]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[3]
		Withdrawable on demand[5]	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities[2]	Total		
2008	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
2009	710.5	445.5	5.6	451.0	814.6	86.8	109.2	1,010.6	419.9	681.3
2010	742.1	489.1	8.2	497.2	1,225.2	97.1	108.0	1,430.3	438.1	577.8
2011	783.4	532.5	12.7	545.2	428.5	86.6	134.3	649.4	454.8	1,177.4
2012	807.9	335.3	17.4	352.7	201.3	84.9	93.6	379.8	490.9	1,640.1
2013	858.5	331.6	24.7	356.3	673.3	74.4	38.1	785.8	492.0	1,265.9
2014	924.5	338.5	0.0	338.5	1,930.2	79.5	21.0	2,030.7	552.0	642.1
2015										
Jan.	913.5	346.2	0.0	346.2	1,583.9	98.8	41.5	1,724.3	566.7	916.7
Feb.	915.8	719.1	0.0	719.1	1,537.3	86.3	36.3	1,659.8	567.7	639.0
Mar.	924.1	490.2	0.0	490.2	1,329.0	101.3	59.2	1,489.5	575.3	1,129.5
Apr.	933.3	440.0	0.0	440.0	991.3	134.4	350.3	1,475.9	574.0	1,307.9

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast).

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

[3] Includes resident interbank transactions.

[4] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury. For 2008, the remaining outstanding Maltese lira banknotes and coins are included.

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

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

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[4]	Total assets/ liabilities
		Loans[3]	Securities other than shares	Shares & other equity[3]	Claims on other euro area residents	Claims on non-residents of the euro area[3]	Other external assets	Total		
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
2008	600.6	7,150.4	1,342.9	115.3	6,153.2	25,468.7	847.3	32,469.1	797.8	42,476.2
2009	674.9	7,677.1	1,690.3	132.2	6,186.2	23,631.2	631.9	30,449.3	876.8	41,500.6
2010	599.6	8,456.7	1,781.1	527.6	9,367.1	27,870.7	653.4	37,891.2	903.4	50,159.6
2011	1,179.9	8,928.9	1,946.1	543.5	10,111.8	27,056.2	665.8	37,833.8	914.9	51,347.1
2012	1,644.2	9,055.8	1,939.0	588.9	8,776.0	29,909.7	721.1	39,406.8	892.2	53,526.9
2013	1,259.9	9,027.4	2,081.2	612.6	7,230.7	28,401.1	740.2	36,372.1	982.3	50,335.5
2014										
Jan.	1,310.8	9,004.6	2,151.4	614.0	8,295.9	29,060.8	851.2	38,207.9	979.2	52,267.8
Feb.	1,571.7	9,010.7	2,207.5	508.6	7,282.5	27,216.4	813.8	35,312.8	991.0	49,602.3
Mar.	1,305.0	9,055.8	2,195.4	504.3	7,351.5	27,676.1	711.7	35,739.3	781.8	49,581.6
Apr.	1,226.1	9,086.0	2,204.6	505.0	6,852.5	28,410.8	642.2	35,905.5	778.3	49,705.6
May	1,224.0	9,113.5	2,208.5	196.3	6,857.3	27,690.7	640.7	35,188.8	805.7	48,736.9
June	361.7	9,146.4	2,296.7	201.9	7,162.1	27,534.0	649.4	35,345.6	797.5	48,149.7
July	374.0	9,001.9	2,267.0	177.2	7,218.9	27,940.0	739.8	35,898.7	804.2	48,523.1
Aug.	535.3	9,024.6	2,249.5	178.4	7,756.5	29,982.2	764.6	38,503.3	829.8	51,320.9
Sep.	654.8	9,044.4	2,214.7	179.2	7,785.9	29,555.1	671.9	38,013.0	880.7	50,986.7
Oct.	571.7	8,997.1	2,221.0	179.7	7,797.7	30,031.5	665.6	38,494.9	917.9	51,382.3
Nov.	500.6	9,180.6	2,142.3	180.4	7,729.0	31,502.4	722.2	39,953.7	922.4	52,879.9
Dec.	641.6	9,105.7	2,046.3	179.6	7,378.9	31,488.3	726.9	39,594.0	1,154.9	52,722.1
2015										
Jan.	897.0	9,109.1	2,162.7	182.7	6,946.0	34,590.7	847.1	42,383.9	1,168.1	55,903.5
Feb.	615.5	9,162.7	2,168.9	184.6	6,594.1	34,147.7	850.2	41,592.1	1,137.5	54,861.3
Mar.	1,088.6	9,175.6	2,206.9	187.7	6,785.3	34,719.9	865.7	42,370.9	1,116.6	56,146.3
Apr.	1,292.7	9,165.0	2,179.3	188.0	6,555.2	33,348.3	830.6	40,734.1	1,121.5	54,680.7

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast). As from December 2008 figures also include assets of the MMFs.

[2] Include holdings of Maltese lira banknotes and coins up to 2008.

[3] As from June 2010, statistics are in line with ESA 2010.

[4] Resident interbank claims are included in 'Other assets'.

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

EUR millions

End of period	Deposits from residents of Malta[2]				External liabilities				Debt securites issued[4]	Capital & reserves	Other liabilities[2]
	Withdraw-able on demand[3]	Redeem-able at notice	With agreed maturity[3]	Total	Deposits from other residents of the euro area[4]	Deposits from non-residents of the euro area[3,4]	Other external liabilities[5]	Total			
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
2008	3,170.0	114.5	5,222.2	8,506.7	9,240.4	17,301.9	2,275.7	28,818.0	172.2	3,339.7	1,639.5
2009	3,705.3	111.6	4,789.0	8,605.9	7,772.1	16,973.4	1,205.3	25,950.9	253.4	4,120.5	2,569.9
2010	5,075.3	123.7	5,060.0	10,259.0	6,611.2	19,018.8	1,760.2	27,390.2	304.5	9,853.8	2,352.1
2011	5,219.2	122.6	5,238.2	10,580.1	6,901.8	16,214.9	5,679.9	28,796.6	354.3	9,815.5	1,800.6
2012	5,815.3	151.8	5,348.4	11,315.5	6,966.1	15,471.6	7,204.1	29,641.7	403.1	10,369.7	1,796.9
2013	6,593.2	170.1	5,544.5	12,307.7	5,623.5	13,792.5	9,583.6	28,999.6	350.1	7,139.2	1,538.9
2014											
Jan.	6,782.7	172.2	5,644.9	12,599.8	6,192.7	14,395.7	10,125.4	30,713.9	350.2	6,958.3	1,645.6
Feb.	6,611.4	170.3	5,628.0	12,409.7	5,789.6	13,462.5	10,098.8	29,350.9	350.2	5,746.7	1,744.8
Mar.	6,862.5	179.0	5,583.7	12,625.2	5,732.5	13,798.5	9,915.6	29,446.6	350.2	5,823.6	1,336.0
Apr.	6,901.2	179.6	5,596.8	12,677.6	5,731.7	14,046.4	9,773.3	29,551.4	350.5	5,771.6	1,354.4
May	7,089.1	182.5	5,570.6	12,842.2	4,827.9	13,501.8	10,208.6	28,538.3	350.7	5,649.8	1,355.8
June	7,102.0	187.6	5,618.8	12,908.3	4,925.5	12,954.9	11,439.6	29,320.1	350.8	4,178.3	1,392.2
July	7,228.1	192.8	5,603.6	13,024.5	5,053.1	13,261.6	11,202.6	29,517.3	351.0	4,253.2	1,377.2
Aug.	7,394.9	201.8	5,774.6	13,371.3	4,887.0	14,738.5	12,360.3	31,985.8	350.9	4,386.5	1,226.4
Sep.	7,668.8	195.9	5,605.9	13,470.7	5,038.2	15,391.1	11,187.5	31,616.8	351.0	4,275.3	1,273.0
Oct.	7,910.4	195.2	5,509.8	13,615.4	5,179.7	15,037.9	11,417.6	31,635.2	350.7	4,387.7	1,393.4
Nov.	7,970.6	205.1	5,537.7	13,713.4	5,423.2	15,529.4	11,937.4	32,890.1	370.0	4,454.2	1,452.2
Dec.	8,489.0	208.8	5,419.7	14,117.5	5,553.0	14,337.3	12,271.8	32,162.1	370.9	4,366.7	1,704.8
2015											
Jan.	8,815.4	207.1	5,385.6	14,408.1	6,154.2	16,456.0	12,392.7	35,002.9	371.3	4,446.7	1,674.5
Feb.	8,615.6	206.3	5,272.6	14,094.6	6,445.4	16,702.8	11,080.6	34,228.7	371.7	4,453.1	1,713.2
Mar.	8,972.2	216.7	5,284.7	14,473.6	6,542.0	17,873.1	10,722.7	35,137.9	371.7	4,457.2	1,705.9
Apr.	9,338.2	221.5	5,268.8	14,828.6	6,028.8	17,721.8	9,657.7	33,408.3	371.7	4,349.5	1,722.6

[1] Based on the instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast). As from December 2008 figures also include liabilities of the MMFs.

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

[3] As from June 2010, statistics are in line with ESA 2010.

[4] Includes inter-bank deposits.

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

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

EUR millions

End of period	Broad money (M3)[1]								
	Intermediate money (M2)							M3-M2[5]	Total (M3)[6]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]			
	Currency issued[2]	Overnight deposits[3]							
		From residents of Malta[4]	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta[4]	From other euro area residents		
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
2010	674.4	4,986.1	99.5	123.5	0.7	4,047.0	157.5	241.6	10,330.4
2011	710.6	5,123.5	124.1	122.5	2.6	3,833.9	228.2	204.3	10,349.7
2012	726.5	5,735.7	169.7	151.7	1.6	3,883.9	480.1	191.5	11,340.8
2013	778.7	6,522.3	176.0	113.8	0.0	3,993.4	838.4	165.4	12,588.1
2014									
Jan.	774.2	6,718.3	202.2	114.2	0.0	4,125.7	837.4	172.3	12,944.3
Feb.	774.1	6,540.7	192.6	111.8	0.0	4,118.0	853.7	153.0	12,743.9
Mar.	777.9	6,817.1	199.9	112.2	0.0	4,050.4	886.4	161.7	13,005.7
Apr.	783.0	6,839.3	276.1	112.0	0.1	4,064.4	693.0	165.4	12,933.3
May	790.7	7,014.8	218.0	113.5	0.1	4,033.9	713.7	148.3	13,033.0
June	800.5	7,033.6	182.2	113.1	0.1	4,053.2	743.7	131.9	13,058.2
July	804.2	7,166.5	208.2	113.3	0.0	4,036.3	688.0	127.9	13,144.4
Aug.	808.6	7,313.5	219.8	121.2	0.0	4,197.0	727.8	121.5	13,509.5
Sep.	810.7	7,590.0	234.5	113.5	0.0	4,060.2	723.1	121.7	13,653.7
Oct.	811.4	7,836.6	246.8	113.0	0.0	4,013.7	697.3	125.8	13,844.7
Nov.	818.6	7,885.6	259.4	122.1	0.1	4,028.3	726.3	132.4	13,972.7
Dec.	839.4	8,415.6	257.7	124.4	0.1	3,914.2	729.8	121.4	14,402.5
2015									
Jan.	842.4	8,736.3	320.0	123.7	0.1	3,874.0	320.3	129.5	14,346.3
Feb.	843.8	8,540.7	314.0	122.1	0.1	3,744.3	328.6	90.4	13,983.9
Mar.	848.4	8,897.3	353.6	121.4	0.1	3,742.3	354.1	93.0	14,410.3
Apr.	850.8	9,254.6	385.1	125.3	0.1	3,729.8	387.2	92.6	14,825.4

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

[2] This is not a measure of currency in circulation in Malta. It comprises the Central Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury, less holdings of issued euro banknotes and coins held by the MFI sector. For 2008, remaining outstanding Maltese lira banknotes and coins are included. This represents the residual amount after deducting holdings of euro banknotes and coins (and, temporarily, of Maltese lira currency) reported by MFIs in Malta from the currency issued figure as reported in Table 1.2.

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

[4] As from June 2010, statistics are in line with ESA 2010.

[5] M3 - M2 comprises repurchase agreements that are not conducted through central counterparties and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

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

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

EUR millions

End of period	Broad money (M3)[1,2]	Credit counterpart[3]					External counterpart			Other counterparts (net)[4]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area[2]	Liabilities to non-residents of the euro area[2]	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents[2]	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009	8,883.3	1,927.4	7,792.4	1,238.3	2,273.9	13,232.0	24,843.9	18,197.0	6,646.9	10,995.6
2010	10,330.4	2,091.0	8,955.0	1,794.9	2,392.7	15,233.6	29,140.7	20,763.0	8,377.7	13,280.9
2011	10,349.7	2,353.4	9,415.4	2,240.9	2,929.5	16,939.1	28,435.1	20,785.7	7,649.4	14,238.8
2012	11,340.8	2,287.1	9,605.1	1,261.1	3,351.0	16,504.3	31,675.8	21,583.1	10,092.6	15,256.1
2013	12,588.1	2,478.0	9,581.5	1,295.3	1,993.8	15,348.6	30,550.1	20,935.4	9,614.7	12,375.2
2014										
Jan.	12,944.3	2,552.5	9,561.9	1,402.0	2,024.9	15,541.4	31,243.1	22,294.0	8,949.1	11,546.2
Feb.	12,743.9	2,616.4	9,460.4	1,412.9	2,048.6	15,538.2	29,382.7	20,681.1	8,701.6	11,495.9
Mar.	13,005.7	2,640.7	9,502.2	1,384.4	2,079.7	15,607.0	30,125.6	20,998.9	9,126.7	11,727.9
Apr.	12,933.3	2,656.2	9,531.4	1,374.2	2,108.2	15,670.0	30,920.0	20,983.2	9,936.9	12,673.5
May	13,033.0	2,660.3	9,255.1	1,326.0	2,138.2	15,379.6	30,292.9	20,660.4	9,632.5	11,979.1
June	13,058.2	2,738.0	9,298.9	1,278.4	2,134.7	15,450.0	30,279.0	21,027.4	9,251.6	11,643.2
July	13,144.4	2,712.6	9,131.7	1,254.2	2,190.0	15,288.5	30,362.9	21,264.1	9,098.8	11,242.8
Aug.	13,509.5	2,702.6	9,155.8	1,245.3	2,443.9	15,547.6	32,445.8	22,884.2	9,561.6	11,599.6
Sep.	13,653.7	2,673.3	9,175.5	1,414.9	2,233.7	15,497.4	32,086.2	22,582.3	9,503.9	11,347.6
Oct.	13,844.7	2,685.2	9,129.3	1,414.3	2,251.7	15,480.4	32,384.5	22,170.5	10,214.0	11,849.8
Nov.	13,972.7	2,613.6	9,315.0	1,421.8	2,303.6	15,654.0	33,962.5	23,188.0	10,774.5	12,455.8
Dec.	14,402.5	2,497.7	9,239.1	1,503.8	2,527.8	15,768.4	33,954.6	22,345.0	11,609.6	12,975.4
2015										
Jan.	14,346.3	2,613.8	9,260.4	1,722.5	2,573.0	16,169.8	37,184.6	24,705.8	12,478.8	14,302.3
Feb.	13,983.9	2,631.1	9,311.3	1,698.0	2,477.7	16,118.1	36,794.7	24,033.4	12,761.3	14,895.5
Mar.	14,410.3	2,673.7	9,330.9	1,603.0	2,481.6	16,089.2	37,392.5	25,191.6	12,200.9	13,879.9
Apr.	14,825.4	2,702.5	9,319.5	1,664.2	2,314.9	16,001.1	36,025.8	24,762.3	11,263.5	12,439.2

[1] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate. As from December 2008 figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

[2] As from June 2010, statistics are in line with ESA 2010.

[3] Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

[4] Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

Table 1.6 Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item:Excess / shortfall (-) on the banknote allocation key[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009	673.4	37.2	-	70.7	639.8	95.1
2010	701.2	41.0	-	67.7	674.4	104.5
2011	737.6	45.8	-	72.8	710.6	130.0
2012	757.5	50.4	-	81.4	726.5	90.7
2013	803.2	55.3	-	79.8	778.7	37.4
2014						
Jan.	792.4	54.9	-	73.1	774.2	27.8
Feb.	793.6	54.8	-	74.3	774.1	35.8
Mar.	798.4	55.0	-	75.5	777.9	40.8
Apr.	806.6	55.4	-	79.0	783.0	35.4
May	810.7	56.1	-	76.1	790.7	27.7
June	815.4	57.1	-	72.0	800.5	28.1
July	824.1	58.4	-	78.3	804.2	18.4
Aug.	825.5	59.1	-	76.0	808.6	11.1
Sep.	825.6	59.5	-	74.4	810.7	13.3
Oct.	828.9	60.0	-	77.5	811.4	6.6
Nov.	833.8	60.3	-	75.5	818.6	1.0
Dec.	864.1	60.4	-	85.1	839.4	2.6
2015			-			
Jan.	853.3	60.3	-	71.1	842.4	-2.0
Feb.	855.7	60.1	-	72.0	843.8	6.2
Mar.	863.8	60.3	-	75.7	848.4	21.6
Apr.	872.4	60.8	-	82.5	850.8	28.6

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

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

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

Monetary, Banking and Financial Markets

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10[2]	Lm5	Lm2	Total
2008	90.5	11.3	35.4	9.5	7.5	63.8
2009	82.2	9.6	29.9	8.9	7.4	55.8
2010	49.9	8.4	25.7	8.5	7.3	49.9
2011	46.7	7.8	23.5	8.2	7.2	46.7
2012	44.6	7.3	22.1	8.1	7.2	44.6
2013	42.8	6.8	20.8	8.0	7.1	42.8
2014	41.1	6.4	19.7	7.9	7.1	41.1
2015						
Mar.	40.7	6.3	19.4	7.9	7.1	40.7

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

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

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

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009	-3.8	35.1	331.4	214.3	23.2	50.4	117.9	768.5
2010	-6.3	21.7	328.9	235.2	1.2	54.7	170.3	805.7
2011	-9.4	9.6	326.8	266.1	-18.6	77.9	215.2	867.6
2012	-12.7	-4.1	309.1	294.3	-78.9	79.7	260.7	848.1
2013	-15.7	-18.4	273.5	356.2	-146.5	77.7	313.8	840.6
2014	-19.4	-32.8	240.2	436.5	-199.8	80.3	361.6	866.6
2015								
Dec.	-20.4	-35.6	232.3	462.4	-205.3	81.2	370.9	885.4

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

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2008	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
2009	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.3	37.2
2010	0.0	0.6	1.2	2.0	3.4	5.4	9.2	19.1	41.0
2011	0.1	0.6	1.4	2.3	3.9	6.1	9.8	21.7	45.8
2012	0.1	0.7	1.5	2.5	4.1	6.5	10.2	24.7	50.4
2013	0.2	0.7	1.7	2.7	4.6	6.9	10.9	27.5	55.3
2014	0.2	0.8	1.9	2.9	4.9	7.3	11.2	31.0	60.4
2015									
Mar.	0.2	0.8	1.9	2.9	4.9	7.3	11.1	31.1	60.3

Table 1.8 Deposits held with other monetary financial institutions by sector

EUR millions

End of period	Resident deposits						Deposits held by non-residents of Malta		Total deposits
	General government[1]	Financial corporations[2,3]	Insurance companies and pension funds[3]	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area[3]	
2005	118.3	285.2	49.6	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0
2006	218.2	163.1	99.1	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8
2007	126.8	243.9	198.6	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8
2008	101.5	1,024.9	249.2	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0
2009	123.4	1,697.8	263.9	1,417.1	6,678.8	10,181.0	7,839.7	17,544.2	35,564.9
2010	227.0	2,545.5	234.9	1,694.9	6,935.0	11,637.3	6,632.2	20,123.3	38,392.8
2011	239.0	1,665.4	281.8	1,912.7	7,244.8	11,343.7	8,046.4	20,074.3	39,464.4
2012	219.2	1,857.3	285.7	2,002.3	7,634.0	11,998.6	8,031.1	20,866.1	40,895.8
2013	206.2	1,718.8	334.5	2,274.4	8,220.2	12,754.1	7,841.8	20,367.0	40,962.9
2014									
Jan.	209.0	1,878.7	346.7	2,317.2	8,286.1	13,037.7	8,521.7	21,329.9	42,889.3
Feb.	210.6	1,698.3	358.6	2,320.5	8,229.9	12,818.0	8,457.0	20,027.1	41,302.1
Mar.	214.2	1,729.2	393.9	2,374.1	8,348.1	13,059.5	8,199.6	20,341.7	41,600.8
Apr.	224.9	1,710.6	379.7	2,451.2	8,361.0	13,127.4	8,284.4	20,404.5	41,816.3
May	230.3	1,770.6	373.1	2,498.9	8,394.5	13,267.4	7,523.9	20,151.9	40,943.2
June	225.2	1,922.5	414.2	2,215.0	8,492.3	13,269.1	8,133.6	20,399.2	41,802.0
July	228.7	1,848.5	420.1	2,295.3	8,546.5	13,339.1	8,108.2	20,542.9	41,990.2
Aug.	241.9	1,803.5	451.7	2,515.3	8,638.6	13,651.0	9,049.1	22,043.1	44,743.2
Sep.	240.5	1,842.5	443.6	2,492.6	8,756.6	13,775.9	8,800.1	21,882.1	44,458.1
Oct.	236.8	2,069.0	423.0	2,518.7	8,800.8	14,048.3	9,224.2	21,430.8	44,703.3
Nov.	238.9	2,023.9	461.1	2,494.5	8,906.4	14,124.8	9,440.1	22,448.7	46,013.6
Dec.	221.0	2,221.3	456.3	2,679.3	9,051.6	14,629.4	9,562.5	21,563.0	45,755.0
2015									
Jan.	235.0	2,277.6	468.0	2,677.6	9,168.2	14,826.4	10,022.8	23,711.2	48,560.4
Feb.	230.1	2,182.8	433.7	2,665.5	8,993.9	14,506.0	9,681.0	23,358.3	47,545.4
Mar.	227.6	2,269.8	470.7	2,681.0	9,320.7	14,970.0	9,486.1	24,493.0	48,949.1
Apr.	238.6	2,384.1	465.5	2,745.3	9,478.5	15,312.0	8,540.6	23,695.6	47,548.2

[1] Including extra-budgetary units.

