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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[1]

The Governing Council of the European Central Bank (ECB) maintained an accommodative monetary policy stance during the second quarter of 2015 and going into the third quarter. In particular, 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 continues to reflect the expectation that euro area inflation will remain less than the target of below, but close to, 2.0% for a prolonged period.

Meanwhile, the Governing Council, as announced in March, maintained its target for monthly purchases of securities under its extended asset purchase programme (APP) unchanged at €60.0 billion per month. The purchases are intended to be carried out until end-September 2016 and, in any case, until a sustained adjustment in the path of inflation towards the ECB's target is achieved.

During the second quarter of 2015, gross domestic product (GDP) in the euro area rose by 0.4% on the previous quarter. The expansion was mainly driven by net exports and private consumption, while gross fixed capital formation contributed negatively to growth.

Inflationary pressures remained subdued. The annual rate of inflation in the euro area, as measured using the Harmonised Index of Consumer Prices (HICP), rose from -0.1% in March to 0.2% in June, and remained at this level in July. The acceleration in inflation since March largely reflected faster growth in the prices of unprocessed food and non-energy industrial goods. At the same time, energy prices fell at a slower pace.

According to the ECB staff macroeconomic projections published in September, the economic recovery in the euro area is expected to continue. Real GDP growth is projected to pick up from 0.9% in 2014 to 1.4% this year, before accelerating further, to reach 1.8% in 2017. The annual rate of HICP inflation is expected to remain low this year, averaging just 0.1%. It is then set to accelerate to 1.1% in 2016 and to 1.7% in 2017.

The Maltese economy continued to expand at a robust pace in the first half of 2015. The initial estimates for the first quarter showed real GDP growing by 4.0% on the corresponding quarter of 2014. During the second quarter, annual real GDP growth accelerated to 5.2%, from an upwardly-revised growth rate of 4.9% in the previous quarter.

The annual HICP inflation rate in Malta stood at 1.1% in June, up from 0.5% in March. This acceleration was mainly due to energy inflation, which became less negative since the cut in electricity tariffs introduced in April last year no longer affected the annual rate of change of energy prices. The pick-up in overall inflation between March and June also reflected developments in processed food prices, which increased at a faster rate. In July the annual rate of the HICP inflation edged up to 1.2%.

Labour market data for the first quarter of 2015 show continued growth in employment and a further decline in unemployment. According to the Labour Force Survey (LFS), employment increased by 1.3% in annual terms. Data issued by the Employment and Training Corporation show even

[1] The cut-off date for statistical information in the Foreword is 8 September 2015.

stronger increases in employment, with the number of persons in full-time employment in March up by 4.3% on a year earlier. Meanwhile, the unemployment rate based on the LFS fell to 5.7%, from 6.0% 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, rose by 1.1% on a year earlier, following a 1.0% increase in the final quarter of 2014. The increase in unit labour costs in Malta could partly reflect a structural shift towards labour-intensive services in the composition of output. More recently, both the nominal and real harmonised competitiveness indicators rose sharply between March and June, reflecting an appreciation of the euro against major foreign currencies. However, both indicators fell in annual terms, as the euro still remained weak compared with its year-ago level.

Turning to external developments, in the first quarter of 2015 the current account of the balance of payments posted a surplus as opposed to a deficit in the corresponding period of 2014. This swing reflected a narrower deficit on trade in goods together with income-related flows. In contrast, net receipts on services declined on a year earlier.

Monetary dynamics remained robust during the second quarter of 2015. The annual rate of growth of residents' deposits with Maltese banks accelerated further, reaching 19.1% in June from 14.6% in March. This acceleration was largely driven by faster growth in overnight deposits.

Meanwhile, the recovery in credit to residents gathered pace, reflecting growth in credit to general government, as well as to the remaining sectors. As a result, the annual growth rate turned positive, rising to 1.1% in June from -1.1% in March.

Domestic money market yields remained unchanged during the quarter reviewed. The three-month Treasury bill rate in the secondary market remained unchanged at 0.00% between March and June. In the secondary capital market, government bond yields increased, ending the downward trend seen in previous months, with the ten-year yield rising to 1.97%. Government bond yields fell back somewhat in July.

Meanwhile, bank lending rates edged down. The weighted average interest rate charged by monetary and financial institutions on outstanding loans to resident households and non-financial corporations fell by 8 basis points during the second quarter, to 3.90%.

With regard to fiscal developments, in the first quarter of 2015 the general government deficit widened on a year earlier, as expenditure outpaced revenue. As a result, the general government deficit, measured on a four-quarter moving sum basis, rose to 2.5% of GDP, from 2.1% in the last quarter of 2014. The general government debt-to-GDP ratio also went up, reaching 70.3% while remaining below the level recorded a year earlier. However, Consolidated Fund data covering the first half of the year show an improvement in the fiscal position, with the deficit significantly down from its level in the corresponding period of 2014.

From a policy perspective, the recent abrogation of the Excessive Deficit Procedure for Malta is welcome. However, 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 and a lowering of the debt ratio.

The financial system remains sound and resilient, supported by a growing Maltese economy. Core domestic banks' capital levels remain healthy, while liquidity is ample. However, further efforts are required to raise provisions against non-performing loans. Banks should also strengthen their capital buffers and maintain prudent dividend pay-out policies.

Although the non-standard measures of the ECB have been reflected to some extent in lower lending rates to the private sector, there remains scope for further rate cuts. Banks are also encouraged to use the liquidity obtained through the ECB's APP to improve the flow of credit to the economy. It remains important to ensure that the private sector benefits from improved access to finance. The Bank supports institutional developments in this area, notably the establishment of a development bank.

ECONOMIC SURVEY

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

Global economic activity rebounded moderately during the second quarter of 2015 after a temporary slowdown in the first three months of the year. In developed economies, early estimates of gross domestic product (GDP) show that the US economy returned to strong growth in the second quarter of the year, while growth in the United Kingdom also accelerated. Japan's economy shrunk, however, while the recovery in the euro area appears to have lost some momentum. The economic situation in emerging market economies was mixed, with India showing strong growth and China expanding steadily, while the Russian economy contracted further. These trends, however, were overshadowed by events on the Chinese financial market and by the economic situation in Greece.

Between March and June, prices of crude oil rose sharply but stayed at very low levels compared with recent years as markets remained oversupplied. However, prices of other commodities, particularly metals, declined. Against a backdrop of muted global inflation, advanced economies retained their accommodative monetary policies, although policymakers in some countries appeared to be actively considering tightening their stance.

In fact, confidence on the upbeat economic performance of the United States fuelled market expectations of an eventual monetary policy tightening by the Federal Reserve. The European Central Bank (ECB) continued its expansionary monetary policy, supported by its expanded asset purchase programme (APP) targeted to avoid the risk of persistently low inflation in the euro area. Moreover, the Bank of Japan kept its monetary policy stance unchanged.

The international economy

US economy bounces back

The US economy surged forward in the second quarter of the year, with real GDP rising by 0.9% on the previous quarter, after it had expanded by 0.2% in the first three months of the year (see Table 1.1). Moreover, upward revisions in earlier estimates for the first quarter confirmed that

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

	2014			2015	
	Q2	Q3	Q4	Q1	Q2
United States	1.1	1.1	0.5	0.2	0.9
Euro area	0.1	0.3	0.4	0.5	0.4
United Kingdom	0.9	0.7	0.8	0.4	0.7
Japan	-1.9	-0.3	0.3	1.1	-0.4

[(1)] Data for Japan are seasonally adjusted only.
Sources: Bureau of Economic Analysis, US; Eurostat; Office for National Statistics, UK; Cabinet Office, Japan.

[1] The cut-off date for data in this Chapter is 28 August 2015. However, the cut-off date for euro area data has been extended to 8 September 2015.

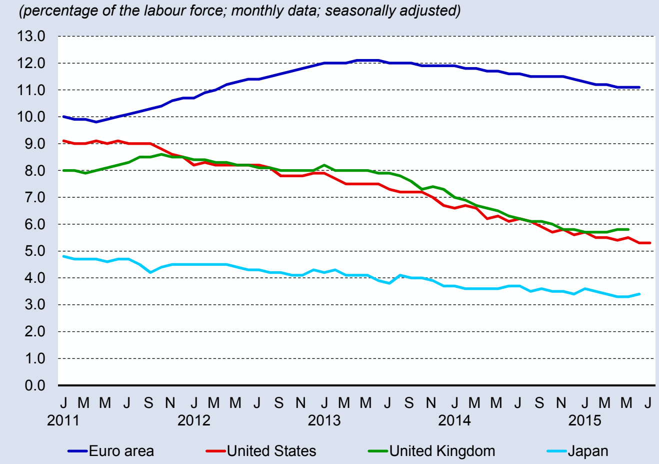
the slowdown had not been as acute as first thought. Thus, the economy overcame the strong headwinds in early 2015, which included severe winter weather and port delays. The acceleration during the second quarter reflected an upturn in exports, an increase in private consumption, a slowdown in imports, a rise in state and local government spending, and an acceleration in non-residential fixed investment. These more than offset decelerations in stockbuilding, federal government spending and residential fixed investment. Overall gross government consumption expenditures and investment were up on the preceding quarter.

Labour market indicators also showed some improvement. Employment grew in the second quarter of 2015, although at a more moderate pace compared with the first three months of the year. Employment rose across all sectors of the economy, driven mainly by private services. At the same time, however, the labour force participation rate fell further, with levels at 30-year lows observed. The unemployment rate marginally dropped in June, easing to 5.3% from 5.5% in March (see Chart 1.1).

By July the unemployment rate remained unchanged at 5.3%, with month-on-month additions in employment across all sectors of the economy, especially in services.

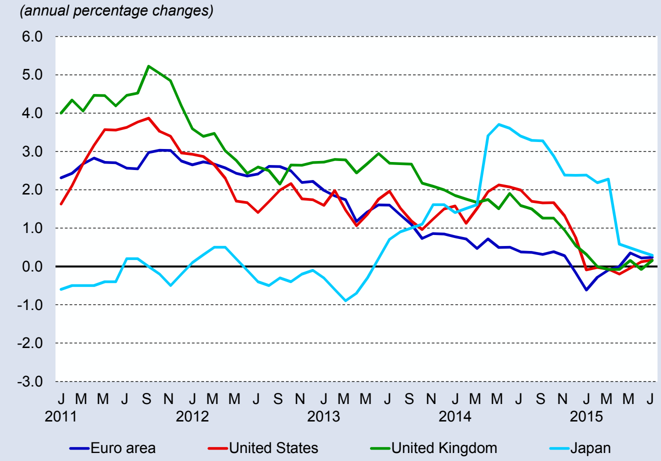
The annual inflation rate, as measured by the overall consumer price index (CPI), turned positive, rising to 0.1% in June 2015 from -0.1% in March (see Chart 1.2). Price developments during the second quarter were again deeply affected by movements in international commodity prices. In particular, low oil prices continued to result in declining energy prices, although the annual rate of decline eased slightly when compared with previous months. Moreover, the annual rate of change in prices of food & beverages also moderated, ending the quarter at 1.7%, down from 2.3% in March. Excluding food and energy, inflation remained unchanged at 1.8% in June.

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.

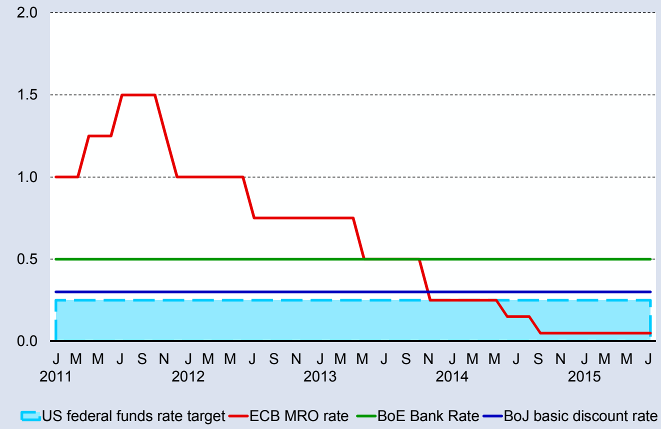
Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



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

In July the annual inflation rate in the United States rose further to 0.2%, as the decline in energy prices slowed down, while service prices accelerated. Price pressures, however, remained very low and the inflation rate stayed close to zero throughout the first seven months of the year.

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



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

The Federal Reserve maintained its accommodative monetary policy stance in the second quarter of 2015, leaving the federal funds target range unchanged between 0.00% and 0.25% (see Chart 1.3). Although the economy had improved, the Fed deemed that conditions requiring an increase in its target range had not been met in the second quarter. However, the Fed indicated that it would be appropriate to raise interest rates at some point in 2015, if the US economy continued to evolve as expected. Conditions in the labour market and progress towards an inflation rate of 2.0% continue to determine the monetary policy stance of the Federal Reserve.

UK economic growth accelerates

Preliminary estimates indicated that the UK economy grew by 0.7% in the three months to June 2015, up from an increase of 0.4% in the first quarter of the year (see Table 1.1). Faster output growth in the second quarter reflected an increase in service and production industries. This outweighed unchanged levels of activity in construction and a decrease in agriculture. In terms of final expenditure components, most components were up on the previous quarter, with household consumption expenditures and general government consumption showing sustained growth. Gross fixed capital formation also rose, with a strong increase in business investment. Additionally, the trade deficit narrowed, with exports significantly rising and more than offsetting an increase in imports. This marked the tenth consecutive quarter of growth for the UK economy, and a recovery following the slowdown in the first quarter of the year.

The labour market situation in the United Kingdom remained broadly unchanged, with very slight increases in both unemployment and employment during the quarter. In May the unemployment rate was 5.8%, slightly up from 5.7% in March (see Chart 1.1).

The annual rate of inflation stood at 0.0% in June, unchanged from end-March 2015 (see Chart 1.2). During the quarter services price inflation slowed down and prices of non-energy industrial goods fell at a faster pace. However, the year-on-year decline in prices of both food and energy moderated. In July the inflation rate edged up to 0.1%, while the annual rate of inflation excluding food and energy, which had dropped from 1.0% in March to 0.8% in June, went up to 1.2%.

The Bank of England's key monetary policy instruments remained unchanged in the second quarter 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 persistence of headwinds affecting the British economy, the Bank indicated that it expected to tighten its monetary policy more gradually than in previous cycles. In fact, the Bank's Monetary Policy Committee kept the policy stance unchanged in August, and considered that sterling's recent appreciation and the fall in international oil prices indicated more moderate inflationary pressures in the subsequent year.

The Japanese economy shrinks

The Japanese economy contracted by 0.4% over the previous quarter (see Table 1.1). The decline in the second quarter reflected flagging net export performance and sluggish consumer expenditures, which outweighed robust private residential and public investment expenditures. Lower imports, higher government consumption and private stockbuilding also contributed positively; however, these were more than offset by a drop in exports. The Japanese unemployment rate remained unchanged over the previous quarter, ending June 2015 at 3.4% (see Chart 1.1).

Meanwhile, price pressures considerably eased, with the annual inflation rate falling to 0.4% in June 2015 from 2.3% three months earlier (see Chart 1.2). This mostly related to a hike in the rate of consumption taxes in April 2014, which pushed up Japanese consumer prices. In more detail, food price inflation slowed down and energy prices decreased. Excluding food and energy, the inflation rate fell to 0.5% over the previous quarter, with a marked deceleration in both goods and services inflation. In July the overall inflation rate decelerated further to 0.3%.

As for monetary policy, the Bank of Japan retained 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 trillion yen in its June meeting.

Weak activity in most emerging markets

The economic situation remained frail in many major emerging economies in the second quarter of 2015. GDP growth in China, however, rose by 1.7% over the previous quarter, while the annual rate stood at 7.0% for the second consecutive quarter. This moderate, but unexpectedly steady growth rate reflected increases in industrial production and household consumption, offsetting a slowdown in investment. Other major emerging economies continued to report weaker activity. The pace in Russia remained subdued, as the economy once more faced trade sanctions and lower prices for its principal energy-related exports.

In the first six months, consumer prices in China went up by 1.3% year-on-year. They remained elevated in Russia, with double-digit rates recorded in June, resulting from the fragile situation of the Russian economy, which is still facing the impact of sanctions and the rouble's decline.

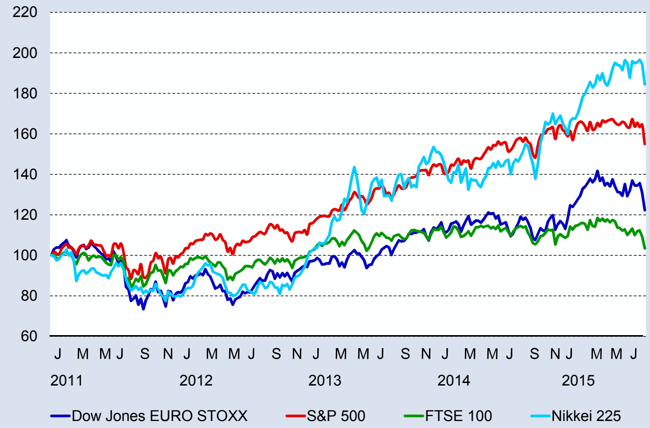
International financial markets

Volatility on most developed stock markets

Equity markets in advanced economies experienced marked volatility over the second quarter (see Chart 1.4). Share prices in the euro area (DJ EUROSTOXX), the United Kingdom (FTSE100) and the United States (S&P500) were down by -6.1%, -3.7% and -0.2%, respectively, on the previous quarter. These developments reflected the impact on financial markets of ongoing negotiations between European partners for a third Greek bailout and the possibility of further monetary policy divergence between major central banks. In contrast, in Japan the Nikkei 225 continued its upward trend, ending June 5.4% higher than end-March 2015.

Going into the following quarter, all main indices were up on the previous month in July. However, a severe correction in mainland Chinese stock markets contributed to the heightened volatility across the world and by late August most international stock markets were sharply lower.

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

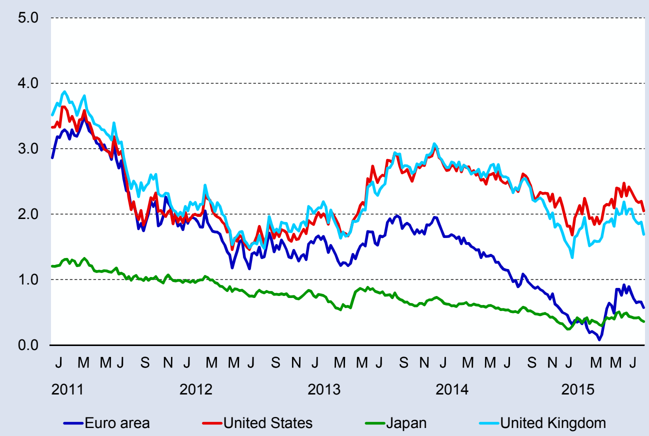


Source: Reuters.

Bond yields rise across advanced economies

Ten-year sovereign bond yields in most advanced economies rose during the second quarter. Benchmark yields in the euro area, the United Kingdom, the United States, and Japan increased in the three months to June 2015, by 59, 45, 40 and 6 basis points, respectively (see Chart 1.5). By end-July, the closing benchmark yield in the United States stood at 2.21%, while in the euro area the ten-year German government bond yield stood at 0.65%. The drivers behind the rise were improved growth prospects in the euro area and higher inflation expectations in the wake of the ECB's extended APP. In part, the decline in yields that was triggered by the anticipation, and subsequent announcement, of the APP could also have been too strong, and was partly reversed. More recently, sovereign bond markets continued to be marked by heightened volatility, with concerns about future policy divergence between leading monetary authorities driving sharp swings in yields.

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



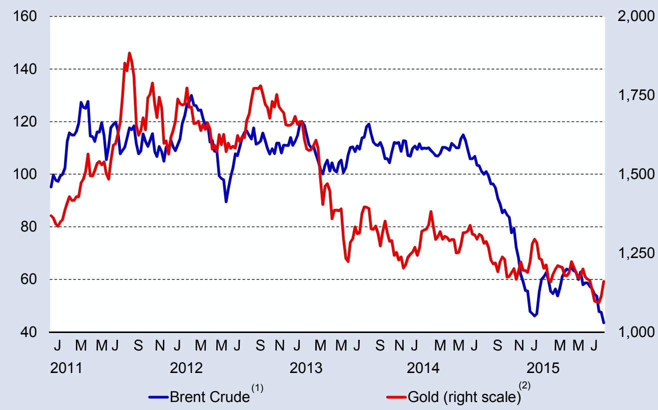
Source: Reuters.

Commodities

Oil price rebounds

Oil prices recovered markedly in the second quarter of the year, although they remained considerably below the levels that prevailed until mid-2014. The price of Brent crude oil stood at USD 58.9 per barrel at the end of June, 10.5% higher than its value at end-March 2015 (see Chart 1.6). Excess oil supplies on the markets, however, continued to weigh again on prices, which were further depressed by market expectations on the lifting of sanctions on Iranian oil supplies and by weak demand from developed countries. The oil price came under significant downward pressure going into the third quarter, with Brent falling 8.9% on a month-on-month basis in July and further more recently, on the back of an over-supplied market and an acceleration in negotiations on 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 second quarter of 2015, the price of gold fell slightly from March, ending the second quarter at USD 1,172.2 per troy ounce, or 0.9% lower (see Chart 1.6). Gold prices were affected by an upbeat US economic performance, which led to market expectations that the Federal Reserve may raise its rates this year. Higher interest rates have a tendency to depress gold prices, which continued their retreat, falling to USD 1,095.4 at end-July, or 14.6% less than their year-ago level and close to their five-year low. A modest rebound in gold prices was seen in August, following a surge in volatility on global financial markets.

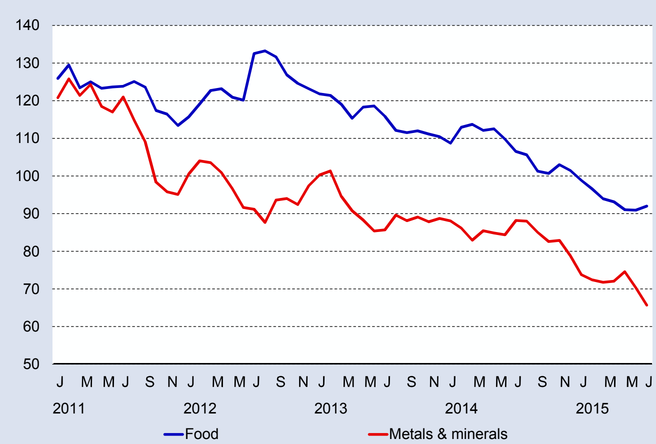
Metal prices fall further

Prices of base metals continued to drop in the second quarter of the year, with the World Bank's Metals and Minerals Index falling by 2.0%, after a drop of 8.9% in the previous quarter (see Chart 1.7). The gradual deceleration in Chinese growth dampened demand while a general strengthening of the dollar also weighed heavily on prices. These forces depressed iron ore, nickel and tin prices. On the other hand, lead, zinc and copper prices rose following falling inventories and expectations of tighter market conditions.

Strong supply leads to food price easing

Food prices extended their downward trend in the second quarter of 2015. The World Bank's Food Index lost 3.2% of its value on the previous quarter (see Chart 1.7). As a result, the Index was 17.2% less than in June 2014. Grain, rice and maize prices fell, with supply increases in China and the United States offsetting reductions in the European Union. Edible oil prices also declined, with a

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



Source: World Bank.

rise in supplies resting on high soybean yields in Argentina and Brazil, and greater palm oil output in Indonesia.

Economic and financial developments in the euro area

Economic activity in the euro area continues to grow

The recovery in the euro area lost momentum in the second quarter of the year, with initial estimates showing the economy growing by 0.4%, slightly below the rate recorded in the previous quarter (see Table 1.2).

An increase in exports, lower imports and continued expansion in private consumption were the main drivers of growth during the period. Hence, GDP growth in the second quarter mostly reflected the positive contribution of the net trade component. Investment, however, declined following the strong outturn in the previous quarter, leading to a negative contribution to growth in the three months to June 2015. Moreover, the contribution of government consumption expenditure remained unchanged during the period under review, while the contribution of inventories to growth turned negative.

Annual inflation up in the second quarter

The annual rate of inflation in the euro area, as measured using the Harmonised Index of Consumer Prices (HICP), rose slightly during the second quarter. Inflation went up from -0.1% in March to 0.2% in June. The recovery in euro area inflation between March and June was largely driven by faster growth in unprocessed food and non-energy industrial goods prices, and by weaker annual drops in energy prices (see Chart 1.8). The inflation rate remained unchanged in July.

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

	2014			2015	
	Q2	Q3	Q4	Q1	Q2
	Quarterly percentage changes				
Private consumption	0.2	0.5	0.6	0.5	0.4
Government consumption	0.2	0.2	0.2	0.6	0.3
Gross fixed capital formation	-0.5	0.3	0.6	1.4	-0.5
Exports	1.2	1.5	0.9	1.0	1.6
Imports	1.2	1.7	0.9	1.5	1.0
GDP	**0.1**	**0.3**	**0.4**	**0.5**	**0.4**
	Percentage point contributions				
Private consumption	0.1	0.3	0.3	0.3	0.2
Government consumption	0.0	0.1	0.0	0.1	0.1
Gross fixed capital formation	-0.1	0.1	0.1	0.3	-0.1
Change in inventories	0.0	-0.1	-0.1	0.0	-0.1
Exports	0.5	0.7	0.4	0.5	0.7
Imports	-0.5	-0.7	-0.4	-0.6	-0.4
GDP	**0.1**	**0.3**	**0.4**	**0.5**	**0.4**

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

The annual rate of change of the HICP, excluding food and energy prices, rose moderately, although it remained low, possibly reflecting the degree of slack in the economy. In June 2015 it stood at 0.8%, up by 0.2 percentage point over March, and went up further to 1.0% in July.

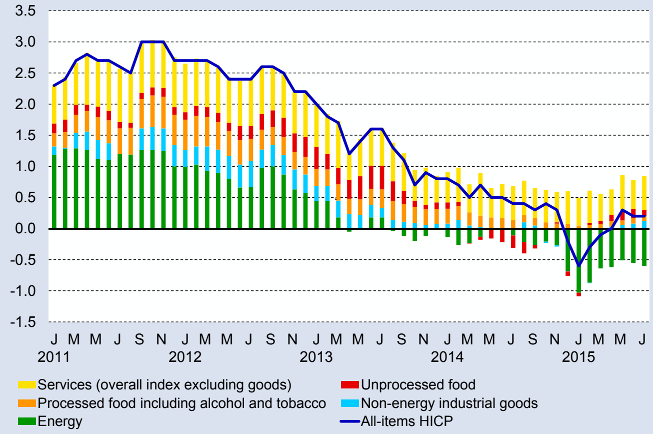
Labour market improves

Labour market conditions were fragile in the second quarter of the year, with the unemployment rate still elevated, but declining. The latter, which had been trending downwards since late 2013, fell to 11.1% by June 2015, down from 11.2% in March and 11.6% a year earlier (see Chart 1.9).

ECB staff projections show recovery expected to continue

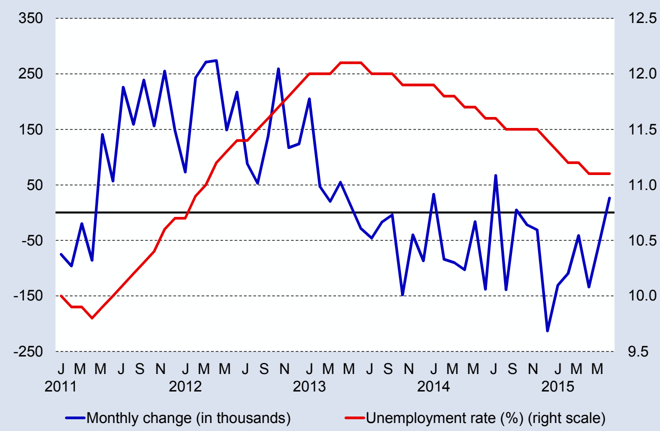
According to the ECB staff's macroeconomic projections published in September, the recovery in the euro area is expected to continue, although at a somewhat weaker pace than previously foreseen. Real GDP is set to expand by 1.4% in 2015, before accelerating to 1.7% and 1.8% in 2016 and 2017, respectively (see Table 1.3).