[2] Financial corporations consist of other monetary financial institutions (OMFIs), MMFs, Non-MMF Investment Funds, other financial intermediaries and financial auxiliaries and Captive Financial Institutions and Money Lenders. Loans exclude OMFIs' deposits and reverse repos placed with the Central Bank of Malta and with other OMFIs.

[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area[3]	
	MTL[2,3]	EUR[3]	GBP[3]	USD[3]	Other[3]	MTL[2]	EUR	Other		
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
2008		8,325.4	317.4	629.2	113.6		7,149.6	2,127.3	17,640.5	36,303.0
2009		9,319.8	401.0	381.5	78.7		5,489.8	2,349.9	17,544.2	35,564.9
2010		10,154.9	459.5	870.6	152.3		4,764.3	1,868.0	20,123.3	38,392.8
2011		9,950.4	558.9	688.6	145.8		5,857.6	2,188.8	20,074.3	39,464.4
2012		10,466.2	537.7	816.6	178.0		5,276.0	2,755.1	20,866.1	40,895.8
2013		11,186.6	587.3	768.3	212.0		3,623.0	4,218.7	20,367.0	40,962.9
2014										
Jan.		11,354.4	602.7	836.0	244.5		3,726.2	4,795.4	21,329.9	42,889.3
Feb.		11,225.6	630.5	740.4	221.5		3,526.8	4,930.2	20,027.1	41,302.1
Mar.		11,400.6	692.8	740.6	225.6		3,335.5	4,864.1	20,341.7	41,600.8
Apr.		11,449.2	685.2	783.9	209.2		3,254.3	5,030.1	20,404.5	41,816.3
May		11,581.0	673.3	795.9	217.3		2,439.7	5,084.2	20,151.9	40,943.2
June		11,613.7	700.1	744.8	210.6		2,959.0	5,174.7	20,399.2	41,802.0
July		11,681.5	677.3	765.2	215.2		2,771.3	5,337.0	20,542.9	41,990.2
Aug.		11,985.5	674.2	771.0	220.2		2,938.3	6,110.8	22,043.1	44,743.2
Sep.		12,040.8	713.2	794.0	227.8		3,208.0	5,592.1	21,882.1	44,458.1
Oct.		12,255.0	736.8	858.4	198.0		3,168.2	6,056.0	21,430.8	44,703.3
Nov.		12,368.7	699.8	819.4	236.9		3,337.6	6,102.6	22,448.7	46,013.6
Dec.		12,786.0	731.9	859.6	252.1		2,906.5	6,656.0	21,563.0	45,755.0
2015										
Jan.		12,909.5	741.6	906.6	268.7		3,045.5	6,977.3	23,711.2	48,560.4
Feb.		12,592.9	737.7	903.8	271.7		3,372.0	6,309.0	23,358.3	47,545.4
Mar.		13,063.8	736.9	921.1	248.2		3,328.1	6,158.0	24,493.0	48,949.1
Apr.		13,242.9	839.6	977.9	251.7		3,250.2	5,290.5	23,695.6	47,548.2

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

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

[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	Size classes[2]				
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	Total
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
2007	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
2008	658.2	2,646.3	2,117.9	20,593.7	26,016.0
2009	704.9	2,896.9	2,701.2	16,096.2	22,399.3
2010	758.2	3,242.9	2,138.5	18,901.8	25,041.4
2011	760.5	3,421.3	2,151.5	16,797.3	23,130.7
2012	754.6	3,580.7	2,308.6	15,271.8	21,915.6
2013	757.4	3,694.2	1,892.7	10,688.5	17,032.8
2014					
Jan.	756.6	3,696.2	1,873.6	10,514.2	16,840.5
Feb.	757.8	3,716.3	1,870.7	9,910.9	16,255.7
Mar.	759.2	3,729.2	1,897.3	9,766.2	16,151.9
Apr.	760.5	3,769.5	1,844.0	9,878.3	16,252.3
May	763.6	3,786.9	1,831.6	9,932.0	16,314.1
June	714.3	3,803.2	1,824.6	8,937.1	15,279.3
July	710.8	3,813.1	1,805.0	8,966.1	15,295.0
Aug.	708.3	3,833.2	1,782.3	9,226.5	15,550.3
Sep.	713.7	3,845.1	1,788.5	9,363.8	15,711.0
Oct.	719.2	3,859.3	1,779.1	9,466.8	15,824.4
Nov.	714.3	3,891.9	1,779.8	9,713.4	16,099.5
Dec.	717.2	3,922.0	1,779.0	9,830.1	16,248.3
2015					
Jan.	712.9	3,933.0	1,771.7	10,001.6	16,419.2
Feb.	719.0	3,953.7	1,774.7	9,939.2	16,386.6
Mar.	723.9	3,969.5	1,762.7	9,971.1	16,427.2
Apr.	729.5	3,981.9	1,754.4	9,781.5	16,247.3

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

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

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage, Information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals[2]				Other[3,4]	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2005	142.3	287.1	306.2	502.3	474.8	691.1	444.2	1,521.4	212.7	214.6	1,948.7	427.6	401.1	4,823.2
2006	188.9	340.7	266.7	586.4	492.9	715.0	612.8	1,769.9	250.4	230.7	2,251.1	380.7	421.3	5,414.0
2007	196.6	322.6	301.3	677.5	474.3	732.3	725.1	2,014.9	287.6	276.1	2,578.6	356.8	438.3	5,926.7
2008	333.1	429.2	340.6	730.4	457.4	757.1	931.3	2,219.8	329.9	307.8	2,857.5	333.9	634.1	6,536.4
2009	432.1	480.0	296.4	733.0	485.8	767.2	1,033.2	2,457.8	373.8	307.2	3,138.8	316.3	733.0	6,949.8
2010	502.0	511.8	283.5	1,113.8	446.3	825.2	392.2	2,666.0	365.4	323.4	3,354.8	1,027.6	740.5	7,716.7
2011	539.8	526.5	280.8	1,092.7	459.8	847.9	396.6	2,892.9	382.9	314.0	3,589.8	1,197.0	826.1	8,104.7
2012	280.1	502.0	308.8	1,024.0	468.2	829.9	423.4	3,088.2	387.1	301.5	3,776.8	1,443.6	794.4	8,262.4
2013	293.1	478.0	297.3	894.7	462.5	782.2	455.4	3,278.4	382.4	298.6	3,959.4	1,407.1	792.0	8,237.5
2014														
Jan.	297.0	463.3	294.8	887.9	460.2	760.8	454.2	3,296.9	381.0	296.7	3,974.6	1,412.1	795.3	8,209.5
Feb.	294.0	472.2	288.0	891.0	462.3	768.9	466.0	3,315.3	383.8	295.3	3,994.5	1,374.0	786.0	8,225.0
Mar.	299.2	473.8	289.0	882.9	467.6	784.7	465.0	3,341.0	383.4	293.9	4,018.4	1,375.3	792.3	8,263.6
Apr.	309.6	508.1	286.9	876.6	459.4	778.9	453.0	3,360.5	381.9	295.4	4,037.9	1,375.7	844.8	8,241.3
May	306.1	500.0	290.4	867.7	458.1	792.7	452.4	3,389.9	380.1	294.7	4,064.7	1,381.4	829.3	8,284.3
June	306.6	493.1	292.4	854.9	457.6	786.8	450.1	3,416.1	381.9	293.8	4,091.9	1,413.0	842.1	8,304.4
July	403.8	492.2	290.5	845.6	445.5	762.5	449.6	3,442.6	378.6	292.6	4,113.9	1,198.3	938.8	8,063.1
Aug.	427.2	498.5	293.9	840.1	440.6	839.0	450.2	3,460.7	379.2	290.1	4,130.1	1,105.0	1,049.0	7,975.6
Sep.	423.1	484.3	295.1	844.1	439.8	843.6	461.7	3,478.8	378.1	290.6	4,147.5	1,105.2	1,034.7	8,009.7
Oct.	387.9	476.0	373.4	830.1	420.0	848.8	469.0	3,508.0	376.2	288.1	4,172.3	1,115.3	991.9	8,100.8
Nov.	532.8	477.3	289.5	822.0	420.1	850.9	466.7	3,545.3	375.4	286.1	4,206.7	1,114.6	1,129.3	8,051.4
Dec.	422.8	451.1	287.9	802.5	436.0	849.5	502.3	3,588.2	372.2	283.4	4,243.8	1,109.9	1,002.4	8,103.3
2015														
Jan.	451.6	423.1	291.5	794.6	432.7	835.0	507.7	3,611.1	368.6	281.9	4,261.6	1,111.2	963.6	8,145.6
Feb.	445.7	426.6	294.1	787.4	456.7	839.0	500.2	3,631.0	367.1	283.4	4,281.4	1,131.6	943.0	8,219.7
Mar.	372.4	430.6	294.0	805.4	453.6	863.2	515.8	3,655.2	366.7	281.6	4,303.5	1,138.5	855.6	8,321.3
Apr.	375.9	417.2	383.8	802.4	450.3	787.1	500.1	3,670.2	365.5	279.1	4,314.9	1,133.5	763.4	8,401.7

[1] As from 2010, the statistical classification of loans by economic activity is based on NACE rev 2.

[2] Excluding loans to unincorporated bodies such as partnerships, sole proprietors and non-profit institutions. Loans to such bodies are classified by their main activity.

[3] Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial and insurance activities (including interbank loans), professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services activities and extra-territorial bodies & organisations.

[4] As from June 2010, statistics are in line with ESA 2010.

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta						Lending to non-residents of Malta		Total lending
	General government[1]	Financial corporations[2,3]	Insurance companies and pension funds	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area[3]	
2005	123.5	661.9	16.7	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5
2006	118.4	754.3	20.0	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8
2007	126.8	1,578.8	23.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0
2008	111.4	627.3	21.6	3,801.0	3,202.2	7,763.4	3,454.6	20,129.5	31,347.5
2009	111.0	659.8	22.3	4,034.6	3,498.5	8,326.1	2,900.0	16,825.4	28,051.5
2010	118.6	547.5	14.0	4,052.4	3,724.8	8,457.2	5,218.5	11,321.5	24,997.2
2011	150.5	671.7	2.6	4,153.9	3,952.2	8,930.9	4,974.9	9,224.9	23,130.7
2012	130.3	912.9	4.0	3,886.4	4,123.3	9,056.8	3,757.3	9,101.4	21,915.6
2013	142.8	884.8	2.4	3,711.0	4,288.9	9,029.8	2,138.5	5,864.5	17,032.8
2014									
Jan.	143.6	892.4	2.4	3,665.1	4,301.2	9,004.8	2,077.7	5,758.1	16,840.5
Feb.	144.8	857.5	2.1	3,686.8	4,319.8	9,010.9	2,089.9	5,154.8	16,255.7
Mar.	145.2	850.1	3.0	3,703.3	4,354.4	9,055.9	2,094.5	5,001.4	16,151.9
Apr.	146.3	850.1	2.1	3,727.6	4,359.9	9,086.1	1,697.3	5,468.9	16,252.3
May	143.0	859.5	2.0	3,721.9	4,387.3	9,113.5	1,708.7	5,491.8	16,314.1
June	141.2	892.1	3.0	3,679.9	4,430.2	9,146.4	1,665.7	4,467.2	15,279.3
July	141.7	677.8	3.0	3,733.7	4,445.7	9,001.9	1,681.2	4,611.9	15,295.0
Aug.	143.3	581.7	2.9	3,835.5	4,461.2	9,024.6	1,929.5	4,596.1	15,550.3
Sep.	146.3	586.2	3.3	3,826.5	4,482.1	9,044.4	1,734.8	4,931.9	15,711.0
Oct.	146.1	587.8	15.0	3,744.7	4,503.6	8,997.2	1,776.2	5,051.1	15,824.4
Nov.	147.0	585.4	14.6	3,895.8	4,537.8	9,180.6	1,797.9	5,120.9	16,099.5
Dec.	150.5	577.0	14.7	3,788.1	4,575.6	9,105.8	2,171.2	4,971.3	16,248.3
2015									
Jan.	146.1	581.7	14.8	3,726.8	4,639.7	9,109.1	2,269.4	5,040.7	16,419.2
Feb.	149.3	594.0	14.6	3,785.0	4,619.8	9,162.8	2,141.3	5,082.6	16,386.6
Mar.	150.7	596.9	14.9	3,730.7	4,683.7	9,176.9	2,143.4	5,106.9	16,427.2
Apr.	148.5	594.2	14.9	3,756.8	4,650.8	9,165.1	1,976.0	5,106.2	16,247.3

[1] Includes the extra-budgetary units.

[2] Financial corporations consist of other monetary financial institutions (OMFIs), MMFs, Non-MMF Investment Funds, other financial intermediaries and financial auxiliaries and Captive Financial Institutions and Money Lenders. Loans exclude OMFIs' deposits and reverse repos placed with the Central Bank of Malta and with other OMFIs.

[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	Lending to residents of Malta																Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors				
	MTL[2]		EUR		Other		MTL[2]		EUR		Other		MTL[1]	EUR[2]	Other[2]		
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year					
2005	860.7	1,568.3	17.3	263.3	18.5	10.2	204.2	1,943.2	1.4	15.0	0.1	2.4	696.7	86.4	19.0		5,706.7
2006	905.7	1,689.6	69.9	395.1	21.1	11.3	218.5	2,289.2	2.3	29.6	0.1	3.1	713.6	156.9	22.1		6,528.2
2007	858.3	1,802.5	108.1	450.0	36.6	10.2	241.5	2,616.0	2.0	34.4	1.0	3.5	963.8	744.6	20.3		7,892.6
2008			1,133.1	2,608.2	40.7	19.0			275.7	2,921.9	1.3	3.4		725.2	35.0		7,763.4
2009			1,152.8	2,811.7	39.4	30.6			281.6	3,207.1	1.5	8.2		765.5	27.6		8,326.1
2010			1,178.1	2,760.3	70.1	44.0			269.2	3,444.8	1.7	9.1		355.1	325.0		8,457.2
2011			1,050.2	2,966.3	87.7	49.7			277.2	3,662.6	2.5	9.9		480.2	344.6		8,930.9
2012			964.3	2,787.9	88.1	46.1			270.6	3,845.8	3.1	3.7		728.6	318.6		9,056.8
2013			947.6	2,655.4	71.1	36.8			255.4	4,027.5	2.5	3.5		721.4	308.5		9,029.8
2014																	
Jan.			912.7	2,650.6	64.6	37.2			253.1	4,041.9	2.7	3.5		725.0	313.4		9,004.8
Feb.			915.7	2,667.9	65.9	37.3			254.0	4,059.8	2.6	3.5		706.3	298.1		9,010.9
Mar.			923.9	2,676.9	65.2	37.2			251.9	4,096.6	2.4	3.5		709.1	289.2		9,055.9
Apr.			927.8	2,658.2	104.9	36.8			250.8	4,103.3	2.4	3.4		709.8	288.8		9,086.1
May			939.8	2,637.7	106.9	37.3			250.6	4,130.7	2.4	3.5		710.9	293.5		9,113.5
June			925.0	2,608.0	110.8	36.1			177.9	4,245.0	2.5	4.7		745.7	290.6		9,146.4
July			963.1	2,626.5	107.9	36.2			170.0	4,267.8	2.7	5.2		652.5	169.9		9,001.9
Aug.			960.5	2,738.2	99.6	37.3			169.6	4,283.6	2.8	5.2		590.5	137.4		9,024.6
Sep.			967.9	2,721.6	100.5	36.5			173.9	4,300.1	3.0	5.1		594.9	140.9		9,044.4
Oct.			920.5	2,695.6	92.7	35.9			172.0	4,323.5	3.0	5.0		604.0	144.9		8,997.2
Nov.			1,068.5	2,696.0	96.1	35.2			176.0	4,353.8	3.0	5.0		597.7	149.3		9,180.6
Dec.			1,005.8	2,650.5	96.9	34.9			176.2	4,391.3	3.1	5.1		596.5	145.6		9,105.8
2015																	
Jan.			969.5	2,648.5	72.3	36.5			210.2	4,420.2	4.1	5.3		586.9	155.7		9,109.1
Feb.			1,013.5	2,656.5	77.8	37.2			171.2	4,439.1	4.1	5.4		606.7	151.3		9,162.8
Mar.			1,021.7	2,587.1	107.9	14.0			207.9	4,466.0	4.4	5.5		590.1	172.4		9,176.9
Apr.			1,058.3	2,566.3	118.8	13.4			166.2	4,474.4	4.8	5.5		588.3	169.3		9,165.1

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

[2] As from June 2010, statistics are in line with ESA 2010.

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1,7] *(assets)*

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2005	53.9	34.7	624.0	7.9	236.2	2,443.9	32.7	3,433.4
2006	23.4	51.2	690.3	7.0	210.1	3,571.8	16.6	4,570.4
2007	36.9	4.0	498.9	6.4	205.1	5,792.8	12.0	6,556.2
2008	21.8	2.8	421.8	3.9	134.7	3,989.6	9.4	4,583.9
2009	37.8	16.0	403.4	4.8	149.5	5,922.5	5.6	6,539.6
2010	63.1	9.2	420.0	6.0	185.5	6,670.1	6.9	7,360.7
2011	59.8	0.0	400.5	240.8	141.5	6,477.5	8.0	7,328.2
2012	65.8	0.5	418.9	1,217.7	158.2	11,561.8	9.7	13,432.5
2013	86.9	11.3	389.3	318.8	506.0	6,557.4	4.1	7,873.8
2014	160.9	5.5	590.1	433.8	321.4	7,629.9	3.3	9,145.0
2015								
Mar.	165.4	5.7	606.6	446.0	330.4	7,843.2	3.4	9,400.7

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1,7] *(liabilities)*

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2005	0.2	3,292.2	133.6	7.4	3,433.4
2006	0.4	4,361.1	205.3	3.6	4,570.4
2007	0.3	6,211.8	340.8	3.3	6,556.2
2008	1.9	4,342.6	235.2	4.2	4,583.9
2009	2.1	6,219.3	312.9	5.3	6,539.6
2010	1.8	6,932.3	422.2	4.4	7,360.7
2011	0.1	6,925.9	398.7	3.5	7,328.2
2012	0.2	12,776.4	651.5	4.4	13,432.5
2013	0.2	7,479.6	392.3	1.7	7,873.7
2014	0.3	8,752.4	391.3	1.2	9,145.0
2015					
Mar.	0.3	8,997.1	402.3	1.2	9,400.7

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

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

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

4 Includes share capital and reserves.

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

6 Includes creditors, accruals and other liabilities.

7 Statistics are in line with ESA 2010.

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

EUR millions

End of period	Currency and Deposits[2]	Holdings of securities other than shares	Holdings of shares and other equity	External assets[3,8]	Fixed and other assets[4,8]	Total assets
2005	88.6	353.9	165.0	666.2	180.0	1,453.6
2006	157.5	373.8	173.3	1,031.3	237.7	1,973.6
2007	262.6	418.5	189.4	1,200.8	279.7	2,351.0
2008	312.4	442.6	156.5	1,418.9	312.8	2,643.1
2009	447.6	486.6	184.6	2,660.0	365.0	4,143.8
2010	383.6	550.6	192.8	3,829.8	352.3	5,309.0
2011	408.7	514.6	181.1	8,685.0	177.9	9,967.4
2012	377.0	575.4	191.5	8,890.3	367.3	10,401.5
2013	416.1	525.0	218.8	9,563.3	386.3	11,109.5
2014						
Mar.	485.3	531.8	228.5	9,691.4	385.1	11,322.1
June	462.0	551.3	216.8	9,738.8	390.4	11,359.2
Sep.	471.1	560.7	225.7	9,978.9	372.4	11,608.8
Dec.	530.1	568.4	233.1	10,907.2	425.8	12,664.5

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

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6,8]	Other liabilities[7,8]	Total liabilities
2005	16.5	283.1	891.5	206.8	55.8	1,453.6
2006	21.1	420.9	1,338.9	114.3	78.4	1,973.6
2007	21.3	511.0	1,589.9	140.0	88.9	2,351.0
2008	24.9	484.6	1,743.0	296.6	94.0	2,643.1
2009	20.6	1,037.3	2,546.9	390.7	148.2	4,143.8
2010	25.1	1,962.4	2,804.2	342.3	175.0	5,309.0
2011	17.2	2,571.7	1,680.9	5,413.7	283.9	9,967.4
2012	19.1	2,770.5	6,720.5	541.8	349.6	10,401.5
2013	18.7	2,450.4	7,615.9	663.4	361.1	11,109.5
2014						
Mar.	18.8	2,504.6	7,736.7	633.9	428.1	11,322.1
June	28.0	2,409.2	7,859.5	707.5	355.0	11,359.2
Sep.	29.7	2,481.3	7,980.9	703.3	413.6	11,608.8
Dec.	50.4	2,466.8	9,072.1	859.1	216.1	12,664.5

[1] Statistics are in line with ESA 2010.
[2] Includes loans.
[3] Includes deposits, securities, investment fund shares/units, financial derivatives and other assets with non-resident counterparties.
[4] Mainly includes financial derivatives with resident counterparties, non-financial assets including fixed assets, other assets and accruals.
[5] Comprising investment linked life-assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves.
[6] Includes loans, securities, financial derivatives and other accounts payable to non-resident counterparties.
[7] Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.
[8] Following a reclassification exercise, as from Q1 2009, certain instruments were shifted from "External Assets" to the "Fixed and other assets" column.

Monetary, Banking and Financial Markets

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

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes[3]
	General government	Financial corporations	Non-financial corporations	Total	General government	Financial corporations	Non-financial corporations	Total	
2008	3,328.3	189.4	665.4	4,183.1	211.9	26.0	22.6	260.5	19.3
2009	3,698.3	271.1	667.7	4,637.1	370.1	82.8	1.5	454.4	-0.3
2010[2]	3,989.2	858.9	331.3	5,179.4	290.9	-429.7	14.5	-124.2	666.5
2011	4,312.1	1,596.5	334.3	6,242.9	322.9	736.6	-3.4	1,056.1	7.4
2012	4,505.8	1,210.2	316.8	6,032.8	193.7	-386.3	-14.0	-206.6	-3.5
2013	4,859.0	1,853.8	288.4	7,001.2	353.2	644.3	-20.0	977.6	-9.1
2014									
Q1	5,113.5	2,065.4	288.0	7,466.9	254.5	211.5	-0.5	465.6	0.2
Q2	5,388.4	2,192.9	326.9	7,908.3	274.9	126.7	36.9	438.5	2.9
Q3	5,231.0	1,795.7	342.9	7,369.6	-157.4	-401.2	0.0	-558.7	19.9
Q4	5,040.0	1,989.2	340.5	7,369.7	-191.0	127.7	-9.5	-72.8	73.0
2015									
Q1	5,276.0	2,097.9	367.0	7,740.9	236.0	100.8	-0.7	336.1	35.1

[1] Amounts are at nominal prices.
[2] As from June 2010 data has been revised in line with ESA 2010.
[3] Net valuation changes reflect exchange rate changes.
Sources: Central Bank of Malta; MSE.

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

EUR millions

End of period	Outstanding amounts as at end of period			Net issues during period			Net valuation changes[2]
	Financial corporations	Non-financial corporations	Total	Financial corporations	Non-financial corporations	Total	
2008	1,585.2	981.4	2,566.7	2.1	38.2	40.3	-1,327.6
2009	1,863.3	980.6	2,844.0	42.1	36.4	78.5	198.8
2010[3]	3,443.3	562.4	4,005.7	0.3	96.4	96.7	1,065.0
2011	3,555.0	462.5	4,017.5	15.2	0.0	15.2	-3.5
2012	4,820.3	508.1	5,328.4	243.3	15.3	258.6	1,052.3
2013	5,657.7	723.5	6,381.2	148.4	29.7	178.2	874.6
2014							
Q1	5,400.1	754.9	6,155.0	0.1	0.0	0.1	-226.3
Q2	5,411.9	773.0	6,184.8	139.0	0.0	139.0	-109.2
Q3	6,112.0	840.1	6,952.1	78.7	0.0	78.7	688.6
Q4	7,017.0	855.8	7,872.8	0.6	0.0	0.6	920.1
2015							
Q1	7,662.7	1,026.2	8,688.8	0.0	0.0	0.0	816.0

[1] Amounts are at market prices.
[2] Net valuation changes reflect market price and exchange rate changes.
[3] As from June 2010 data has been revised in line with ESA 2010.
Sources: Central Bank of Malta; MSE.

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

% per annum	2008	2009	2010	2011	2012	2013	2014	2015 Jan.	Feb.	Mar.	Apr.
NEW BUSINESS											
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**1.95**	**1.31**	**1.31**	**1.34**	**1.24**	**1.23**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.38	2.11	1.50	1.43	1.47	1.40	1.37
up to 1 year	3.06	1.95	2.03	1.99	1.91	1.84	1.17	1.18	1.15	1.08	1.02
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	2.70	2.12	1.99	1.98	1.94	1.89
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.29	2.26	2.32	2.39	2.38
Non-financial corporations											
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.72	1.60	0.68	0.83	0.81	0.80	0.75
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.22**	**3.77**	**3.33**	**3.87**	**3.45**	**3.44**	**3.19**
Households and NPISH	4.88	4.49	4.20	3.82	4.00	3.54	3.39	3.39	3.23	3.21	3.07
Lending for house purchase	3.84	3.51	3.43	3.38	3.40	3.03	2.85	2.93	2.76	2.70	2.62
Consumer credit	6.12	6.02	5.81	5.04	5.66	5.32	5.35	5.24	5.19	5.06	5.18
Other lending	6.44	5.56	5.86	5.60	5.61	5.21	5.46	5.47	5.19	5.40	4.91
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.52	3.82	4.28	3.57	3.62	3.75
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.28	3.58	4.16	3.37	3.44	3.60
Consumer credit	6.25	6.10	5.89	5.12	5.64	5.34	5.44	5.32	5.26	5.18	5.19
Non-financial corporations											
Loans	5.50	4.95	4.86	4.28	4.26	3.89	3.34	4.29	3.95	3.73	3.14
OUTSTANDING AMOUNTS											
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.41**	**1.03**	**0.98**	**0.98**	**0.93**	**0.90**
Households and NPISH	2.74	1.57	1.50	1.54	1.56	1.57	1.19	1.13	1.13	1.06	1.04
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.32	0.35	0.17	0.15	0.15	0.15	0.14
Savings deposits redeemable at notice[3,4]	2.05	1.68	1.59	1.51	1.54	1.93	1.31	1.32	1.32	1.32	1.27
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.55	1.03	1.03	1.02	1.01	0.95
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.47	2.52	2.22	2.16	2.12	2.07	2.04
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.07	1.73	1.65	1.59	1.53	1.49
over 2 years	3.19	3.06	3.16	3.21	3.42	3.55	3.44	3.41	3.38	3.35	3.35
Non-financial corporations	1.73	0.86	0.81	0.84	0.79	0.72	0.43	0.39	0.39	0.39	0.36
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.30	0.18	0.17	0.18	0.17	0.14
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.11	2.04	1.59	1.56	1.56	1.48	1.47
up to 2 years	3.39	1.89	1.97	2.00	1.99	1.91	1.45	1.41	1.40	1.33	1.33
over 2 years	3.26	3.35	3.24	3.13	3.06	3.12	2.84	2.83	2.78	2.70	2.65
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.32**	**4.24**	**4.02**	**3.99**	**3.98**	**3.98**	**3.93**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.70	3.70	3.68	3.69	3.66
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.22	3.21	3.21	3.21	3.20
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.59	5.55	5.47	5.44	5.43	5.42	5.41
Non-financial corporations[5]	5.43	4.96	4.67	4.85	4.73	4.70	4.41	4.36	4.36	4.36	4.28
Revolving loans and overdrafts											
Households and NPISH	7.16	6.44	5.75	6.12	5.84	5.78	5.72	5.74	5.74	5.76	5.74
Non-financial corporations	5.30	5.08	5.03	5.07	5.26	5.18	5.01	5.06	5.08	5.08	5.06

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

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

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

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

[5] Includes bank overdrafts.

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

% per annum	2008	2009	2010	2011	2012	2013	2014	2015			
								Jan.	Feb.	Mar.	Apr.
NEW BUSINESS											
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.13**	**2.47**	**1.22**	**1.37**	**1.43**	**1.30**	**1.28**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.38	2.10	1.52	1.45	1.53	1.43	1.38
up to 1 year	3.05	1.97	1.96	1.99	1.93	1.84	1.21	1.22	1.26	1.14	1.09
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	2.73	2.13	1.99	2.00	1.95	1.92
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.32	2.26	2.38	2.49	2.47
Non-financial corporations											
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.80	2.67	0.68	1.12	1.18	0.98	1.02
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**3.51**	**3.52**	**3.62**	**3.55**	**2.83**	**3.16**
Households and NPISH	4.88	4.48	4.20	3.81	4.00	3.48	3.42	3.39	3.25	3.21	3.07
Lending for house purchase	3.84	3.51	3.42	3.38	3.40	3.05	2.82	2.92	2.73	2.69	2.60
Consumer credit	6.12	6.01	5.81	5.04	5.66	4.40	5.32	5.23	5.19	5.06	5.18
Other lending	6.43	5.56	5.86	5.60	5.61	5.13	5.46	5.47	5.24	5.40	4.92
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.45	3.84	4.28	3.57	3.62	3.75
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.30	3.58	4.16	3.37	3.44	3.60
Consumer credit	6.25	6.09	5.89	5.12	5.64	4.41	5.39	5.32	5.26	5.18	5.19
Non-financial corporations											
Loans	4.93	4.42	4.52	4.20	4.18	3.53	3.54	3.69	3.90	2.63	3.09
OUTSTANDING AMOUNTS											
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.43**	**1.39**	**1.03**	**0.98**	**0.98**	**0.94**	**0.91**
Households and NPISH	2.74	1.58	1.49	1.54	1.56	1.57	1.19	1.14	1.13	1.07	1.04
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.35	0.17	0.15	0.15	0.15	0.14
Savings deposits redeemable at notice[3,4]	2.09	1.70	1.69	1.63	1.61	2.04	1.34	1.34	1.34	1.36	1.31
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.55	1.03	1.03	1.02	1.01	0.95
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.48	2.52	2.23	2.16	2.12	2.07	2.05
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.08	1.73	1.65	1.60	1.53	1.50
over 2 years	3.24	3.10	3.16	3.22	3.44	3.56	3.46	3.43	3.39	3.35	3.36
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.77	0.46	0.42	0.43	0.48	0.46
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.29	0.30	0.18	0.17	0.17	0.16	0.13
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	1.55	1.57	1.62	1.63	1.70	1.75
up to 2 years	3.57	1.93	1.71	1.93	1.96	1.45	1.44	1.50	1.52	1.60	1.68
over 2 years	3.28	3.13	3.33	2.99	2.95	2.81	2.55	2.51	2.48	2.60	2.39
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.19**	**4.19**	**3.98**	**3.94**	**3.97**	**3.99**	**3.95**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	6.53	6.73	6.98	7.21	7.56
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.22	3.22	3.21	3.21	3.21
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.59	5.53	5.53	5.51	5.53	5.56	5.62
Non-financial corporations[5]	5.20	4.40	4.54	4.66	4.39	4.51	4.24	4.17	4.24	4.27	4.20
Revolving loans and overdrafts											
Households and NPISH	7.16	6.45	5.76	6.12	5.84	5.79	5.72	5.74	5.74	5.76	5.74
Non-financial corporations	5.14	5.08	5.02	5.07	5.25	5.16	4.96	4.98	4.99	5.00	4.98

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

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

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

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

[5] Includes bank overdrafts.

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

	2008	2009	2010	2011	2012	2013	2014				2015
							Mar.	June	Sep.	Dec.	Mar.
INTEREST RATES (%)[1]											
Key ECB interest rates[2]											
Marginal lending facility	3.00	1.75	1.75	1.75	1.50	0.75	0.75	0.40	0.30	0.30	0.30
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	0.75	0.25	0.25	0.15	0.05	0.05	0.05
Deposit facility	2.00	0.25	0.25	0.25	0.00	0.00	0.00	-0.10	-0.20	-0.20	-0.20
Money market rates (period averages)											
Overnight deposit (EONIA)	3.86	0.72	0.44	0.87	0.23	0.09	0.18	0.19	0.02	-0.01	-0.05
Rates for fixed term deposits (EURIBOR)											
1 month	4.27	0.90	0.57	1.18	0.33	0.13	0.22	0.22	0.07	0.01	0.00
3 months	4.63	1.23	0.81	1.39	0.57	0.22	0.30	0.30	0.17	0.08	0.05
6 months	4.72	1.44	1.08	1.64	0.83	0.34	0.40	0.39	0.26	0.18	0.13
1 year	4.81	1.62	1.35	2.01	1.11	0.54	0.56	0.57	0.44	0.33	0.26
Government securities											
Treasury bills (primary market)											
1 month	-	-	-	1.20	-	-	-	0.17	-	0.06	-
3 month	3.65	1.40	0.99	0.82	0.85	0.39	0.37	0.21	0.12	0.08	-
6 month	2.75	1.52	1.10	1.33	1.15	0.44	0.64	0.38	0.15	0.12	0.01
1 year	-	-	-	-	-	-	-	-	-	-	-
Treasury bills (secondary market)											
1 month	2.64	1.36	0.77	0.85	0.94	0.40	0.32	0.19	0.04	0.03	-
3 month	2.64	1.40	0.94	0.97	1.00	0.40	0.37	0.29	0.09	0.03	0.00
6 month	2.65	1.46	1.23	0.99	1.05	0.54	0.61	0.40	0.12	0.05	0.02
1 year	2.73	1.69	1.28	1.26	1.26	0.70	0.66	0.43	0.18	0.23	0.03
Government long-term debt securities (period averages)											
2 year	3.43	2.41	1.88	2.41	1.90	1.00	0.85	0.77	0.49	0.39	0.25
5 year	4.01	3.66	3.05	3.48	3.01	2.13	2.00	1.78	1.24	0.97	0.77
10 year	4.53	4.54	4.19	4.49	4.13	3.36	3.01	2.87	2.49	2.08	1.50
15 year	4.76	4.96	n/a	n/a	n/a	4.35	4.16	3.89	3.34	2.83	2.26
20 year	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.80
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,095	3,212	3,686	3,424	3,298	3,333	3,331	3,776

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

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

Note: '-' denotes that no transactions occurred during the reference period.

'n/a' denotes that no bond qualifies as a 15-year benchmark.

Table 1.21 Non-consolidated financial accounts of the Maltese economy[1] *(financial assets)*

EUR millions

Holding sectors broken down by financial instruments	2009	2010	2011	2012	2013
Non-financial corporations	**12,240**	**14,367**	**16,375**	**18,148**	**18,239**
Currency	56	38	41	42	37
Deposits	1,620	1,931	2,234	2,460	2,891
Debt securities	70	67	74	84	72
Loans	3,517	4,165	4,966	5,654	6,272
Equity and Investment Fund Shares	3,074	4,104	4,642	5,120	4,659
Insurance, pension and standardised guarantees	59	57	48	49	56
Other accounts receivable	3,844	4,004	4,370	4,740	4,253
Financial corporations	**168,901**	**188,449**	**208,209**	**221,464**	**225,455**
Monetary gold and SDRs	110	115	118	120	113
Currency	105	96	82	99	107
Deposits	13,741	8,547	8,406	9,648	9,558
Debt securities	16,399	21,309	23,492	27,108	25,859
Loans	41,218	55,885	62,693	62,403	61,065
Equity and Investment Fund Shares	49,867	51,391	58,518	66,355	72,689
Insurance, pension and standardised guarantees	2	3	2	2	3
Other accounts receivable	47,460	51,104	54,898	55,730	56,062
General government	**1,857**	**2,006**	**2,224**	**2,559**	**2,751**
Currency	0	0	0	0	0
Deposits	604	607	670	430	406
Debt securities	8	8	8	31	48
Loans	19	54	140	261	297
Equity and Investment Fund Shares	807	865	853	1,105	1,178
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	418	472	554	733	821
Households and non-profit institutions	**15,125**	**16,178**	**16,635**	**18,055**	**18,850**
Currency	528	567	615	617	659
Deposits	7,168	7,410	7,702	8,072	8,638
Debt securities	1,994	2,221	2,450	2,782	2,870
Loans	873	985	872	972	1,011
Equity and Investment Fund Shares	3,047	3,228	3,138	3,630	3,550
Insurance, pension and standardised guarantees	1,362	1,562	1,628	1,770	1,910
Other accounts receivable	152	206	231	212	211
Total economy[2]	**198,122**	**221,000**	**243,444**	**260,226**	**265,295**
Monetary gold and SDRs	110	115	118	120	113
Currency	688	701	738	757	803
Deposits	23,134	18,495	19,011	20,609	21,492
Debt securities	18,471	23,604	26,025	30,004	28,849
Loans	45,627	61,088	68,671	69,290	68,646
Equity and Investment Fund Shares	56,795	59,588	67,151	76,210	82,076
Insurance, pension and standardised guarantees	1,423	1,623	1,678	1,821	1,969
Other accounts receivable	51,875	55,786	60,053	61,415	61,347
Rest of the world	**153,137**	**172,474**	**191,399**	**201,829**	**205,666**
Currency	-	-	-	-	-
Deposits	21,308	29,101	29,384	30,133	29,965
Debt securities	705	904	935	919	847
Loans	10,618	4,427	4,206	3,845	2,945
Equity and Investment Fund Shares	87,238	99,359	112,918	119,959	120,909
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	33,270	38,682	43,956	46,973	50,999
Total[3]	**351,259**	**393,474**	**434,843**	**462,055**	**470,961**
Monetary gold and SDRs	110	115	118	120	113
Currency	688	701	738	757	803
Deposits	44,441	47,596	48,396	50,742	51,458
Debt securities	19,175	24,508	26,959	30,923	29,696
Loans	56,245	65,516	72,877	73,135	71,591
Equity and Investment Fund Shares	144,032	158,947	180,068	196,169	202,985
Insurance, pension and standardised guarantees	1,423	1,623	1,678	1,821	1,969
Other accounts receivable	85,144	94,468	104,009	108,388	112,346

[1] Data as from 2009 are in line with ESA 2010. Data for 'Non-Financial Corporations', 'Financial Corporations' and the 'Rest of the World' sectors were revised accordingly.