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



Source: Eurostat.

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



Source: Eurostat.

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

	2014	2015	2016	2017
GDP	**0.9**	**1.4**	**1.7**	**1.8**
Private consumption	1.0	1.7	1.7	1.7
Government consumption	0.7	0.7	0.8	0.7
Gross fixed capital formation	1.3	2.1	3.4	3.9
Exports	3.8	4.5	4.9	5.2
Imports	4.2	4.7	5.4	5.7
HICP	**0.4**	**0.1**	**1.1**	**1.7**

[1] ECB staff macroeconomic projections (September 2015).
Source: ECB.

These figures were revised downwards from the previous forecasts released in June on the basis of less favourable global growth prospects, particularly in emerging markets.

Private consumption expenditure is projected to remain the main driver behind the recovery, supported by rising real disposable income. Low financing costs and improving credit supply conditions, spurred by the ECB's non-standard monetary policy measures, should also support domestic demand during the period. Residential investment in the euro area is expected to pick up, while business investment ought to benefit from a cyclical recovery and the ECB's measures. On the external side, foreign demand should gradually strengthen over the projection horizon, mainly driven by advanced economies, which should have a favourable impact on euro area export performance.

With regard to prices, annual HICP inflation remains subdued, with the projected increase now expected to appear more slowly than in the June projections, largely due to lower oil prices. In fact, the HICP is expected to average to 0.1% in 2015, and then rise to 1.1% in 2016 and 1.7% in 2017. The acceleration in inflation reflects projected developments in energy prices, as well as an increase in domestic price pressures as economic activity recovers, and economic and labour market slack diminishes. The past depreciation of the euro is also expected to contribute positively to inflation.

Robust monetary and credit dynamics

Annual growth in the broad monetary aggregate (M3) in the euro area accelerated in the June quarter, going from 4.7% in March to 4.9% three months later (see Table 1.4). Growth in M3 was driven by the strong pick-up in M1, with the annual increase in this component rising to 11.7% in June from 10.0% in March. Growth in M1 reflects the stronger economic outlook of the euro area. In addition, the surge in overnight deposits, which form part of M1, reflects the comparatively low opportunity cost of holding liquid instruments in an environment of very low interest rates. Moreover, currency in circulation also rose strongly to 8.8% in June from 7.3% in March. These patterns continued into July, when the annual rate of growth of M3 reached 5.3%.

Turning to the counterparts of broad money, credit dynamics picked up gradually, particularly for households. Nevertheless, while credit to the private sector continued to recover, it remained weak. The annual rate of change of private sector credit ended the second quarter at zero, up from -0.3% in March. This compares favourably with -2.2% seen a year earlier. The improvement was driven by both loans to households, which showed a strong pick-up, and by

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

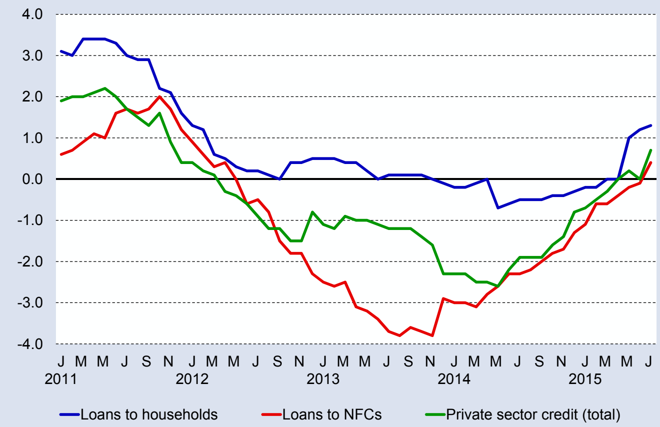
	2014	2015						
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Currency in circulation	6.4	7.7	7.9	7.3	8.2	8.3	8.8	8.9
Overnight deposits	8.2	9.2	9.4	10.5	11.0	11.8	12.3	12.7
M1	**7.9**	**8.9**	**9.1**	**10.0**	**10.5**	**11.2**	**11.7**	**12.1**
Time deposits	-2.3	-3.0	-3.2	-3.2	-3.3	-4.1	-4.3	-4.6
M2	**3.7**	**4.0**	**4.1**	**4.6**	**4.9**	**5.0**	**5.2**	**5.4**
Marketable instruments	3.9	1.2	4.8	5.5	11.6	4.7	0.5	3.6
M3	**3.7**	**3.8**	**4.1**	**4.7**	**5.3**	**5.0**	**4.9**	**5.3**

Source: ECB.

a smaller decrease in loans to non-financial corporations (see Chart 1.10). These trends continued in July 2015, with an uptick in loans to non-financial corporations, which regained positive territory following three years of decline.

In spite of these positive trends, the need to reduce debt in certain economic sectors and consolidate bank balance sheets may be hindering further credit increases.

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



Source: ECB.

ECB keeps its policy stance unchanged

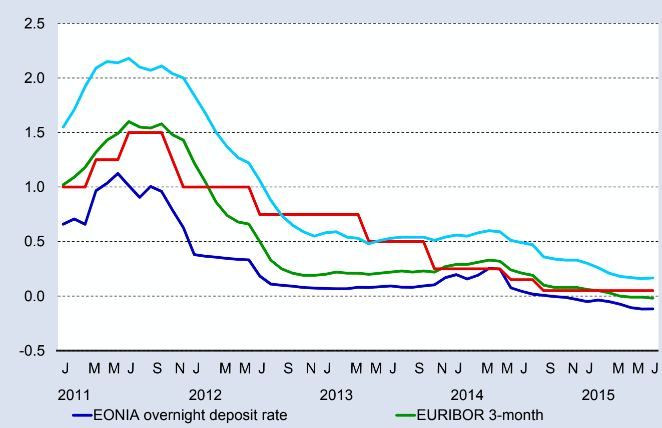
The Governing Council of the ECB kept interest rates unchanged again in the second quarter of the 2015 (see Chart 1.3). The rate on the main refinancing operations (MRO) was held at a historical low of 0.05%, the rate on the marginal lending facility stood at 0.30% while the deposit facility rate was kept unchanged at -0.20%. This accommodative stance continues to reflect the expectation that euro area inflation would remain considerably below 2.0% for a prolonged period.

During the second quarter the Governing Council kept the combined monthly purchases of its extended APP unchanged at €60.0 billion per month. The purchases, which were first implemented in March, 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. The Council saw a broadening in the euro area's economic recovery and a gradual increase in inflation rates over the coming years, in spite of developments in financial markets, which partly reflected greater uncertainty.

Money market rates at record lows

Money market rates fell further in the presence of excess liquidity, with some benchmarks continuing to register new historic lows. These very low levels reflect the accommodative monetary policy stance of the ECB. The three-month EURIBOR remained broadly constant, while the 12-month measure fell further. The EONIA deposit rate also fell during the three months to June 2015 (see Chart 1.11).[2] The three-

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



Sources: Central Bank of Malta; 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.

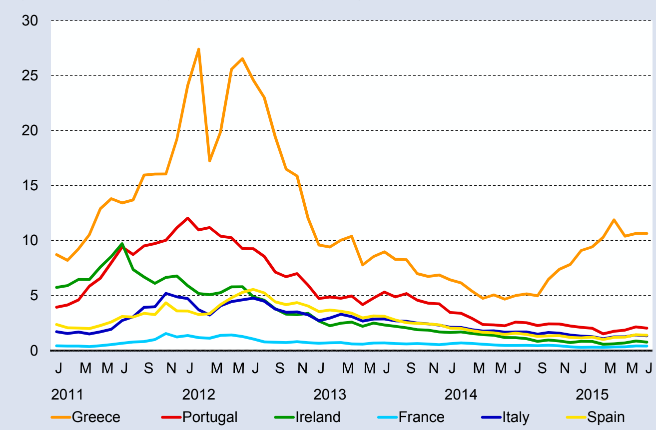
month EURIBOR turned negative in May and ended the quarter at -0.01%, while the EONIA deposit rate continued on its decline into negative territory, reaching -0.12% in June. The spread between the ECB's MRO rate and the three-month EURIBOR remained close to zero, and stayed roughly constant in the three months to June 2015. Money market rates remained broadly unchanged in July, with the three-month EURIBOR falling to -0.02% whereas the 12-month measure rose to 0.17%.

Bond yield spreads widen

Yields on ten-year government bonds in the euro area trended higher in the second quarter of 2015. In fact, monthly average interest rates on ten-year German bonds rose to 0.8% in June, from 0.2% in March. This rebound in yields reflects a set of possible economic factors, namely the improvement in growth prospects in the euro area and higher inflation expectations, as well as a number of technical conditions present in the sovereign bond market. These conditions are linked to market liquidity levels, strong supply and the Eurosystem's purchases under the extended APP. At the same time, spreads between yields on ten-year German bonds and those issued by most other governments widened (see Chart 1.12).

As the Chart shows, Greek government bond yields rose sharply in the quarter, after the Government's decision to suspend negotiations with its creditors and call a referendum on the creditors' proposals in the last week of June. This notwithstanding, spreads on other peripheral euro area sovereign bonds widened only moderately, staying well below the levels seen at the height of the sovereign debt crisis in 2011. Going into the third quarter, in July the spread continued to narrow in most countries.

Chart 1.12
EURO AREA TEN-YEAR GOVERNMENT BOND YIELD SPREADS[1]
(vis-à-vis German ten-year government bond yields)



(1) Owing to market closure in Greece, no data are available for July 2015.
Source: ECB.

The euro strengthens

The euro exchange rate appreciated moderately in the second quarter of the year in the context of volatile foreign exchange markets, with the nominal effective exchange rate against the EER-19 group of countries rising 2.2% above its level at the end of March 2015 (see Chart 1.13).[3]

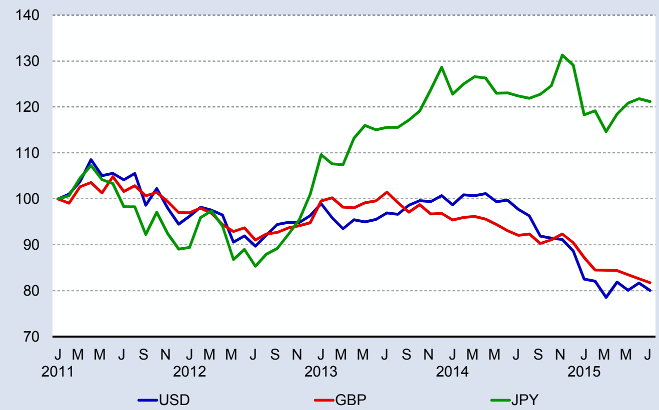
Chart 1.13
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

[3] This measure, the effective exchange rate (EER), is based on the weighted averages of the euro exchange rate 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.

However, it is still 10.5% below its June 2014 level. In fact, the weakening in annual terms partly reflected the persistent drop in euro area interest rates as a result of the ECB's continued accommodative monetary policy, expectations of a tighter monetary policy stance in the United States and the impact of the extended APP. In July the euro slightly weakened in effective terms, ending the month 0.7% lower than its end-June level.

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.

On a bilateral basis, during the June quarter the euro gained 6.3% against the Japanese yen and 4.0% against the US dollar. However, the single currency lost 2.2% against the pound sterling (see Chart 1.14). In July the euro weakened further against the pound sterling, and also lost ground against the Japanese yen and the US dollar.

2. OUTPUT AND EMPLOYMENT

During the first quarter of 2015, the Maltese economy continued to expand rapidly, driven by net exports. However, domestic demand decreased, dampening growth. Services once more contributed significantly to economic growth, while activity in manufacturing declined slightly on a year earlier. Employment increased further, while the unemployment rate continued to fall.

GDP and industrial production

Economic activity expands further, driven by net exports

Economic activity in Malta continued to expand. Real gross domestic product (GDP) increased by 4.0% in the first quarter of 2015 when compared with the corresponding quarter of 2014.[1] The rise was driven entirely by net exports, as domestic demand dampened GDP growth (see Table 2.1).

On a quarter-on-quarter basis, in the first quarter real GDP went up by 0.6% in seasonally adjusted terms, down from 1.0% in the previous quarter. Nevertheless, economic growth in Malta continued to exceed the euro area, where the quarter-on-quarter growth rate stood at 0.4%, unchanged from the previous quarter (see Chart 2.1).

Domestic demand dampens growth

During the first quarter of 2015, domestic demand contracted by 0.3% on a year earlier, after having risen significantly in the previous quarter. This dampened real GDP growth by 0.2

Table 2.1
GROSS DOMESTIC PRODUCT[(1)]

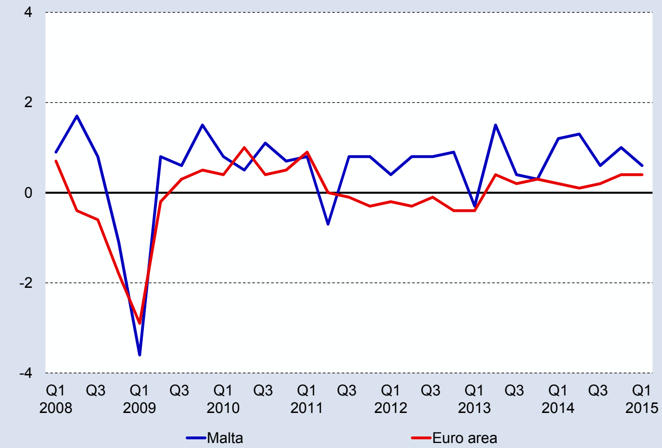
	2014				2015
	Q1	Q2	Q3	Q4	Q1
	Annual percentage changes				
Private final consumption expenditure	1.8	3.6	3.4	4.6	2.3
Government final consumption expenditure	4.1	11.2	5.0	8.3	3.6
Gross fixed capital formation	15.4	2.6	5.2	14.8	-18.3
Domestic demand	**-0.1**	**0.6**	**-1.3**	**7.2**	**-0.3**
Exports of goods & services	0.8	4.3	-1.4	1.0	-5.5
Imports of goods & services	-1.2	2.5	-4.5	2.8	-7.9
Gross domestic product	**3.6**	**3.4**	**3.0**	**4.2**	**4.0**
	Percentage point contributions				
Private final consumption expenditure	1.1	2.1	1.8	2.6	1.3
Government final consumption expenditure	0.9	2.3	0.9	1.6	0.8
Gross fixed capital formation	3.1	0.5	0.8	2.8	-4.1
Changes in inventories	-5.2	-4.3	-4.6	-0.4	1.8
Domestic demand	**-0.2**	**0.5**	**-1.1**	**6.7**	**-0.2**
Exports of goods & services	1.2	6.7	-2.2	1.6	-9.0
Imports of goods & services	2.6	-3.8	6.3	-4.1	13.2
Net exports	**3.8**	**2.8**	**4.2**	**-2.5**	**4.2**
Gross domestic product	**3.6**	**3.4**	**3.0**	**4.2**	**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 released on the NSO website on 8 June 2015. See NSO *News Release* 108/2015.

percentage point. Investment fell sharply when compared with the first quarter of 2014, whereas the other major components of domestic demand expanded at a slower annual rate. In contrast, changes in inventories had a significant positive impact on growth.

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



Source: Eurostat.

Private consumption continued to rise, sustained by further growth in employee compensation. Household disposable income was also buoyed by income tax cuts. However, at 2.3%, the annual growth rate in private consumption halved compared with the previous quarter. Private consumption still contributed 1.3 percentage points to GDP growth. Spending went up across a number of commodity types, including housing & utilities, and furnishings & household equipment. Motor vehicle registrations also increased during the quarter, compared with the corresponding period of 2014.

Government consumption growth slowed down significantly to 3.6% in the first quarter of 2015, from 8.3% in the previous three-month period. In nominal terms, higher expenditure on public administration & defence, health and education accounted for most of the increase in government consumption. Both compensation of employees and intermediate consumption went up on their year-ago levels, though the annual rates of growth eased.

On the other hand, gross fixed capital formation dropped by 18.3% on a year earlier, in contrast to the increases registered in the previous five quarters. Thus, investment reduced real GDP growth by 4.1 percentage points. The drop in investment can be largely attributed to lower spending on non-residential construction and machinery. Conversely, investment in dwellings rose, as did expenditure on transport equipment. Lower investment was driven entirely by the private sector, as government investment went up on a year earlier.

Imports fall faster than exports

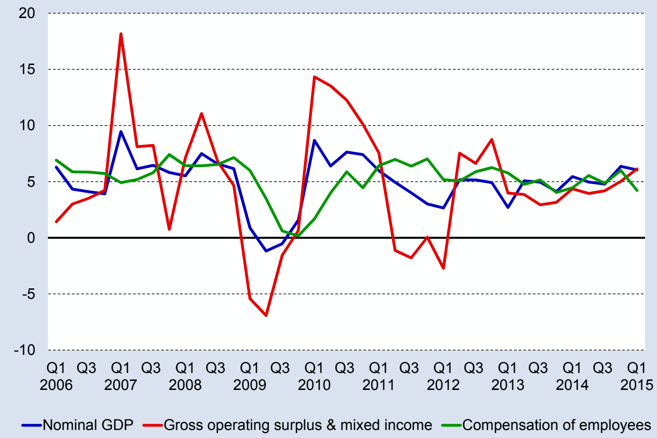
During the first quarter of 2015, net exports rose as imports fell faster than exports. They contributed 4.2 percentage points to real GDP growth and outweighed the drop in domestic demand (see Table 2.1).

Exports dropped by 5.5%, year-on-year, mostly owing to lower foreign sales of goods, while service exports decreased only marginally. Reflecting the reduction in exports and a drop in domestic demand, total imports fell by 7.9%. This stemmed largely from a decline in imports of goods, while imports of services were only slightly lower than a year earlier.

Nominal GDP growth increases in the first quarter

In nominal terms, annual GDP growth reached 6.0% during the first quarter of the year, slightly down from 6.4% in the fourth quarter (see Chart 2.2).

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



Source: NSO.

Looking at the distribution of GDP by factor income, gross operating surplus went up by 6.1% in annual terms, a faster pace of growth than in previous quarters. In absolute terms, the largest increases in gross operating surplus were in services, notably in financial & insurance activities and in professional activities. Gross operating surplus also rose in the utilities, whereas it fell in manufacturing.

In contrast, compensation of employees grew at a slower pace, with the annual rate of change decelerating from 6.0% in the fourth quarter to 4.2% in the subsequent three months. Growth was registered across most major sectors. In particular, employee compensation increased significantly in public administration, health & education, in line with the higher government consumption referred to earlier. Compensation in professional, scientific & technical activities and administrative & support service activities also went up significantly. Conversely, compensation of employees declined in manufacturing.

Services continue to drive growth in gross value added

The annual rate of growth of gross value added (GVA) remained unchanged at 5.2%. GVA contributed 4.5 percentage points to nominal GDP growth, with the remainder coming from net taxes on products.[2] As can be seen from Table 2.2, services continued to drive the expansion in GVA. The strongest contributions came from the sectors incorporating professional & scientific activities and public administration, health & education, which together accounted for almost half of the increase in GVA. Strong additions were also recorded from the sectors incorporating wholesale & retail trade, financial services and utilities. Meanwhile, GVA in the construction sector rose marginally, whereas that in manufacturing declined.

Industrial production expands at a faster pace

During the second quarter of 2015, the expansion in industrial production gained momentum. The index rose by 7.2% when compared with the same quarter a year earlier, following a 3.9% increase during the first quarter of 2015 (see Table 2.3).[3] Growth in industrial production during the second quarter was mainly driven by increased output from pharmaceutical companies, firms

[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 sectorial coverage between the two measures may differ, since industrial production data also capture the output of the energy sector.

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

	2014				2015
	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry & fishing	-0.1	-0.1	-0.1	-0.1	0.1
Mining & quarrying; utilities	-0.4	-0.6	-0.4	0.0	0.2
Manufacturing	-0.7	-0.3	-0.3	-0.1	-0.6
Construction	0.1	0.1	0.0	0.0	0.0
Services	3.9	4.7	4.3	4.6	4.3
of which:					
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	0.8	1.3	0.7	1.1	0.7
Information & communication	0.5	0.4	0.4	0.4	0.2
Financial & insurance activities	-0.3	0.3	0.0	-0.1	0.8
Real estate activities	0.1	0.0	0.2	0.0	0.3
Professional, scientific, administrative & related activities	1.0	0.9	1.4	1.2	1.1
Public administration & defence; education; health & related activities	1.3	1.3	1.0	1.4	1.1
Arts, entertainment; household repair & related services	0.4	0.6	0.6	0.6	0.0
Gross value added	**3.4**	**4.1**	**3.8**	**4.5**	**4.5**
Net taxation on products	**2.0**	**0.9**	**0.9**	**1.9**	**1.5**
Annual nominal GDP growth (%)	**5.5**	**5.0**	**4.8**	**6.4**	**6.0**

Source: NSO.

involved in the printing and reproduction of recorded media and manufacturers of computer, electronic & optical products. More modest rises in production were also observed amongst manufacturers of food products, rubber & plastic products, and in water collection, treatment & supply. Amongst the largest sectors, only energy production registered a decline; however, the decrease was marginal.

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

		2014			2015	
	Shares	Q2	Q3	Q4	Q1	Q2
Industrial production	**100**	**-8.3**	**-5.2**	**-0.3**	**3.9**	**7.2**
of which:						
Computer, electronic & optical products	18.4	-27.5	-16.3	-15.6	0.1	14.9
Energy(1)	11.8	-0.4	-3.3	-3.2	5.8	-0.3
Basic pharmaceutical products & pharmaceutical preparations	10.4	-38.8	-1.7	21.3	59.1	32.5
Food products	8.1	-0.6	8.0	18.8	1.5	8.3
Printing and reproduction of recorded media	5.9	-23.8	-17.2	35.2	5.5	21.4
Water collection, treatment and supply	4.6	0.6	-0.3	-1.8	0.3	1.2
Rubber & plastic products	4.4	2.2	-5.2	8.5	1.7	7.0
Beverages	3.9	6.6	4.3	17.5	1.2	1.0

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

BOX 1: TOURISM ACTIVITY

The expansion in tourism industry persists

Over the first half of 2015 tourist arrivals increased by 5.3%, while nights stayed and visitor expenditure edged up by 3.2% and 6.0%, respectively. This partly reflected the ongoing positive performance of the tourism industry during the second quarter of 2015. In the April to June period, the number of inbound tourists, nights stayed and visitor expenditure all recorded increases on the corresponding months of 2014.

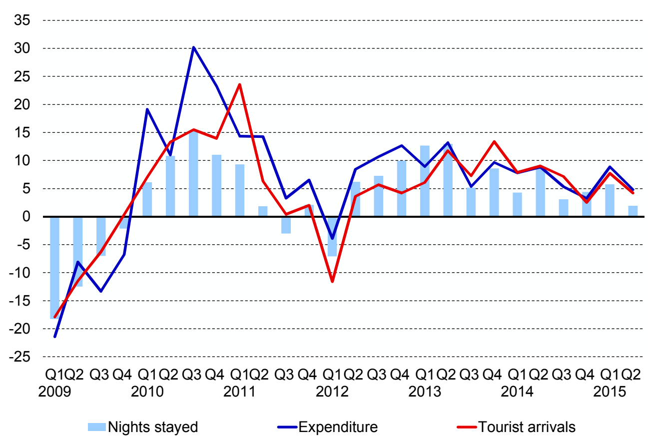
National Statistics Office (NSO) data show that the number of visitors in the second quarter of 2015 was 512,893, up by 4.2% on the same quarter of 2014 (see Chart 1). The increase of nearly 21,000 visitors on a year earlier was primarily driven by a rise in the number of leisure travellers, although an addition in the "other" category, mainly tourists for educational purposes, also contributed.

The United Kingdom and Italy remained Malta's most important source markets, with visitors from these countries accounting for around 45% of total arrivals. Nearly half of the overall rise in the April to June period stemmed from Italy, with visitors from this country up by almost 10,000 on the same period a year earlier (see Table 1). Additions from the United Kingdom and Spain also contributed significantly to the overall increase, partly reflecting the introduction of new routes by low-cost carriers. However, noticeable additions were also registered in a number of other source markets, particularly Ireland, Germany and Austria.

In contrast, reflecting the closure of routes from Libya and reduced flights from Russia, the number of arrivals from these countries noticeably declined in annual terms. Smaller drops were also seen from the American and French markets.

During the second quarter of 2015, nominal tourist spending in Malta totalled €433.5 million, an increase of €19.6 million or 4.7% in annual terms.[1] Although all categories recorded additions when compared with a year earlier, over three-quarters of this rise was attributable to higher spending on package holidays and on accommodation. Spending on travel fares and on the "other" component of

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



Source: NSO.

[1] Total expenditure is split into package, non-package and "other".

Table 1
INBOUND TOURISTS BY COUNTRY OF RESIDENCE
Number of visitors

	2014 Q2	2015 Q2	Annual Change
Total tourists	**492,131**	**512,893**	**20,762**
Austria	9,287	10,017	730
France	44,069	43,533	-537
Germany	38,274	39,552	1,278
Ireland	10,367	11,664	1,297
Italy	68,360	78,282	9,921
Libya	12,024	2,018	-10,006
Netherlands	13,893	14,361	468
Russia	8,947	5,630	-3,317
Scandinavia	35,904	35,871	-33
Spain	10,302	13,544	3,242
United Kingdom	144,073	150,741	6,669
USA	7,119	6,464	-655
Other	89,511	101,215	11,705

Source: NSO.

expenditure also registered increases on a year earlier, but this was more moderate in comparison.[2]

In per capita terms, tourist expenditure stood at €845, marginally higher than in the second quarter of 2014. While expenditure per night stayed also increased, the average stay was slightly shorter, dipping marginally to 7.0 nights. Similar to a year earlier, tourists from Libya, the United States of America, Russia and Switzerland were the biggest per capita spenders.

During the quarter under review, tourists spent nearly 3.6 million nights in Malta, an increase of 68,572, or 1.9% over the level recorded in the same quarter of 2014. This rise was entirely spurred by an addition in nights stayed in private accommodation, which went up by 9.0% on a year earlier. Meanwhile, nights spent in collective accommodation contracted, and now accounts for 67.4% of total nights stayed, down from 70.0% a year ago.[3]

Despite a marginal decline in nights stayed in collective accommodation, the average occupancy rate in April and May of 2015 edged up to 66.1%, 0.9 percentage point higher than a year earlier (see Chart 2).[4] This was driven by a decline in the number of available net bed places, reflecting the temporary closure of a number of hotels for expansion or refurbishment. Higher occupancy rates were mostly driven by the three-star category, although an

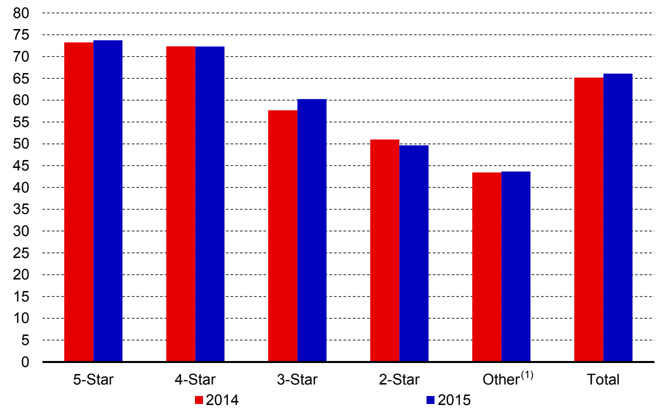
[2] Non-package holiday expenditure is subdivided into spending on accommodation and travel fares, while the “other” component captures any additional expenditure by tourists during their stay in Malta.

[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.

improvement in the five-star category also contributed. Conversely, occupancy rates in the two-star segment declined on the same period of 2014, while those in four-star hotels were broadly stable.