[2] The total economy is defined in terms of resident units (ESA2010).

[3] The aggregate of 'Total economy' and the 'Rest of the World' sector.

Table 1.21 Non-consolidated financial accounts of the Maltese economy[1] *(liabilities)*

EUR millions

Issuing sectors broken down by financial instruments	2009	2010	2011	2012	2013
Non-financial corporations	**18,654**	**20,048**	**21,604**	**23,503**	**23,865**
Currency	-	-	-	-	-
Deposits	-	-	-	-	-
Debt securities	446	446	467	589	559
Loans	8,985	9,868	10,792	11,337	11,660
Equity and Investment Fund Shares	5,532	5,705	5,897	6,735	6,644
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	3,691	4,029	4,448	4,841	5,002
Net Financial Assets/Liabilities	-6,415	-5,681	-5,229	-5,355	-5,625
Financial corporations	**168,751**	**189,662**	**209,976**	**223,012**	**226,779**
Currency	673	701	738	757	803
Deposits	32,875	40,920	41,988	43,370	43,621
Debt securities	886	1,233	1,340	1,387	1,182
Loans	10,682	4,666	4,446	4,330	3,621
Equity and Investment Fund Shares	89,805	102,974	117,343	125,935	126,453
Insurance, pension and standardised guarantees	1,423	1,623	1,678	1,821	1,969
Other accounts receivable	32,407	37,545	42,443	45,412	49,131
Net Financial Assets/Liabilities	150	-1,213	-1,766	-1,548	-1,324
General government	**5,149**	**5,447**	**5,861**	**6,127**	**6,546**
Currency	-	-	-	-	-
Deposits	37	41	46	50	55
Debt securities	4,053	4,346	4,648	4,920	5,343
Loans	437	444	465	351	378
Equity and Investment Fund Shares	13	13	13	11	11
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	608	603	689	795	760
Net Financial Assets/Liabilities	-3,292	-3,441	-3,637	-3,568	-3,795
Households and non-profit institutions	**4,469**	**4,685**	**4,908**	**5,209**	**5,499**
Currency	-	-	-	-	-
Deposits	-	-	-	-	-
Debt securities	-	-	-	-	-
Loans	3,675	3,891	4,099	4,251	4,438
Equity and Investment Fund Shares	-	-	-	-	-
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	794	794	809	958	1,061
Net Financial Assets/Liabilities	10,656	11,493	11,727	12,845	13,350
Total economy[2]	**197,023**	**219,842**	**242,348**	**257,851**	**262,690**
Currency	673	701	738	757	803
Deposits	32,912	40,961	42,034	43,420	43,676
Debt securities	5,385	6,025	6,454	6,897	7,084
Loans	23,779	18,868	19,802	20,268	20,096
Equity and Investment Fund Shares	95,351	108,693	123,254	132,681	133,108
Insurance, pension and standardised guarantees	1,423	1,623	1,678	1,821	1,969
Other accounts receivable	37,500	42,970	48,389	52,006	55,954
Net Financial Assets/Liabilities	1,098	1,158	1,095	2,375	2,606
Rest of the world	**154,230**	**173,628**	**192,484**	**204,190**	**208,258**
Monetary gold and SDRs	104	111	108	106	100
Currency	15	0	0	0	0
Deposits	11,530	6,635	6,362	7,321	7,782
Debt securities	13,790	18,483	20,505	24,027	22,612
Loans	32,466	46,647	53,075	52,866	51,494
Equity and Investment Fund Shares	48,681	50,254	56,814	63,488	69,878
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	47,644	51,498	55,619	56,382	56,392
Net Financial Assets/Liabilities	-1,093	-1,154	-1,085	-2,361	-2,593
Total[3]	**351,254**	**393,470**	**434,832**	**462,041**	**470,948**
Monetary gold and SDRs	104	111	108	106	100
Currency	688	701	738	757	803
Deposits	44,441	47,596	48,396	50,742	51,458
Debt securities	19,175	24,508	26,959	30,923	29,696
Loans	56,245	65,516	72,877	73,135	71,591
Equity and Investment Fund Shares	144,032	158,947	180,068	196,169	202,985
Insurance, pension and standardised guarantees	1,423	1,623	1,678	1,821	1,969
Other accounts receivable	85,144	94,468	104,009	108,388	112,346
Net Financial Assets/Liabilities	5	4	11	14	13

[1] Data as from 2009 are in line with ESA 2010. Data for 'Non-Financial Corporations', 'Financial Corporations' and the 'Rest of the World' sectors were revised accordingly.

[2] The total economy is defined in terms of resident units (ESA2010).

[3] The aggregate of 'Total economy' and the 'Rest of the World' sector.

Government Finance

Table 2.1 General government revenue and expenditure[1]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	Current	Capital	Total	Current	Capital	Total		
2005	1,872.7	163.0	2,035.7	1,933.5	241.0	2,174.5	-138.9	55.3
2006	1,978.8	158.9	2,137.7	2,031.7	246.8	2,278.5	-140.7	58.6
2007	2,174.4	64.5	2,238.9	2,142.9	225.7	2,368.6	-129.8	70.5
2008	2,309.8	42.9	2,352.7	2,428.7	179.4	2,608.0	-255.3	-50.3
2009	2,306.4	61.2	2,367.6	2,382.7	186.8	2,569.5	-201.9	-1.1
2010	2,380.7	112.6	2,493.3	2,484.7	223.1	2,707.8	-214.5	-11.4
2011	2,526.9	115.5	2,642.4	2,586.5	233.7	2,820.2	-177.8	39.1
2012	2,652.4	146.2	2,798.6	2,757.5	304.9	3,062.3	-263.7	-48.6
2013	2,856.9	148.4	3,005.3	2,891.5	308.2	3,199.7	-194.4	24.6
2014	3,121.1	200.7	3,321.8	3,102.8	387.3	3,490.1	-168.3	61.9
2014								
Q1	652.7	36.4	689.1	748.6	83.8	832.4	-143.3	-87.5
Q2	756.7	36.4	793.1	779.4	88.8	868.2	-75.1	-17.2
Q3	747.1	43.4	790.5	751.1	78.8	829.9	-39.4	18.5
Q4	964.7	84.5	1,049.2	823.8	135.8	959.6	89.5	148.1

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2005	559.5	725.1	380.2	120.9	73.1	14.0	1,872.7	17.5	145.5	163.0	2,035.7	1,682.2
2006	609.8	767.0	389.8	124.6	68.8	18.9	1,978.8	14.7	144.3	158.9	2,137.7	1,781.1
2007	726.0	811.3	398.3	139.3	78.0	21.6	2,174.4	15.7	48.8	64.5	2,238.9	1,951.2
2008	742.8	844.0	432.0	191.2	73.4	26.6	2,309.8	15.1	27.8	42.9	2,352.7	2,033.8
2009	795.4	819.5	434.9	164.2	71.4	20.9	2,306.4	14.0	47.2	61.2	2,367.6	2,063.9
2010	807.8	853.8	456.5	154.3	86.8	21.5	2,380.7	14.7	97.9	112.6	2,493.3	2,132.8
2011	849.4	921.3	486.7	163.0	81.7	24.8	2,526.9	14.8	100.7	115.5	2,642.4	2,272.2
2012	934.9	927.6	504.4	157.0	92.1	36.5	2,652.4	16.1	130.1	146.2	2,798.6	2,383.0
2013	1,043.3	981.8	524.8	177.5	99.5	30.1	2,856.9	12.7	135.6	148.4	3,005.3	2,562.7
2014	1,155.4	1087.2	560.3	186.7	94.4	37.0	3,121.1	11.8	188.8	200.7	3,321.8	2,814.8
2014												
Q1	207.6	233.1	131.8	37.0	36.6	6.6	652.7	2.5	33.9	36.4	689.1	575.0
Q2	303.6	248.4	136.6	43.6	16.2	8.2	756.7	3.1	33.3	36.4	793.1	691.8
Q3	242.1	296.2	132.3	43.8	14.4	18.3	747.1	3.1	40.3	43.4	790.5	673.7
Q4	402.1	309.4	159.6	62.3	27.3	3.9	964.7	3.1	81.4	84.5	1,049.2	874.3

[1] Based on ESA 2010 methodology. Data are provisional.

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

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

Sources: Eurostat; NSO.

Government Finance

Table 2.3 General government expenditure by main components[1]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total [2]	
2005	676.3	642.2	194.2	247.5	85.2	88.1	1,933.5	234.7	40.9	241.0	2,174.5
2006	686.5	665.4	199.3	296.4	93.8	90.2	2,031.7	214.5	40.3	246.8	2,278.5
2007	715.8	717.5	200.3	306.7	97.9	104.9	2,142.9	217.4	35.4	225.7	2,368.6
2008	846.2	755.7	205.0	391.5	115.1	115.2	2,428.7	149.4	41.9	179.4	2,608.0
2009	838.3	807.3	200.8	365.0	50.0	121.3	2,382.7	148.3	53.8	186.8	2,569.5
2010	855.1	842.4	203.2	403.1	52.8	128.1	2,484.7	146.6	76.5	223.1	2,707.8
2011	882.2	878.9	216.9	430.0	51.0	127.5	2,586.5	191.4	45.8	233.7	2,820.2
2012	922.4	924.9	215.1	483.0	76.9	135.1	2,757.5	227.7	67.0	304.9	3,062.3
2013	977.2	964.2	219.0	470.9	80.3	180.0	2,891.5	209.6	95.3	308.2	3,199.7
2014	1051.9	1008.4	230.2	525.5	103.6	183.3	3,102.8	300.2	88.6	387.3	3,490.1
2014											
Q1	257.5	250.0	55.9	111.2	26.7	47.3	748.6	61.0	21.3	83.8	832.4
Q2	261.5	258.8	57.9	140.6	26.2	34.5	779.4	61.8	23.9	88.8	868.2
Q3	265.7	237.3	57.9	117.9	23.7	48.5	751.1	66.2	14.0	78.8	829.9
Q4	267.2	262.3	58.5	155.8	27.0	52.9	823.8	111.2	29.3	135.8	959.6

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

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

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2005	362.1	43.7	76.2	286.7	73.7	39.0	309.0	31.9	275.1	677.0	2,174.5
2006	389.3	37.1	75.9	290.1	82.0	40.4	325.6	29.2	294.3	714.5	2,278.5
2007	398.9	35.6	80.3	302.3	93.2	37.2	315.7	31.6	301.1	772.8	2,368.6
2008	445.2	38.1	86.0	407.8	94.3	43.4	322.6	38.2	317.3	815.4	2,608.0
2009	478.3	53.9	89.5	271.1	96.4	20.7	315.0	44.9	328.9	870.6	2,569.5
2010	448.7	50.4	92.3	291.1	128.3	21.3	346.8	51.5	371.4	906.0	2,707.8
2011	492.2	56.0	94.5	301.3	87.5	23.6	370.4	58.4	392.1	944.2	2,820.2
2012	536.1	50.6	102.0	357.1	100.9	32.0	393.9	66.2	418.9	1004.6	3,062.3
2013	526.1	52.6	106.8	385.7	103.9	25.9	432.8	67.9	442.9	1055.2	3,199.7

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

Sources: Eurostat; NSO.

Government Finance

Table 2.5 General government financial balance sheet[1]

EUR millions

Period	Financial assets						Financial liabilties					Net financial worth
	Currency and deposits	Securities other than shares	Loans	Shares and other equity	Other accounts receivable	Total	Currency and deposits	Securities other than shares	Loans	Other accounts payable	Total	
2005	406.3	0.0	17.9	1,138.3	224.4	1,786.9	0.0	3,420.1	555.3	342.7	4,318.1	-2,531.1
2006	441.2	0.0	15.1	866.8	217.1	1,540.1	0.0	3,296.7	492.1	383.8	4,172.7	-2,632.6
2007	518.7	0.0	16.1	848.0	297.4	1,680.3	8.3	3,308.6	479.9	467.1	4,264.0	-2,583.7
2008	498.0	0.0	21.5	753.0	331.6	1,604.2	31.2	3,662.9	497.1	543.8	4,734.9	-3,130.7
2009	604.5	0.0	18.2	812.4	369.7	1,804.9	37.2	3,994.3	436.4	604.8	5,072.6	-3,267.7
2010	607.5	0.0	51.7	871.3	441.7	1,972.1	41.0	4,307.5	441.9	593.9	5,384.3	-3,412.2
2011	669.8	0.0	136.6	859.7	534.8	2,200.8	45.8	4,625.0	462.0	671.7	5,804.5	-3,603.7
2012	429.8	0.0	256.8	1,115.2	711.7	2,513.4	50.5	4,889.6	346.6	769.4	6,056.1	-3,542.8
2013												
Mar.	546.1	0.0	268.5	1,123.6	756.1	2,694.3	50.8	5,242.7	351.7	716.4	6,361.6	-3,667.3
June	610.5	0.0	289.2	1,137.3	793.7	2,830.7	52.3	5,370.1	366.0	768.4	6,556.9	-3,726.2
Sep.	656.6	0.0	292.9	1,157.9	772.5	2,879.8	54.3	5,486.0	368.6	752.6	6,661.4	-3,781.6
Dec.	406.3	0.0	293.0	1,188.0	800.4	2,687.6	55.3	5,294.2	374.1	720.1	6,443.7	-3,756.1
2014												
Mar.	414.1	0.0	293.3	1,171.5	859.4	2,738.3	55.1	5,613.0	374.5	630.0	6,672.5	-3,934.2
June	937.2	0.0	300.0	1,176.0	855.7	3,268.9	57.1	6,002.8	379.1	973.7	7,412.8	-4,143.9
Sep.	603.8	0.0	303.7	1,202.2	848.2	2,958.0	59.5	6,026.8	383.9	774.6	7,244.7	-4,286.8
Dec.	468.7	0.0	304.6	1,058.9	784.6	2,616.8	60.4	5,895.5	390.1	763.5	7,109.5	-4,492.7

[1] Based on ESA 2010 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

Table 2.6 General government deficit-debt adjustment[1]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2005	117.9	-138.9	86.6	0.1	0.0	-55.4	7.8	-60.1	-21.0
2006	-129.8	-140.7	69.6	-2.8	0.0	-220.0	-25.4	-92.0	-270.6
2007	111.8	-129.8	83.3	1.1	0.0	-48.3	-31.8	-22.2	-17.9
2008	253.4	-255.3	-16.3	5.3	0.0	-5.4	32.1	-17.7	-1.9
2009	316.1	-201.9	141.5	-3.3	0.0	-1.0	-7.5	-15.7	114.2
2010	300.6	-214.5	43.2	33.5	0.0	-0.8	15.4	-5.3	86.1
2011	346.9	-177.8	65.3	84.8	0.0	15.6	10.0	-6.6	169.1
2012	62.9	-263.7	-228.4	120.2	0.0	39.7	-201.0	68.7	-200.8
2013	369.3	-194.4	-20.1	36.2	0.0	27.1	2.5	129.2	174.9
2014	176.2	-168.3	59.7	11.7	0.0	9.0	-12.1	-60.4	7.9
2014									
Q1	256.3	-143.3	7.9	0.3	0.0	-4.8	-3.3	113.0	113.0
Q2	261.6	-75.1	522.4	6.8	0.0	10.9	-4.6	-348.9	186.5
Q3	-131.9	-39.4	-335.4	3.7	0.0	1.8	-0.6	159.1	-171.3
Q4	-209.9	89.5	-135.1	0.9	0.0	1.2	-3.6	16.4	-120.4

[1] Based on ESA 2010 methodology. Data are provisional.
[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt[1]	Government guaranteed debt[2]
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2005	-	443.1	2,614.4	3,057.5	88.6	464.0	552.6	3,610.1	371.6
2006	-	373.8	2,617.4	2,991.2	34.9	454.1	489.1	3,480.3	322.1
2007	8.3	354.9	2,753.3	3,108.3	39.8	435.7	475.5	3,592.1	371.8
2008	31.2	365.8	2,954.4	3,320.2	75.6	418.5	494.1	3,845.5	460.1
2009	37.2	474.1	3,216.4	3,690.5	42.5	391.4	433.9	4,161.5	639.6
2010	41.0	377.8	3,603.6	3,981.4	47.9	391.9	439.9	4,462.2	779.0
2011	45.8	257.1	4,046.3	4,303.5	55.4	404.4	459.7	4,809.1	864.2
2012	50.4	154.1	4,322.8	4,476.9	79.8	264.9	344.6	4,872.0	1,186.0
2013	55.3	248.1	4,565.6	4,813.7	20.5	351.8	372.3	5,241.3	1,192.8
2014									
Mar.	55.0	367.2	4,702.7	5,069.9	20.9	351.8	372.7	5,497.6	1,153.6
June	57.1	407.2	4,916.9	5,324.1	28.7	349.3	378.0	5,759.2	1,197.1
Sep.	59.5	308.6	4,876.4	5,185.0	28.9	354.1	382.9	5,627.3	1,291.1
Dec.	60.4	140.4	4,828.0	4,968.5	33.9	354.7	388.6	5,417.4	1,335.3

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

Government Finance

Table 2.8 Treasury bills issued and outstanding[1]

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding[2] and held by		
		OMFIs[3]	Others[4]	Total	MFIs	Others[4]	Total
2005	1,204.7	831.0	245.3	1,076.3	351.5	91.5	443.0
2006	992.0	522.5	400.2	922.7	249.7	124.2	373.9
2007	1,129.5	823.7	287.0	1,110.7	278.6	76.3	354.9
2008	1,018.9	349.2	683.4	1,032.6	126.4	239.5	365.8
2009	1,516.6	1,033.9	591.0	1,624.8	327.3	146.8	474.1
2010	1,341.6	1,091.7	153.2	1,245.2	319.9	57.9	377.8
2011	1,004.8	839.9	45.1	885.0	224.0	33.9	257.9
2012	949.0	818.2	22.0	845.2	124.0	30.1	154.1
2013	1,027.9	1,118.6	3.3	1,121.9	217.0	31.1	248.1
2014							
Jan.	69.0	106.5	0.0	106.5	259.0	26.7	285.7
Feb.	13.0	91.0	0.0	91.0	314.5	49.2	363.7
Mar.	67.7	71.2	0.0	71.2	315.0	52.2	367.2
Apr.	89.5	93.1	0.7	93.8	316.2	55.3	371.5
May	93.0	88.0	0.4	88.4	318.6	48.3	366.9
June	39.2	79.8	0.0	79.5	368.1	39.1	407.2
July	47.1	47.0	0.0	47.0	369.0	38.1	407.1
Aug.	120.0	65.0	0.0	65.0	319.5	32.6	352.1
Sep.	83.5	40.0	0.0	40.0	277.5	31.0	308.6
Oct.	147.2	100.0	0.0	100.0	231.0	30.4	261.4
Nov.	114.4	89.5	4.5	94.0	216.5	24.5	241.0
Dec.	134.4	33.8	0.0	33.8	118.5	21.9	140.4
2015							
Jan.	32.0	100.1	0.0	100.1	192.6	15.9	208.5
Feb.	49.6	51.5	0.0	51.5	198.5	11.9	210.4
Mar.	16.3	14.0	0.0	14.0	197.0	11.1	208.1
Apr.	81.0	79.1	0.0	79.1	203.1	3.1	206.2

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

Table 2.9 Treasury bills issued and outstanding[1] *(end-March 2015)*

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding[4]
				OMFIs[2]	Others[3]	MFIs	Others[3]	
02/Jan/2015	02/Apr/2015	0.032	N/A	20.0	0.0	20.0	0.0	20.0
09/Jan/2015	10/Apr/2015	0.035	0.000	12.0	0.0	12.0	0.0	12.0
11/Jul/2014	10/Apr/2015	0.488	0.000	3.0	0.0	3.0	0.0	3.0
16/Jan/2015	17/Apr/2015	0.025	0.000	8.0	0.0	8.0	0.0	8.0
17/Oct/2014	17/Apr/2015	0.154	0.000	16.0	0.0	8.0	8.0	16.0
23/Jan/2015	24/Apr/2015	0.023	0.000	13.0	0.0	13.0	0.0	13.0
30/Jan/2015	30/Apr/2015	0.037	0.000	9.0	0.0	9.0	0.0	9.0
06/Feb/2015	08/May/2015	0.030	0.000	8.0	0.0	8.0	0.0	8.0
07/Nov/2014	08/May/2015	0.146	0.000	10.5	3.1	10.5	3.1	13.6
13/Feb/2015	15/May/2015	0.022	0.000	6.0	0.0	6.0	0.0	6.0
27/Feb/2015	29/May/2015	0.020	0.000	0.5	0.0	0.5	0.0	0.5
05/Dec/2014	05/Jun/2015	0.115	0.000	17.0	0.0	17.0	0.0	17.0
13/Mar/2015	12/Jun/2015	0.022	0.000	1.0	0.0	1.0	0.0	1.0
20/Mar/2015	19/Jun/2015	0.001	0.000	2.0	0.0	2.0	0.0	2.0
27/Mar/2015	26/Jun/2015	0.000	0.000	4.0	0.0	4.0	0.0	4.0
02/Jan/2015	03/Jul/2015	0.052	0.000	13.0	0.0	13.0	0.0	13.0
16/Jan/2015	17/Jul/2015	0.055	0.003	20.0	0.0	20.0	0.0	20.0
06/Feb/2015	07/Aug/2015	0.042	0.008	12.0	0.0	12.0	0.0	12.0
13/Feb/2015	14/Aug/2015	0.037	0.009	9.0	0.0	9.0	0.0	9.0
20/Feb/2015	21/Aug/2015	0.032	0.011	8.0	0.0	8.0	0.0	8.0
27/Feb/2015	28/Aug/2015	0.030	0.013	6.0	0.0	6.0	0.0	6.0
06/Mar/2015	04/Sep/2015	0.026	0.014	4.0	0.0	4.0	0.0	4.0
13/Mar/2015	11/Sep/2015	0.028	0.016	2.0	0.0	2.0	0.0	2.0
27/Mar/2015	25/Sep/2015	0.010	0.019	1.0	0.0	1.0	0.0	1.0
Total				205.0	3.1	197.0	11.1	208.1

[1] Amounts are at nominal prices.

[2] OMFIs include the money market funds.

[3] Includes the Malta Government sinking fund.

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

Sources: Central Bank of Malta; The Treasury.

Table 2.10 Malta government long-term debt securities outstanding[1] *(end-March 2015)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by		Amount
						MFIs[6]	Others	
6.10	2015 (I)[4]	2000	100	N/A	10/06 - 10/12	40.9	29.0	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	0.08	09/04 - 09/10	44.7	71.9	116.5
7.00	2015 (III)[3]	2005	100	0.10	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	0.10	03/05 - 03/11	0.6	0.2	0.8
3.75	2015 (VI)[4]	2010	100	0.09	03/06 - 03/12	83.7	47.8	131.5
6.65	2016 (I)[4]	2001	100	0.10	28/03 - 28/09	14.6	55.3	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	0.10	26/05 - 26/11	101.6	84.8	186.4
7.00	2016 (III)[3]	2006	100	0.10	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[4]	2011	100.93	0.08	16/02 - 16/08	140.5	17.6	158.1
3.75	2017 (IV)[4]	2012	102	0.17	20/02 - 20/08	42.6	29.4	72.0
7.00	2017 (I)[3]	2007	100	0.21	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	0.21	30/06 - 30/12	0.0	10.3	10.3
4.25	2017 (III)[4]	11/12	100/100.75/104.97/ 103.75/104.01	0.19	06/05 - 06/11	170.3	93.5	263.9
3.85	2018 (V)[4]	2012	105.26	0.24	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	0.28	15/01 - 15/07	78.7	84.3	163.1
7.00	2018 (II)[3]	2008	100	0.34	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	0.34	30/06 - 30/12	0.0	6.5	6.5
3.20	2019 (V)[4]	2013	105.12	0.43	31/01 - 31/07	79.9	41.6	121.5
6.60	2019 (I)	1999	100	0.44	01/03 - 01/09	47.4	55.1	102.5
3.00	2019 (III)[4]	2013	100	0.45	22/03 - 22/09	89.0	33.5	122.5
7.00	2019 (II)[3]	2009	100	0.55	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	0.68	10/06 - 10/12	13.3	39.1	52.4
4.60	2020 (II)[4]	2009	100	0.67	25/04 - 25/10	64.3	94.1	158.3
3.35	2020 (IV)[4]	2013	105.06	0.68	31/01 - 31/07	64.0	0.0	64.0
2.00	2020 (V)[4]	2014	101.75	0.69	26/03 - 26/09	0.6	11.4	12.1
7.00	2020 (III)[3]	2010	100	0.71	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	0.75	08/02 - 08/08	153.8	305.0	458.8
7.00	2021 (II)[3]	2011	100	0.77	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[3]	2011	100	0.77	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	0.83	16/02 - 16/08	10.1	61.0	71.0
4.30	2022 (II)[4]	2012	100.31	0.80	15/05 - 15/11	118.7	121.5	240.2
7.00	2022 (III)[3]	2012	100	0.88	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	0.96	06/01 - 06/07	17.9	60.9	78.8
7.00	2023 (II)[3]	2013	100	1.03	18/05 - 18/11	0.0	2.4	2.4
3.30	2024 (I)[4] R	2014	100.25	1.16	12/05 - 12/11	1.5	22.5	24.1
7.00	2024 (II)[3]	2014	100	1.18	18/02 - 18/08	0.0	1.1	1.1
4.80	2028 (I)[4]	2012	101.04	1.58	11/03 - 11/09	25.0	82.0	107.0
4.50	2028 (II)[4]	2013	100	1.60	25/04 - 25/10	48.3	238.4	286.7
5.10	2029 (I)[4]	2012	101.12/101	1.69	01/04 - 01/10	12.7	66.4	79.1
5.25	2030 (I)[4]	2010	100	1.79	23/06 - 23/12	115.3	324.9	440.2
5.20	2031 (I)[4] I	2011	102.88	1.96	16-03 - 16/09	30.7	170.7	201.3
4.65	2032 (I)[4] R	2013	103.03	2.08	22/01 - 22/07	14.0	126.5	140.5
4.45	2032 (II)[4]	2014	110.41	2.09	03/03 - 03/09	3.6	149.5	153.1
4.30	2033 (I)[4]	2014	104.55	2.20	01/02 - 01/08	3.9	146.8	150.7
4.10	2034 (I)[4] R	2014	100.75	2.23	18/04 - 18/10	2.0	170.9	172.9
4.10	2034 (I)[4] FI	2014	110.1444	2.23	18/04 - 18/10	13.0	14.2	27.2
3.00	2040 (I)[4] R	2015	100	2.37	11/06 - 11/12	1.6	160.7	162.3
F.R. 6-mth Euribor[7]	2015 (V)[4]	2009	100	1.700[8], (80.04)[9]	25/04 - 25/10	13.5	16.3	29.8
F.R. 6-mth Euribor[7]	2017 (V)[4]	2012	100.2	1.009[8], 4.67[9]	05/03 - 05/09	25.0	0.0	25.0
F.R. 6-mth Euribor[7]	2018 (IV)[4]	2012	99.33	1.209[8], 12.95[9]	05/03 - 05/09	30.5	0.9	31.4
F.R. 6-mth Euribor[7]	2018 (VI)[4]	2013	100.09	0.989[8], 13.5[9]	25/03 - 25/09	32.9	6.1	39.0
F.R. 6-mth Euribor[7]	2018 (VII)	2014	100.45	1.079[8], 14.65[9]	12/06 - 12/12	29.3	0.0	29.3
F.R. 6-mth Euribor[7]	2019 (IV)[4]	2013	100.31	1.089[8], 17.9[9]	25/03 - 25/09	34.8	6.0	40.8
F.R. 6-mth Euribor[7]	2020 (VI)[4]	2014	101.4356	0.939[8],39.23[9]	29/04 - 29/10	47.9	0.0	47.9
Total						1,978.6	3,089.3	5,067.9

[1] Amounts are at nominal prices.

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

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

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

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

[6] Comprising of Resident of Malta MFIs.

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

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

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

Sources: Central Bank of Malta; MSE.

Government Finance

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

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
2007	93.2	1,037.4	889.6	662.5	78.8	2,761.4
2008	208.2	969.7	1,115.7	668.9	0.0	2,962.5
2009	191.1	1,552.8	774.4	705.8	0.0	3,224.2
2010	128.4	1,810.9	767.9	608.7	295.5	3,611.5
2011	439.0	1,705.8	1,194.5	149.9	565.0	4,054.2
2012	370.3	1,650.1	1,424.8	78.8	827.7	4,351.6
2013	361.3	1,500.6	1,494.3	393.7	861.1	4,610.9
2014						
Mar.	336.8	1,541.3	1,460.7	417.7	989.8	4,746.3
June	406.7	1,500.7	1,491.2	496.9	1,085.8	4,981.3
Sep.	167.8	1,847.1	1,150.8	418.9	1,337.8	4,922.5
Dec.	349.2	1,581.5	1,162.4	472.8	1,333.7	4,899.6
2015						
Mar.	419.1	1,511.6	1,216.2	472.8	1,448.1	5,067.9

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009[3]	1.7	98.9	0.0	1.0	0.0	0.7	102.3
2010[3]	0.5	85.6	0.0	0.9	0.0	0.7	87.7
2011[3]	1.3	87.6	0.0	0.7	0.0	0.5	90.1
2012[3]	0.3	196.8	0.0	0.5	0.1	0.2	197.9
2013[3]	0.0	216.6	0.0	0.4	0.0	0.2	217.2
2014[3]							
Mar.	0.0	222.8	0.0	0.4	0.0	0.2	223.4
June	0.0	222.6	0.0	0.3	0.0	0.2	223.0
Sep.	0.0	223.5	0.0	0.3	0.0	0.2	224.0
Dec.	0.0	221.8	0.2	0.0	0.0	0.2	222.2
2015[3]							
Mar.	0.0	221.8	0.2	0.0	0.0	0.2	222.2

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

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

[3] Provisional.

Exchange Rates, External Transactions and Positions

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2005	1.1797	0.6853	138.90	1.5551	1.6109	1.3725
2006	1.3170	0.6715	156.93	1.6069	1.6691	1.5281
2007	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2008	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
2009	1.4406	0.8881	133.16	1.4836	1.6008	1.5128
2010	1.3362	0.8608	108.65	1.2504	1.3136	1.3322
2011	1.2939	0.8353	100.20	1.2156	1.2723	1.3215
2012	1.3194	0.8161	113.61	1.2072	1.2712	1.3137
2013	1.3791	0.8337	144.72	1.2276	1.5423	1.4671
2014						
Jan.	1.3516	0.8214	138.13	1.2220	1.5516	1.5131
Feb.	1.3813	0.8263	140.63	1.2153	1.5414	1.5357
Mar.	1.3788	0.8282	142.42	1.2194	1.4941	1.5225
Apr.	1.3850	0.8230	142.07	1.2200	1.4947	1.5191
May	1.3607	0.8131	138.36	1.2204	1.4635	1.4745
June	1.3658	0.8015	138.44	1.2156	1.4537	1.4589
July	1.3379	0.7928	137.66	1.2169	1.4396	1.4610
Aug.	1.3188	0.7953	137.11	1.2061	1.4123	1.4314
Sep.	1.2583	0.7773	138.11	1.2063	1.4442	1.4058
Oct.	1.2524	0.7843	140.18	1.2067	1.4249	1.4120
Nov.	1.2483	0.7953	147.69	1.2018	1.4647	1.4227
Dec.	1.2141	0.7789	145.23	1.2024	1.4829	1.4063
2015						
Jan.	1.1305	0.7511	133.08	1.0468	1.4535	1.4323
Feb.	1.1240	0.7278	134.05	1.0636	1.4358	1.3995
Mar.	1.0759	0.7273	128.95	1.0463	1.4154	1.3738
Apr.	1.1215	0.7267	133.26	1.0486	1.4161	1.3480

[1] Denote units of currency per one euro.

Source: ECB.

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2005	1.2441	0.6838	136.85	1.5483	1.6320	1.5087
2006	1.2556	0.6817	146.02	1.5729	1.6668	1.4237
2007	1.3705	0.6843	161.25	1.6427	1.6348	1.4678
2008	1.4708	0.7963	152.45	1.5874	1.7416	1.5594
2009	1.3948	0.8909	130.34	1.5100	1.7727	1.5850
2010	1.3257	0.8578	116.24	1.3803	1.4423	1.3651
2011	1.3920	0.8679	110.96	1.2326	1.3484	1.3761
2012	1.2848	0.8109	102.49	1.2053	1.2407	1.2842
2013	1.3281	0.8493	129.66	1.2311	1.3777	1.3684
2014	1.3285	0.8061	140.31	1.2146	1.4719	1.4661
2014						
Jan.	1.3610	0.8267	141.47	1.2317	1.5377	1.4884
Feb.	1.3658	0.8251	139.35	1.2212	1.5222	1.5094
Mar.	1.3823	0.8317	141.48	1.2177	1.5217	1.5352
Apr.	1.3813	0.8252	141.62	1.2189	1.4831	1.5181
May	1.3732	0.8153	139.74	1.2204	1.4755	1.4951
June	1.3592	0.8041	138.72	1.2181	1.4517	1.4728
July	1.3539	0.7931	137.72	1.2150	1.4420	1.4524
Aug.	1.3316	0.7973	137.11	1.2118	1.4306	1.4548
Sep.	1.2901	0.7911	138.39	1.2076	1.4246	1.4196
Oct.	1.2673	0.7886	136.85	1.2078	1.4436	1.4214
Nov.	1.2472	0.7905	145.03	1.2027	1.4432	1.4136
Dec.	1.2331	0.7883	147.06	1.2026	1.4928	1.4216
2015						
Jan.	1.1621	0.7668	137.47	1.0940	1.4390	1.4039
Feb.	1.1350	0.7405	134.69	1.0618	1.4568	1.4199
Mar.	1.0838	0.7236	130.41	1.0608	1.4008	1.3661
Apr.	1.0779	0.7212	128.94	1.0379	1.3939	1.3313

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

Source: ECB.

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

EUR millions

Period	Current account									Capital account	
	Goods		Services		Primary Account		Secondary Income		Total		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		Credit	Debit
2008[1]	2,489.3	3,735.3	6,669.6	5,382.8	10,060.2	10,214.1	902.6	909.1	-119.5	32.3	8.9
2009[1]	1,999.3	3,116.2	7,081.7	6,038.9	7,715.9	8,135.1	1,429.0	1,391.1	-455.4	80.7	6.3
2010[1]	2,526.5	3,777.7	7,588.5	6,376.6	6,710.2	7,055.1	1,295.2	1,258.8	-347.7	150.0	21.0
2011[1]	2,844.9	4,052.7	8,083.9	6,704.8	9,955.8	10,378.6	892.8	867.4	-226.0	98.8	17.3
2012[1]	3,195.1	4,303.5	8,587.7	7,122.7	10,006.4	10,362.8	925.3	819.4	106.2	140.7	5.8
2013[1]	2,861.6	3,952.3	8,748.4	7,230.8	9,970.8	10,308.9	1,099.4	940.8	247.4	135.6	5.7
2014[1]	2,594.5	3,714.5	8,903.3	7,276.0	9,839.3	10,323.6	1,287.3	1,096.1	214.3	144.4	6.4
2014[1]											
Q1	629.8	908.1	2,096.9	1,799.5	2,440.7	2,586.3	302.9	273.5	-97.1	30.7	1.5
Q2	666.6	929.7	2,238.1	1,809.6	2,475.4	2,530.9	331.7	273.5	168.1	67.4	1.4
Q3	667.7	935.2	2,412.8	1,865.3	2,449.6	2,655.5	331.7	273.5	132.3	35.5	2.0
Q4	630.3	941.4	2,155.6	1,801.7	2,473.7	2,550.9	321.0	275.7	10.9	10.7	1.4

EUR millions

Period	Financial account										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2008[1]	10,641.9	1,626.1	1,245.2	-1,245.0	283.8	283.8	-2,377.7	9,499.2	-108.7	-479.6	-438.5
2009[1]	-6,081.3	-7,129.4	7,594.8	1,259.8	843.4	108.1	-7,773.3	368.5	2.4	-21.0	308.5
2010[1]	3,016.9	2,332.8	4,656.3	-211.6	11.0	273.6	-5,766.0	-374.9	23.6	-78.0	100.5
2011[1]	-10,603.7	-76.2	11,750.1	127.4	0.0	246.7	3,264.5	4,148.1	-52.9	-87.9	-5.0
2012[1]	-6,441.5	995.2	8,921.5	-396.5	52.7	491.2	476.9	1,370.9	121.4	670.3	425.3
2013[1]	-6,746.8	-1,426.9	8,234.0	-669.0	66.7	171.1	-137.6	3,684.6	-38.8	-382.4	-747.0
2014[1]	-6,680.7	-1,343.3	11,754.0	719.8	256.3	834.9	-3,317.7	2,471.5	12.0	-659.1	-1,012.2
2014[1]											
Q1	-1,666.7	-1,027.5	3,407.2	797.9	0.0	50.8	-1,743.1	996.2	263.6	-556.3	-489.6
Q2	-1,827.9	-1,589.0	3,942.1	105.8	256.3	0.0	-3,413.1	644.0	160.2	-43.2	-277.6
Q3	-1,617.0	597.9	1,980.0	-334.9	0.0	761.0	1,803.2	829.1	-242.5	70.7	-94.5
Q4	-1,569.1	675.5	2,424.7	151.1	0.0	23.1	35.3	2.3	-169.3	-130.2	-150.4

[1] Provisional.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6).

Source: NSO.

Table 3.3 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange: Currency and deposits	Foreign exchange: Securities other than shares	Foreign exchange: Other reserve assets[2]	Total
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
2012[3]	12.0	106.1	55.8	81.7	271.2	6.9	533.8
2013[3]	11.1	100.1	57.7	32.2	230.0	4.3	435.4
2014[3]							
June	6.8	101.3	58.3	376.7	317.2	-2.5	857.8
July	6.9	88.4	58.9	29.8	323.5	-7.2	500.3
Aug.	6.9	108.6	57.5	20.8	316.5	-9.3	500.9
Sep.	6.8	79.5	58.8	189.9	330.6	-18.6	647.1
Oct.	6.7	79.5	58.8	8.6	336.5	-14.7	475.4
Nov.	4.5	99.1	58.6	49.8	302.3	-8.6	505.7
Dec.	3.1	100.8	53.7	35.8	330.1	-13.5	510.0
2015[3]							
Jan.	3.5	105.3	56.1	33.8	361.1	-28.3	531.4
Feb.	3.3	105.9	56.5	13.2	382.8	-17.3	544.4
Mar.	3.4	108.4	49.5	11.3	378.0	-25.8	524.6
Apr.	3.3	106.1	48.4	22.8	359.7	1.1	541.4

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

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

[3] Provisional.