Chart 2
AVERAGE OCCUPANCY RATES IN APRIL AND MAY
(per cent)



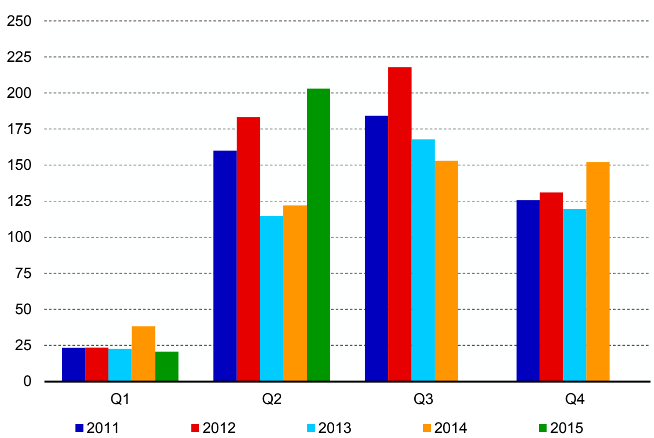
(1) Includes guest houses, hostels & holiday complexes.
Source: NSO.

The latest quarterly survey conducted by the Malta Hotels and Restaurants Association (MHRA) indicates that during the first quarter of 2015 gross operating profits per available room and average achieved room rates improved in all three main hotel categories. When compared with the same quarter of 2014, significant improvements were also recorded in occupancy rates for the four and five-star segments. These went up to 73.9% and 61.5%, from 62.5% and 53.0%, respectively. At the same time, occupancy rates in three-star establishments declined marginally.[5]

Cruise liner visits decrease

The number of cruise liner calls stood at 108 in the second quarter of 2015, up by 19 from a year earlier, partly as a result of the diversion of calls at other destinations in the Mediterranean. The total number of foreign cruise liner passengers amounted to 203,105, the largest number recorded in any one quarter since the third quarter of 2012. This increased by over 80,000, on the second quarter of 2014 (see Chart 3).

Chart 3
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

Largely reflecting the strong rise recorded this quarter, the total number of cruise passengers that visited Malta during the first half of the year was up by 39.7% on the same period of 2014.

[5] See *BOV-MHRA Survey* – Q1 2015.

BOX 2: ASSESSING THE MACROECONOMIC IMPACT OF EXTENDING HOTEL HEIGHT LIMITATIONS[1]

This Box quantifies the macroeconomic impact of the revised policy framework by the Malta Environment and Planning Authority (MEPA) to facilitate the vertical extension of hotels, which are rated as three-star or above by the Malta Tourism Authority (MTA), and are operative all year round.

The Hotels Height Limitation Adjustment Policy was initially approved by the Government in May 2013 to upgrade the tourism product and facilities of existing bed stock, thereby ensuring a more competitive tourism sector. In 2014 MEPA published a revised policy framework. This followed a previous version, which had been considered too restrictive as it had rendered unfeasible a significant number of proposals for the upgrade and extensions of hotels.[2]

The revised policy applies exclusively to hotels, which are not located in a scheduled area, outside development zones, on a ridge edge or within the urban conservation area. Eligible hotels may apply to vertically extend their establishments to not more than two additional floors above the height limitation permitted in the Local Plan. MEPA may also consider the extension of a hotel to more than two floors above the height limitation provided that:

(i) the hotel premises are not less than 5,000 m^2;
(ii) the site is surrounded by existing or planned road infrastructure;
(iii) the site accommodates stand-alone buildings.

In all cases, applications will be assessed against three main criteria, namely, to improve the overall product, to address the issue of seasonality and to target markets and new product niches.[3]

Design of policy simulation

The simulations are based on the Central Bank of Malta's structural econometric model, which has been recently updated to include fiscal, financial and macro-linkages.[4]

While the model is mainly focused on the aggregate macroeconomic variables, it also contains considerable sectoral disaggregation. For instance, overall investment is divided into

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[1] Prepared by Brian Micallef and Silvio Attard. Mr Micallef is a Senior Research Economist in the Modelling and Research Department while Mr Attard is a Senior Economist within the Economics and Monetary Analysis Department. The authors would like to thank Architect Kevin Fsadni (MTA), Mr Andrew Agius Muscat and Mr Michael Stivala, MHRA for their valuable assistance in the design of the simulations. The views expressed in this paper are those of the authors and do not necessarily reflect those of the Central Bank of Malta. Any errors are the authors' own. This note summarises the analysis and results published in Micallef, B. and Attard, S., "Assessing the macroeconomic impact of extending hotel height limitations", *Working Paper* WP/01/2015, available at https://www.centralbankmalta.org.

[2] Further details are available in "Height Limitation Adjustment Policy for Hotels – Boosting Malta's competitiveness in the tourism market", *Malta Environment and Planning Authority*, June 2014.

[3] Further details are available in "Accommodation Development – Policy for the consideration of applications for hotels height limitation", *Malta Tourism Authority*, August 2014.

[4] Grech, O. and Micallef, B. "A Structural Macro-Econometric Model of the Maltese Economy", *Working Paper version 2*, Central Bank of Malta, 2014. The model contains 177 equations, 28 of which are behavioural equations estimated in error-correction form on the basis of quarterly data for the period 2000-12.

three categories, residential and government investment, and non-dwelling public investment. Similarly, the model makes a distinction between tourism and non-tourism exports. Given these features, the model is ideally suited to quantify and trace the impact of policy measures on overall economic activity and on the main macro-variables, namely, employment, trade and the fiscal balance.

Table 1 outlines a number of hotel statistics for the three categories under consideration, which form the basis of the policy simulation as at the end of the second quarter of 2014.

The simulation concerning the economic impact of this policy is based on the following data. The above information was used to calculate the number of additional hotel rooms and bed capacity if all, or some, of the eligible hotels participate in this initiative. Given the criteria set by MEPA and MTA, this policy is applicable to seven establishments within the five-star category, and to 37 and 48 hotels in the four-star and five-star categories, respectively. We assumed that approximately 50%, 25% and 10% of the eligible hotels, about 18 in all, within the three respective categories would take up the offer. This would translate in an increase of 5.8% in bed capacity (see Table 2).[5]

The simulation has been further adjusted to take into account that hotels are operating close to full capacity only during the third quarter of the year. As a result, when adjusted for

Table 1
HOTEL STATISTICS AS AT END 2014 Q2

	Number of hotels	Number of bedrooms	Number of bed places
5-Star	15	3,468	6,905
4-Star	45	7,983	17,496
3-Star	49	5,172	11,834

Source: NSO.

Table 2
BASELINE CALCULATIONS AND ASSUMPTIONS

	5-star	4-star	3-star	Total	Currently available in all categories	Increase due to policy
Bedrooms	236	656	203	1,095	18,564	5.90%
Bed capacity	479	1,439	464	2,381	40,936	5.80%
Assumed increase in bed capacity						5.80%
Nights in 3 – 5-star hotels between July-September 2013						2,600,781
Increase in nights attributable to policy (=5.8%*2,600,781)						150,845
Total nights in all categories during 2013						8,501,147
Impact of policy in terms of % increase in total nights over a whole year (=150,845/8,501,147)						1.80%

Source: Own calculations.

[5] To estimate the number of additional rooms that would result from a further two floors, information on the total number of rooms per hotel was supplemented by data on the existing number of floors. Eligible five-star hotels have an average of eight guest floors, while following discussions with MTA we assumed that the other two hotel categories have an average of five guest floors each.

the seasonality in occupancy rates, this policy will result in an average increase in nights stayed of around 1.8%. The expansion in capacity is assumed to rise gradually, starting from the second half of 2016 and reaching its full potential from 2019 onwards.

In terms of construction, we estimate that the capital investment by the hotel industry will amount to €100.0 million, spread over a period of four years.[6] Investment is assumed to start in 2015 and will continue until the first half of 2019.

Results

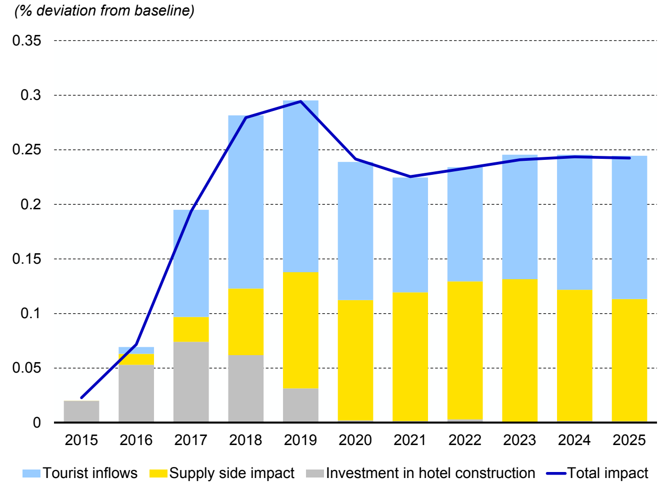
Chart 1 plots the impact of the simulation on real GDP for the period 2015–2025. As expected, the simulation has a positive effect on real GDP, with the impact becoming gradually evident from 2015 onwards, reaching a peak in 2019 before stabilising at around 0.25% in the long run.

The chart decomposes the impact on real GDP into three different contributors. Initially, the main driver of growth is the higher construction investment in the hotel industry. The increase in investment boosts the country's supply potential, which explains why this category continues to contribute positively to economic activity even after the initial construction investment in hotel accommodation is assumed to finish by 2019.

Buoyant economic activity leads to an improvement in the labour market, with an increase in employment growth and disposable income and, subsequently, in private consumption expenditure. The latter is also affected by the positive impact of higher investment in construction on house prices through wealth effects. The rise in the supply capacity exerts downward pressure on prices, which leads to gains in price competitiveness and to a gradual increase in real exports.

The category labelled "Supply side impact" captures the impact of the initial investment in hotel construction on the country's capital stock, thereby exerting a positive effect on the economy's supply potential. Finally, once the investment in additional hotel floors is finalised, the increase in hotels' bed capacity will accommodate a higher inflow of tourists, especially during the peak

Chart 1
IMPACT ON REAL GDP
(% deviation from baseline)



[6] The investment of €100.0 million is in net present value terms. We applied a discount rate of 4.75%, which was the average bank lending rate to non-financial corporations for 2013. We assumed that a representative hotel within the five-star category will invest €150,000 per additional room, €75,000 for the four-star category and €60,000 for the three-star. These figures were designed in conjunction with the MTA and the MHRA based on recent investment trends in the respective hotel categories.

season. The addition in total nights and expenditure by tourists will, in turn, percolate to economic activity via its positive impact on employment and wages, leading to further gains in private consumption and investment.

Higher aggregate demand stimulates imports, especially given the high import content of investment, leading to a deterioration in the trade balance-to-GDP ratio, especially in the short to medium run. In the long run, however, the trade deficit is corrected by the increase in exports from higher tourist inflows, leading to a small surplus of around 0.1 percentage point of GDP.

The improvement in economic activity also exerts a positive impact on the fiscal balance-to-GDP ratio, owing to an increase in government revenue and a reduction in expenditure. The former is driven by higher tax revenues while automatic stabilisers are behind the decline in expenditure. Overall, the fiscal balance improves by around 0.1 percentage point of GDP. The combination of higher GDP and the improvement in the fiscal balance leads to a gradual decline in the government debt-to-GDP ratio.

Sensitivity analysis

A scenario analysis like the one presented in the previous section is naturally conditioned by the underlying assumptions and hence, is subject to a degree of uncertainty. One way to quantify this uncertainty is to compute different scenarios by changing the assumptions underlying the baseline results.

In this section we envisage three different scenarios.

In the first scenario, we assume a lower interest by hotels in pursuing this policy, such that the initial investment will amount to €50.0 million, compared with €100.0 million in the baseline scenario, with the increase in bed capacity being reduced to 0.9% as a result.[7]

The opposite is assumed in the second scenario, with the investment accelerating to €150.0 million owing to more eligible hotels taking advantage of this scheme.[8] In this scenario, the average annual increase in bed capacity is assumed to rise from 1.8% in the baseline to 2.7%.

In the third scenario, we assume that investment will remain unchanged compared with the baseline, at €100.0 million, but that additional efforts are undertaken to increase the occupancy rates. More specifically, in this scenario we assume that the number of quarters that hotels operate at close to full capacity rises to two (covering April to September) and, hence, the increase in total nights goes up from 1.8% in the baseline scenario to 3.3%.

[7] In the first scenario, we assume that 25.0%, 12.5% and 5.0% of the eligible five, four and three-star hotels, respectively, expand their bed capacity. The investment amount of €50.0 million was derived by assuming the same ratio of investment to the percentage increase in total nights in the baseline scenario. In this case, this ratio is multiplied by 0.9%, which is the calculated percentage increase in bed capacity, given the assumptions on the number of hotels that are interested in taking up this initiative.

[8] In the second scenario, we assume that 75.0%, 37.5% and 15.0% of the eligible five, four and three-star hotels, respectively, expand their bed capacity. The same calculations apply as in the other scenario.

Chart 2
SENSITIVITY ANALYSIS

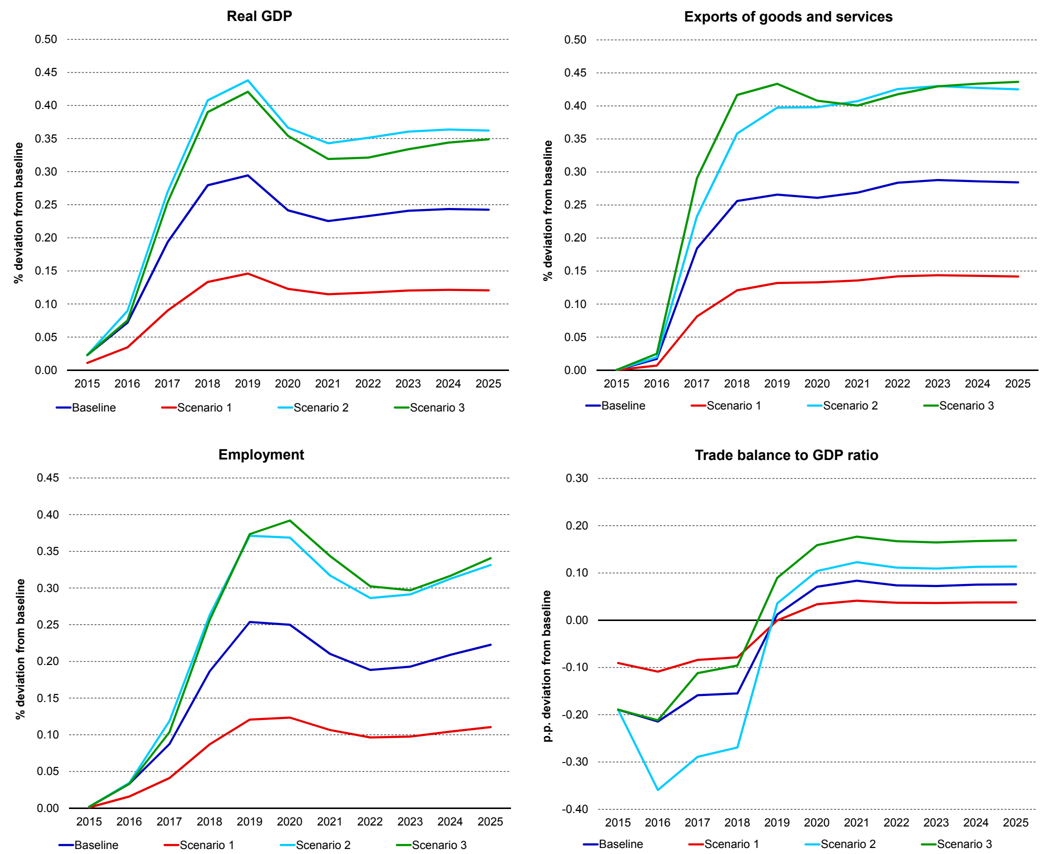


Chart 2 illustrates the impact of the various scenario analyses on the main variables. In terms of real GDP, the long-run impact ranges from around 0.12% to 0.36%. In the third scenario, namely the one associated with a higher occupancy rate, the long-run impact on GDP increases from around 0.25% in the baseline scenario to around 0.35%.

As expected, the impacts of the second and third scenarios on all variables are more pronounced compared with the baseline, while the first scenario is always lower.

Conclusion

The study finds that the policy has a positive effect on economic activity, with its impact on GDP being felt from 2015 onwards and stabilising at around 0.25% in the long term. Model decomposition suggests that this effect is driven by a number of factors, including the initial investment in construction, the impact on the supply potential and higher tourism receipts. In general, the simulation underlines the special role of productive investment in directly stimulating both the demand and supply side of the economy.

With regard to the other macroeconomic variables, the increase in economic activity leads to higher employment, income and to an improvement in the fiscal balance. The trade balance tends to deteriorate in the short to medium term, though this effect will be corrected over the longer term from the rise in exports owing to higher inflow of tourists, leading to a small surplus in the long run.

This policy should not be assessed in isolation, but rather from a holistic perspective as part of ongoing efforts by policy makers and the business community to upgrade the tourism product. For instance, one possible limitation to this study is that the baseline scenario does not take into consideration the possibility of additional investment by entrepreneurs to upgrade existing facilities, which are not currently classified as three-star hotels.

Anecdotal evidence indicates that there is substantial interest in the lower categories, mainly two-star hotels and guesthouses, to upgrade their services to three-star status so that they become eligible to benefit from this policy. Additionally, notable interest is also expressed from owners of hotels, which are currently non-operative, thereby contributing further to the upgrade of the local tourism product. Furthermore, this study excludes the potential ancillary investment related to the possible refurbishment of the remaining floors in hotels expanding their bed stock. Hence, benefits and economic spillovers resulting from such additional investment will yield an even more pronounced impact than that reported in the baseline scenario.

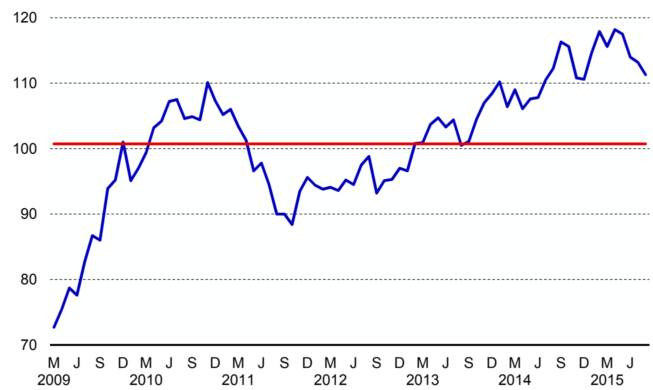
Finally, model simulations suggest that the macroeconomic impact of this policy would be higher if the investment in tourism supply infrastructure, in the form of additional bed capacity by hotels, is complemented with additional marketing efforts to increase demand during non-peak seasons to generate more revenue to cover higher running costs. This is especially important given the strong seasonality of tourism in Malta, with a number of hotels operating significantly below capacity for several months. Given the anticipated rise in capacity, demand-side oriented policies should be pursued in tandem to attract more tourists during the winter and shoulder seasons. These would focus on already identified sectors, which have shown growth potential, such as culture and heritage, business and sport tourism.

BOX 3: BUSINESS AND CONSUMER SURVEYS

Economic sentiment falls but remains high from a historical perspective

In the second quarter of 2015, the decrease in confidence registered in the industrial and service sectors outweighed improvements in sentiment among consumers, retailers and the construction industry. As a result, the economic sentiment indicator (ESI) retreated to 114 in June, from 116 in March. Despite the drop, the ESI remains well above its long-term average of 101 (see Chart 1).[1,2]

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



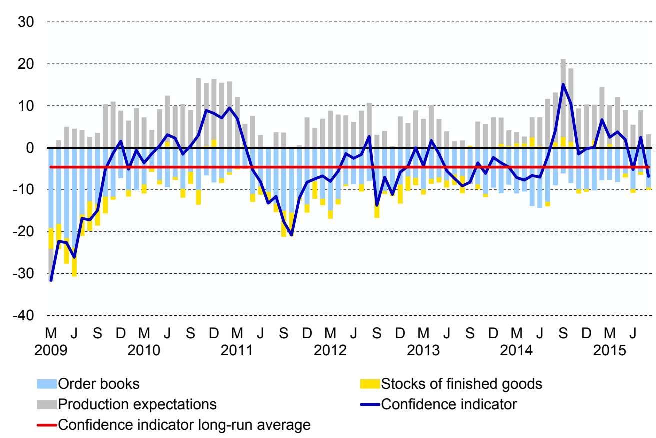
Source: European Commission.

Industrial confidence weakens[3]

Confidence in the industrial sector moved into negative territory in June for the first time in five months (see Chart 2). The industrial confidence indicator fell to -5 from 3 in March. Following this development, by the end of the quarter it had returned to its long-term average.

All sub-components of the indicator contributed to the overall decline. Between March and June, production expectations and order-book levels decreased. In addition, whereas in March stock levels were on balance considered to be below normal, in June

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



Source: European Commission.

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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.

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.

respondents assessed stock levels to be slightly high, given the season.[4] Despite the deterioration, both the assessment of order-book levels and stocks compared favourably with their respective long-term average. On the other hand, in June production expectations fell significantly below their long-term average.

From a sectoral perspective, confidence dropped most amongst food producers, manufacturers of metal products and firms involved in printing and reproduction of recorded material. The drop in the food and printing sectors was largely due to a weaker assessment of stocks and order-book levels, whereas in the metal products sector it was mainly due to production expectations. In contrast, confidence significantly increased and turned positive among manufacturers of furniture and other non-metallic mineral products, the latter including glass and certain types of construction material.

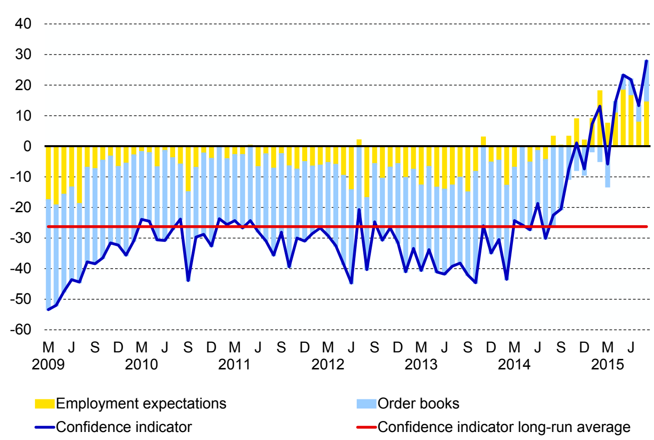
Additional survey data suggest that, on balance, in June, compared with March 2015, fewer respondents were expecting to expand their labour complement in the subsequent months. Moreover, a higher proportion of respondents were expecting lower prices for their output in the months ahead.

Confidence in the construction sector increases substantially[5]

Confidence in the construction sector improved substantially during the second quarter of 2015. In June the confidence indicator stood at 22, compared with -6 three months earlier. June's reading thus extended the general upward trend visible since mid-2014 and stood considerably above the indicator's long-term average of -28 (see Chart 3).

The improvement in confidence was driven by both respondents' assessment of their order-book levels and their employment expectations for the three months ahead. Additional survey data for June also indicate that, compared with March, a greater share of respondents anticipated higher selling prices over the subsequent three months.

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



Source: European Commission.

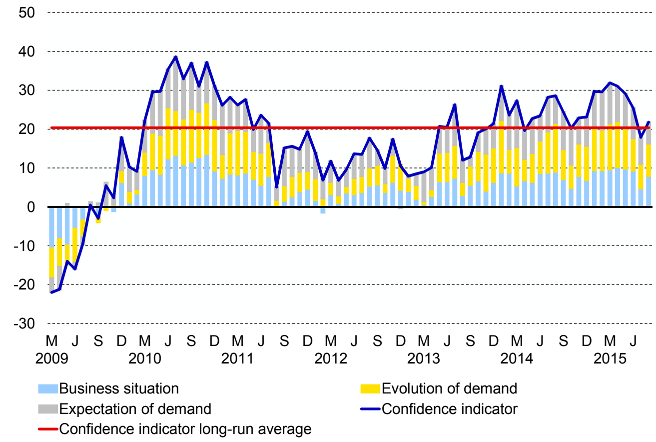
4 A decline in stock levels indicates higher turnover and affects the overall indicator in a positive way. Such decreases are thus represented by positive bars in Chart 2.

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.

Sentiment in the services sector weakens[6]

Confidence among firms in the services sector decreased to 25 in June from 32 in March. Nevertheless, the indicator remained above its long-term average of 20 (see Chart 4).

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



Source: European Commission.

All sub-components of the services confidence indicator decreased in June when compared with three months earlier. The most significant declines were observed in respondents' assessment of demand over the preceding three months and their near-term demand expectations, whereas respondents' assessment of the business situation was broadly stable compared with March. Nevertheless, all three sub-components remained above their long-term averages.

At a sectoral level, confidence improved most among firms involved in audio-visual productions, advertising & market research, and auxiliary financial services. In all three sectors the increase in confidence was primarily driven by higher turnover during the previous three months, although demand expectations also improved. On the other hand, confidence dropped among rental & leasing businesses, real estate agents and providers of transport services. In these sectors, the decline in sentiment was mostly attributed to a less optimistic assessment of the business situation and lower demand over the preceding three months. Moreover, the demand expectations of firms involved in rental & leasing activities declined considerably.

Additional survey data indicate that, overall, in June a smaller share of respondents intended to increase their labour complement in the following months when compared with March. Selling price expectations, however, improved.

Consumer confidence turns positive[7]

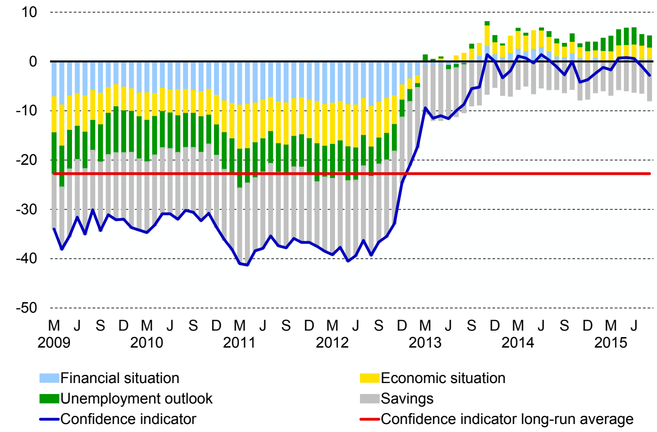
Consumer sentiment turned positive during the second quarter of 2015. The indicator stood at 1 in June, up from -2 three months earlier. The indicator thus continued to comfortably exceed its long-term average of -23 (see Chart 5).

[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.

[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.

All sub-components of the sentiment indicator improved marginally in June when compared with March. On average, in June consumers assessed the general economic prospects and their financial situation over the subsequent 12 months more favourably than they did in March. Additionally, on balance, a higher share of consumers planned to save over the course of the subsequent 12 months. Consumers' unemployment expectations over the subsequent 12 months remained broadly unchanged compared with three months earlier. All sub-components of the sentiment indicator stood favourably in relation to their respective long-term averages.

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



Source: European Commission.

Additional information suggests that in June a marginally higher share of consumers expressed the intention to make major purchases over the subsequent 12 months. Consumers' price expectations remained largely unchanged from March, and thus remained at considerably low levels.

Confidence falls marginally going into the third quarter

Data for the first two months of the third quarter indicate a further marginal decline in the ESI. This fell to 111 in August from 114 in June, still remaining above its long-term average. This was mainly due to a drop in the retail sector, in services and among consumers.

Although the industrial confidence indicator turned positive between June and July, it returned to negative territory in August, reaching -7, lower than the long-run average. This was mainly driven by production expectations and order-book levels, which fluctuated in these two months. The services indicator fell from 25 in June to 22 in August, still remaining above its long-run average. Similarly, the consumer confidence indicator also fell, returning to negative territory in July and reaching -3 in August, after having turned positive in the second quarter of 2015. This notwithstanding, it still comfortably exceeded its long-term average. Meanwhile, confidence within the construction sector continued to increase, going up to 28 in August from 22 in June.