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

EUR millions

Period	Direct investment: Assets	Direct investment: Liabilities	Portfolio investment: Assets	Portfolio investment: Liabilities	Financial derivatives: Assets	Financial derivatives: Liabilities	Other investments: Assets	Other investments: Liabilities	Official reserve assets	IIP (net)
2009[1]	54,117.2	138,396.4	69,125.1	4,874.9	1,913.7	607.8	66,928.7	47,880.1	395.9	721.5
2010[1]	53,512.3	122,698.9	58,780.6	5,072.3	2,009.8	542.4	58,912.6	44,424.6	404.9	882.0
2011[1]	54,117.2	138,396.4	69,125.1	4,874.9	1,913.7	607.8	66,928.7	47,880.1	395.9	721.5
2012[1]	53,323.2	146,892.4	79,284.7	5,423.3	1,996.1	587.1	69,024.9	49,506.3	533.8	1,753.5
2013[1]	52,040.7	150,860.1	84,682.3	4,471.5	1,777.2	468.1	69,324.3	50,496.1	435.4	1,964.0
2014[1]										
Mar.	51,767.9	152,684.4	88,094.3	5,009.0	2,377.6	606.9	68,786.8	51,570.6	694.6	1,850.3
June	51,335.9	152,490.7	92,928.2	5,108.6	2,539.7	510.2	65,233.4	52,346.8	857.8	2,438.7

[1] Provisional.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6).

Source: NSO.

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

EUR millions

	2010[5]	2011[5]	2012[5]	2013[5]	2014[5]			
					Mar.	June	Sep.	Dec.
General Government	376.7	420.5	592.8	652.6	599.8	588.1	587.7	583.3
Short-term	185.1	222.4	276.8	265.3	210.0	165.7	155.9	158.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	185.1	222.4	276.8	265.3	210.0	165.7	155.9	158.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	191.6	198.1	316.0	387.3	389.8	422.4	431.7	424.9
Special drawing rights (allocations)[4]	-	-	-	-	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	103.9	106.6	116.9	162.9	165.5	198.6	206.1	202.1
Loans	87.7	90.1	197.9	223.5	223.5	223.0	224.9	222.2
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	1.4	1.1	0.9	0.8	0.8	0.7	0.6
Central Bank	1,300.9	562.0	326.0	814.6	1,373.2	2,154.5	2,055.6	2,321.2
Short-term	1,300.9	562.0	326.0	814.6	1,266.3	2,046.5	1,943.2	2,207.5
Currency and Deposits (incl. repos)	1,300.9	562.0	326.0	814.6	1,265.8	2,046.5	1,943.2	2,207.5
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	106.9	108.0	112.4	113.8
Special drawing rights (allocations)[4]	-	-	-	-	106.9	108.0	112.4	113.8
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit-Taking Corporations, except the Central Bank of Malta[2]	28,068.4	29,077.6	30,059.4	29,595.0	29,996.1	29,915.0	32,140.5	32,729.9
Short-term	21,558.3	22,525.7	24,315.0	24,747.2	25,552.8	24,731.8	27,053.1	26,272.0
Currency and Deposits	16,623.0	15,544.7	17,499.2	17,422.4	17,863.0	16,287.3	18,888.6	17,941.3
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	4,753.7	6,865.8	6,687.6	7,027.2	7,318.6	8,190.6	7,792.3	7,899.3
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	181.6	115.2	128.2	297.6	371.1	253.8	372.2	431.4
Long-term	6,510.1	6,551.9	5,744.4	4,847.8	4,443.3	5,183.2	5,087.3	6,457.9
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	14.9	4.0	4.5	6.8	7.3	12.2	13.9	13.0
Loans	6,495.2	6,548.0	5,739.8	4,841.0	4,436.0	5,171.0	5,073.5	6,444.9
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Sectors[3]	15,063.1	18,267.3	18,969.5	19,926.0	20,201.7	20,320.6	20,420.3	21,000.6
Short-term	5,521.8	9,332.9	9,966.0	10,837.8	11,091.2	11,203.4	11,283.8	11,825.6
Currency and Deposits	112.9	123.2	202.3	281.3	312.3	343.3	374.3	405.3
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	1,080.9	901.1	1,061.5	681.6	658.8	616.1	583.4	530.4
Trade credit and advances	2,242.7	2,154.3	2,580.0	3,138.4	3,208.8	3,300.1	3,360.5	3,525.2
Other debt liabilities	2,085.3	6,154.2	6,122.3	6,736.5	6,911.4	6,944.0	6,965.7	7,364.7
Long-term	9,541.3	8,934.4	9,003.5	9,088.3	9,110.5	9,117.2	9,136.4	9,175.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	212.4	218.6	217.1	214.2	218.0	214.7	285.3	304.1
Loans	2,427.7	2,477.1	2,064.1	1,664.6	1,565.3	1,454.3	1,280.9	1,180.1
Trade credit and advances	6,901.3	6,238.7	6,722.4	7,209.4	7,327.1	7,448.2	7,570.2	7,690.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany Lending	28,073.6	30,002.0	31,992.8	34,016.0	34,535.6	35,104.8	35,420.7	35,955.1
Debt liabilities of direct investment enterprises to direct investors	19,706.1	21,054.3	23,039.9	25,034.6	25,587.5	25,877.0	26,496.3	27,035.7
Debt liabilities of direct investors to direct investment enterprises	8,367.5	8,947.6	8,953.0	8,981.4	8,948.0	9,227.8	8,924.4	8,919.4
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross External Debt Position	**72,882.7**	**78,329.4**	**81,940.5**	**85,004.2**	**86,706.4**	**88,083.0**	**90,624.7**	**92,590.2**
of which: Financial Institutions and Deposit-Taking Corporations, except the Central Bank of Malta	**68,048.4**	**73,791.5**	**77,329.8**	**79,636.8**	**80,723.3**	**81,293.3**	**84,160.5**	**85,720.9**
Gross External Debt Excluding Debt Liabilities of Financial Institutions and Deposit-Taking Corporations, except the Central Bank of Malta	**4,834.3**	**4,537.9**	**4,610.7**	**5,367.4**	**5,983.1**	**6,789.7**	**6,464.2**	**6,869.3**

[1] The gross external debt shows only a fraction of the overall International Investment Position of Malta with countries abroad. Gross external debt data do not comprise Malta's claims vis-à-vis foreign countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found on the website and the Quarterly Review of the Central Bank of Malta.

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

[3] Comprising financial institutions, insurance companies, non-financial corporations and NPISH.

[4] SDRs data is available from 2014.

[5] Provisional.

As from 2008, figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6).

Figures may not add up due to rounding.

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

EUR millions

	2010[2]	2011[2]	2012[2]	2013[2]	2014[2]			
					Mar.	June	Sep.	Dec.
General Government	288.3	294.8	246.4	259.3	198.7	269.1	208.4	196.8
Short-term	129.9	177.2	153.7	154.1	90.7	38.2	20.6	15.6
Currency and Deposits	-0.3	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.2
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	130.2	177.4	153.8	154.3	91.0	38.5	20.8	15.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	158.4	117.6	92.8	105.1	107.9	230.9	187.8	181.3
Special drawing rights (allocations)[4]	-	-	-	-	0.0	0.0	0.0	0.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	103.9	106.6	116.9	162.9	165.5	198.6	206.1	202.1
Loans	67.9	23.9	11.3	0.3	0.3	43.2	-7.5	-10.3
Trade credit and advances	-13.4	-12.7	-11.0	-9.7	-9.4	-9.1	-8.8	-8.5
Other debt liabilities	0.0	-0.3	-24.5	-48.4	-48.5	-1.8	-1.9	-2.0
Central Bank	-682.8	-1,806.8	-2,274.5	-1,858.7	-1,795.8	-1,258.4	-1,200.0	-869.8
Short-term	1,040.6	255.4	100.7	522.1	813.5	1,517.5	1,639.6	2,065.0
Currency and Deposits (incl. repos)	1,040.6	255.4	100.7	522.1	813.0	1,517.5	1,639.6	2,065.7
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.5	0.0	0.0	-0.7
Long-term	-1,723.4	-2,062.2	-2,375.2	-2,380.8	-2,609.3	-2,775.9	-2,839.5	-2,934.8
Special drawing rights (allocations)[4]	-	-	-	-	6.6	6.7	32.9	13.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-1,709.2	-2,045.8	-2,359.5	-2,365.2	-2,599.8	-2,766.3	-2,856.5	-2,931.8
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	-14.2	-16.3	-15.8	-15.6	-16.1	-16.3	-15.9	-16.0
Deposit-Taking Corporations, except the Central Bank of Malta[2]	-9,690.0	-8,388.6	-9,451.3	-6,775.4	-5,754.6	-4,985.3	-5,697.0	-6,822.9
Short-term	12,029.9	13,046.0	14,210.7	13,037.1	15,105.5	16,013.1	10,436.0	26,136.3
Currency and Deposits	8,457.6	6,523.1	7,618.7	5,214.3	6,409.4	6,513.8	18,888.6	17,941.3
Debt securities	-173.3	-2.0	-0.1	-20.2	-58.4	-59.3	-131.6	-79.1
Loans	3,669.3	6,458.6	6,555.8	7,632.8	8,459.6	9,395.1	-8,643.7	7,899.3
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	76.3	66.4	36.3	210.1	295.0	163.5	322.6	374.8
Long-term	-21,719.9	-21,434.6	-23,661.9	-19,812.5	-20,860.1	-20,998.4	-16,133.0	-32,959.1
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-12,141.3	-13,568.9	-16,079.8	-15,497.2	-16,526.7	-19,116.0	-20,222.0	-21,542.0
Loans	-9,578.6	-7,865.7	-7,582.1	-4,315.3	-4,333.5	-1,882.4	4,089.0	-11,417.1
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Sectors[3]	-20,590.3	-27,382.7	-29,748.7	-30,867.4	-32,046.7	-32,260.5	-32,673.4	-32,432.5
Short-term	-2,527.4	1,565.1	945.8	1,371.3	1,922.7	1,947.4	1,368.4	1,600.1
Currency and Deposits	-6,254.9	-5,924.5	-6,887.5	-7,203.2	-6,711.8	-6,719.9	-7,305.3	-7,494.8
Debt securities	-367.0	-120.7	-126.4	-147.0	-129.4	-126.5	-151.1	-152.1
Loans	1,044.8	850.6	998.7	627.3	624.2	581.1	538.6	486.7
Trade credit and advances	1,184.4	871.9	1,154.5	1,705.7	1,771.7	1,817.1	1,951.6	2,079.9
Other debt liabilities	1,865.4	5,887.8	5,806.5	6,388.5	6,368.0	6,395.6	6,334.6	6,680.4
Long-term	-18,062.9	-28,947.9	-30,694.5	-32,238.7	-33,969.4	-34,207.9	-34,041.8	-34,032.5
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-1,853.6	-2,631.3	-3,236.2	-2,579.9	-2,888.4	-3,191.7	-3,108.0	-3,204.3
Loans	1,513.7	-1,660.0	-1,933.4	-3,238.5	-3,246.9	-3,353.1	-3,442.6	-3,507.7
Trade credit and advances	-11,847.6	-18,738.9	-18,264.7	-17,820.1	-18,896.3	-18,391.1	-17,885.2	-17,380.6
Other debt liabilities	-5,875.3	-5,917.7	-7,260.3	-8,600.2	-8,937.9	-9,271.9	-9,606.0	-9,940.0
Direct Investment: Intercompany Lending	-17,690.1	-18,015.0	-15,399.5	-12,275.6	-11,617.7	-10,953.0	-10,371.7	-9,672.6
Debt liabilities of direct investment enterprises to direct investors	-10,157.0	-12,717.2	-12,973.7	-13,132.0	-13,168.1	-13,776.4	-13,372.4	-13,410.6
Debt liabilities of direct investors to direct investment enterprises	-7,533.1	-5,297.8	-2,425.7	856.5	1,550.4	2,823.3	3,000.7	3,737.9
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net External Debt	**-48,364.9**	**-55,298.3**	**-56,627.5**	**-51,517.8**	**-51,016.1**	**-49,188.1**	**-49,733.7**	**-49,600.9**
of which: Financial Institutions and Deposit-Taking Corporations, except the Central Bank of Malta	**-48,429.0**	**-54,357.0**	**-55,251.7**	**-50,921.6**	**-50,491.2**	**-49,171.6**	**-49,573.1**	**-49,857.7**
Net External Debt Excluding Debt Liabilities of Financial Institutions and Deposit-Taking Corporations, except the Central Bank of Malta	**64.1**	**-941.3**	**-1,375.8**	**-596.3**	**-524.9**	**-16.5**	**-160.6**	**256.8**

[1] A negative figure denotes a net asset position.
[2] Provisional.
[3] Comprising the non-monetary financial institutions, insurance companies, non-financial corporations and NPISH.
[4] SDRs data is available from 2014.
As from 2008, figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6).
Figures may not add up due to rounding.

Table 3.6 Malta's foreign trade[1]

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2005	1,959.1	3,117.2	(1,158.1)
2006	2,499.9	3,537.1	(1,037.2)
2007	2,597.4	3,603.9	(1,006.5)
2008[2]	2,455.8	3,897.2	(1,441.4)
2009[2]	2,087.4	3,475.3	(1,387.9)
2010[2]	2,809.3	4,331.3	(1,522.0)
2011[2]	3,819.0	5,341.4	(1,522.4)
2012[2]	4,438.8	6,189.2	(1,750.3)
2013[2]	3,925.5	5,688.5	(1,763.0)
2014[2]	3,733.9	6,368.7	(2,634.8)
2014[2]			
Jan.	347.6	455.9	(108.3)
Feb.	281.5	415.7	(134.2)
Mar.	345.0	476.7	(131.7)
Apr.	327.9	456.3	(128.3)
May	355.5	483.6	(128.1)
June	286.2	643.6	(357.3)
July	323.2	622.3	(299.1)
Aug.	264.4	555.0	(290.6)
Sep.	336.8	616.3	(279.4)
Oct.	341.3	654.8	(313.5)
Nov.	289.7	526.5	(236.9)
Dec.	234.7	462.1	(227.3)
2015[2]			
Jan.	297.4	399.3	(101.9)
Feb.	241.1	611.9	(370.8)
Mar.	303.4	505.7	(202.3)

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

Exchange Rates, External Transactions and Positions

Table 3.7 Direction of trade - exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):											
	France	Germany	Italy	Other euro area	Total	UK	Other EU	Total	Asia	USA	Others	
2008[2]	237.3	270.4	114.6	99.9	722.2	165.4	66.5	954.2	713.9	183.0	604.7	2,455.8
2009[2]	187.4	222.0	105.2	141.9	656.5	100.5	63.8	820.7	528.1	152.3	586.2	2,087.4
2010[2]	238.6	281.6	157.6	229.0	906.8	131.4	111.0	1,149.1	686.5	196.1	777.6	2,809.3
2011[2]	244.9	326.2	171.2	291.3	1,033.6	150.4	117.8	1,301.9	1,092.1	169.0	1,256.0	3,819.0
2012[2]	296.9	358.5	174.2	212.6	1,042.2	124.6	129.2	1,296.0	1,020.4	198.0	1,924.4	4,438.8
2013[2]	253.0	348.6	154.1	197.8	953.5	107.8	184.7	1,246.1	1,059.6	170.0	1,449.8	3,925.5
2014[2]	203.8	306.6	159.9	160.6	831.0	99.2	170.9	1,101.1	767.4	164.1	1,701.4	3,733.9
2015[2]												
Jan.	13.4	20.8	15.3	10.8	60.3	6.9	7.3	74.5	69.8	7.9	145.2	297.4
Feb.	26.6	23.7	7.4	7.0	64.8	20.6	6.4	91.8	58.3	9.5	81.4	241.1
Mar.	12.2	28.5	8.4	8.8	58.0	21.3	5.8	85.0	75.2	12.1	131.1	303.4

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

Table 3.8 Direction of trade - imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):											
	France	Germany	Italy	Other euro area	Total	UK	Other EU	Total	Asia	USA	Others	
2008[2]	381.4	267.6	1,027.5	484.6	2,161.0	457.5	137.2	2,755.8	597.8	86.8	456.8	3,897.2
2009[2]	338.9	272.4	861.4	463.3	1,936.0	380.3	109.6	2,425.9	457.7	124.7	467.0	3,475.3
2010[2]	338.5	295.2	1,067.3	495.2	2,196.2	359.7	161.8	2,717.7	611.7	92.8	909.2	4,331.3
2011[2]	376.1	317.8	1,447.7	525.5	2,667.1	362.7	329.7	3,359.5	641.9	225.3	1,114.7	5,341.4
2012[2]	369.1	320.0	1,988.7	659.4	3,337.2	372.7	242.0	3,951.8	769.9	134.1	1,333.3	6,189.2
2013[2]	285.6	321.2	1,410.0	671.7	2,688.6	309.2	296.1	3,293.9	827.6	187.9	1,379.1	5,688.5
2014[2]	223.8	320.2	1,167.0	781.9	2,493.0	382.7	319.6	3,195.3	733.6	610.2	1,829.6	6,368.7
2015[2]												
Jan.	12.2	24.9	79.0	28.8	145.0	22.6	29.6	197.2	58.9	54.3	88.8	399.3
Feb.	14.3	24.3	68.6	95.9	203.0	26.9	21.9	251.8	52.1	20.6	287.4	611.9
Mar.	13.8	28.2	101.9	40.0	183.8	22.3	38.3	244.5	55.8	13.7	191.7	505.7

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

Real Economy Indicators

Table 4.1a Gross domestic product, gross national income and expenditure components (in line with ESA 2010) *(at current market prices)*[1]

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net		
2008	3,605.5	1,209.4	1,203.1	126.0	6,143.9	9,099.7	9,114.9	-15.2	6,128.7	6,032.6
2009	3,742.3	1,213.9	1,114.8	159.9	6,230.9	9,068.9	9,161.2	-92.3	6,138.6	5,805.4
2010	3,814.9	1,286.4	1,411.6	146.6	6,659.6	10,114.1	10,174.2	-60.1	6,599.5	6,321.3
2011	4,025.8	1,343.8	1,202.9	132.1	6,704.6	10,988.8	10,800.4	188.3	6,892.9	6,669.3
2012	4,129.6	1,446.4	1,316.7	-54.9	6,837.9	11,857.0	11,491.8	365.2	7,203.1	6,886.3
2013	4,254.3	1,478.6	1,360.4	2.9	7,096.2	11,776.3	11,364.2	412.1	7,508.3	7,192.6
2014	4,397.7	1,606.2	1,530.6	-131.2	7,403.3	11,826.0	11,317.2	508.8	7,912.1	7,632.5
2014										
Q1	1,048.9	385.7	399.9	-15.3	1,819.2	2,779.2	2,762.1	17.0	1,836.2	1,777.1
Q2	1,088.4	412.8	349.9	-36.9	1,814.2	3,012.4	2,854.1	158.3	1,972.4	1,982.8
Q3	1,124.3	392.8	340.9	-48.3	1,809.8	3,154.6	2,874.8	279.8	2,089.6	1,912.9
Q4	1,136.1	414.9	439.9	-30.8	1,960.2	2,879.8	2,826.1	53.7	2,013.9	1,959.8
2015										
Q1	1,074.6	405.1	334.0	28.2	1,842.0	2,766.7	2,661.6	105.1	1,947.1	1,899.6

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

Table 4.1b Gross domestic product and expenditure components – chain-linked volumes 2010 prices (in line with ESA 2010)[1]