The labour market[4]

Labour market data for the first quarter of 2015 show growth in employment and a further decline in unemployment. The favourable developments seen in the last quarters partly reflect government efforts to increase labour market participation, but also the strong pace of expansion of the economy.

Employment rises further

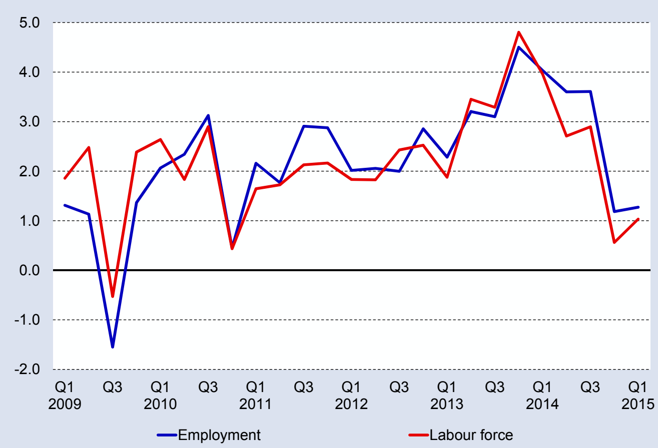
Labour Force Survey (LFS) data show that in the first quarter of 2015 the labour force grew by 1.0% on the same quarter a year earlier (see Chart 2.3).[5] This followed a 0.6% rise in the final quarter of 2014.

Between January and March 2015, employment increased by 1.3% on a year earlier, reflecting further growth in the number of both full-time and part-time employees (see Table 2.4). This marks a slight acceleration from the 1.2% posted in the preceding quarter.

In absolute terms, the strongest growth in employment in the first quarter of 2015 was recorded among those in full-time jobs. These increased by 2,517, or 1.7%, on the same quarter of 2014. In addition, workers employed on a part-time basis rose by 269, or 1.1% on a year earlier. In contrast, the number of full-time employees on reduced hours, which has been volatile in recent quarters, decreased further by 504, or 10.2%.

During the first quarter of 2015 the employment rate stood at 62.3%, 0.6 percentage point higher than a year earlier.[6] This increase goes in line with the Government's target to reach an employment rate of 70.0% by 2020.[7] The year-on-year rise reflected developments in the male employment rate, which rose by 1.2 percentage points on a year earlier to 75.5%. On the other hand, the female employment rate dropped by 0.2 percentage point on a year earlier, to 48.6%. Both male and female employment rates were considerably higher than in the fourth quarter of 2014.

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



Source: NSO.

[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.

[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] See "The National Employment Policy", *Ministry for Education and Employment*, May 2014, p. 13.

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

	2014				2015	Annual change
	Q1	Q2	Q3	Q4	Q1	%
Labour force	**190,579**	**192,686**	**195,795**	**191,319**	**192,549**	**1.0**
Employed	179,255	181,543	184,355	180,124	181,537	1.3
By type of employment:						
Full-time	150,902	150,907	151,322	152,417	153,419	1.7
Full-time with reduced hours	4,920	5,266	6,640	4,409	4,416	-10.2
Part-time	23,433	25,370	26,393	23,298	23,702	1.1
Unemployed	11,324	11,143	11,440	11,195	11,012	-2.8
Activity rate (%)	**65.7**	**66.4**	**67.5**	**65.5**	**66.1**	
Male	79.5	79.7	80.4	79.9	80.3	
Female	51.5	52.6	54.1	50.5	51.4	
Employment rate (%)	**61.7**	**62.5**	**63.5**	**61.6**	**62.3**	
Male	74.3	74.8	75.5	74.9	75.5	
Female	48.8	49.7	51.1	47.8	48.6	
Unemployment rate (%)	**6.0**	**5.8**	**5.9**	**5.9**	**5.7**	
Male	6.4	6.0	6.0	6.2	5.9	
Female	5.3	5.5	5.5	5.3	5.4	

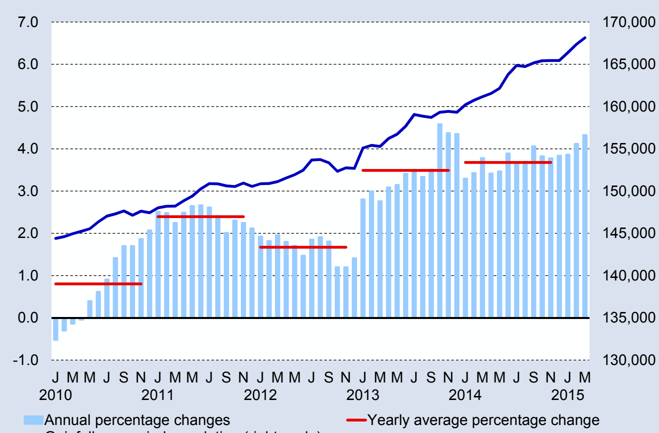
Source: NSO.

The activity rate rose to 66.1% in the first quarter of 2015 from 65.7% in the same quarter a year earlier.[8] This followed developments in the employment rate, with the male activity rate increasing by 0.8 percentage point to 80.3%, while the female activity rate dropped by 0.1 percentage point to 51.4%.

The administrative records of the ETC show that the gainfully occupied population, defined to include all persons in full-time employment, rose to 168,136 in March 2015 (see Chart 2.4). As a result, the annual growth rate increased to 4.3% in March from 3.8% in December 2014.

Both the private and public sector contributed to employment growth, with the former accounting for most of the gain in absolute terms (see Table 2.5). Full-time employment within the

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



Source: NSO.

[8] 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 between 15 and 64 years.

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

	2014				2015	Annual change
	Mar.	June	Sep.	Dec.	Mar.	%
Labour supply	**168,808**	**170,548**	**171,765**	**171,730**	**174,030**	**3.1**
Gainfully occupied[(1)]	161,164	163,797	165,166	165,443	168,136	4.3
Registered unemployed	7,644	6,751	6,599	6,287	5,894	-22.9
Unemployment rate (%)	**4.5**	**4.0**	**3.8**	**3.7**	**3.4**	
Private sector	**117,646**	**119,858**	**120,805**	**121,044**	**124,077**	**5.5**
Direct production[(2)]	**31,782**	**32,038**	**31,908**	**31,934**	**32,334**	**1.7**
Market services	**85,864**	**87,820**	**88,897**	**89,110**	**91,743**	**6.8**
Wholesale & retail trade	23,619	23,841	23,799	23,951	24,192	2.4
Transportation & storage	6,315	6,366	6,433	6,428	7,360	16.5
Accommodation & food service activities	10,129	10,294	10,491	10,207	10,308	1.8
Information & communication	5,104	5,434	5,572	5,538	5,587	9.5
Financial & insurance activities	7,246	7,257	7,450	7,491	7,569	4.5
Real estate, professional & administrative activities[(3)]	18,120	18,949	19,270	19,469	19,962	10.2
Arts, entertainment & recreation	3,945	4,022	4,105	4,161	4,604	16.7
Education	4,621	4,716	4,723	4,709	4,738	2.5
Other	6,765	6,941	7,054	7,156	7,423	9.7
Public sector	**43,518**	**43,939**	**44,361**	**44,399**	**44,059**	**1.2**

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

private sector went up by 6,431, or 5.5% in March over the same month of the previous year. At the same time, public sector employment expanded by 541, or 1.2%.

Within the private sector, job creation continued to be driven by market services, which saw an increase of 5,879 full-time jobs. This was distributed across all sectors. Robust job creation in services mirrors the latter's strong contribution to GDP growth.

In more detail, the real estate, professional and administrative sector saw the largest increase in employment, which rose by 1,842, or 10.2%, accounting for just under one-third of the total full-time jobs created in private market services. In turn, the most significant addition within this sector was among firms operating in legal & accounting activities, and those providing services related to security & investigation activities. In addition, employment in the transportation & storage sector increased by 16.5% or 1,045. This is mainly due to the transfer of public transport operations to a private firm, which resulted in individuals working with the public transport operator until 2014 being reclassified within the private sector.[9]

[9] See NSO *Release* 131/2015, Methodological Note No 8.

In March employment in direct production within the private sector grew by 552, or 1.7% on the same month of the preceding year.[10] The construction sector accounted for most of this rise, adding 313 full-time jobs. Meanwhile, employment in manufacturing increased by 185, reflecting gains in the manufacture of computer, electronic & optical products sector and the "other" manufacturing sector, which outweighed losses in the manufacture of rubber & plastic products sector, and in textiles.

Public sector jobs rose by 1.2% on a year earlier, following an annual rise of 4.7% in December 2014. This slowdown was a result of the reclassification of public transport workers to the private sector referred to above.

In the year to March, growth in public sector employment was mainly driven by the education and health care sectors, which added 304 and 238 jobs, respectively. The increase registered in employment in the construction sector reflects the reclassification, within this sector, of individuals who were previously listed under public administration & defence, and social security.[11]

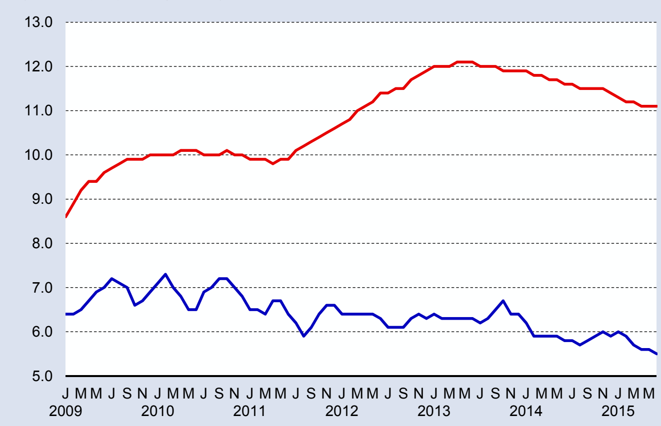
The unemployment rate declines

In the first quarter of 2015, the unemployment rate based on the LFS stood at 5.7% (see Chart 2.5). This is 0.2 percentage point lower than in the last quarter of 2014 and 0.3 percentage point lower than in the same quarter of the preceding year. This was mainly driven by a fall of half a percentage point in the male unemployment rate. In contrast, the female unemployment rate increased by 0.1 percentage point.

The seasonally adjusted unemployment rate remained unchanged at 5.9% between the last quarter of 2014 and the first quarter of 2015. This is 0.1 percentage point lower than in the same quarter of 2014. Subsequently, this rate fell to 5.6% during the second quarter of 2015, or 0.3 percentage point below its level a year earlier. The seasonally adjusted unemployment rate in Malta remains well below that in the euro area. The latter retreated slightly from the peak of 12.1% recorded in the second quarter of 2013 to around 11.0% in the second quarter of 2015.

The drop in the unemployment rate tallies with developments in the number of registered unemployed. ETC records show that between December 2014 and March 2015 the registered unemployed fell by 393 to 5,894. This is also significantly below the level recorded a year earlier, reflecting improving labour market conditions.

Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



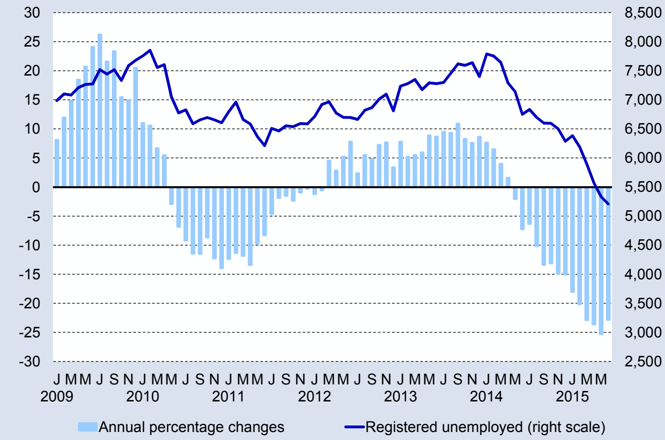
Source: Eurostat.

[10] Direct production relates to manufacturing, agriculture & fishing, mining & quarrying, construction and utilities.
[11] See NSO *Release* 131/2015, Methodological Note No 7.

The ETC unemployment rate stood at 3.4% in March, which is 0.3 percentage point lower than in December 2014 and 1.1 percentage points lower than in the same month of 2014.[12]

The number of registered unemployed fell further during the second quarter of 2015. Claimants for unemployment benefits in June declined by 1,542, or almost a quarter, compared with the same month of 2014, to 5,209 (see Chart 2.6).

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

BOX 4: AN EVALUATION OF THE POSSIBLE MACROECONOMIC IMPACT OF THE INCOME TAX REDUCTION IN MALTA[1]

In November 2012 the Government announced that the highest income tax rate of 35.0% would start to apply only to those earning more than €60,000.[2] The income bracket for the 25.0% tax rate would be gradually increased to cover a much larger share of the income distribution. This change followed a number of reforms, such as the introduction of a separate tax regime for parents which had primarily benefitted those on low to middle incomes. The new tax regime, which had been first mentioned in 2008, was implemented as part of the budget announced on 8 April 2013.[3] That budget also addressed the fact that those on the minimum wage had fallen liable to tax at 15.0% on part of their income owing to the unchanging level of the minimum tax threshold. In this light, the Minister for Finance announced that anyone earning the minimum wage would remain tax-exempt. This exemption was extended in the following budget to pensioners earning the equivalent of the minimum wage.[4] The 2014 budget also raised the minimum tax threshold by €500 for those opting for the parent-rate computation.

This Box will quantify the possible macroeconomic impact of these tax reductions using the structural model of the Central Bank of Malta.[5] One of the main advantages of the model is its relatively disaggregated fiscal block, which was designed to estimate the impact of such shocks, amongst other things.[6]

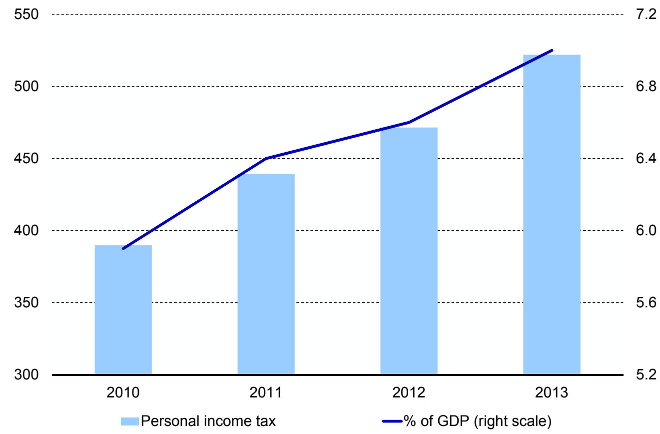
1 Prepared by Dr Aaron G. Grech. Dr Grech is the Head of the Modelling and Research Department of the Central Bank of Malta. The views expressed are those of the author and do not necessarily reflect those of the Central Bank of Malta. Any errors are the author's own.
2 According to the NSO's Survey on Income and Living Conditions, in 2012 average household gross income stood at €26,746.
3 See "Budget Speech", *Ministry for Finance*, 2013.
4 See "Budget Speech", *Ministry for Finance*, 2014.
5 See Grech, O. and Micallef, B., "A structural macro-econometric model of the Maltese economy", *Working Paper* WP07/2014, Central Bank of Malta.
6 See Grech, O., "A fiscal block for the Bank's structural macro-econometric model of the Maltese economy" *Quarterly Review*, 2014:3, Central Bank of Malta, pp. 60-67.

12 The unemployment rate computed on the basis of ETC records differs from that computed on the basis of the LFS. The former captures only the unemployed registering for work, whereas the latter includes all those persons without work who are actively seeking a job and are available for work, whether they are on the unemployment register or not. In addition, the definition of the labour force differs between the two sources.

The impact of the income tax reduction on government revenue

Personal income tax constitutes a major element of government revenue. Data from the NSO shown in Chart 1 indicate that between 2010 and 2013 income from personal income tax rose from €389.8 million, or 5.9% of GDP, to €522.0 million, or 7.0% of GDP. The relative strength of this revenue item has also resulted in its share of total tax revenue rising from 18.9% to 21.0% in just three years.

Chart 1
PERSONAL INCOME TAX
(euro millions; % of GDP)



Source: NSO.

While Malta's personal income tax revenue as a share of wages and salaries (at 15.7%) is similar to the OECD average, the fact that tax thresholds tend to be held constant means that the tax burden grows over time.[7,8] The fixed nature of tax thresholds has also meant that, as the minimum wage annually increases in line with the cost-of-living adjustment, those on the minimum wage and on pensions at similar income level, who are also awarded this adjustment, have an income above the minimum tax threshold.

Income tax distribution data suggest that in 2013 there were 42,500 taxpayers who benefitted from the change in tax rates shown in Table 1. This constitutes 16.8% of all taxpayers. While the bulk of beneficiaries, approximately 27,700, were single computation taxpayers,

Table 1
CHANGES IN TAX RATES
Per cent

	2012	2013	2014	2015
Single computation				
€19,501 - €60,000	35.0	32.0	29.0	25.0
Married computation				
€28,701 - €60,000	35.0	32.0	29.0	25.0
Parent computation				
€21,201 - €60,000	35.0	32.0	29.0	25.0

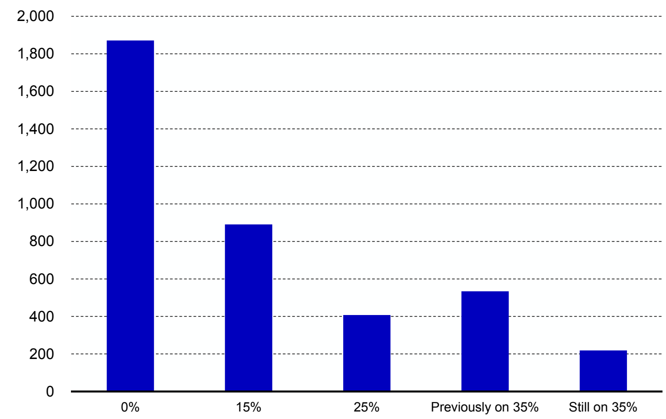
Source: Inland Revenue Department.

[7] See "Taxing Wages 2012-2013", *OECD*, 2014.

[8] Countries like Canada, the Netherlands and the United States automatically adjust their income thresholds with inflation, while others like Spain, Switzerland and the United Kingdom apply some discretion, but also have rules in place to raise thresholds. See "International comparisons of Australia's Taxes", *Australian Government*, 2006.

in relative terms the main gainers were those on parent computation rates. In fact, the change in tax rates benefitted 36.0% of taxpayers in this group.

Chart 2
AMOUNT OF CHARGEABLE INCOME BY TAX RATE
(EUR millions in 2013)



Source: Author's calculations using Inland Revenue Department data.

Chart 2 shows data for 2013 provided by the Inland Revenue Department at the start of 2015, when the processing of income tax returns for basis year 2013 (the first year of the reform) was virtually finalised. Out of total chargeable income of €3.9 billion, nearly 48% were beneath the minimum tax threshold.[9] This includes not only the income of those beneath this threshold, but also the element of non-taxable income of all other taxpayers. The proportion of chargeable income that previously was taxed at 35.0%, but which then benefitted from the cut in rates, amounted to approximately €530 million, or 26.0%, of all chargeable income on which tax was paid. Since the tax rate dropped by 3 percentage points, this implies that the foregone revenue amounted to €16.0 million.

While the estimate of the fiscal impact of the 2013 tax rate change (from 35.0% to 32.0%) is based on actual data, estimates for later years depend on the assumptions made on the number of taxpayers and their income. In this Box, we assume that chargeable income will grow in line with the Central Bank of Malta's growth projections of compensation of employees. As a result, the estimate of the impact of tax cuts for 2014 is €19.6 million, while that for 2015 is €28.2 million. Had we to assume that the 2013 chargeable income would stay constant till 2015, the impact of the tax cuts would be €16.0 million for 2014 and €21.4 million for 2015.

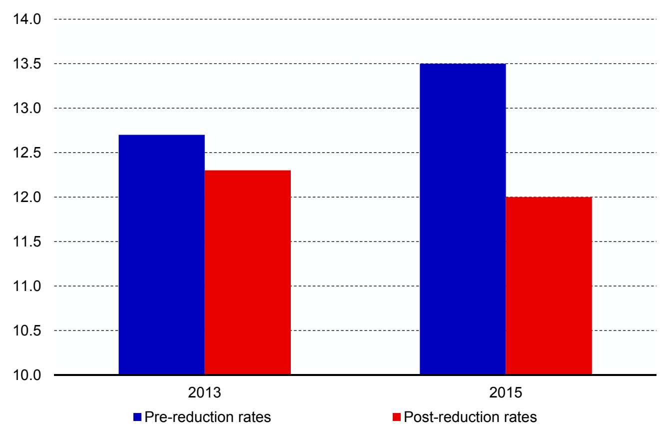
Besides the impact of the reduction of tax rates, one also needs to consider the influence of the exemption from tax for those on minimum wages or pensions equivalent to this amount, and the impact of the increase in the minimum tax threshold for those on parent computation. Data from the LFS and the Survey on Income and Living Conditions provided by the NSO indicate that in 2013 there were approximately 3,600 full-timers on the minimum wage, and nearly 3,500 pensioners receiving the equivalent of this amount. Projections for these two groups are not available. Hence, the number of those on the minimum wage was increased in line with overall employment according to the latest Central Bank of Malta projection, while the number of low-income pensioners was assumed to grow with the rate shown by the overall pension age population in Eurostat's Europop2013 projection for Malta. The minimum wage was raised in line with the cost-of-living adjustment, calculated using the Bank's projected inflation rate.

[9] This figure is equivalent to 52.0% of GDP, or to 115.0% of compensation of employees.

The exemption from income tax of minimum wage income is estimated to have resulted in foregone revenue of just over €0.2 million in the first year. In 2014 the decline in income tax revenue rose to €2.5 million, mainly on account of the increase in the minimum tax threshold for the parent-rate computation. The concessions for those on minimum wage and for low-income pensioners, in fact, are estimated to have cost close to €0.7 million. While the income tax reductions benefitted 18.3% of taxpayers, the rise in the minimum tax threshold for those opting for the parent computation favoured close to 26,000 taxpayers and exemptions for those on low income benefitted approximately another 7,500 taxpayers. In distributional terms, the group gaining the most was composed of those on parent computation, who earned above €21,201, as they pocketed the effects of both the decline in tax rates and the €500 rise in the minimum tax threshold for this category. The beneficiaries of the income tax reductions, and their average gain, are shown in Table 2. While the gain for those on the minimum wage may seem small in monetary terms, in relative terms it amounts to an income boost of 1.2%. The €1,440 tax cut, using the married rate computation, for those earning €43,100, amounts to 3.3% of their income.

Before considering the macroeconomic impact of the income tax reductions, it is useful to look at how the effective tax rate changed as a result of the reform. To compute the effective tax rate, the applicable tax rate was multiplied by the share of chargeable income that had been taxed at that rate. Given the progressive nature of the income tax system,

Chart 3
EFFECTIVE PERSONAL INCOME TAX RATE
(per cent)



Source: Author's calculations using Inland Revenue Department data and Central Bank of Malta forecasts.

Table 2
BENEFICIARIES OF THE INCOME TAX REDUCTIONS[(1)]

	2013	2014	2015
Income tax reductions			
Average tax reduction	€380	€819	€1,440
Number of beneficiaries	42,500	43,500	44,400
Minimum wage exemption			
Average tax reduction	€70	€90	€100
Number of beneficiaries	3,600	7,300	7,500
Parent computation threshold			
Average tax reduction	€0	€70	€70
Number of beneficiaries	0	42,500	42,500

(1) Tax reduction rounded to next ten euros, while number of beneficiaries rounded to next 100.
Source: Author's calculations using data from Inland Revenue.

and the constancy of the tax thresholds, growth in income results in a higher effective tax rate. In fact, as Chart 3 shows, had the pre-2013 tax rates remained in place, the effective tax rate would have risen from 12.7% to 13.5% by 2015. The 2013 tax reductions resulted in a decrease in the effective tax rate to 12.3% in that year, lowering it further to 12.0% by 2015. Thus, in effect, the tax reductions reduced the average burden of personal income tax by 1.5 percentage points, or by about a tenth, of its projected development.

Quantifying the macroeconomic impact of the income tax reductions

The impact of fiscal policy on economic activity has been a highly debated topic in economic literature, with different schools of thought advocating diametrically opposite conclusions. In perspective, there has been little analysis of this subject in Malta.[10] However, in 2014 two studies shed some light on the matter. Grech and Micallef simulated the effect of a 1.0% in GDP rise in government spending.[11] They concluded that by the second year this would have raised real GDP by 0.8%, but that the effect would have started declining from the third year onwards, as ensuing higher prices would reduce competitiveness and lower exports.

More directly relevant is Borg, who estimates fiscal multipliers for the Maltese economy using the well-known Blanchard-Perotti approach.[12] This paper suggests that an increase in taxation results in lower output and lower prices. The initial impact is estimated to be quite small in terms of output (a 5c decline for every €1 rise in taxes), but rises gradually over the subsequent two years, though it stays statistically below one-for-one. The main impact is on private consumption, with a much more contained effect on private investment. As for prices, these react with a significant lag, and the impact is not felt much in the first year.

In this Box the macroeconomic impact of the income tax reductions described above is quantified by carrying out simulations using the Central Bank of Malta's structural macro-econometric model. As in similar models, output in this model is driven by supply in the long run, but is demand-driven in the short run due to sluggish adjustment of quantities and prices. Thus, while initially a reduction in income tax rates could result in a significant boost in output, in the medium term this effect should subside and reflects only the impact that lower taxes would have on the size, and on more effective use, of factors of production. As explained by Grech, the main channel for the impact of a change in direct tax on households is through disposable income, which would then affect private consumption.[13]

Chart 4 illustrates the impact on real GDP of income tax reductions. The peak impact, of 0.35%, is reached in 2016, the first year after the implementation of the whole array of cuts. Subsequently, the impact declines gradually by 2020, but still remains significant at 0.28%. Given that by 2016 the cumulative cut amounts to about 0.7% of GDP, this implies a multiplier

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[10] An exception is Cordina, G. "A structural econometric model of the Maltese Economy", *Quarterly Review*, 1996:4, Central Bank of Malta, pp. 44-61. This study had found that a permanent 2 percentage point increase in the marginal income tax rate would reduce consumption by 0.5% relative to the baseline solution and real GDP by 0.1%.

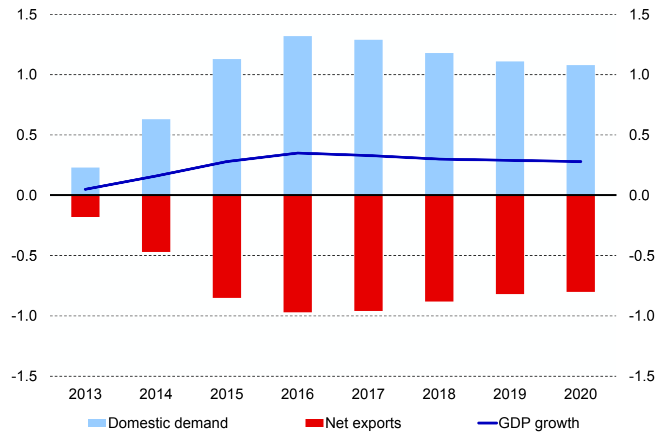
[11] See Grech, O. and Micallef, B., "A structural macro-econometric model of the Maltese economy", *Working Paper* WP/07/2014, Central Bank of Malta.

[12] Borg, I., "Fiscal Multipliers in Malta", *Working Paper* WP/06/2014, available at https://www.centralbankmalta.org.

[13] See Grech, O., "A fiscal block for the Bank's structural macro-econometric model of the Maltese economy" *Quarterly Review*, 2014:3, Central Bank of Malta, pp.60-67.

effect of 0.5. This is very similar to the results in Borg.[14]

Chart 4
IMPACT ON REAL GDP AND CONTRIBUTION BY MAIN COMPONENT
(% deviation from baseline levels)



Source: Author's calculations.

The main impact of the reductions in income tax is a boost in disposable income, as can be seen from Table 3. This, in turn, leads to higher private consumption and gradually to increased investment. The impact on private consumption peaks in 2016, when its level is 1.84 percentage points higher. On the other hand, the effect on investment continues to accelerate till 2017, though the difference from the baseline is much less pronounced than in private consumption. The improvements in domestic demand are partially offset by weakening net exports. Besides the rise in imports of consumer and capital goods, the tax reductions also lead to a gradual decline in exports. This occurs because higher demand for labour pushes wages upwards, leading

Table 3
IMPACT ON MAIN MACROECONOMIC INDICATORS (% DEVIATION FROM BASELINE)

	2013	2014	2015	2016	2017	2018	2019	2020
Economic activity								
Real GDP	0.05	0.16	0.28	0.35	0.33	0.30	0.29	0.28
Private consumption	0.35	0.97	1.69	1.84	1.78	1.69	1.63	1.63
Investment	0.03	0.20	0.45	0.67	0.71	0.63	0.54	0.49
Exports of goods & services	0.00	-0.03	-0.09	-0.16	-0.21	-0.20	-0.16	-0.14
Imports of goods & services	0.18	0.44	0.74	0.79	0.74	0.68	0.65	0.64
Prices and cost developments								
HICP	0.00	0.01	0.05	0.13	0.25	0.33	0.35	0.32
Unit labour costs	-0.03	-0.02	0.03	0.16	0.26	0.31	0.33	0.32
Labour market								
Employment	0.01	0.08	0.20	0.33	0.39	0.38	0.35	0.33
Unemployment rate	0.00	-0.01	-0.02	-0.04	-0.03	-0.02	0.00	0.00
Real disposable income	0.44	1.08	1.80	1.81	1.76	1.69	1.65	1.64
Fiscal developments (% of GDP)								
Fiscal balance	-0.20	-0.43	-0.68	-0.60	-0.59	-0.59	-0.59	-0.58
Public debt	0.16	0.47	0.98	1.41	1.96	2.62	3.29	3.90

Source: Author's calculations.

[14] See Footnote 12.

to lower competitiveness. This impact dampens over time, as the growth in employment moderates from its peak of 0.39% in 2017. The unemployment rate declines initially as a result of a higher demand for labour, but this impact disappears when the labour supply starts responding to higher wages.

Finally, it is important to note that while the income tax reductions lead to a widening of the fiscal deficit, this is smaller than the size of the tax cuts. This reflects two developments, namely, the foregone revenue is partially offset by an increase in chargeable income due to higher wages and employment, while government expenditure initially slightly declines owing to lower spending on unemployment benefits. Spending on other benefits grows, however, as the policy raises inflation and wage growth, which affects benefit indexation.

Conclusion

This Box has estimated the possible macroeconomic impact of the recent reduction in income tax rates. Using the Bank's macro-econometric model, we find that this policy has a positive effect on economic activity, with its impact on GDP peaking at 0.35% in 2016. Subsequently, the impact stabilises at 0.28% in the medium term, as the initial boost to consumption from disposable income is eroded by a decline in net exports due to higher domestic prices. Employment and investment are both expected to grow significantly.

The Box confirms the presence of positive, but relatively moderate, multiplier effects of fiscal policy. Like in other small economies, the main constraint on the macroeconomic impact of tax cuts is the leakage of domestic demand into imports, especially of consumer goods. Moreover, part of the impact of the increase in investment also tends to seep out of the local economy.

Finally, it should be noted that a somewhat conservative modelling approach was used here. For instance, if income earners are assumed to target their real post-tax income, then a cut in income tax may lower future wage claims. This would improve competitiveness, and lead to further economic growth and larger employment effects than shown here.

3. PRICES, COSTS AND COMPETITIVENESS

During the second quarter of 2015, the annual rate of inflation based on the Harmonised Index of Consumer Prices (HICP) picked up to just above 1%, mainly owing to a base effect on energy prices. These developments were also mirrored in movements in the Retail Price Index (RPI), in which inflation rates rose to slightly in excess of 1%, levels last seen in 2013. Meanwhile, harmonised competitiveness indicators reversed the downward trend in evidence since end-2014, while producer prices continued to fall.

HICP inflation

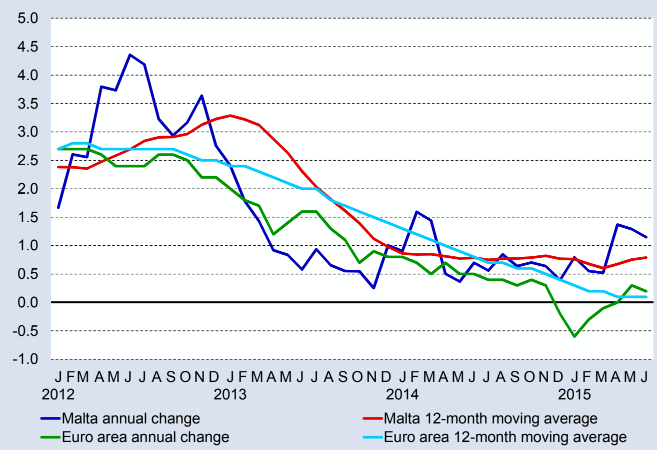
HICP inflation rises

The annual inflation rate based on the HICP stood at 1.1% in June, up from 0.5% in March (see Chart 3.1 and Table 3.1).[1] Meanwhile, the 12-month moving average rate rose to 0.8% from 0.6% in March.

The annual rate of the HICP inflation in the euro area returned to positive territory, rising marginally to 0.2% in June from -0.1% three months earlier. This was mainly the result of an acceleration in food and non-energy industrial goods (NEIG) price inflation, as well as of a smaller contraction in energy prices.

Inflation remains low from a historical perspective in both Malta and in the euro area. However, Malta's inflation rate has tended to rise in recent months. This is partly explained by more buoyant economic activity relative to the euro area.

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					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Unprocessed food	-0.2	2.7	-0.8	4.1	5.0	5.0	4.9	2.8	4.3
Processed food including alcohol and tobacco	1.9	1.8	1.2	1.6	1.3	1.3	1.5	1.8	1.8
Energy	-8.9	-8.9	-8.9	-10.0	-11.6	-13.0	-5.1	-4.4	-4.4
Non-energy industrial goods	1.2	0.5	0.8	0.6	0.7	1.4	1.6	1.4	0.9
Services (overall index excluding goods)	1.9	1.8	1.8	2.2	1.8	1.5	1.6	1.7	1.4
All Items HICP	**0.7**	**0.6**	**0.4**	**0.8**	**0.6**	**0.5**	**1.4**	**1.3**	**1.1**

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 NEIG declined by 0.2 percentage 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%.

The acceleration in the HICP inflation in Malta during the second quarter of 2015 was principally due to a base effect in energy price inflation. The electricity tariff cut in April 2014 no longer influenced the annual inflation rate after March 2015, so that in June 2015 the electricity sub-index was unchanged on a year earlier. As a result, despite drops in transport fuel prices and gas prices against their year-ago level, energy price inflation turned significantly less negative during the period under review, measuring -4.4% in June compared with -13.0% three months earlier. The negative contribution to headline inflation of this component was much weaker, moving to -0.3 percentage point from -1.1 percentage point in March (see Chart 3.2).

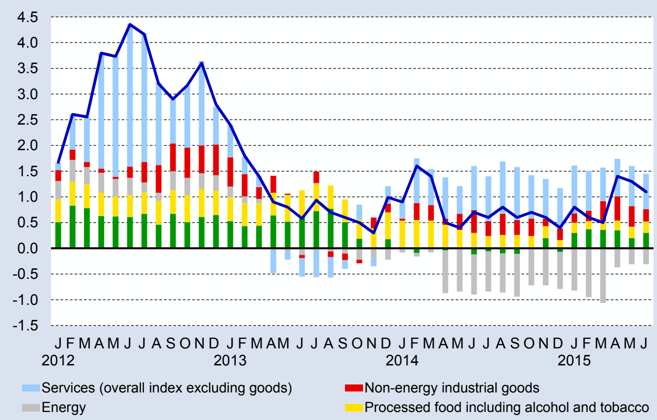
Processed food prices increased at an annual rate of 1.8% in June, half a percentage point faster than in March. This category contributed 0.2 percentage point to headline inflation in June, the same as in March. Price increases were mainly in alcohol prices, following the rise in excise duty announced in the Budget 2015.

The acceleration in inflation of energy and processed food was partially offset by a slow-down in NEIG inflation, which fell to 0.9% in June from 1.4% in March. This was mainly due to slower growth in garment prices. As a result, NEIG's contribution to headline inflation decreased from 0.4 to 0.2 percentage point.

Furthermore, unprocessed food price inflation also decelerated during the period under review, dropping to 4.3% from 5.0% in March, on the back of weaker growth in vegetable prices. Consequently, the component's contribution declined by 0.1 percentage point to 0.3 percentage point in June.

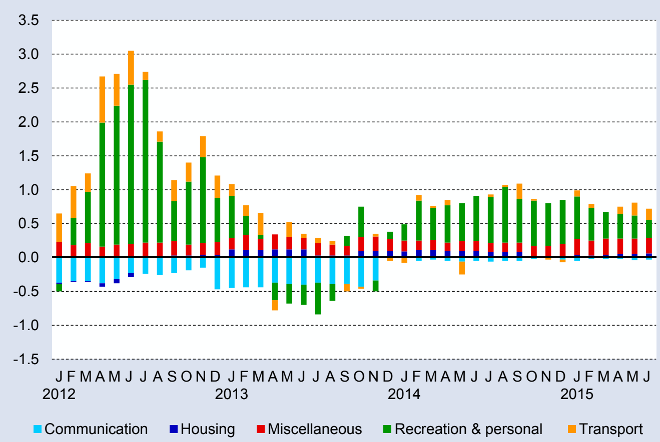
Last, services inflation edged down slightly, with its annual rate of growth falling to 1.4% in June from 1.5% in March. Its contribution has remained constant at 0.7 percentage point (see Chart 3.3). The marginal deceleration masks offsetting developments within the component. Faster price growth in transport, accommodation and

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



Source: Eurostat.

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



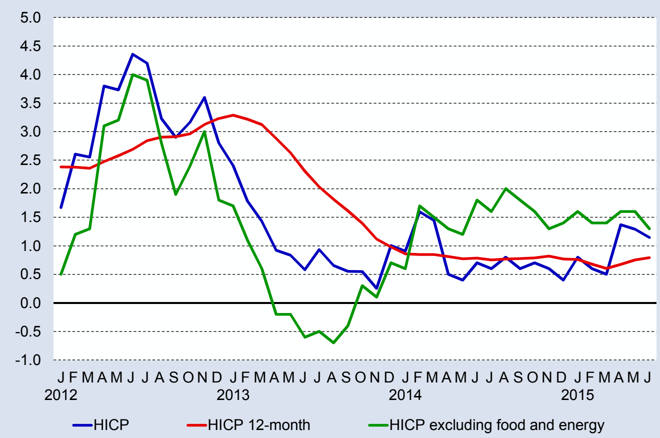
Source: Eurostat.

housing services was offset by a deceleration in restaurant prices, as well as by a larger drop in the prices of communication services. Despite the slight deceleration in its inflation rate, the services component remained the largest contributor to inflation in Malta, reflecting relatively robust price increases, compared with the other components and its large weight of around 40%, in the overall index.

To better gauge underlying inflationary pressures in the economy, central banks often examine measures that exclude the more volatile components in the price index.[2] One widely used measure in this regard is the change in the HICP excluding energy and food.

According to this measure, core inflation in Malta has been broadly stable during 2015, and persistently above the overall HICP figure, with the difference largely stemming from movements in energy prices. The annual rate of change of the HICP excluding energy and food stood at 1.3% as at the end of the second quarter, marginally down from 1.4% in March (see Chart 3.4). In recent quarters, the core measure has also exceeded the 12-month moving average inflation rate.

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



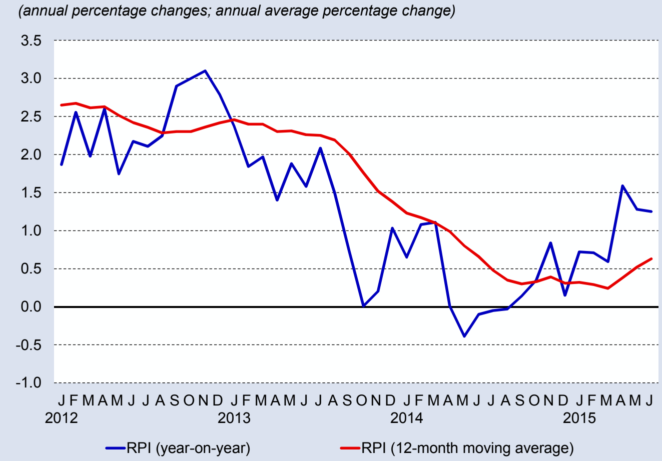
Sources: Central Bank of Malta estimates; NSO.

RPI inflation[3]

RPI growth picks up

Mirroring developments in the HICP, inflation based on the RPI picked up significantly in the second quarter of 2015, rising to 1.3% in June from 0.6% in March (see Chart 3.5).

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



Sources: Central Bank of Malta estimates; NSO.

Similarly to the HICP measure, the acceleration in the RPI inflation mainly reflects a base effect

[2] For an assessment of various measures of core inflation, refer to "An Evaluation of Core Inflation Measures for Malta", *Quarterly Review* 2014:3, Central Bank of Malta, pp. 39-45.

[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.

on electricity prices, which caused the inflation rate of the energy component to move to -0.5% in June from -19.5% in March. As a result, this component's relatively strong negative contribution to the overall RPI came to a halt during the period under review, rising to nil in June from -0.7 percentage point in March (see Table 3.2).

In addition, beverages and tobacco inflation picked up, rising to 3.2% from 2.7% three months earlier, thus contributing 0.2 percentage point to the overall RPI inflation. Furthermore, some pick-up in prices was also registered in the housing services and "other goods" components, together pushing up inflation by 0.3 percentage point, up from a contribution of 0.2 percentage point three months earlier.

While remaining the largest contributor, food inflation slowed down somewhat, from 3.5% in March to 2.5% in June, and thus partly dampened the acceleration in the overall RPI inflation. A deceleration was also registered in the clothing & footwear component, with the related inflation rate falling to 2.8% in June from 4.4%. As a result, its contribution to overall inflation fell marginally from 0.3 to 0.2 percentage point.

On the other hand, transport & communications prices continued to decline at broadly the same pace as in the previous quarter. These prices fell 1.4% in June on their year-ago level, pulling down the headline inflation rate by 0.3 percentage point. This marks the fifth consecutive month of declining prices in this sub-component.

Meanwhile, developments in the remaining RPI components were also broadly similar to recent trends. Overall, these components contributed 0.3 percentage point to the final RPI rate in June, unchanged from March.

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

	2014			2015					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Food	0.1	0.6	0.0	0.8	0.9	0.7	0.8	0.4	0.5
Beverages & tobacco	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Clothing & footwear	0.4	0.1	0.2	0.1	0.1	0.3	0.5	0.4	0.2
Housing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Water, electricity, gas & fuels	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	0.0	0.0	0.0
Household equipment & house maintenance costs	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Transport & communications	0.0	0.2	0.1	0.2	-0.1	-0.3	-0.4	-0.3	-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	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Other goods & services	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2
RPI (annual percentage change)	**0.4**	**0.8**	**0.2**	**0.7**	**0.7**	**0.6**	**1.6**	**1.3**	**1.2**

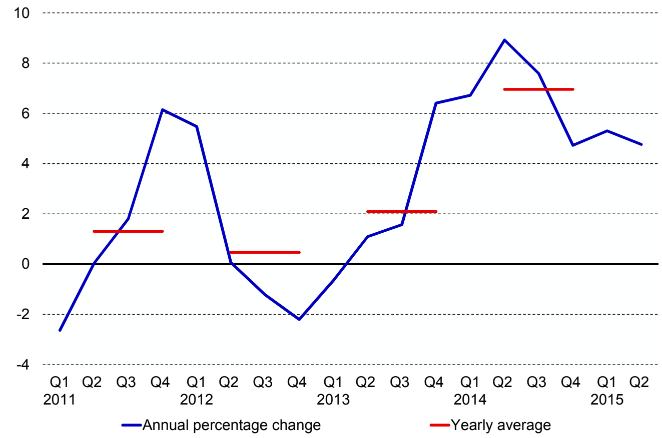
Sources: Central Bank of Malta; NSO.

BOX 5: RESIDENTIAL PROPERTY PRICES

Residential property prices continue to post strong growth

In the second quarter of 2015, the Central Bank of Malta's index of advertised prices of residential property went up by 4.8%, following a 5.3% increase in the first quarter of 2015 (see Chart 1). This marks the seventh consecutive quarter of a strong year-on-year rise in advertised prices following a period of decline or weak growth.

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES

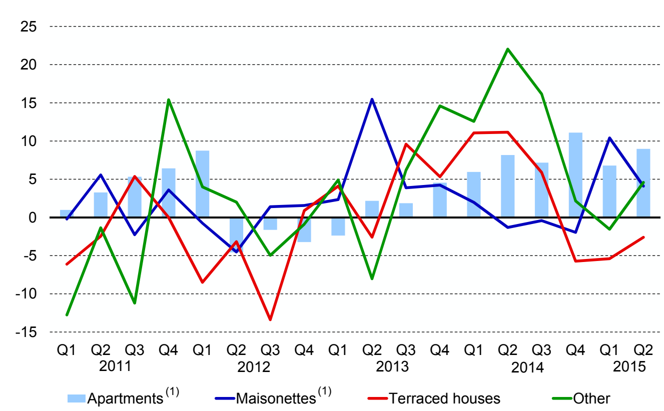


Source: Central Bank of Malta.

This upward movement in prices may be partly influenced by government measures supporting demand for property in Malta. The latter 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 subsequently extended. The effects of these measures may be spilling over into 2015.

During the quarter under review, the slight deceleration in the annual growth rate of property prices was due to a slowdown in the rate of change in prices for maisonettes. Price inflation for this type of property eased to 4.1% from 10.4% in the previous quarter (see Chart 2).

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.

Weaker growth in maisonettes' prices was partially offset by a pick-up in the growth rate of apartment prices, which make up almost three-fifths of properties in the sample. In fact, apartment prices remain at the highest level since the Bank's index began in 2000, with the annual rate of change of 9.0% in the second quarter, up from 6.8% three months earlier.

Price increases for "other" properties, which consist of town houses, houses of character and villas, resumed, with a 4.6% second-quarter increase on a year earlier following a small decline in the previous quarter.

Meanwhile, the asking price for terraced houses fell by 2.6% on its year-ago level, a significantly weaker decline than the 5.4% recorded three months earlier. This marks the third consecutive quarter of negative growth rates.

Costs and competitiveness

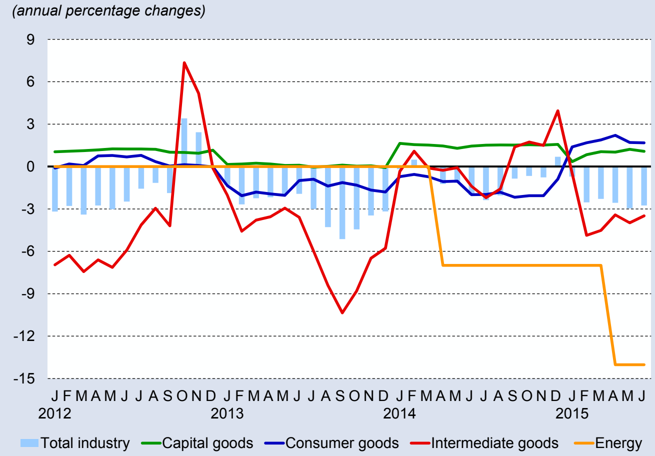
Producer prices continue to decline[4]

Producer prices continued to decline during the second quarter of 2015. The annual rate of change of the producer price index (PPI) fell to -2.8% in June, from -2.3% in March (see Chart 3.6).

This faster drop in producer prices was mainly the result of a sharper fall in energy producer prices, following the administrative reduction in utility tariffs for businesses in April this year. In fact, in June energy producer prices fell by 14.0% on their year-ago level, compared with a drop of 7.0% in March. As a result, this component pulled down overall producer price inflation by 1.9 percentage points, compared with a negative contribution of 0.9 percentage point three months earlier.

Intermediate goods prices fell at a weaker pace during the second quarter, declining by 3.5% in June, compared with a drop of 4.5% in March. This component – which includes semiconductors, pharmaceuticals, paper & plastic products and comprises around 40% of the overall index – was the second largest contributor to the overall fall, pulling down the headline figure by 1.7 percentage points.

Chart 3.6
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

Consumer goods inflation also eased slightly, from 1.9% in March, to 1.7% in the quarter under review, mainly on account of weaker increases in the prices of consumer dura-

[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.

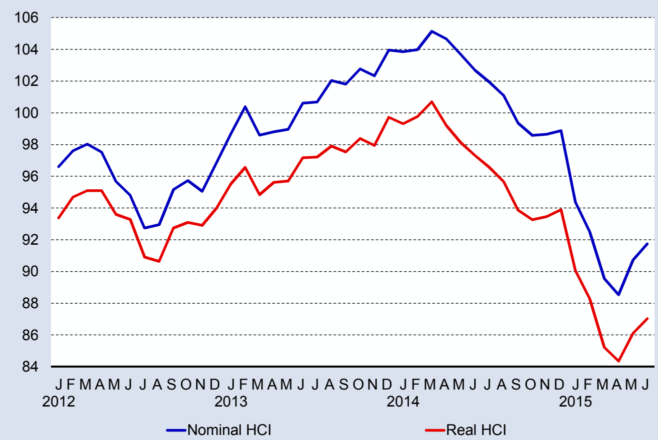
bles. Meanwhile, capital goods price inflation remained unchanged from three months earlier, at 1.1%. These two components made a joint contribution of 0.7 percentage point to the overall PPI inflation, partly offsetting the downward pressures on inflation of intermediate goods and energy.

Harmonised competitiveness indices rise during the second quarter

During the second quarter of 2015, both the nominal and real harmonised competitiveness indicators (HCI) rose sharply, reversing the downward trend in evidence since March 2014. The nominal and real HCIs went up by 2.4% and 2.1%, respectively, on their March levels (see Chart 3.7). These movements are a reflection of an appreciation of the euro against major foreign currencies during the period under review. The fact that the increase in the nominal indicator was larger than that of the real indicator implies that the loss in competitiveness arose solely from exchange rate movements, while the positive inflation differential between Malta and its trading partners narrowed.

Despite increasing over the quarter, both indicators continued to register large declines in annual terms. In June the nominal and real HCIs fell by 10.7% and 10.6%, respectively, when compared with the same month a year earlier. These declines reflect the fact that while the euro appreciated in the quarter under review, the weighted exchange rate was still below its year-ago level. The inflation differential between Malta and its trading partners during the period under review, on the other hand, remained largely constant.

Chart 3.7
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)

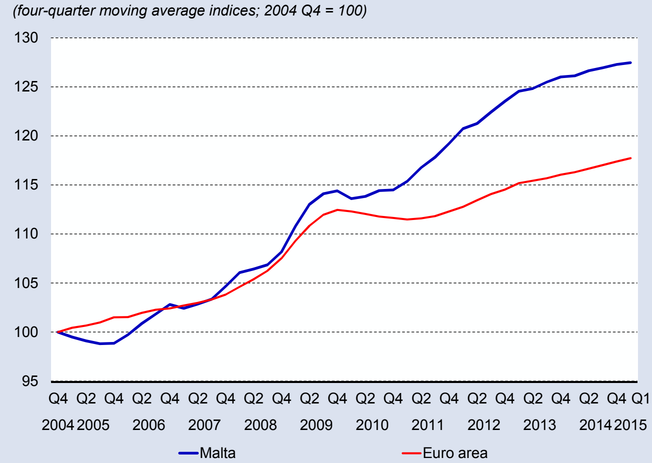


Source: ECB.

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).[5] This followed a 1.0% rise in the last quarter of 2014.

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

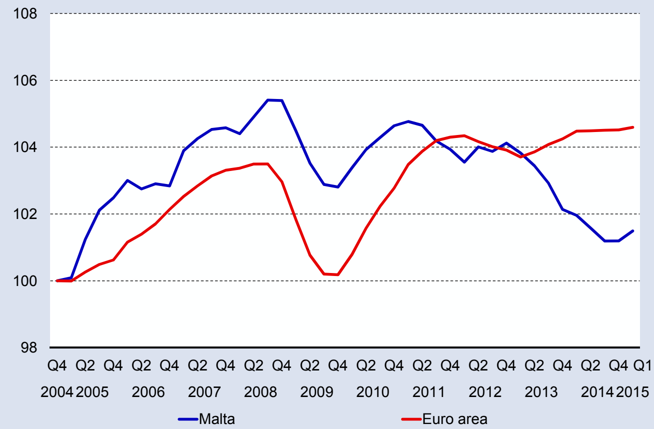


Sources: ECB; Central Bank of Malta estimates.

[5] ULCs measure the average cost of labour per unit of output and are calculated as the ratio of compensation to labour productivity per employee. Structural changes in the Maltese economy, notably the shift to labour-intensive services, go some way to explaining the increase in ULC in recent years. See B. Micallef, "Unit labour costs, wages and productivity in Malta: a sectoral and cross-country analysis", available at https://www.centralbankmalta.org.

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).

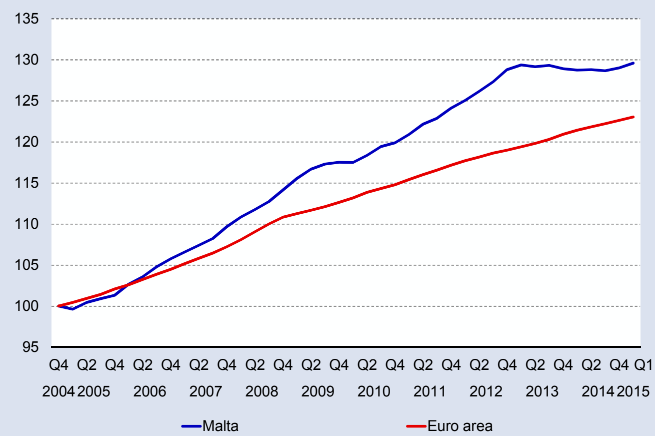
Chart 3.9
PRODUCTIVITY IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

ULCs also rose in the euro area, increasing by 1.2% against their year-ago level during the first quarter, 0.1 percentage point faster than in the previous quarter. This marginal acceleration was the result of slower productivity growth. In contrast, compensation per employee grew at a slightly weaker pace.

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.

Since 2013 the relatively modest growth in compensation per employee in Malta has ensured that ULC growth followed more closely that in the euro area. This contrasts with earlier developments, characterised by significantly faster growth in ULC relative to that in the euro area.

BOX 6: SECTORAL AND CROSS-COUNTRY ESTIMATES OF HOURLY LABOUR COSTS[1]

The labour input plays a key role in the functioning of an economy. For firms, the cost of labour does not only include wages and salaries but also non-wage costs, such as social security contributions paid by the employer. Thus, the total labour cost is an important determinant in a firm's competitiveness, which is also influenced by other factors, namely the cost of capital and non-price elements, such as product quality, branding and after-sale service. For employees, wages or salaries usually represent their main source of income and therefore play an important role in consumption and saving decisions.