EUR millions

Period	Domestic demand				External balance		Gross Domestic Product[3]
	Private consumption[2]	General government consumption	Gross fixed capital formation	Total[4]	Exports of goods and services	Imports of goods and services	
2008	3,755.0	1,309.9	1,266.3	6,331.2	9,504.5	9,424.0	6,534.6
2009	3,822.7	1,266.2	1,116.4	6,205.3	9,462.8	9,452.5	6,373.7
2010	3,814.9	1,286.4	1,411.6	6,513.0	10,114.1	10,174.2	6,599.5
2011	3,929.5	1,327.0	1,150.7	6,407.2	10,346.6	10,149.0	6,742.8
2012	3,933.9	1,401.5	1,201.9	6,537.3	11,041.9	10,634.9	6,909.3
2013	4,005.8	1,397.7	1,215.6	6,619.2	10,943.8	10,525.9	7,082.4
2014	4,141.2	1,497.7	1,333.9	6,972.8	11,061.5	10,501.6	7,311.2
2014							
Q1	983.0	357.0	350.8	1,690.8	2,636.6	2,663.9	1,637.8
Q2	1,021.2	388.0	305.7	1,714.9	2,727.6	2,594.1	1,781.3
Q3	1,068.5	364.6	296.5	1,729.7	3,011.0	2,655.5	2,003.9
Q4	1,068.5	388.0	380.8	1,837.3	2,686.4	2,588.1	1,888.2
2015							
Q1	1,006.0	369.9	286.5	1,662.3	2,490.6	2,452.6	1,702.9

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Chain-linking components of GDP may not add up to the aggregate series mainly because chain-linked volumes are calculated by separately extrapolating both totals and their sub-components. Moreover, results could prove to be erratic when chain-linking for variables with a potentially changing sign. Thus, variables that are regularly susceptible to this phenomenon are not compiled by the NSO.
[4] Not inclusive of changes in inventories due to the issue highlighted in footnote 3 regarding chain-linked components.
Sources: NSO; Eurostat.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	145.0	1,170.6
2006	73.4	125.8	112.5	151.1	462.9	431.3	79.3	973.5	150.7	1,124.2
2007	75.1	130.1	113.7	177.8	496.7	482.4	103.5	1,082.6	160.9	1,243.5
2008	81.1	150.8	144.5	205.4	581.7	454.4	97.4	1,133.6	157.3	1,290.9
2009	71.9	127.4	161.7	197.8	558.8	398.5	87.0	1,044.3	138.1	1,182.5
2010	86.5	126.2	221.0	211.1	644.9	415.2	103.5	1,163.6	176.7	1,340.3
2011	103.7	134.4	201.6	213.1	652.8	438.7	116.7	1,208.2	206.8	1,415.0
2012	107.9	137.5	202.2	206.9	654.6	441.3	130.8	1,226.7	216.8	1,443.4
2013	116.5	147.1	233.8	211.8	709.3	454.6	152.8	1,316.7	265.4	1,582.2
2014	126.2	143.1	262.6	220.8	752.7	487.7	176.8	1,417.2	272.6	1,689.8
2013										
Jan.	3.7	7.9	12.1	7.1	30.9	18.3	4.1	53.3	11.6	64.9
Feb.	2.6	7.7	9.9	5.9	26.1	21.9	2.9	51.0	10.5	61.4
Mar.	6.3	12.1	12.5	11.0	41.9	29.7	4.5	76.1	13.1	89.3
Apr.	11.2	13.1	21.0	20.5	65.8	39.1	12.8	117.7	15.5	133.2
May	16.0	11.9	18.0	25.2	71.1	43.1	17.6	131.8	23.6	155.4
June	12.2	13.0	21.5	21.4	68.0	48.4	17.2	133.5	29.3	162.9
July	12.4	10.9	26.4	26.5	76.1	48.6	21.0	145.7	36.2	181.9
Aug.	19.7	16.6	42.4	30.9	109.6	55.0	20.3	185.0	33.3	218.3
Sep.	11.6	17.5	25.3	24.3	78.7	49.2	19.7	147.5	28.9	176.4
Oct.	11.2	19.2	17.8	21.4	69.6	51.6	20.8	142.0	31.3	173.3
Nov.	5.9	11.6	13.8	11.4	42.7	30.6	8.2	81.5	18.4	99.9
Dec.	3.8	5.5	13.1	6.3	28.8	19.1	3.7	51.5	13.8	65.3
2014										
Jan.	3.6	5.6	11.3	7.9	28.3	19.7	4.7	52.7	16.8	69.5
Feb.	3.4	4.6	9.9	7.3	25.2	23.7	3.5	52.5	12.8	65.3
Mar.	6.7	12.5	16.4	10.2	45.8	29.5	5.9	81.2	16.6	97.8
Apr.	12.5	13.5	24.7	17.9	68.6	43.9	14.2	126.7	21.5	148.2
May	18.3	10.2	19.8	24.5	72.9	48.9	17.8	139.5	27.0	166.5
June	13.9	14.5	23.8	24.1	76.3	51.4	19.1	146.7	30.7	177.4
July	13.5	9.4	30.2	29.2	82.2	50.7	29.3	162.2	35.2	197.4
Aug.	20.7	18.0	47.9	32.7	119.2	60.0	24.3	203.4	31.7	235.1
Sep.	11.0	17.5	28.3	25.3	82.0	55.5	21.0	158.5	26.9	185.4
Oct.	13.4	18.2	21.8	23.0	76.4	52.4	21.9	150.7	27.2	178.0
Nov.	6.3	11.6	15.6	12.0	45.4	32.5	9.6	87.5	15.4	102.9
Dec.	3.0	7.4	13.1	6.8	30.4	19.6	5.5	55.5	10.7	66.2
2015										
Jan.	5.1	7.5	13.7	8.5	34.8	21.3	5.1	61.2	13.1	74.3
Feb.	5.0	7.1	13.5	8.8	34.4	24.2	5.9	64.5	10.1	74.5
Mar.	6.9	10.0	19.5	11.2	47.6	32.0	7.5	87.1	14.7	101.8

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

Source: NSO.

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	103.6	42.6	146.2	97.8	41.0	138.8	5.7	5.5	1.6	3.7	7.3	5.0
2006	103.7	43.8	147.5	98.1	42.1	140.2	5.5	5.3	1.7	3.8	7.1	4.8
2007	103.9	45.3	149.3	98.9	43.8	142.7	4.9	4.7	1.5	3.4	6.4	4.3
2008	104.7	47.4	152.1	99.9	46.0	145.9	4.8	4.5	1.4	2.9	6.1	4.0
2009	104.3	48.5	152.8	98.6	46.8	145.5	5.7	5.5	1.7	3.5	7.4	4.8
2010	104.0	49.7	153.7	98.6	48.3	146.8	5.4	5.2	1.5	2.9	6.9	4.5
2011	104.5	51.9	156.3	99.3	50.5	149.8	5.2	5.0	1.4	2.7	6.6	4.2
2012	105.1	54.0	159.1	99.8	52.5	152.3	5.3	5.0	1.5	2.8	6.8	4.3
2013	107.4	57.6	165.0	101.8	55.8	157.6	5.6	5.2	1.8	3.1	7.4	4.5
2014[3]	109.7	60.6	170.3	104.4	58.9	163.3	5.3	4.8	1.7	2.8	7.0	4.1
2013												
Jan.	106.2	56.1	162.3	100.7	54.4	155.1	5.6	5.2	1.7	3.0	7.2	4.5
Feb.	106.4	56.3	162.7	100.8	54.6	155.4	5.6	5.3	1.7	3.0	7.3	4.5
Mar.	106.2	56.4	162.6	100.6	54.7	155.3	5.6	5.3	1.7	3.1	7.4	4.5
Apr.	106.5	56.9	163.4	101.0	55.2	156.2	5.5	5.2	1.7	3.0	7.2	4.4
May	106.9	57.1	164.0	101.3	55.4	156.7	5.6	5.2	1.7	3.0	7.3	4.4
June	107.4	57.6	164.9	101.8	55.8	157.7	5.6	5.2	1.7	3.0	7.3	4.4
July	108.2	58.2	166.4	102.7	56.4	159.1	5.5	5.1	1.8	3.1	7.3	4.4
Aug.	108.1	58.2	166.3	102.5	56.4	158.9	5.7	5.2	1.8	3.1	7.5	4.5
Sep.	108.1	58.3	166.3	102.3	56.4	158.7	5.7	5.3	1.9	3.2	7.6	4.6
Oct.	108.2	58.7	166.9	102.5	56.8	159.3	5.7	5.3	1.9	3.2	7.6	4.5
Nov.	108.3	58.8	167.1	102.5	56.9	159.4	5.8	5.4	1.8	3.1	7.6	4.6
Dec.	108.0	58.7	166.7	102.4	56.9	159.3	5.6	5.2	1.8	3.0	7.4	4.4
2014[3]												
Jan.	108.5	59.2	167.7	102.6	57.3	159.9	5.9	5.4	1.9	3.2	7.8	4.6
Feb.	108.8	59.5	168.3	103.0	57.6	160.5	5.8	5.4	1.9	3.2	7.8	4.6
Mar.	108.9	59.6	168.5	103.1	57.8	160.8	5.8	5.3	1.9	3.1	7.6	4.5
Apr.	109.1	59.8	168.8	103.5	58.0	161.6	5.6	5.1	1.7	2.9	7.3	4.3
May	109.3	60.0	169.3	103.8	58.3	162.2	5.4	5.0	1.7	2.8	7.1	4.2
June	109.9	60.7	170.5	104.7	59.1	163.8	5.2	4.7	1.6	2.6	6.8	4.0
July	110.5	61.2	171.7	105.3	59.5	164.9	5.2	4.7	1.6	2.7	6.8	4.0
Aug.	110.2	61.2	171.4	105.2	59.6	164.7	5.1	4.6	1.6	2.7	6.7	3.9
Sep.	110.3	61.4	171.8	105.3	59.8	165.2	5.0	4.5	1.6	2.6	6.6	3.8
Oct.	110.4	61.6	172.0	105.4	60.0	165.4	5.0	4.5	1.6	2.6	6.6	3.8
Nov.	110.3	61.6	172.0	105.4	60.1	165.5	4.9	4.5	1.6	2.5	6.5	3.8
Dec.	110.2	61.5	171.7	105.4	60.1	165.4	4.8	4.4	1.5	2.4	6.3	3.7

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

Real Economy Indicators

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2008	111.9	56.8	168.7	105.6	53.0	158.6	6.2	5.6	3.8	6.8	10.1	6.0
2009	112.9	58.4	171.3	105.6	53.9	159.5	7.3	6.5	4.5	7.7	11.8	6.9
2010	114.4	60.2	174.6	106.7	55.9	162.6	7.7	6.7	4.3	7.1	12.0	6.8
2011	115.0	62.9	177.9	108.2	58.4	166.6	6.9	6.0	4.5	7.1	11.3	6.4
2012	114.9	66.9	181.8	108.3	62.0	170.3	6.6	5.7	4.9	7.3	11.5	6.3
2013	117.2	70.7	187.9	109.6	66.3	175.9	7.6	6.5	4.4	6.2	12.0	6.4
2014[3]	119.0	73.6	192.6	111.7	69.6	181.3	7.3	6.1	4.0	5.4	11.3	5.9
2014[3]												
Q1	117.8	72.8	190.6	110.3	69.0	179.3	7.5	6.4	3.8	5.3	11.3	5.9
Q2	118.6	74.1	192.7	111.5	70.0	181.5	7.1	6.0	4.0	5.4	11.1	5.8
Q3	119.8	76.0	195.8	112.6	71.8	184.4	7.2	6.0	4.2	5.5	11.4	5.8
Q4	119.9	71.4	191.3	112.5	67.6	180.1	7.4	6.2	3.8	5.3	11.2	5.9

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

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

Period	Total	Apartments	Maisonettes	Terraced houses	Others[2]
2008	174.1	172.7	181.4	201.5	173.7
2009	165.3	162.2	173.7	207.8	169.6
2010	167.1	166.4	171.8	199.4	178.5
2011	169.3	173.0	174.5	197.6	172.5
2012	170.1	172.5	173.5	185.5	172.4
2013	173.7	175.1	184.5	193.0	179.7
2014	185.7	189.3	183.6	203.2	202.6
2014					
Q1	183.4	187.3	180.8	205.6	196.0
Q2	184.3	183.9	185.9	206.8	206.7
Q3	186.7	189.5	183.0	205.9	202.6
Q4	188.6	196.3	184.8	194.5	205.3
2015					
Q1	193.1	200.0	199.6	194.5	193.0

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

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

Period	Commercial and social								Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking	Total		
2005	293	33	217	16	25	43	103	730	2,980	3,710
2006	267	38	169	9	26	30	84	623	3,129	3,752
2007	325	27	185	8	14	30	60	649	3,018	3,667
2008	182	29	137	6	14	8	66	442	2,475	2,917
2009	160	31	123	6	20	23	47	410	2,281	2,691
2010	293	55	231	10	46	118	79	832	1,522	2,354
2011	192	33	256	4	47	74	49	655	1,065	1,720
2012	169	33	247	17	32	87	58	643	955	1,598
2013	123	33	266	15	49	43	47	576	964	1,540
2014	124	35	347	29	42	55	78	710	921	1,631

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

[2] Includes quarrying.

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

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

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

Source: Malta Environment & Planning Authority.

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

Period	Number of permits[2]			Number of units[3]				
	New dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2005	1,852	570	2,422	7,539	1,058	363	121	9,081
2006	2,502	492	2,994	8,961	932	375	141	10,409
2007	2,636	411	3,047	10,252	696	257	138	11,343
2008	1,770	375	2,145	6,184	361	164	127	6,836
2009	1,241	368	1,609	4,616	400	182	100	5,298
2010	1,499	1,020	2,519	3,736	375	227	106	4,444
2011	1,159	832	1,991	3,276	401	191	87	3,955
2012	958	700	1,658	2,489	298	202	75	3,064
2013	1,004	808	1,812	2,062	350	209	84	2,705
2014	1,074	971	2,045	2,221	414	204	98	2,937

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

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

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

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Real Economy Indicators

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

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
1946	100.00	-	*(continued)*		
1947	104.90	4.90	1981	408.16	11.50
1948	113.90	8.58	1982	431.83	5.80
1949	109.70	-3.69	1983	428.06	-0.87
1950	116.90	6.56	1984	426.18	-0.44
1951	130.10	11.29	1985	425.17	-0.24
1952	140.30	7.84	1986	433.67	2.00
1953	139.10	-0.86	1987	435.47	0.42
1954	141.20	1.51	1988	439.62	0.95
1955	138.80	-1.70	1989	443.39	0.86
1956	142.00	2.31	1990	456.61	2.98
1957	145.70	2.61	1991	468.21	2.54
1958	148.30	1.78	1992	475.89	1.64
1959	151.10	1.89	1993	495.59	4.14
1960	158.80	5.10	1994	516.06	4.13
1961	164.84	3.80	1995	536.61	3.98
1962	165.16	0.19	1996	549.95	2.49
1963	168.18	1.83	1997[2]	567.95	3.27
1964	172.00	2.27	1998	580.61	2.23
1965	174.70	1.57	1999	593.00	2.13
1966	175.65	0.54	2000	607.07	2.37
1967	176.76	0.63	2001	624.85	2.93
1968	180.42	2.07	2002	638.54	2.19
1969	184.71	2.38	2003	646.84	1.30
1970	191.55	3.70	2004	664.88	2.79
1971	196.00	2.32	2005	684.88	3.01
1972	202.52	3.33	2006	703.88	2.77
1973	218.26	7.77	2007	712.68	1.25
1974	234.16	7.28	2008	743.05	4.26
1975	254.77	8.80	2009	758.58	2.09
1976	256.20	0.56	2010	770.07	1.51
1977	281.84	10.01	2011	791.02	2.72
1978	295.14	4.72	2012	810.16	2.42
1979	316.21	7.14	2013	821.34	1.38
1980	366.06	15.76	2014	823.89	0.31

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

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

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

Period	All Items Index	12-month moving average rates of change (%)[1]										
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2005	90.1	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	92.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	93.8	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008	97.8	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
2009	99.8	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
2010	101.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
2011	104.1	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2012	106.6	2.4	4.7	4.4	-1.7	0.4	1.3	2.1	2.1	1.1	1.2	4.4
2013	108.1	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5
2014	108.4	0.3	0.5	4.4	0.9	0.5	-13.8	1.5	-0.5	1.1	2.9	0.5
2014												
Jan.	107.3	1.2	4.4	4.5	0.0	1.0	-0.6	1.4	-2.4	2.2	2.2	0.3
Feb.	107.8	1.2	4.0	4.8	-0.1	0.9	-0.6	1.4	-2.2	2.1	2.2	0.1
Mar.	108.4	1.1	3.7	5.1	-0.1	0.8	-0.6	1.5	-2.2	2.0	2.2	-0.1
Apr.	108.1	1.0	3.2	5.3	-0.6	0.7	-2.0	1.5	-1.9	1.9	2.2	-0.2
May	108.2	0.8	2.8	5.2	-0.5	0.6	-3.5	1.6	-2.1	1.8	2.3	-0.2
June	108.4	0.7	2.2	5.2	-0.3	0.5	-4.9	1.9	-2.0	1.7	2.5	-0.2
July	108.3	0.5	1.7	5.1	-0.7	0.5	-6.4	2.0	-1.9	1.6	2.6	-0.2
Aug.	108.1	0.4	1.1	5.0	-0.5	0.6	-7.9	2.1	-1.8	1.5	2.8	-0.1
Sep.	108.4	0.3	0.7	4.9	0.1	0.6	-9.4	2.0	-1.5	1.4	2.9	0.0
Oct.	108.9	0.3	0.5	4.8	0.7	0.5	-10.9	1.8	-1.1	1.4	2.9	0.1
Nov.	109.5	0.4	0.7	4.7	0.7	0.5	-12.4	1.7	-0.7	1.3	2.9	0.2
Dec.	109.7	0.3	0.5	4.4	0.9	0.5	-13.8	1.5	-0.5	1.1	2.9	0.5
2015												
Jan.	108.0	0.3	0.8	4.1	1.2	0.5	-15.4	1.2	-0.3	1.1	2.8	0.7
Feb.	108.6	0.3	1.1	3.8	1.2	0.4	-17.0	1.0	-0.4	1.1	2.7	0.9
Mar.	109.1	0.2	1.3	3.5	1.5	0.4	-18.7	0.7	-0.4	1.0	2.7	1.0
Apr.	109.8	0.4	1.6	3.3	2.4	0.4	-17.5	0.6	-0.6	1.0	2.6	1.3

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

Source: NSO.

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

Period	All Items Index	12-month moving average rates of change (%)											
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2008	108.1	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
2009	110.1	1.8	6.4	3.6	-0.4	7.0	1.0	4.4	-4.3	-1.3	-0.6	6.9	1.3	2.2
2010	112.4	2.0	1.1	3.3	-2.3	10.1	1.1	2.0	2.2	-6.0	-1.7	7.8	5.5	3.4
2011	115.2	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2012	118.9	3.2	5.7	4.2	-1.5	0.4	3.2	1.7	4.8	-6.6	0.6	3.6	6.1	2.1
2013	120.1	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-0.9	-8.8	2.2	4.4	-1.0	1.7
2014	121.0	0.8	0.2	7.7	0.8	-6.1	1.9	0.8	0.0	-1.0	1.3	6.4	2.4	0.8
2014														
Jan.	116.9	0.9	4.0	6.9	0.5	0.6	1.7	1.7	-1.2	-8.1	2.0	4.9	-1.1	1.5
Feb.	117.8	0.8	3.6	7.7	0.3	0.6	1.7	1.6	-1.2	-7.4	1.9	5.4	-0.9	1.2
Mar.	118.9	0.8	3.3	8.4	0.4	0.6	1.8	1.5	-1.3	-6.6	1.7	5.9	-0.7	1.1
Apr.	121.2	0.8	2.8	8.9	-0.1	-0.1	1.8	1.4	-1.1	-6.0	1.6	6.0	-0.4	1.0
May	122.4	0.8	2.5	8.9	-0.1	-0.9	1.8	1.3	-1.3	-5.3	1.4	6.2	0.1	0.9
June	123.8	0.8	2.0	8.9	0.0	-1.6	2.1	1.3	-1.2	-4.6	1.4	6.3	0.6	0.9
July	123.8	0.8	1.4	8.8	-0.5	-2.3	2.3	1.2	-1.1	-4.0	1.3	6.5	1.1	0.8
Aug.	124.0	0.8	0.9	8.7	-0.3	-2.9	2.4	1.2	-1.0	-3.3	1.3	6.6	1.6	0.8
Sep.	122.7	0.8	0.5	8.6	0.2	-3.6	2.2	1.1	-0.7	-2.5	1.3	6.7	1.8	0.8
Oct.	122.0	0.8	0.4	8.5	0.8	-4.4	2.2	1.0	-0.4	-1.7	1.3	6.6	1.9	0.8
Nov.	119.3	0.8	0.4	8.4	0.7	-5.3	2.1	0.9	-0.2	-0.9	1.3	6.5	2.2	0.7
Dec.	119.2	0.8	0.2	7.7	0.8	-6.1	1.9	0.8	0.0	-1.0	1.3	6.4	2.4	0.8
2015														
Jan.	117.9	0.8	0.4	7.0	1.1	-6.9	1.7	0.8	0.2	-1.1	1.4	6.3	2.5	1.1
Feb.	118.4	0.7	0.5	6.3	1.1	-7.7	1.4	0.7	0.1	-1.0	1.4	6.2	2.5	1.3
Mar.	119.5	0.6	0.7	5.7	1.4	-8.6	1.0	0.7	0.0	-1.0	1.4	6.2	2.5	1.5
Apr.	122.9	0.7	0.9	5.2	2.2	-7.9	0.8	0.6	-0.2	-1.0	1.4	6.2	2.4	1.7

Sources: NSO; Eurostat.