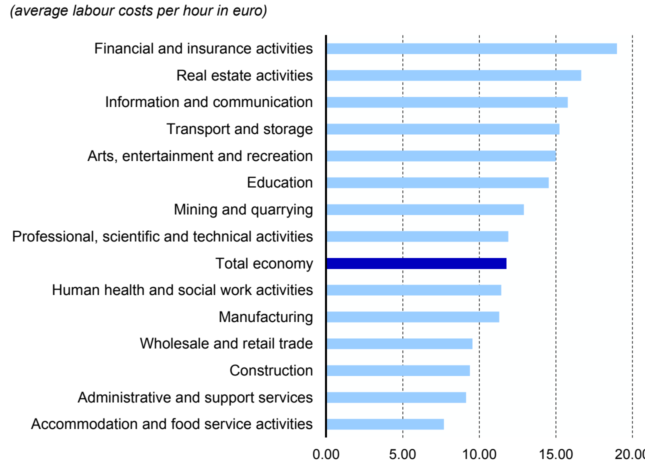
Discussion on competitiveness typically relies on traditional indicators, such as ULCs, defined as the ratio of workers' compensation to their productivity. Such an index, which only looks at cost competitiveness aggregated for the whole economy, should not, however, be interpreted in isolation as it makes no distinction, for instance, between the tradable and non-tradable sectors, or the private and public sector. Indeed, one of the main conclusions from the European Central Bank's (ECB) Competitiveness Research Network is that in-depth assessments of competitiveness should move away from aggregate indicators and focus more on sectoral and firm-level indicators.[2]

This Box looks at hourly labour cost developments at a sectoral level, using the findings of the Labour Cost Survey 2012, which is carried out every four years. In addition to its sectoral detail, one of the main advantages of this survey is that it allows for a direct comparison between domestic and European hourly labour costs in euro, in addition to changes over time.

Sectoral hourly labour costs in Malta

In 2012 the overall labour costs per hour in Malta, which also include social security contributions, training and other labour-related expenditure, stood at €11.78. As expected, the survey points to significant differences at a sectoral level (see Chart 1). The highest hourly labour costs were recorded in high value added sectors,

Chart 1
HOURLY LABOUR COSTS BY ECONOMIC ACTIVITY IN 2012
(average labour costs per hour in euro)



Source: National Statistics Office.

[1] Prepared by Brian Micallef, Senior Research Economist in the Modelling and Research Department of the Central Bank of Malta. 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] Di Mauro, F. and Ronchi, M., "Assessing European competitiveness: the contribution of CompNet research", *Working Paper* European Central Bank, June 2015.

such as finance and insurance, real estate activities, information and communication technology, transport and storage, and the remote gaming sector. In these sectors, labour costs exceeded €15.00 per hour, with the highest being registered in the financial and insurance sector, at €18.99. At the other end of the table, labour costs in wholesale & retail, construction, administrative and support services, and the accommodation and food service industry, are, on average, below €10.00 per hour. Hourly labour costs in manufacturing, at €11.30, are slightly lower than the economy's average.

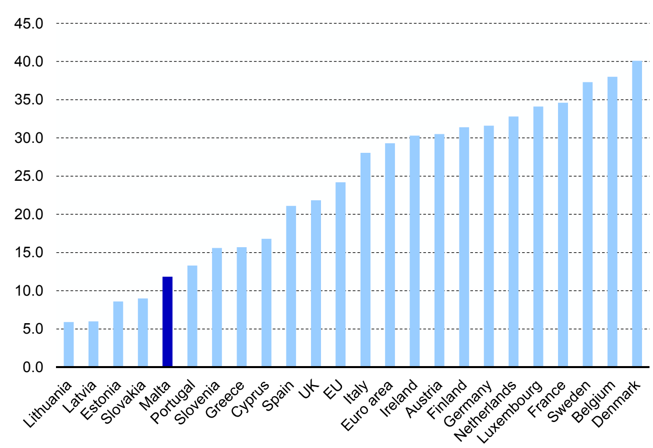
The survey indicates that hourly labour costs are directly proportional to the size of the firm. The lowest costs, at €10.33, were seen in firms employing between 10 and 49 workers, while the highest were in firms with more than 1000 workers, at €15.38. This finding is common in the literature and could be due, for instance, to the fact that larger firms are generally more productive than smaller ones, more capital intensive and have a higher investment in new technologies, thereby raising the demand for skilled labour.[3]

Cross-country comparisons

Similar to the domestic situation, hourly labour costs in both the European Union and the euro area were the lowest in the accommodation and food service activities sector, and highest in the financial and insurance sector. Again, the survey masks significant differences between countries, with hourly labour costs in Denmark being around 12 times higher than in Bulgaria.

Chart 2 ranks the labour costs per hour in selected EU economies in 2012. With the exception of Bulgaria and Romania, the lowest labour costs per hour were recorded in the Baltic countries and the highest in Scandinavian and core European economies. In the former category, labour costs amount to less than €9.00 per hour while, in the latter group, hourly labour costs stand between €30.00 to slightly higher than €40.00. Average hourly labour costs stood at €24.20 in the European Union and €29.30 in the euro area.

Chart 2
HOURLY LABOUR COSTS IN SELECTED ECONOMIES
(average labour costs per hour in euro; 2012)



Source: Eurostat.

Labour costs in Malta rank at the lower end of the table, being generally higher than in the Baltic and Eastern European countries, but lower than in most other euro area economies. This is also due, to an extent, to the

[3] Lopez-Garcia, P., di Mauro, F. and CompNet Task Force, "Assessing European competitiveness: the new CompNet micro-based database", *Working Paper* 1764, European Central Bank, March 2015. For a reference in the academic literature, see Idson, T. and Oi, W., "Workers are more productive in larger firms", *American Economic Review* 89(2), 1999.

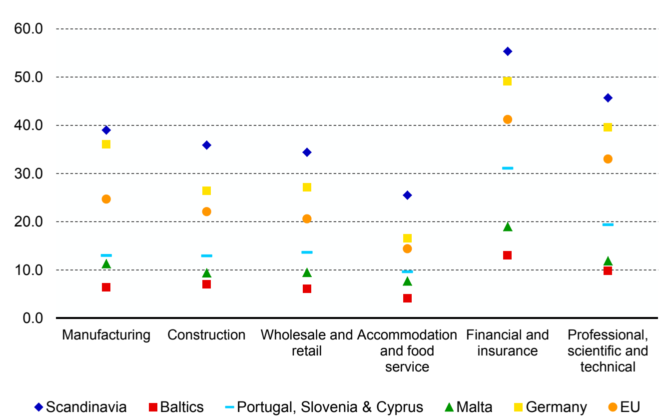
low share of employers' social security contributions in total labour costs, which, at around 8%, compares favourably with the euro area average of 25.0%. Domestic hourly labour costs are also lower than in other Mediterranean economies, such as Spain, Italy, Slovenia and Cyprus.

Chart 3 compares hourly labour costs by economic sector across different country groupings. A similar pattern is observed in most Member States, with the highest hourly labour costs in 2012 observed in the financial and insurance sector, and the lowest in the accommodation and food industry. There are, however, wide differences across countries, with labour costs per hour always being the highest in Nordic countries and the lowest in the Baltic States. In all sectors, hourly labour costs in Malta are lower than those not only in the European Union but also in other comparable small and open economies, such as Portugal, Slovenia and Cyprus.

In general, hourly labour costs in Malta were slightly less than half in the European Union in 2012. At sectoral level, the gap between hourly costs in Malta and the European average varied. In the accommodation and food service industry, costs stood at 53.0%, reflecting the lowest gap in costs, while professional, scientific and technical services recorded costs at 36.0% of the European average, signifying the largest variance in labour costs. In the latter sectors, the relatively low domestic hourly labour costs compared with the European average have persisted, despite the significant shift towards services observed in Malta in recent years.[4]

Hourly labour costs in Germany, commonly considered as one of the most competitive economies in the euro area, are higher than the European Union average and in Mediterranean countries, although lower than in Nordic economies. In the export-oriented manufacturing sector, hourly labour costs in Germany are more than three times in Malta. Despite relatively higher hourly labour costs, Germany has been successful in maintaining the competitive edge of its manufacturing industry, with its share in gross value added remaining broadly unchanged over the past decade, at slightly higher than 22%. On the contrary, manufacturing in Malta has been on a

Chart 3
HOURLY LABOUR COSTS BY ECONOMIC SECTOR IN SELECTED COUNTRIES
(average labour costs per hour in euro; 2012)



Sources: Eurostat; authors' calculations.

[4] Grech, A. G. and Zerafa, S., "Structural changes in the Maltese economy", *Annual Report*, Central Bank of Malta, 2014, pp. 72-76. These authors find that the gross value added in professional services, and information and communication services increased from 75.0% in 2006 to 115.0% in 2013 of the domestic manufacturing sector.

declining trend, falling from 21.4% in 2000 to 10.2% in 2014. These findings confirm that competitiveness involves both price and non-price elements. The competitiveness of the German manufacturing sector is not due to low wages but rather to the quality of its exports, including the development of new technologies and its ability to drive innovation owing to a highly skilled workforce that, in turn, demands higher labour rates.

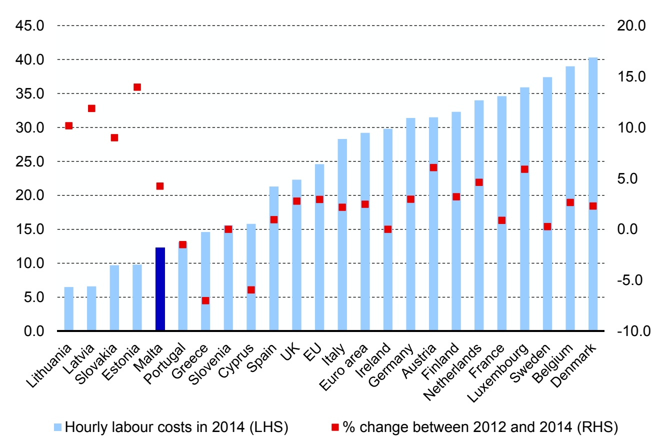
Turning to more recent developments, Chart 4 plots the percentage change in hourly labour costs between 2012 and 2014, together with ranking of labour costs in 2014. These figures are based on a less comprehensive annual update of the four-yearly survey. In particular, the yearly updates are more limited in their sectoral coverage, narrowing the analysis to four aggregate sectors, namely industry, construction, business services and other services (such as education, health, arts, entertainment and recreation activities).

Hourly labour costs in Malta increased to €12.30 in 2014, or by 4.2% compared with 2012. This rise was higher than that registered in the euro area and the European Union during the same period, although the ratio of hourly labour costs in Malta compared with both economic areas still remained between 40% and 50% in 2014. Large differences were observed between countries in the euro area. The largest increases were registered in the Baltic countries, whose labour costs are still relatively low and are thus in the process of converging to the higher EU average. In contrast, hourly labour costs declined in stressed countries, such as Greece, Cyprus and Portugal, and remained broadly unchanged in Ireland and Slovenia. Despite these developments, hourly labour costs in Malta still remain more competitive compared with the latter countries.

The limited sectoral composition suggests that the higher hourly labour costs in Malta compared with the euro area since 2012 were mainly driven by the services sector. On the contrary, the increase in hourly labour costs in domestic manufacturing, at 1.7%, was considerably lower than in the euro area and Germany, at 3.9% and 5.4%, respectively. This bodes well for the cost competitiveness of the domestic manufacturing base. Hourly labour costs in construction, at around 2%, were broadly in line with the European average.

Overall, the findings from this Labour Force Survey are broadly consistent with other sources that point to a period of wage moderation in Malta in recent years.[5] The increase in the labour

Chart 4
CHANGE IN HOURLY LABOUR COSTS
(percentage change between 2012 and 2014; average labour costs per hour in euro in 2014)



Sources: Eurostat; author's calculations.

[5] Micallef, B., "Labour market resilience in Malta", *Quarterly Review* 2013:1, Central Bank of Malta, 2013, pp. 41-46.

supply, driven by reforms targeted to raise the participation rate of females, as well as a higher share of foreign workers in the workforce, has also eased labour shortages in selected sectors and helped to keep wage pressures contained.[6] These factors, together with prudent economic policies and labour market institutions, such as wage bargaining at firm level, have improved the resilience and increased the flexibility of the Maltese labour market, as evidenced by continued job creation and low levels of unemployment.[7]

Conclusion

Survey information on hourly labour costs by sector suggests that the Maltese economy is quite competitive in terms of costs, compared with other euro area countries, and has maintained its cost competitiveness despite the reduction in labour costs in stressed countries since the financial crisis. In 2014 hourly labour costs in Malta remain less than half those in the euro area. In the export-oriented manufacturing sector, domestic labour costs are less than a third of those prevailing in Germany and have become even more competitive in recent years.

Since joining the European Union in 2004, the Maltese economy has gradually diversified its economic base, moving away from traditional sectors towards high value added ones, which pay better. The increase in overall wages since 2012 is a continuation of this process, driven by the shift towards more labour intensive professional services. Hence, the convergence of wages towards those prevailing in the euro area is not associated with a deterioration in price competitiveness, especially considering that domestic labour costs are still more attractive than those in stressed economies, but rather as a natural result of a maturing economy.

Going forward, however, the Maltese economy cannot compete on costs alone, especially with Eastern and emerging countries. As in the German business model, the economy's competitive advantage has to come from a combination of price and cost competitiveness, together with further specialisation in high value added activities. To this end, policy makers must continue to pursue structural reforms that lead to productivity gains that enable sustained increases in real wages and, ultimately, higher living standards. This can only be achieved by further raising the workforce's skill base through investment in education to improve the quality of human capital and to strengthen active labour market policies. The latter include lifelong learning and adequate incentives for both employers and employees to promote development of job-specific skills. Improvements in productivity must also be supported by a reduction in red tape, more flexible management practices and adequate investment in supporting the physical and technological infrastructure of the country.

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6 According to ETC statistics, the share of foreigners in Malta's workforce increased from 5.1% in 2010 to 10.8% in 2014. While the influx of foreign workers is spread across the board, it is unevenly distributed towards certain sectors, such as the remote gaming industry, where the share of foreigners is around a third of the workforce. The share of foreigners exceeds 10% of the workforce also in administrative & support service activities, accommodation and food services, and professional, scientific and technical activities. Further details on the share of foreigners working in the Maltese economy is available from the National Employment Policy, available on: http://education.gov.mt/employment/Documents/EMPLOYMENT%20POLICY%20DOC%20sml.pdf

7 For an analysis of the evolution of the Maltese labour market after the crisis, see Micallef, B. and Caruana, K., "Wage Dynamics Network Survey", *Annual Report*, Central Bank of Malta, 2014, pp. 56-61.

4. THE BALANCE OF PAYMENTS[1]

In the first quarter of 2015 the current account of the balance of payments posted a surplus as opposed to a deficit in the corresponding period of 2014. This improvement was mainly on account of a narrower deficit on trade in goods, as well as smaller net outflows on the primary income account. To a lesser extent, higher net inflows on the secondary income account also contributed. In contrast, net receipts on services contracted on a year earlier. Meanwhile, higher net inflows were recorded on the capital account.

Concurrently, compared with a year ago, the financial account balance showed a smaller net borrowing position. This was largely because net lending on the other investment account offset developments related to both direct and portfolio investment.[2] Net reserve assets, which also form part of the financial account, decreased while errors and omissions remained negative.[3]

The current account posts a surplus in the first quarter

In the March quarter of 2015, the current account recorded a surplus of €106.1 million as against a deficit of €77.1 million a year earlier (see Table 4.1).

Partly owing to developments in the first quarter of the year, the current account balance, measured over the latest four quarters, increased to a high of €444.9 million; thus, based on this measure, the current account balance remained in surplus for 12 consecutive quarters (see

Table 4.1
BALANCE OF PAYMENTS
EUR millions

	Four-quarter moving sums						
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2014 Q1	2015 Q1
Current account	**224.7**	**266.7**	**221.3**	**261.7**	**444.9**	**-77.1**	**106.1**
Goods	-1,091.9	-1,086.6	-1,038.7	-1,094.7	-988.2	-264.6	-158.1
Services	1,572.5	1,602.9	1,620.5	1,626.6	1,592.5	300.4	266.3
Primary income	-381.3	-397.0	-545.8	-469.9	-390.0	-143.4	-63.5
Secondary income	125.5	147.4	185.3	199.6	230.5	30.5	61.4
Capital account	**142.3**	**180.1**	**178.4**	**138.0**	**232.3**	**29.2**	**123.5**
Financial account	**-620.7**	**-435.6**	**-278.7**	**-370.5**	**156.2**	**-537.7**	**-11.0**
Direct investment	-4,628.1	-2,950.2	-3,018.7	-5,053.5	-6,422.3	-619.6	-1,988.4
Portfolio investment	10,159.2	10,245.3	9,012.8	11,989.5	9,774.6	2,609.4	394.4
Financial derivatives	-23.2	269.6	-486.4	-575.5	-653.4	-51.3	-129.2
Other investment	-6,399.1	-8,446.2	-5,990.8	-6,742.9	-2,227.2	-2,739.7	1,776.0
Reserve assets	270.6	446.0	204.4	12.0	-315.5	263.6	-63.9
Errors and omissions	-987.7	-882.4	-678.4	-770.1	-520.9	-489.8	-240.5

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 (IIP) 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 a 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.

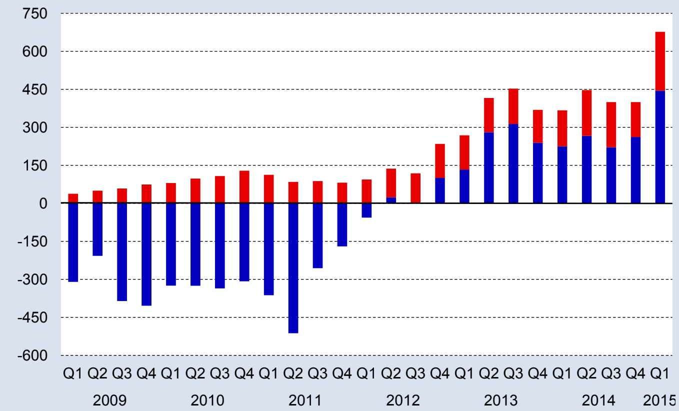
[2] Following the adoption of BPM6, increases in both assets and liabilities are recorded with a positive sign. Before, increases in assets were recorded with a negative sign, implying financial outflows, and increases in liabilities were recorded with a positive sign, implying financial inflows. Similarly,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

Chart 4.1). When compared with the year to March 2014, the higher surplus was principally driven by a significant increase in inflows from secondary income and by a narrower merchandise trade gap (see Table 4.1).

As a proportion of gross domestic product (GDP), in the year to March 2015 the current account surplus stood at 5.5%, 2.6 percentage points higher than in the comparable quarter of 2014.

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



Source: NSO.

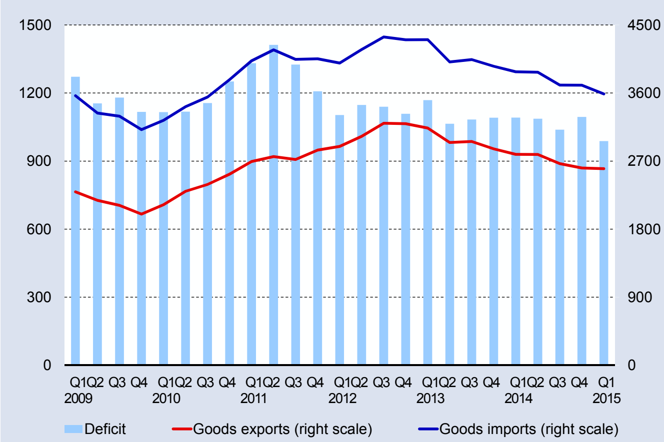
The merchandise trade gap narrows

In the first quarter of 2015, the merchandise trade gap narrowed by €106.5 million on a year earlier. This was attributable to a contraction of €115.0 million in imports, which was only partly dampened by a drop of €8.5 million in exports.

Customs data suggest that lower imports during the first three months of the year were principally due to a smaller fuel import bill and to a drop in purchases of semi-finished industrial supplies, which include purchases of components by the semiconductor industry.[4] With regard to exports, a decline in sales of fuel products and electronic components was partly offset by a rise in exports of printed material and organic chemicals.

On a four-quarter cumulative basis, the visible trade gap based on balance of payments data narrowed to €988.2 million, €103.7 million lower than the deficit recorded in the year ending March 2014. This arose as imports declined by €293.1 million, exceeding a drop of €189.3 million in exports (see Chart 4.2). Trade in goods was heavily influenced by transactions related to fuel; nonetheless, a decline in the semiconductor industry also played a role.

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

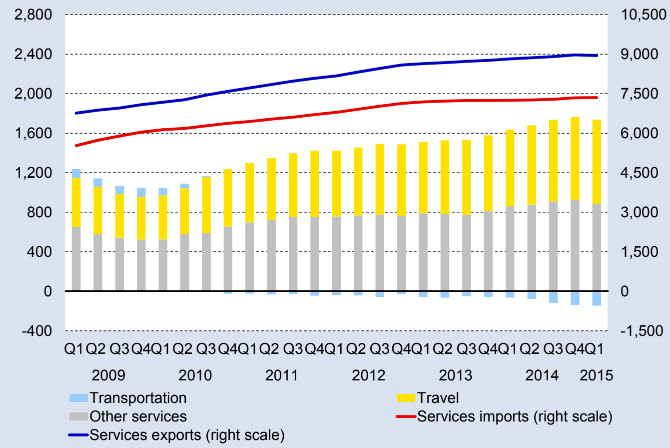


Source: NSO.

[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.

Customs data for the second quarter of 2015 indicate that exports continued to fall whereas imports increased. As a result, the visible trade gap widened on a year earlier. This widening is largely attributable to registration of aircraft and boats, which was particularly high during May.

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



Source: NSO.

The surplus on services declines

Between January and March 2015, the positive balance on services stood at €266.3 million, a dip of €34.1 million on the same period of 2014. This deterioration was mainly spurred by a decrease in receipts, though a small rise in payments also contributed. This was mainly driven by an increase in net payments in respect of "other" business services. It also reflected developments in financial services, spurred by the downsizing of operations by a financial intermediary, as well as by some internationally-oriented banks. To a lesser extent, net payments in respect of transport also rose. These factors outweighed higher net receipts from tourism and insurance.

Notwithstanding developments in the quarter under review, the overall surplus on services in the four quarters to March 2015 stood at €1,592.5 million, up by €20.0 million from the balance registered a year earlier (see Chart 4.3). This resulted as exports of services increased more strongly than imports. The rise in net exports continued to be heavily influenced by favourable developments on travel and "other services" components (see Chart 4.3). As the buoyancy in the tourism sector persisted, net travel receipts increased by €79.4 million to €854.9 million. Meanwhile, the net surplus on the "other services" component rose to €883.3 million, up by €22.7 million, mainly reflecting an increase in exports of remote gaming companies, telecommunications, insurance & pension services, as well as maintenance & repair services. Conversely, net inflows from financial services, which are influenced by the activities of SPEs, contracted when compared with the previous year.

In contrast, net transport payments reached €145.7 million, €82.1 million more than in the four quarters ending March 2014. Although both transport receipts and payments went up on a year earlier, the rise in the latter was more pronounced.

Net outflows on primary income decrease[5]

During the March quarter of 2015, net outflows on the primary income account amounted to €63.5 million, substantially lower than the €143.4 million recorded in the corresponding period of 2014. Flows on this account continued to be heavily influenced by activities of SPEs and internationally-oriented firms, including banks, which engage in financial operations predominantly with non-residents.

[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.

In contrast, on a four-quarter cumulative basis, net outflows on this account expanded marginally on a year earlier, up by €8.6 million to €390.0 million. This was wholly driven by a rise in outflows related to direct investment, including profits accruing to foreign shareholders in firms operating in Malta, as well as higher net payments from income on equity and investment fund shares. These offset higher net earnings on portfolio investment, and, to a smaller extent, on net interest earnings relating to other investment.

Higher inward flows recorded on secondary income

In the first quarter of 2015, net inflows on the secondary income account climbed to €61.4 million, more than double the €30.5 million recorded in the first three months of 2014. This rise was mainly due to higher net government receipts, which are heavily influenced by timing differences between tax receipts from, and refunds to companies engaged in international business.

Over the four quarters to March 2015, net inward secondary income flows increased to €230.5 million, up by €105.0 million on the corresponding period a year earlier.

The capital account

During the March quarter of 2015, net inflows of €123.5 million were recorded on the capital account, a marked increase over the €29.2 million registered in the same period of 2014 (see Table 4.1). Partly reflecting developments in the first quarter of the year, during the 12 months to March 2015, capital inflows expanded to €232.3 million, an increase of €89.9 million on the four quarters ending in March 2014 (see Chart 4.1). This improvement stemmed from a notable rise in funds paid to Government under EU financing programmes.

The financial account

Concurrently, in the first three months of 2015 residents reported an increase of €535.1 million in foreign financial assets, whereas €546.1 million were added to foreign financial liabilities. As a result, the financial account showed a net borrowing position of €11.0 million in the first quarter of year, in contrast with net borrowing of €537.7 million in the same months of 2014.

This difference was largely attributable to a strong increase in net "other" investment assets, mainly reflecting a rise in loans provided by banks. However, this was only partly counterbalanced by an increase in direct investment liabilities and by a smaller addition in net portfolio investment assets. To a lesser extent, a rise in financial derivative liabilities also resulted in additional net borrowing flows. Overall, financial flows continued to be heavily affected by operations of internationally-oriented banks and SPEs.

Notwithstanding the net borrowing recorded in the first quarter of 2015, over the four quarters ending March 2015, the financial account recorded net lending of €156.2 million. This contrasts with net borrowing of €620.7 million in the 12 months ending March 2014, primarily reflecting an increase in assets and smaller liabilities on the other investment subcomponent.

International investment position

At the end of March 2015, Malta's net creditor position vis-à-vis the rest of the world expanded markedly from a year earlier. NSO data on Malta's IIP show that Maltese residents' holdings of external financial assets as at the end of the first quarter of the year stood at €226.0 billion, while

Table 4.2
INTERNATIONAL INVESTMENT POSITION
End-of-month position; EUR millions

	2014				2015
	Mar.	June	Sep.	Dec.	Mar.
Net international investment position	**1,977.3**	**2,471.6**	**3,091.5**	**3,362.1**	**3,021.9**
Total assets	**211,935.4**	**213,114.8**	**216,754.6**	**221,608.4**	**225,979.3**
Direct investment	51,740.2	51,313.5	50,972.2	50,857.2	50,574.6
Portfolio investment	88,374.8	93,208.8	95,768.6	99,996.1	101,488.1
Financial derivatives	2,377.6	2,540.9	1,903.2	1,901.3	1,873.5
Other investment	68,748.3	65,193.8	67,463.5	68,343.9	71,518.3
Reserve assets	694.6	857.8	647.0	510.0	524.8
Total liabilities	**209,958.1**	**210,643.2**	**213,663.1**	**218,246.3**	**222,957.4**
Direct investment	152,672.8	152,527.9	153,918.8	156,121.0	157,503.1
Portfolio investment	5,009.0	5,108.6	4,681.7	4,922.3	5,602.5
Financial derivatives	608.0	510.2	519.0	544.4	679.1
Other investment	51,668.4	52,496.5	54,543.5	56,658.6	59,172.7

Source: NSO.

the corresponding liabilities amounted to €223.0 billion (see Table 4.2).[6] As a result, the net positive IIP stood at €3.0 billion, up from €2.0 billion from the end-March 2014 level.

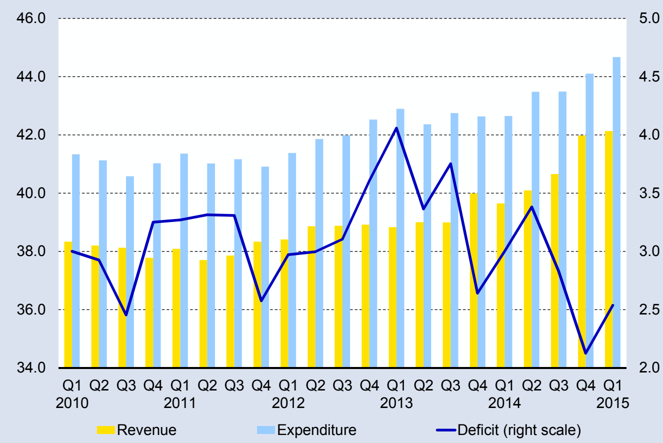
Higher net external assets were totally propelled by a rise in the value of net portfolio assets, mainly reflecting increases in equities and long-term debt securities. Conversely, the other components partly offset this rise. The improvement in Malta's IIP mirrored the surplus on the current account, which was partly matched by net financial account outflows, as well as by favourable developments in market valuation and exchange rate movements.

[6] The IIP statement shows the stock of external assets and liabilities of residents, including SPEs, vis-à-vis the rest of the world as at the end of a particular period. Developments in the IIP reflect financial transactions but also exchange rate movements and valuation changes.

5. GOVERNMENT FINANCE

The latest general government statistics cover the first quarter of 2015. During this period the general government deficit-to-gross-domestic-product (GDP) ratio, measured on the basis of four-quarter moving sums, rose to 2.5% from 2.1% in 2014 (see Chart 5.1). At the same time, general government debt as a percentage of GDP rose to 70.3% from 68.5%. However, the debt ratio fell by 2 percentage points compared with the first quarter of 2014.

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



Source: NSO.

Available cash statistics cover the period January to June 2015. During this period the Consolidated Fund deficit improved over the same period of 2014, reflecting developments in the first quarter. These offset a widening of the deficit in the second quarter of 2015.[1]

General government

General government balance deteriorates

In the first quarter of 2015, the general government deficit worsened by €35.5 million on a year earlier, to reach €172.3 million (see Table 5.1). This arose as increased expenditure, especially related to capital projects and capital transfers, outpaced revenue growth.

Revenue rises

In the first quarter of 2015 general government revenue expanded by €59.1 million, or 8.5% over the same quarter of the previous year, driven mainly by higher tax receipts. Inflows from production and import taxes accounted for almost half of the increase in revenue, driven mainly by larger intakes from customs and excise duties, and duty on documents on property. Revenue from customs and excise duties was partly driven by higher duties announced in the latest Budget, particularly those on fuel.

Inflows from direct taxes and social contributions also increased, in line with developments in the Maltese labour market. Revenues from current taxes on income and wealth grew by €17.5 million, while social contributions rose by €8.9 million.

[1] The Consolidated Fund covers most of the government transactions 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 accrual 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.

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2014 Q1	2015 Q1	Change Amount	Change %
Revenue	**695.5**	**754.6**	**59.1**	**8.5**
Taxes on production and imports	239.6	268.4	28.7	12.0
Current taxes on income and wealth	207.6	225.1	17.5	8.5
Social contributions	131.8	140.7	8.9	6.7
Capital and current transfers	43.0	46.1	3.0	7.1
Other(1)	73.4	74.4	0.9	1.3
Expenditure	**832.3**	**926.8**	**94.6**	**11.4**
Compensation of employees	257.5	274.8	17.2	6.7
Intermediate consumption	111.1	120.8	9.7	8.7
Social benefits	250.0	251.3	1.3	0.5
Subsidies	26.7	27.8	1.0	3.9
Interest	55.9	56.5	0.7	1.2
Current transfers payable	47.2	53.7	6.5	13.7
Gross fixed capital formation	60.9	86.5	25.5	41.9
Capital transfers payable	21.3	47.6	26.3	123.7
Other(2)	1.6	7.9	6.3	-
Primary balance	**-81.0**	**-115.7**	**-34.8**	**-**
General government balance	**-136.8**	**-172.3**	**-35.5**	**-**

(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.

Meanwhile, capital and current transfers went up by €3.0 million, primarily driven by the latter. At the same time, "other" revenue grew marginally, by €0.9 million.

Expenditure increases

Between January and March 2015, general government spending expanded by €94.6 million, or 11.4% on a year earlier, as both current and capital expenditure rose.

Spending on compensation of employees grew by €17.2 million, reflecting especially higher outlays in the public administration, health and education sectors. Concurrently, intermediate consumption went up by €9.7 million, driven by greater spending within these same sectors.

During the period under review, outlays on social benefits and subsidies marginally grew, led by higher payments to the public transport provider. At the same time interest payments grew by just €0.7 million. Although the debt stock increased, coupon rates on new stock issues declined compared with a year earlier, as the Treasury took advantage of the current historical low rates.

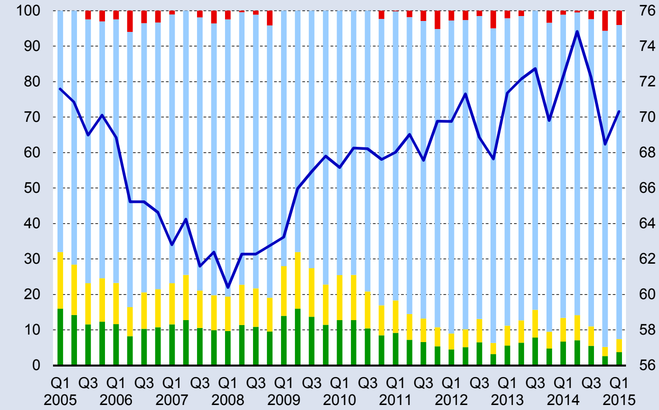
Turning to developments in capital expenditure, spending on gross fixed capital formation grew by €25.5 million owing to higher outlays on infrastructural projects, as well as the purchase of a military aircraft. Capital transfers also rose by €26.3 million, since an equity injection by Government in Air Malta was higher than a similar injection in the same period of the previous year.

The general government debt ratio increases

In March 2015 the stock of general government debt amounted to €5,640.2 million, up from

€5,417.4 million in December 2014. Consequently, the debt-to-GDP ratio rose by 1.8 percentage points to 70.3% over the same period (see Chart 5.2). Compared with the same quarter of 2014, the debt-to-GDP ratio fell by 2 percentage points.

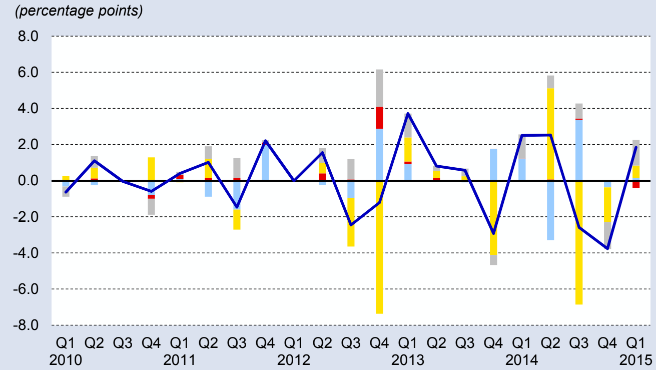
Chart 5.2
GENERAL GOVERNMENT DEBT



Source: NSO.

The increase in general government debt ratio over this period largely reflected the deficit recorded during the first quarter of 2015 (see Chart 5.3). However, the deficit-debt adjustment also contributed to the increase in debt. The rise in the latter was to a great extent driven by higher government deposits. Furthermore, net receivables also had a positive effect on the debt ratio, reflecting adjustments in grants, which were recorded on a cash basis in the first quarter of 2015 but which were due in 2014.

Chart 5.3
GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT
(percentage points)



(1) Composed mainly of transactions in deposits held with the Central Bank of Malta.
(2) Also includes transactions related to shares and other equity and adjustments for valuation and volume effects.
(3) GDP data are four-quarter moving sums.
Source: Central Bank of Malta.

With regard to debt composition, the share of short-term securities, namely Treasury bills, in total debt increased to 3.7%. In contrast, the share of long-term securities, which are composed of Malta Government Stocks (MGS), declined by 0.5 percentage point to 88.6%. Meanwhile, the share of loans decreased to 6.7% from 7.2% at the end of 2014, while the proportion of government liabilities in the form of euro coins remained unchanged at 1.1%.

Consolidated Fund

The Consolidated Fund deficit increases in the second quarter

Following a narrowing in the first quarter of 2015, the Consolidated Fund deficit widened by €33.0 million on a year earlier in the second quarter of 2015, to €72.6 million (see Table 5.2). At the same time, the primary deficit deteriorated by €30.5 million.

Compared with the same quarter of 2014, revenue grew by €52.0 million, or 7.2%, following higher tax revenue. Inflows from direct taxes rose by €56.3 million on the back of higher revenue

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2014 Q2	2015 Q2	Change Amount	Change %	2014 Q1-Q2	2015 Q1-Q2	Change Amount	Change %
Revenue	**723.1**	**775.1**	**52.0**	**7.2**	**1,322.9**	**1,511.6**	**188.7**	**14.3**
Direct tax[1]	357.5	413.8	56.3	15.7	645.0	693.0	48.1	7.5
Indirect tax	239.5	271.7	32.2	13.5	477.9	548.3	70.5	14.7
Non-tax[2]	126.1	89.6	-36.5	-29.0	200.1	270.2	70.2	35.1
Expenditure	**762.7**	**847.7**	**85.0**	**11.1**	**1,588.1**	**1,669.6**	**81.5**	**5.1**
Recurrent[1]	667.9	730.1	62.2	9.3	1,396.6	1,463.5	67.0	4.8
Of which: Interest payments	57.4	59.9	2.5	4.3	111.2	116.2	4.9	4.4
Capital	94.8	117.7	22.8	24.0	191.5	206.0	14.5	7.6
Primary balance[3]	**17.8**	**-12.7**	**-30.5**	**-**	**-154.0**	**-41.8**	**112.2**	**-**
Consolidated Fund balance	**-39.6**	**-72.6**	**-33.0**	**-**	**-265.2**	**-158.0**	**107.2**	**-**

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

(2) Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

(3) Revenue less expenditure excluding interest payments.

Source: NSO.

from income tax and social security contributions, while indirect taxes grew by €32.2 million, led by additional inflows from customs and excise duties.

Expenditure went up by €85.0 million, or 11.1%. Almost four-fifths of the increase stemmed from higher current expenditure while capital expenditure accounted for the remaining increase.

Despite the larger deficit during the second quarter of 2015, over the whole period of January to June, the Consolidated Fund deficit narrowed by €107.2 million, as revenue outpaced expenditure.

Thus, during the first half of 2015 the former grew by €188.7 million or 14.3% on a year earlier, driven by a rise in all its main components. Non-tax revenue and indirect taxes posted the biggest increases. Higher customs and excise duties supported indirect taxes, whereas the rise in non-tax revenue stemmed mainly from the timing of additional grants received, a portion of which were actually due in the previous year. Meanwhile, inflows from direct taxation grew by €48.1 million following higher intakes from income tax and social security contributions.

On the other hand, expenditure grew by €81.5 million, or 5.1%, mainly owing to higher recurrent spending on personal emoluments, outlays on social benefits and medical supplies. Expenditure was also affected by a one-time additional bonus to low-income earners. Contributions to government entities also rose, as did interest payments.

Meanwhile, capital spending grew by €14.5 million, reflecting additional expenditure on infrastructural projects, largely financed by EU grants.

Government debt increases

Between December 2014 and June 2015, central government debt, excluding debt issued by extra-budgetary units and local councils, and excluding also debt held by sinking funds, increased by €255.2 million. At the end of June the outstanding amount stood at €5,384.8 million (see

Table 5.3
GOVERNMENT DEBT(1)
EUR millions

	2014 end-June	2014 end-Dec.	2015 end-June	Change Dec. 14 - June 15
Government debt(1)	**5,484.2**	**5,129.6**	**5,384.8**	**255.2**
Euro coins issued in name of the Treasury	57.1	60.4	62.9	2.5
Treasury bills	407.2	140.4	230.6	90.1
Malta Government Stocks	4,920.4	4,832.0	5,002.4	170.4
Local loans	56.4	56.4	56.4	0.0
Foreign loans	43.2	40.4	32.6	-7.8

(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.

Table 5.3). Compared with the same period last year, however, government debt was €99.4 million lower.

During the first half of the year, outstanding MGS rose by €170.4 million, owing to new stock issues in February and June. At the same time, the stock of Treasury bills went up by €90.1 million as new issues outweighed redemptions. The share of MGS in government debt stood at 92.9% by mid-2015, down from 94.2% at end-2014. On the other hand, the share of Treasury bills edged up to 4.3%, from 2.7% at end-2014.

Meanwhile, the value of euro coins in issue rose slightly by €2.5 million. Nonetheless, their share in total debt remained unchanged. On the other hand, the stock of foreign loans outstanding declined during the period under review, while local loans outstanding remained unchanged.

6. MONETARY AND FINANCIAL DEVELOPMENTS

Monetary dynamics in Malta remained robust during the second quarter of 2015.[1] The annual growth rate of residents' deposits accelerated further, driven by overnight deposits. Meanwhile, the recovery in credit to residents gathered pace, with the annual growth rate turning positive.

Domestic money market yields remained unchanged during the quarter under review. In the secondary capital market, yields on five-year and ten-year government bonds increased, ending the downward trend seen in previous months. Consequently, spreads over the euro area benchmarks widened. In the equity market, the Malta Stock Exchange (MSE) index rose strongly.

Monetary aggregates and their counterparts

Total assets of the Maltese banking system fall

Total assets pertaining to the banking system in Malta fell during the June quarter, contracting by €6.2 billion. The drop primarily stemmed from international banks operating in Malta, as the total assets belonging to core domestic banks – the domestically-relevant banking system − increased. However, the latter's size, compared with gross domestic product (GDP), dropped marginally by 1 percentage point to 255.0% at end-June 2015 (see Chart 6.1).[2,3]

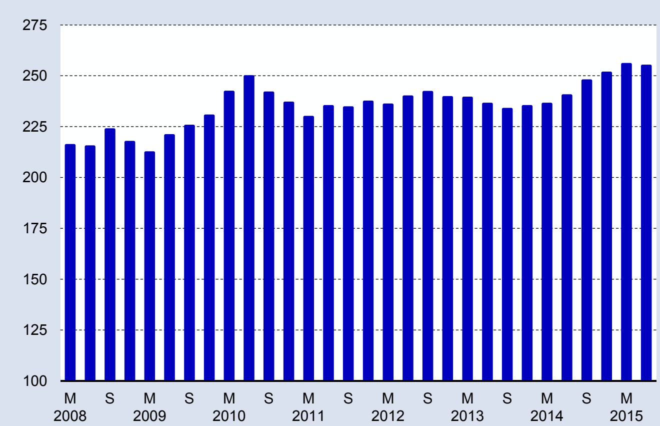
Residents' deposits grow rapidly

Total residents' deposits with Maltese banks grew at double-digit annual rates in recent quarters. During the year to June, residents' deposits rose by 19.1% from 14.6% in the year to March (see Table 6.1).

In more detail, overnight deposits fuelled the overall acceleration in deposits, driven in particular by higher deposits belonging to non-financial corporations (NFC) and households. Consequently, the annual growth rate went up to 39.3% from 30.5% in March.

Conversely, deposits with an agreed maturity of up to two years, the second largest component, contracted at a faster pace during the quarter under review, extending the downward trend seen in recent quarters. The contraction stemmed mainly from lower deposits belonging to NFCs and households. Consequently, the annual rate of change of these deposits fell to -8.4% in June from -7.6% in March.

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] Monetary data analysed in this Chapter are compiled on the basis of the statistical standards that are described in the General Notes that accompany the Statistical Tables of this *Quarterly Review*. They are consistent with the relevant ECB Regulation and with ESA 2010.
[2] As from January 2015, the domestically relevant banks or "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.
[3] GDP statistics are sourced from NSO *News Release* 163/2015, published on 4 September 2015.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2015	2014			2015	
	June	June	Sep.	Dec.	Mar.	June
Overnight deposits	**9,795.1**	**15.6**	**20.4**	**29.0**	**30.5**	**39.3**
of which						
Households	5,185.6	13.3	19.6	25.4	29.8	34.9
Non-financial corporations	2,646.6	10.0	15.2	24.0	20.1	48.3
Deposits redeemable at notice of up to three months	**116.8**	**-0.5**	**1.4**	**9.3**	**8.2**	**3.3**
of which						
Households	94.9	-2.3	-0.8	7.8	4.7	0.6
Non-financial corporations	19.3	9.8	20.4	10.9	14.7	10.6
Deposits with an agreed maturity of up to two years	**3,711.8**	**6.2**	**4.9**	**-2.0**	**-7.6**	**-8.4**
of which						
Households	2,946.0	2.8	1.3	-0.7	-4.9	-5.4
Non-financial corporations	286.2	-4.9	17.9	-16.0	-26.7	-19.3
Deposits with an agreed maturity above two years	**1,559.0**	**5.5**	**2.4**	**-3.0**	**2.5**	**0.7**
of which						
Households	1,448.4	2.8	0.1	-5.1	1.1	0.5
Non-financial corporations	77.2	38.9	30.5	14.0	11.4	6.8
Total residents' deposits[(1)]	**15,182.6**	**11.0**	**12.9**	**14.6**	**14.6**	**19.1**

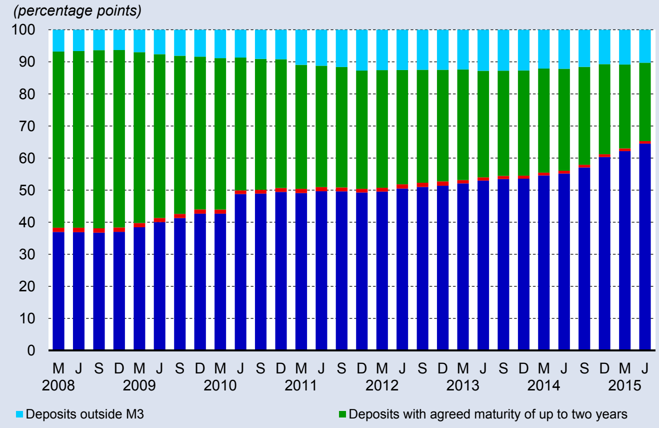
[(1)] Total residents' deposits exclude deposits belonging to central government.
Source: Central Bank of Malta.

At the same time, deposits redeemable at a notice of up to three months increased at an annual rate of 3.3% in June, down from 8.2% in March. However, the amount of such deposits is small in absolute terms.

Meanwhile, deposits with agreed maturities beyond two years, which are excluded from broad money (M3), went up on the back of higher households' deposits during the June quarter. However, their annual growth rate fell to 0.7% from 2.5% three months earlier.

Thus, the shift away from term deposits towards overnight deposits continued, partly reflecting the low opportunity cost of holding liquid deposits in a low interest rate environment. In addition, during the 12 months to June, interest rates offered on term deposits fell more than those offered on overnight balances. As a result, the share of overnight deposits in total residents' deposits extended its upward trend, reaching almost 65% by end-June (see Chart 6.2). On the other hand, the

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



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

share of deposits with an agreed maturity of up to two years fell further and they now account for less than a quarter of total deposits. Similarly, the share of deposits with an agreed maturity of over two years marginally fell to around 10%. Deposits redeemable at a notice of up to three months account only for a small proportion of total loans and their share remained unchanged.

Going forward into the third quarter, total residents' deposits continued to grow strongly, with the annual growth rate hovering around 18% in July.

Interest rates on residents' deposits decline

During the second quarter of 2015, the composite interest rate paid by monetary financial institutions (MFI) on all euro-denominated deposits belonging to households and NFCs resident in Malta dropped by 8 basis points to 0.85% (see Table 6.2).[4] 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, fell only marginally or did not change at all.

In fact, rates on household overnight deposits remained unchanged at 0.15%, while those on similar deposits belonging to NFCs went down by 5 basis points to 0.12%. Meanwhile, rates on deposits with an agreed maturity of up to two years fell by 13 basis points for households and 11 basis points for NFCs, to 1.40% and 1.22%, respectively. At the same time, rates on longer-term deposits went down by 5 basis points for households and by 8 basis points for NFCs.

From a longer-term perspective, the composite rate on deposits of households and NFCs fell by 45 basis points compared with a year earlier. The biggest decline was registered in rates offered on deposits with an agreed maturity of up to two years, whereby rates paid to households fell by 55 basis points, with NFC rates dropping by 60 basis points.

Going into the third quarter of 2015, the composite deposit rate fell by 2 basis points to 0.83% in July, following cuts in household interest rates.

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

	2014			2015	
	June	Sep.	Dec.	Mar.	June
Total deposits	1.30	1.14	1.03	0.93	0.85
Overnight deposits					
Households	0.27	0.17	0.17	0.15	0.15
Non-financial corporations	0.24	0.18	0.18	0.17	0.12
Time deposits with agreed maturity up to two years					
Households	1.96	1.85	1.73	1.53	1.40
Non-financial corporations	1.82	1.26	1.45	1.33	1.22
Time deposits with agreed maturity over two years					
Households	3.54	3.52	3.44	3.35	3.30
Non-financial corporations	2.88	2.93	2.84	2.70	2.62

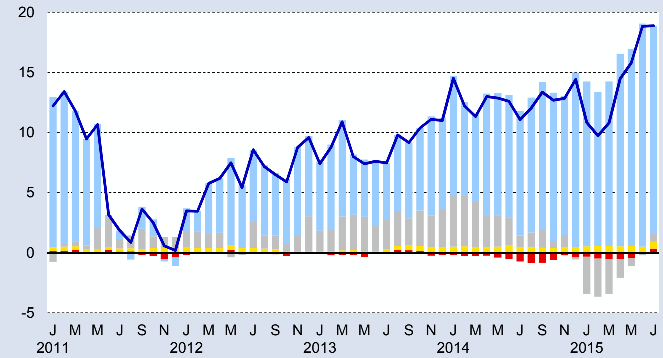
[(1)] Annualised agreed rates on outstanding euro-denominated deposits belonging to households and non-financial corporations.
Source: Central Bank of Malta.

[4] 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.

Contribution to euro area M3 accelerates

The contribution of Maltese MFIs to euro area M3 rose at an annual rate of 18.8% in the June quarter, up from 10.8% in March.[5] The acceleration in the second quarter was almost entirely driven by the rapid growth in deposits belonging to residents of Malta. On the other hand, the contribution from deposits belonging to residents of other euro area countries was marginally negative during the quarter under review, though to a smaller extent than in the previous quarter. Contributions from the remaining components, which include currency issued, were low (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.

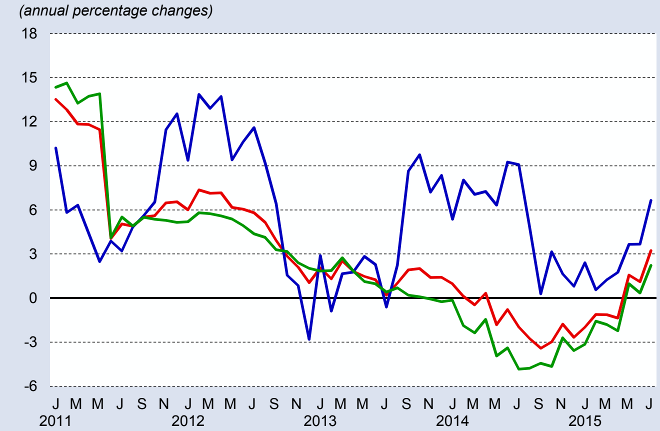
In July the annual rate of change of the contribution of Maltese MFIs to euro area M3 rose to 18.9%, following increases in all components.

Credit to residents

During the second quarter of 2015, credit to Maltese residents expanded following a rise in lending to general government, as well as to the remaining sectors. As a result, the annual rate of credit growth turned positive, reaching 1.1% in June as opposed to a 1.1% drop in March (see Chart 6.4). In comparison, credit in the euro area also grew at a faster pace during the quarter under review, expanding by 1.2% during the year to June, up from 0.4% in the year to March.

Credit granted to general government grew by 3.7% during the year to June, up from 1.2% three months earlier. The acceleration reflected an increase in MFIs' holdings of Malta Government Stocks (MGS) and Treasury bills during the period reviewed. In particular, banks' holdings of MGS increased following the issuance of stocks in June.

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



Source: Central Bank of Malta.

[5] 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 government 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 to residents other than general government, which mainly consists of credit to the private sector, marginally grew during the June quarter as an increase in loans to non-bank financial intermediaries and households was partly offset by a reduction in loans to NFCs. Consequently, the annual rate of change of credit to other residents rose to 0.4% in June, from -1.8% in March.

Going into the third quarter of 2015, the annual growth rate of total credit to residents rose to 3.2% in July as credit to general government, as well as to the remaining sectors, accelerated.

Bank lending to NFCs falls

Bank lending to NFCs fell during the quarter under review, following drops in loans to private NFCs and, especially, to public NFCs. Consequently, loans to NFCs decreased by 2.9% during the year to June, as against a 1.8% increase in the year to March.

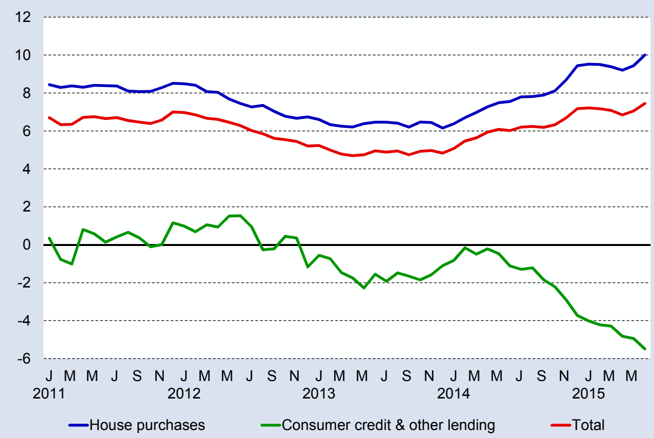
A sectoral breakdown of loans extended to NFCs shows that the transportation & storage sector, construction & real estate activities, and accommodation & food service activities accounted for a significant share of the overall contraction in the year to June (see Table 6.3). Lending to firms in the "other" category also contracted, notably because of a reduction in loans to the energy sector. On the other hand, loans to the wholesale & retail trade sector contributed positively, as did loans to manufacturing.

Going forward, lending to NFCs contracted by 4.7% during the year to July.

Bank lending to households grows strongly

In contrast, bank lending to households, the other major component of credit to the private sector, continued to accelerate strongly during the June quarter, with the annual growth rate rising to 7.4% from 7.1% in March (see Chart 6.5). The increase entirely stemmed from

Chart 6.5
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

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

	2014			2015	
	June	Sep.	Dec.	Mar.	June
Accommodation & food service activities	-1.7	-0.5	-0.7	-0.3	-1.1
Construction; Real estate activities	-1.8	-1.3	-1.0	-0.5	-1.2
Manufacturing	-0.9	-0.2	-0.2	0.1	0.5
Transportation & storage	0.5	0.2	-0.1	-0.8	-1.5
Wholesale & retail trade	1.0	1.2	1.7	1.9	1.3
Other	0.2	2.5	2.3	1.4	-1.0
Total	**-2.6**	**1.9**	**2.0**	**1.8**	**-2.9**

Source: Central Bank of Malta.

loans granted for house purchases – the dominant component of household credit – and partly reflects greater demand from first-time buyers following the reduction in stamp duty announced in Budget 2014 to stimulate the housing market.

Conversely, consumer credit and other lending to households contracted at a faster pace than in the previous quarter, falling at an annual rate of 5.5% in June as opposed to a drop of 4.3% in March, partly reflecting an earlier tightening in credit standards and the fact that utilisation of personal credit for house purchase reduces borrowing capacity for consumer credit.

These trends continued into July, when lending to households grew at an annual rate of 7.6%.

Interest rates on loans to Maltese residents fall

The composite interest rate charged by MFIs on outstanding loans to resident households and NFCs fell further during the June quarter, edging down by 8 basis points to 3.90% (see Chart 6.6). Rates paid by households dipped by 5 basis points to 3.64%, reflecting declines in rates on mortgages, while rates charged on NFC loans fell by 11 basis points to 4.25%.

The composite interest rate on loans to households and NFCs was 26 basis points lower in June than a year earlier. Over this period, lending rates to NFCs fell slightly more than lending rates to households.