GENERAL NOTES

MONETARY, BANKING, INVESTMENT FUNDS, FINANCIAL MARKETS

General monetary statistical standards

Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's Monetary and Financial Statistics Manual (2000). Since January 2008, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2008/32 of 19 December 2008 concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the European System of National and Regional Accounts (ESA 1995). As from September 2014, ESA 1995 was replaced by the European System of National and Regional Accounts (ESA 2010).

Institutional balance sheets and financial statements

The "Financial statement of the Central Bank of Malta" is based on accounting principles as established in ECB Guideline 2010/20 (as amended) of 11 November 2010 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in the "Balance sheet of the Central Bank of Malta based on statistical principles", which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2008/32. Important changes to data on currency issued and reserve assets following the adoption of the euro are explained below in the "measures of money" and in the "external statistics" section, respectively.

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

Determination of "residence"

Monetary data are based on the classification of transactions and positions by the residence of the transactor or holder. A transactor is an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. ESA 2010 stipulates that the units which constitute the economy of a country are those which are resident in the economy. An institutional unit is resident in a country when it has its "centre of predominant economic interest" in the economic territory of that country. Such units are known as resident units, irrespective of nationality, legal form or presence on the economic territory at the time they carry out a transaction. "Centre of predominant economic interest" indicates that a location exists within the economic territory of a country where a unit engages in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). The ownership of land and buildings within the economic territory is deemed to be sufficient for the owner to have a centre of predominant economic interest there. In the absence of any physical dimension to an enterprise, its residence is determined according to the economic territory under whose laws the enterprise is incorporated or registered.

Whereas special purposes entities (SPE) were classified as non-residents, in accordance with ESA 1995, ESA 2010 requires that these are classified as residents of Malta. Data has been revised at least as from June 2010. An SPE is usually a limited company or a limited partnership, created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific taxation or a regulatory risk. There is no common definition of an SPE, but the following characteristics are typical: they have only few employees and do not have non-financial assets; they have little physical presence beyond a "brass plate" or sign confirming their place of registration; they are always related to another corporation, often as a subsidiary; and they are resident in a different territory from the territory of residence of the related corporations.

Diplomatic bodies, embassies, consulates and other entities of foreign governments are considered to be residents of the country they represent.

In national monetary statistics, the key distinction between residents and non-residents of Malta remains relevant for national statistical purposes. After Malta joined the euro area, the key distinction, in particular for the purposes of the table entitled, "The contribution of resident MFIs to the euro area monetary aggregates" and in other tables, is between residence in Malta or elsewhere in the euro area and residence outside the euro area.

Sector classification

In accordance with ESA 2010 and ECB Regulation 2008/32 (Recast), the main sectors of the Maltese (and euro area) economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Financial corporations
- (1) Monetary financial institutions (MFIs)
  - i. Central bank
  - ii. Other monetary financial institutions
- (2) Other financial corporations
  - i. Non-MMF Investment Funds
  - ii. Other financial intermediaries and financial auxiliaries
  - iii. Captive Financial Institutions and money lenders

(b) Insurance corporations and pension funds

(c) General government
- i. Central government
- ii. Other General Government

(d) Non-financial corporations
- i. Public non-financial corporations
- ii. Private non-financial corporations

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

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

(a) Financial corporations

The financial corporations sector comprises the monetary financial institutions (MFIs) sector and the rest of the financial corporations sector, the latter known as the other financial corporations (OFIs) sector:

(1) 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 conducts financial market operations, and holds the international reserves of the country. The Central Bank of Malta is part of the Eurosystem, which comprises the ECB and the NCBs of the member countries of the euro area.

ii. Other monetary financial institutions (OMFIs) consist almost entirely of credit institutions. The business of OMFIs is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. Credit institutions licensed in Malta comprise banks licensed by the competent authority under the Banking Act (Cap. 371). In accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/, a credit institution is an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account. OMFIs include the resident branches and subsidiaries of banks with headquarters abroad.

Money Market Funds (MMFs) fulfil the MFI definition and the agreed conditions for liquidity and are therefore included in the OMFI sector. MMFs are defined as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments.

(2) Other financial corporations consist of:

i. Non-MMF Investment Funds

The non-MMF Investment Funds subsector consists of all collective investment schemes which are principally engaged in financial intermediation. MMFs are excluded from this sub-sector. The business of the non-MMF Investment Funds sector is to issue investment fund shares or units which are not close substitutes for deposits and on their own account to make investments primarily in financial assets other than short-term financial assets and in non-financial assets (usually real estate)

ii. Other financial intermediaries and financial auxiliaries

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: financial vehicle corporations engaged in securitisation transactions, long-term financing, financial leasing, factoring, security and derivative dealing.

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

iii. Captive Financial Institutions and money lenders
In accordance with ESA 2010, holding corporations are to be classified within the financial sector as captive financial institutions. The adoption of ESA 2010 in the domestic context required a reclassification resulting in a shift of financial assets and liabilities from the non-financial corporations sector to the financial corporations sector. Special Purpose Entities (SPEs) are to be classified under this subsector with the exception of captive insurance companies and professional investment funds which will be classified in the insurance sector and investment funds categories, respectively.

(b) Insurance corporations and pension funds
This sector comprises non-monetary financial corporations principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance corporations are principally engaged in such activities mainly in the form of direct insurance or reinsurance. They consist of incorporated, mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or groups of units. This sector also includes services of reinsurance to other insurance corporations and captive insurance companies. The latter consists of insurers which are normally owned by a non-financial corporation and mostly insure the risks of their shareholders.

Pension funds are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability.

(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. Broadly speaking, non-market production means that the entity does not charge "economically significant" prices such that sales cover at least 50% of production costs. The sector is sub-divided into:

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

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

The public sector (which is not an institutional sector in the ESA 2010) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 2010), the latter being those companies that are owned by government or are subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging "economically significant" prices such that sales cover at least 50% of production costs).

(d) Non-financial corporations
This sector comprises corporations engaged principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities, which are subdivided into:

i. Public non-financial corporations, i.e. companies that are subject to control by government units – see the notes on non-monetary financial corporations for a definition of control.

ii. Private non-financial corporations, i.e. companies that are controlled by non-government units, whether resident or non-resident.

(e) Households and non-profit institutions serving households (NPISH)
This sector comprises individuals or groups of individuals that are consumers and producers of goods and non-financial services exclusively intended for their own final consumption. It includes also non-profit institutions serving households. They are separate legal entities, serving households and which are private non-market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income. They are principally engaged in the production of non-market goods and services intended for particular sections of households (churches, clubs, societies, trade unions, etc.) and market-producing cooperatives, partnerships and sole proprietorships that are not recognised as independent legal entities. Thus many small businesses are included in the household sector.

Classification of economic activities

The classification of economic activities follows the standards of Regulation EC No 1893/2006 of the European Parliament and of the Council of 20 December 2006, entitled "Statistical classification of economic activities in the European Community", known by the acronym NACE Rev.2.

Measures of money

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Maltese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem (comprising the ECB and the national central banks of the other EU Member States in the euro area) in the total issue of banknotes in the area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column "Banknotes in circulation" in the "Financial Statements of the Bank" will be a notional amount conforming to the banknote allocation key, and may be quite different from the amount of euro banknotes in the hands of Maltese residents. Moreover, Maltese residents' holdings of M3 within the euro area aggregate will include their holdings of deposits and other monetary instruments issued by MFIs anywhere in the euro area, the amount of which is not known.

The Table entitled "The contribution of resident MFIs to the euro area monetary aggregates" shows the contribution of Maltese MFIs to the euro area totals. This comprises the notional issue of euro currency attributed to the Bank according to the banknote allocation key, plus the issue of coins (where the Central Bank acts as agent of the Treasury), and, for 2008 only, remaining amounts of Maltese lira currency notes outstanding less holdings of euro banknotes and coins and, temporarily, of Maltese lira currency reported by MFIs in Malta; deposits held by Maltese residents and by residents of other euro area countries with MFIs in Malta excluding any holdings belonging to central governments (since central government holdings of deposits are excluded from the ECB's monetary aggregates) and any interbank deposits; repurchase agreements that are not conducted through central counterparties; any marketable instruments of the kind included in euro area M3 issued by MFIs in Malta less holdings by Maltese MFIs of such instruments issued by MFIs resident anywhere in the euro area (because Maltese MFIs may hold more of these instruments than they issued, this part of the Maltese contribution to euro area M3 may be negative); and MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area. Similarly, in the Table entitled "The contribution of resident MFIs to selected counterparts to euro area M3", the "credit counterpart" to euro area M3 contributed by Maltese MFIs comprises all Maltese MFI lending (including through the acquisition of securities in any form) to Maltese and all other euro area residents (other than MFIs). The so-called "external counterpart" will be limited to their net claims on non-residents of the euro area. The computation of the net claims on non-residents of the euro area consist of Maltese MFIs' (including the Central Bank of Malta's) claims on non-residents of the euro area, minus their liabilities to non-residents of the euro area, in all forms and in foreign currency as well as in euro. "Other counterparts (net)" comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs. The local credit institutions must submit data to the Central Bank of Malta not later than fifteen calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions report monthly financial information to the Central Bank of Malta in line with ECB Regulation 2008/32 (Recast) and (recast) Guideline of the ECB of 4 April 2014 on monetary and financial statistics (ECB/2014/15). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

MFIs report stock positions, which are outstanding balances as at the end of the reference period, and for certain items transactions during the period. They show separately positions and transactions with residents of Malta, with residents of other euro area countries, and with non-residents of the euro area. Assets and liabilities are generally reported at market or fair value and on an accruals basis; deposits and loans are reported at nominal value. Thus, the effects of transactions and other events are recognised when they occur rather than when cash is received or paid. Transactions are recorded at the time of change in ownership of a financial asset. In this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by another. Instruments are reported in accordance with their maturity at issue, i.e. by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed, or can be redeemed only with some significant penalty. All financial assets and liabilities are reported on a gross basis. Loans – which include overdrafts, bills discounted and any other facility whereby funds are lent – are reported gross of all related provisions, both general and specific. Claims include assets in the form of loans, deposits and repurchase agreements (or repos). Financial assets and liabilities that have demonstrable value – as well as non-financial assets – are considered as on-balance sheet items. Other financial instruments, whose value is conditional on the occurrence of uncertain future events, such as contingent instruments, are not recorded on the statistical balance sheet.

Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19th working day of the month following the reference month. The ECB also publishes a more detailed monetary data on a quarterly basis. The Maltese contribution to the monthly aggregates is then posted on the Central Bank of Malta's website. When first published, monetary statistics are considered provisional since the Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting procedures. The ECB accepts revisions to the previous month's data with each monthly submission; revisions to earlier periods are normally submitted with the next provision of quarterly data. Malta's contributions to the euro area aggregates published by the Central Bank of Malta must be consistent with the latest euro area aggregates published by the ECB. Subsequently, such provisional data are released to the press by the Central Bank of Malta on a monthly basis and in more detail in the Central Bank of Malta's *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. When major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

Investment funds

In line with ESA 2010 the Table entitled "Aggregated statement of assets and liabilities – investment funds" comprise the statistics submitted to the Central Bank of Malta by all IF registered by the Malta Financial Services Authority (MFSA). IF submit such data to the CBM on a monthly, quarterly or annual basis depending on the size of their balance sheet. The definitions, methodology and standards of reporting are in line with Regulation (EU) No 1073/2013 of the ECB of 18 October 2013 concerning statistics on the assets and liabilities of IF (recast). Accounting rules followed by IF for reporting under this Regulation are those laid down in the relevant national law implementing Council Directive 86/635/EEC of December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions or, if the former is not applicable, in any other national or international standards that apply to IFs.

The IF sector excludes all money market funds as, according to ECB Regulation 2008/32 (Recast), these form part of the MFI sector. The balance sheet is aggregated, not consolidated, and therefore includes, among the assets and liabilities, holdings by investment funds of shares/units issued by other investment funds.

Insurance corporations

The table entitled "Aggregated statement of assets and liabilities – insurance corporations" shows the aggregated statement of assets and liabilities of all the IC registered in Malta by the MFSA. The IC sector comprises non-monetary financial institutions principally engaged in financial intermediation as the consequence of the pooling of risk. Therefore, the principal function of insurance corporations is the provision of life, accident, health, fire, reinsurance and/or other forms of insurance. Such statistics are based on standards specified in ESA 2010, while accounting rules are those laid down in the relevant national law implementing the European Council Directive 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings. All financial assets and liabilities are reported on a gross basis and are generally valued at market or fair value.

Financial markets

Tables 1.16 and 1.17 show, respectively, the debt securities and quoted shares issued by sectors of resident issuers. As from June 2010, statistics are in line with ESA 2010 and include all issuances of securities and shares in foreign exchanges. Debt securities comprise all financial assets that are usually negotiable and traded on recognised exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares cover all shares whose prices are quoted on a recognised stock exchange or other form of regulated market. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Monetary financial institutions interest rate (MIR) statistics relate to the interest rates which are applied by resident credit institutions to euro denominated deposits and loans vis-à-vis non-financial corporations and households (including non-profit organisations) resident in Malta and in the euro area. MIR statistics are compiled in accordance with Regulation ECB/2009/7 (as amended) of 31 March 2009 and are therefore harmonised across the euro area. Interest rates are shown for both outstanding amounts and new business. Outstanding amounts cover the stock of all kinds of deposits and loans granted to households and non-financial corporations. New business consists of any new agreement between the household or non-financial corporation and the bank during the period under review. Two types of interest rates are quoted: (a) the Annualised Agreed Rate (AAR) and (b) the Annual Percentage Rate of Charge (APRC). The AAR is the rate which is agreed between the customer and the bank, quoted in percentage per annum. This rate covers all interest payments, excluding any other charges that may apply on deposits and loans. The APRC covers only two categories, namely lending for house purchase and consumer credit. It is the annual percentage rate that covers the total costs of the credit to the consumer such as the cost of inquiries, administration, guarantees, legal fees and other additional costs associated with the transaction.

As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates for its operations as the Maltese money market became part of the integrated euro area-wide interbank market. Thus, as from that date, the financial market interest rates shown are the key interest rates determined by the ECB for central bank operations throughout the euro area, and overnight (EONIA) and fixed-term (EURIBOR) rates on wholesale business in euro-denominated deposits as reported daily by a panel of active institutions in the euro area interbank market.

All outstanding Treasury bills and government securities denominated in Maltese lira were redenominated in euro at the beginning of 2008. The primary market rates on Treasury bills are the weighted averages of the rates attached to the bills that are taken up by bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign means that no transactions occurred during the reference period.

Interest rates on Malta Government long-term debt securities represent average International Securities Market Association (ISMA) redemption yields on applicable stocks with the periods specified referring to the remaining term to maturity. ISMA yields are quoted on the basis of an annual compounding period, irrespective of how many coupon periods per annum the stock has. The MSE share index is based on the last closing trade prices of the shares of all eligible companies weighted by their current market capitalisation. The index has a base of 1,000 on 27 December 1995.

FINANCIAL ACCOUNTS STATISTICS

Financial accounts statistics form part of the general statistical framework of a country's economy known as the "national accounts". Such statistics show the most relevant financial assets and liabilities of the total economy and such instruments vis-à-vis their counterpart institutional sector i.e. financial corporations, general government, non-financial corporations, households & non-profit institutions and the rest of the world (the rest of the world account shows the financial claims of residents on non-residents, or vice versa). Institutional sector classification is fundamental since, for instance, it identifies those sectors that hold or issue financial instruments. Statistics are being presented in non-consolidated matrix format and all information is being presented in the form of a balance sheet i.e. in outstanding stock positions. The two tables in this section are compiled on an annual basis and in accordance with the methodological framework established in the European System of Accounts 1995 (ESA 1995). Regulating the compilation of these statistics is also the (recast) Guideline of the European Central Bank of 25 July 2013 (ECB/2013/24) on the statistical reporting requirements in the field of quarterly financial accounts as well as Regulation (EC) No 1392/2007 of the European Parliament and of the Council of 13 November 2007 with respect to the transmission of national accounts' data.

GOVERNMENT FINANCE STATISTICS

Tables in this section show the general government fiscal position compiled on the basis of ESA 10 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays.

The Table on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatization receipts or the utilization of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government, which mainly relate to the debts of non-financial public sector corporations. Government-guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government, which loans already feature in the calculation of government external debt. Government-guaranteed debt includes guarantees issued by the extra-budgetary units but excludes guarantees issued to them as they already feature in the general government debt. The methodology underlying the compilation of data on the external loans of general government sector is generally consistent with the IMF's External debt statistics - guide for compilers and users. Debt is recognised when disbursement of funds is effected.

EXTERNAL STATISTICS

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics are generally in line with the IMF Balance of Payments Manual (BPM05) and in accordance with Guideline ECB/2011/23. Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices.

From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

Latest trade data are based on the respective NSO press release and other supplementary information received from the NSO. Historical data are updated by the Central Bank of Malta on a monthly basis, going back at least thirteen months, while every calendar quarter data are revised going back three years.

REAL ECONOMY INDICATORS (SELECTED)

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 2010 standards. Labour market statistics are also compiled on the basis of the NSO's Labour Force Survey (LFS). The LFS is based on a random sample of private households using concepts and definitions outlined by Eurostat according to methodologies established by the International Labour Organisation (ILO). From March 2004, data are based on a weekly survey carried out throughout the reference quarter; from June 2005 the data are weighted using a new procedure and are thus not strictly comparable with earlier figures. The labour market data based on the administrative records of the ETC represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with the ETC itself. ETC data on unemployment are based on the number of persons registering for work under Part 1 and Part 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2008/9. The HICP by contrast covers all household final consumption expenditure irrespective of nationality or residence status.

Consequently, the HICP uses weights that cover not only resident private and institutional household expenditure but also expenditure by tourists in Malta. The differences in these weighting schemes account significantly for the monthly disparities between the RPI and the HICP. The sources of the data used in the compilation of the Central Bank of Malta's property prices index are the advertisements for the sale of properties in all localities in Malta and Gozo published in a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month within the quarter. The property types include flats and maisonettes, both in shell and in finished form, together with terraced houses, townhouses, houses of character and villas. Indices for each property type are derived on the basis of median prices weighted by the number of observations in each property category. The overall index is a Fischer chained index, calculated as the square root of the product of the chained Laspeyres and the chained Paasche indices. Annual data are derived as an average of the quarterly indices. Prices of commercial properties are excluded from the index.