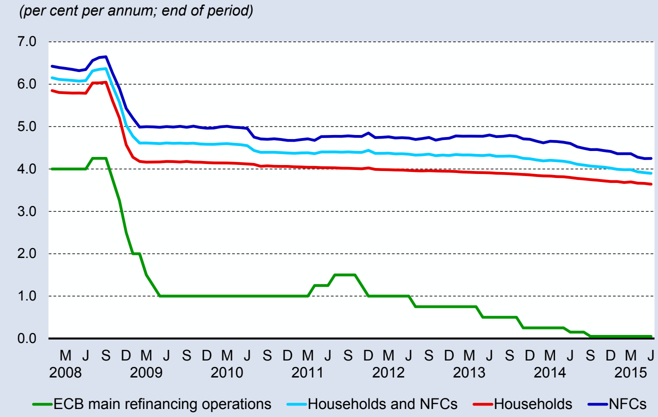
During the first month of the following quarter, the composite lending rate fell by 3 basis points to 3.87%.

Credit standards for enterprises and households remain unchanged

The Bank Lending Survey (BLS) conducted in July 2015, which covered the previous three months, revealed that credit standards applied to enterprises and households remained unchanged.[6] In comparison, euro area banks reported a net easing of credit standards on loans to enterprises and households.

Demand for loans by enterprises slightly increased, as reported by one bank. Furthermore, the four domestic banks surveyed in the BLS reported that the share of loan applications that were completely rejected remained unchanged during the quarter under review. Meanwhile, a survey conducted by the Malta Chamber of Commerce, Enterprise and Industry (MCCEI) shows that firms in the manufacturing, service and construction sectors that applied for a loan during the same period

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.

[6] 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.

obtained most of the requested amount.[7] The retail sector was an exception, as a large proportion of firms that had applied for a loan saw their request being rejected by the bank.

With regard to demand for loans by households, two banks out of those surveyed in the BLS reported an increase in demand for mortgages, stemming from higher demand for house purchases following the incentives announced for first-time buyers. Furthermore, the banks reported that the level of interest rates, housing market prospects and improved consumer confidence all contributed towards this increase. According to these banks, demand for consumer credit remained stable.

Looking ahead to the third quarter of 2015, banks expected standards applied to loans to enterprises and households to remain constant. At the same time, all respondents foresaw an unchanged corporate demand for loans. With regard to demand for loans by households, two banks projected a decrease in demand for house purchases, possibly because the incentives for first-time buyers would come to an end, while one bank expected an increase in demand for consumer credit and other loans.

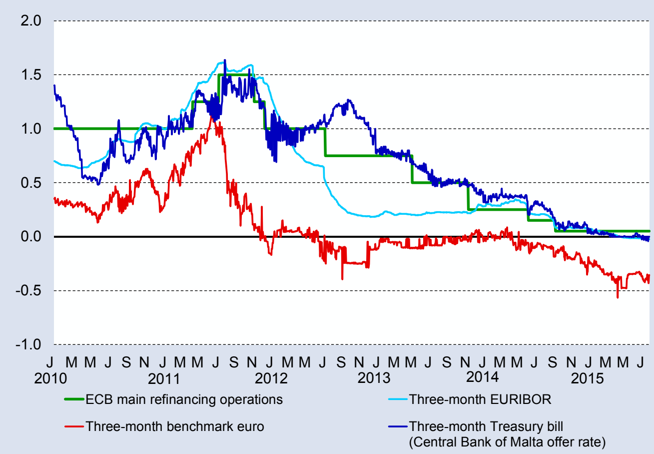
As part of the BLS, banks were asked about the targeted long-term refinancing operations (TLTRO) conducted by the Eurosystem.[8] Respondent banks did not participate in the most recent operation, although some of them had participated in earlier operations. Banks reported that their lack of participation in the latest operation reflected ample funding on their side.

The money market

Domestic yields remain unchanged

During the second quarter of 2015, the European Central Bank's (ECB) monetary policy stance remained accommodative. The ECB kept its key interest rate unchanged at 0.05% and the Eurosystem continued to implement its asset purchase programme. At the same time, the three-month EURIBOR turned negative, falling by 3 basis points to -0.01%, reflecting excess liquidity in the euro area banking system (see Chart 6.7).[9] Meanwhile, the domestic primary market yield on three-month Treasury bills remained unchanged at 0.00% in the second quarter.

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



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

[7] In their survey on confidence among firms in the manufacturing, service, retail and construction sectors, the MCCEI also wanted to gauge developments in financing conditions.

[8] The TLTROs are designed to enhance the functioning of the monetary policy transmission mechanism by supporting bank lending to the real economy.

[9] The Euro Interbank Offer Rate (EURIBOR) is based on the interest rates at which euro area banks are willing to lend funds to other banks in the euro area on an unsecured basis.

The Government issued €155.6 million worth of Treasury bills in the second quarter of 2015, €10.1 million less than in the previous quarter, with domestic banks buying the entire amount. The majority of Treasury bills issued had a maturity of three months, while the remainder had a six-month tenor. No turnover was recorded in the secondary market for Treasury bills, following the weak activity seen in recent quarters.

The secondary market yield on German government three-month securities, which serve as a benchmark for the euro area, rose by 4 basis points to -0.35% at the end of June. At the same time, the corresponding domestic yield remained unchanged at 0.00%. Consequently, the spread over the euro area benchmark narrowed to 35 basis points at end-June (see Chart 6.7).

Going into the third quarter of 2015, the ECB kept the interest rate on its main refinancing operations unchanged, while the three-month EURIBOR declined by 1 basis point in July. Domestically, the secondary rate on three-month Treasury bills remained unchanged in July, while the corresponding benchmark yield in the euro area fell by 1 basis point.

The capital market

During the second quarter of 2015, the Government raised €90.0 million through two new MGS issues with a value of €50.0 million, subject to an over-allotment option of up to €40.0 million. The bonds offer fixed coupons of 2.00% and 2.30%, and mature in 2020 and 2029, respectively. The issue was opened for subscription through an auction process. Demand for these bonds was substantial and the Treasury received bids totalling €193.6 million, leading to a bid-to-cover ratio of 2.2.[10] The bonds were acquired primarily by resident banks and investment funds.

Meanwhile, the corporate bond market saw two new issues. In April International Hotel Investments plc offered a bond worth €45.0 million, with a coupon of 5.75% and maturing in 2025. In May Izola Bank plc offered €12.0 million worth of bonds, with a coupon of 4.50% and maturing also in 2025.

Going into the following quarter, in July 6pm Holdings plc issued €13.0 million bonds maturing in 2025, while Mediterranean Investment Holding plc issued €20.0 million worth of bonds, redeemable in 2020.

Turnover in the secondary bond market fell compared with the previous quarter. Turnover for government bonds amounted to €257.5 million, €53.9 million less than in the previous quarter.[11] The Central Bank of Malta, acting as market-maker, accounted for more than three-fourths of the value traded.

In the secondary corporate bond market, trading during the June quarter fell to €11.1 million from €19.6 million. More than 30% of trading was concentrated on securities issued by property development firms, with the financial and hospitality sectors accounting for most of the remainder of the securities traded.

Government bond yields increase

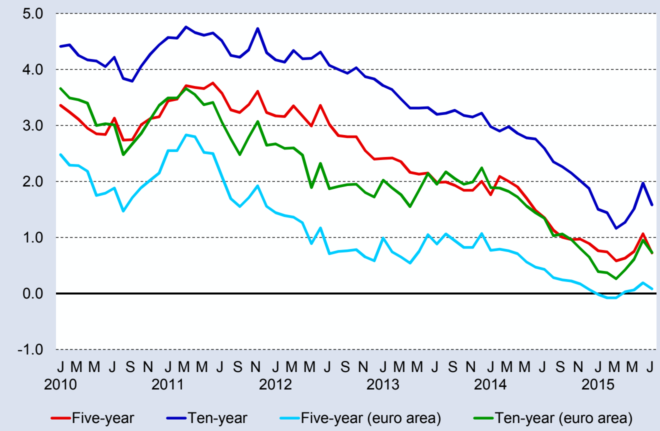
The downward trend in secondary market government bond yields was partly reversed in the second quarter of 2015, largely mirroring developments in the euro area as a whole. Yields on

[10] The bid-to-cover ratio is the amount of bids received divided by the amount of bids accepted.
[11] These turnover figures exclude Central Bank of Malta purchases in terms of the Eurosystem's extended asset purchase programme.

five-year bonds rose by 49 basis points to 1.07% at the end of June, while the corresponding yield on AAA-rated securities in the euro area rose by 27 basis points to 0.19% (see Chart 6.8). Similarly, yields on ten-year domestic bonds went up by 81 basis points to 1.97%, while benchmark yields for the euro area rose by 69 basis points. Consequently, spreads over the euro area benchmarks widened, with the five-year differential rising by 22 basis points to 88 basis points and the ten-year differential widening by 12 basis points to 102 points. Despite this increase, during the quarter reviewed compared with a year earlier, yields on domestic five-year bonds were 42 basis points lower, while those on ten-year bonds were 79 basis points lower.

In July yields on domestic five-year and ten-year government bonds fell from the highs recorded in June to 0.72% and 1.58%, respectively. Euro area benchmark yields also declined, although to a lesser extent. Consequently, the spread on five-year bonds narrowed to 64 basis points, while the ten-year differential narrowed to 85 points.

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



Sources: Central Bank of Malta; ECB.

MSE share index rises strongly

Turnover in the domestic equity market amounted to €18.9 million, lower than the €20.8 million recorded in the previous quarter, but still high compared with previous quarters. Movements in share prices were mixed, with some shares showing double-digit growth rates in their prices. As a result, the MSE share index went up by 8.3% in the period under consideration, to end June at 4,090.6 (see Chart 6.9).

Going into the third quarter, the MSE share index went up by 2.9% in July.

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

Source: MSE.

NEWS NOTES

ECB announcements

Launch of TARGET2-Securities platform

On 22 June TARGET2-Securities (T2S), the Eurosystem's platform for securities settlement, was launched. The T2S platform enables integrated securities settlement across Europe. Four securities depositories and their users were, as a result, connected to the T2S platform, including the Bank of Greece's depository for government bonds, the depository of the Malta Stock Exchange, Romania's Depozitarul Central and SIX-SIS of Switzerland. The full complement, covering a total of 21 European countries, is expected to be connected by February 2017.

ECB monetary policy decisions

The Governing Council of the European Central Bank (ECB) met to discuss monetary policy on 3 June and 16 July. On both occasions, the Council decided to keep interest rates on the main refinancing operations, the marginal lending facility and the deposit facility unchanged at 0.05%, 0.30% and -0.20%, respectively.

Central Bank of Malta announcements

National Project for the Certification of Professional Cash Handlers

On 8 May the Bank announced the "National Project for the Certification of Professional Cash Handlers", which was jointly developed with the Financial Intelligence Analysis Unit and the support of the Malta Bankers' Association. The project is designed to train professional cash handlers, providing them with the necessary skills to assist in the fight against counterfeiting of banknotes, as well as to promote the prevention of money laundering and the funding of terrorism.

Issues of commemorative and numismatic coins

On 25 May the Bank issued a €2 commemorative coin marking the centenary of the first flight from Malta. The coin reverse displays the €2 insignia while the obverse depicts a Short Type 135 seaplane in flight over the Grand Harbour, with Senglea Point in the background. The coin was designed by Noel Galea Bason and minted at the Royal Dutch Mint.

On 23 June the Bank issued a new euro coin set dated 2015. The set incorporates the eight Maltese euro coins, as well as a €2 coin commemorating Malta's change of status to a republic in 1974. This coin is the fifth and final one in the series commemorating Malta's constitutional milestones. The euro coins were designed by Noel Galea Bason, while the €2 commemorative coin was designed by Ġanni Bonnici. All the coins in the set were struck at the Royal Dutch Mint.

On 15 July the Bank issued two numismatic coins, in gold and silver, with a face value of €15 and €10, respectively. The coins depict the Auberge de Bavière, and are the fifth and last in the Bank's series of numismatic coins on the auberges of the Knights of St John. The obverse of the coins shows the emblem of Malta with the year of issue. The reverse features the façade of the Auberge de Bavière. The coins were struck at the Royal Belgian Mint, and were designed and engraved by Noel Galea Bason.

Fiscal and economic policy developments

On 5 May the European Commission issued its Spring Forecast for 2015. In its projections for Malta, the Commission projects economic performance to remain robust, with growth in 2015 and 2016 expected to be mainly driven by large-scale construction and energy projects, as well as by higher consumption. The fiscal deficit is expected to narrow to 1.8% of gross domestic product (GDP) and to further decrease to 1.5% of GDP in 2016, while the debt-to-GDP ratio is set to fall to 65.4% by 2016.

On 19 June the Economic and Financial Affairs Council abrogated the excessive deficit procedure against Malta. The Council noted that Malta's deficit had fallen below the 3% of GDP threshold in 2013 and narrowed further to 2.1% in 2014. Malta had thus corrected the deficit ahead of the deadline. According to the Commission's latest forecasts, moreover, the debt ratio was expected to remain on a declining path.

On the same date, under the 2015 European Semester the Council approved draft recommendations to 26 Member States on economic and fiscal policies as set out in their National Reform and Stability/Convergence Programmes. In its opinion the Council recommended that Malta should:

(i) achieve a fiscal adjustment of 0.6% of GDP towards the medium-term budgetary objective in 2015 and 2016;
(ii) take measures to improve basic skills and further reduce early school leaving;
(iii) ensure the long-term sustainability of public finances, especially through pension reform;
(iv) improve access to finance to small and micro-enterprises, in particular through non-bank instruments.

Financial sector developments

On 9 June the Malta Financial Services Authority granted a banking licence to Credorax Bank Limited. The bank is also licensed to carry out payment services, to trade in financial instruments from its own account, and to issue guarantees and electronic money.

Act XXI, dated 17 July, amended various financial service laws to establish a framework for the recovery and resolution of credit institutions, and investment firms in line with the Bank Recovery and Resolution Directive (Directive 2014/59/EU).

Capital market developments

Issue of Malta Government Stocks

On 26 May the Government, through Legal Notice 172 of 2015, announced the issue of two Malta Government Stocks (MGS) for a total amount of €50.0 million maturing in 2020 and

2029. The issue was subject to an overallotment option of up to €40 million. The Treasury received bids totaling €193.6 million, of which it allotted €90.0 million: €73.9 million to the 2.00% MGS 2020 (V) (Fungible Issue) and €16.1 million to the 2.30% MGS 2029 (II).

Issue of corporate bonds

On 1 May Izola Bank plc announced the issue of €12.0 million in bonds maturing in 2025. The bonds were issued at par and carry a coupon rate of 4.50%. The proceeds of the bond issue were used to redeem the outstanding €9.0 million 5.35% secured notes on 30 June 2015, and for other general funding requirements.

On 8 June 6pm Holdings plc announced the issue of €13.0 million bonds maturing in 2025. The bonds were issued at par and carry a coupon rate of 5.10%. The proceeds of the issue are intended to finance a corporate acquisition, repayment of bank loans, and to support product development and general corporate funding.

On 22 June Mediterranean Investment Holding plc announced the issue of €20.0 million worth of bonds maturing in 2020. The bonds were issued at par and carry a coupon rate of 5.50%. The proceeds from this issue were used to redeem the outstanding €20.0 million 7.50% bonds maturing on 4 August 2015.

Credit ratings

On 11 July the credit rating agency, Standard & Poor's, revised Malta's outlook upwards from stable to positive, while re-affirming its overall rating at BBB+. In its report the rating agency noted Malta's robust economic growth in 2014 and the Government's efforts to diversify the economy. It expects Malta to continue outperforming the euro area in the coming years. The agency expects government finances to improve further as a result of high output growth, which should support revenue, and declines in public expenditure.

International economic and financial news

Council of the European Union

On 25 June the Council adopted a regulation on a European Fund for Strategic Investments (EFSI). The EFSI is intended to stimulate the European Union's economy through the participation of private investors in a broad range of new investment projects. The fund is expected to result in more than €300 billion of additional investment to be mobilised during a three-year investment period. Adoption of the text paves the way for new investments to begin in mid-2015. The fund will be built on €16.0 billion in guarantees from the EU budget and €5.0 billion from the European Investment Bank.

European Council

On 25 and 26 June the European Council met and discussed the situation in Greece, migration, the upcoming referendum in the United Kingdom, security and defence, and other economic issues. Additionally, the Council concluded the 2015 European Semester by endorsing the Country Specific Recommendations and called for their implementation by the respective Member States. The European Council also welcomed the agreement reached on the EFSI.

Five Presidents' Report on Economic and Monetary Union

On 22 June the Presidents of the European Commission, the Euro Summit, the Eurogroup, the ECB and the European Parliament revealed a plan aimed at deepening the Economic and Monetary Union as of 1 July 2015, and described how to complete it by latest 2025. The first stage of the plan seeks to use existing instruments and EU legislation to boost competitiveness and structural convergence, achieve responsible fiscal policies at both national and euro area level, and complete the Financial Union. Measures to make the convergence process more binding, for example through the use of commonly agreed benchmarks, will be implemented at a later stage. The Commission is expected to present a White Paper in spring 2017, outlining in greater detail the subsequent steps.

G7 meeting

On 7 and 8 June the G7 leaders discussed international, economic and political issues, highlighting that the global economy had progressed since the preceding meeting. However, most of the G7 economies were still operating below potential. Thus, the participants committed to stimulate output growth in a sustainable manner by promoting education and innovation, supporting private investment, improving infrastructure, stimulating international trade and implementing key structural reforms. The G7 leaders also agreed to strengthen the international financial system through appropriate regulation and to tackle cross-border tax base erosion and evasion.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics
(as at 28 August 2015, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates:	EUR 1 = USD 1.1268	
		EUR 1 = GBP 0.7321	
CLIMATE	Average temperature (2015):	Jan. - Mar.	12.8^{o}C
	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 Q2)[1]		5.2%
ECONOMIC STATISTICS	GDP per capita at current market prices (2014)[1]		EUR18,669
	GDP per capita in PPS relative to the EU-27 average (2014)		85.0%
	Ratio of gross general government debt to GDP[1] (2014)		68.2%
	Ratio of general government deficit to GDP[1] (2014)		2.1%
	RPI inflation rate (12-month moving average) (Jul. 2015)		0.7%
	HICP inflation rate (12-month moving average) (Jul. 2015)		0.8%
	Ratio of exports of goods and services to GDP (2015 Q1)[1]		128.5%
	Ratio of current account surplus to GDP (2015 Q1)[1]		5.0%
	Employment rate (2015 Q1)[2]		62.3%
	Unemployment rate (2015 Q1)[2]		5.7%
	Long term government bond yield (Jul. 2015)		1.8%
POPULATION	Total Maltese and foreigners (2014)		425,384
	Males		212,424
	Females		212,960
	Age composition in % of population (2014)		
	0 - 14		14.4%
	15 - 64		67.7%
	65 +		17.9%
	Annual growth rate (2014)		1.0%
	Density per km^1 (2014)		1,346
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		1,865
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 (2014)		39
	Mobile phone subscriptions per 100 population (2015 Q2)		132.3
	Internet subscribers per 100 population (2015 Q2)		36.4
	Private motor vehicle licences per 100 population (2015 Q2)		61.4

[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 July 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.
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
May	5.0	1,501.1	884.7	129.8	556.2	365.5	53.4	1,200.8	4,696.4
June	4.7	1,525.1	910.2	124.6	535.1	208.5	53.4	1,227.5	4,589.0
July	4.7	1,472.1	924.5	122.1	516.3	196.5	53.4	1,212.5	4,502.2

[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		Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
		Total	(of which): Minimum Reserve Requirements	Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
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
May	877.1	1,232.5	268.9	390.7	268.0	51.0	17.9	122.4	1,205.9	148.4	382.6
June	885.6	1,084.9	403.9	518.6	298.0	67.5	13.5	119.9	1,102.7	121.4	376.8
July	898.3	1,165.3	306.1	435.2	278.3	65.0	0.0	119.9	1,036.7	125.2	378.1

[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										
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
May	0.2	6.7	582.5	589.2	1,835.9	1,643.0	296.0	3,774.9	493.4	4,857.7
June	0.2	6.7	633.8	640.6	1,792.7	1,686.9	297.8	3,777.3	337.0	4,755.0
July	0.2	6.7	667.3	674.0	1,718.1	1,695.8	286.0	3,700.0	318.4	4,692.6

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										
Apr.	933.3	440.0	0.0	440.0	991.3	134.4	350.3	1,475.9	574.0	1,307.9
May	939.0	323.8	0.0	323.8	1,181.6	100.4	304.5	1,586.4	572.0	1,436.5
June	948.5	485.6	0.0	485.6	1,065.9	92.9	346.1	1,505.0	542.7	1,273.2
July	962.5	434.4	0.0	434.4	1,008.2	102.1	304.0	1,414.3	562.8	1,318.6

[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		
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	804.3	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	727.5	39,959.0	922.4	52,885.2
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	55,903.4
Feb.	615.5	9,162.7	2,168.9	184.6	6,594.1	34,147.7	850.2	41,592.0	1,137.5	54,861.2
Mar.	1,088.6	9,175.6	2,206.9	187.7	6,794.8	34,722.6	865.7	42,383.1	1,116.8	56,158.7
Apr.	1,292.7	9,165.0	2,179.3	187.9	6,605.2	33,348.3	830.5	40,784.0	1,121.5	54,730.5
May	1,403.8	9,187.5	2,136.7	188.7	6,958.0	31,801.2	1,065.9	39,825.1	1,137.5	53,879.3
June	1,248.7	9,175.9	2,162.4	191.1	6,471.3	28,431.0	999.8	35,902.0	1,116.8	49,796.9
July	1,306.7	9,173.1	2,186.6	193.5	5,999.7	27,745.8	1,048.5	34,794.0	1,228.8	48,882.6

[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'.

Monetary, Banking and Financial Markets

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			
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	31,616.7	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	11,416.7	31,634.2	350.7	4,387.7	1,394.3
Nov.	7,970.6	205.1	5,537.7	13,713.4	5,423.2	15,529.4	11,940.8	32,893.5	370.0	4,454.2	1,454.1
Dec.	8,489.0	208.8	5,419.7	14,117.5	5,553.0	14,337.3	12,271.9	32,162.2	370.9	4,366.6	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	1,674.4
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	1,713.1
Mar.	8,972.2	216.7	5,284.7	14,473.6	6,542.0	17,875.6	10,722.8	35,140.5	371.7	4,467.0	1,706.0
Apr.	9,338.2	221.5	5,248.8	14,808.5	6,078.8	17,721.8	9,657.7	33,458.3	371.7	4,350.2	1,741.9
May	9,543.2	214.3	5,258.7	15,016.2	6,136.2	17,368.8	8,903.8	32,408.8	371.8	4,333.8	1,748.8
June	9,877.9	212.4	5,265.2	15,355.5	5,904.3	15,531.4	8,031.7	29,467.4	374.9	3,070.8	1,528.2
July	9,879.1	210.7	5,270.8	15,360.6	5,848.2	14,857.2	7,675.8	28,381.2	374.6	3,121.5	1,644.8

[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	8,736.4	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	9,254.5	385.1	125.3	0.1	3,709.8	387.2	92.6	14,805.3
May	859.9	9,454.4	414.2	120.9	0.1	3,723.6	428.3	89.2	15,090.5
June	865.9	9,795.1	417.7	116.8	0.1	3,711.8	499.1	111.4	15,517.9
July	880.9	9,767.8	417.5	115.3	0.1	3,708.6	596.4	139.8	15,626.3

[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	30,379.5	21,264.1	9,115.4	11,259.5
Aug.	13,509.5	2,702.6	9,155.8	1,245.3	2,443.9	15,547.6	32,444.8	22,884.2	9,560.6	11,598.7
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	32,381.8	22,169.5	10,212.3	11,848.1
Nov.	13,972.7	2,613.6	9,315.0	1,421.8	2,303.6	15,654.0	33,963.8	23,191.5	10,772.4	12,453.7
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	12,761.2	14,895.5
Mar.	14,410.3	2,673.7	9,330.9	1,603.0	2,481.6	16,089.2	37,395.2	25,194.1	12,201.1	13,880.0
Apr.	14,805.3	2,702.5	9,319.4	1,664.2	2,364.9	16,051.0	36,025.6	24,762.3	11,263.3	12,509.0
May	15,090.5	2,757.5	9,344.6	1,691.5	2,541.3	16,334.9	34,762.4	23,857.5	10,904.9	12,149.3
June	15,517.9	2,838.3	9,331.6	1,657.5	2,395.9	16,223.3	31,328.1	21,273.2	10,054.9	10,760.3
July	15,626.3	2,892.6	9,334.6	1,684.1	1,986.0	15,897.3	30,707.6	20,336.8	10,370.9	10,641.8

[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
May	877.1	61.9	-	79.0	859.9	24.3
June	885.6	62.9	-	82.6	865.9	36.8
July	898.3	64.2	-	81.6	880.9	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.

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
June	40.3	6.2	19.2	7.8	7.1	40.3

[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								
Mar.	-20.4	-35.6	232.3	462.4	-205.3	81.2	370.9	885.4
June	-21.0	-38.3	226.7	503.2	-213.0	82.1	382.7	922.4

[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
June	0.2	0.8	2.0	3.0	5.1	7.5	11.5	32.7	62.9

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]	
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	2,277.8	467.7	2,677.6	9,168.2	14,826.4	10,022.8	23,711.2	48,560.4
Feb.	230.1	2,183.3	433.2	2,665.5	8,993.9	14,506.0	9,681.0	23,358.3	47,545.4
Mar.	227.6	2,270.1	470.5	2,681.0	9,320.7	14,970.0	9,486.1	24,495.5	48,951.6
Apr.	238.6	2,404.6	465.1	2,745.3	9,458.4	15,312.0	8,590.6	23,695.6	47,598.2
May	247.7	2,282.8	459.9	2,980.4	9,552.6	15,523.4	8,394.5	22,919.1	46,837.0
June	244.8	2,289.4	441.9	3,022.9	9,673.4	15,672.4	8,416.8	20,325.5	44,414.8
July	278.8	2,284.6	453.4	2,975.9	9,760.3	15,753.0	8,226.2	19,454.3	43,433.6

[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]	
	EUR[2,3]	GBP[3]	USD[3]	Other[3]	EUR	Other		
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	268.6	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	24,495.5	48,951.6
Apr.	13,242.9	839.6	977.9	251.7	3,300.2	5,290.5	23,695.6	47,598.2
May	13,466.5	701.9	1,125.1	230.0	2,998.1	5,396.4	22,919.1	46,837.0
June	13,628.3	695.4	1,111.6	237.2	3,163.4	5,253.4	20,325.5	44,414.8
July	13,656.6	722.5	1,136.9	237.1	2,674.7	5,551.5	19,454.3	43,433.6

[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
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.	725.6	3,970.6	1,762.7	9,971.1	16,429.9
Apr.	729.5	3,981.9	1,754.4	9,781.5	16,247.3
May	732.7	4,005.0	1,750.3	9,930.5	16,418.4
June	740.8	4,030.0	1,726.1	9,570.9	16,067.8
July	741.7	5,541.8	1,650.7	8,050.9	15,985.1

[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
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	288.4	830.1	420.0	838.3	469.0	3,508.0	376.2	288.1	4,172.3	1,115.3	991.9	8,005.2
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	298.8	802.4	450.3	872.1	500.1	3,670.2	365.5	279.2	4,314.9	1,133.5	848.4	8,316.7
May	396.7	413.7	309.0	793.9	429.1	833.3	489.1	3,710.5	365.0	276.4	4,351.9	1,170.8	848.7	8,338.9
June	274.1	424.4	313.2	668.9	414.8	838.5	587.9	3,758.5	363.5	275.1	4,397.1	1,257.5	793.5	8,382.8
July	289.6	426.9	287.4	575.5	493.7	826.1	596.5	3,791.1	364.6	272.8	4,428.6	1,249.2	795.9	8,377.6

[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]	
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	3,765.4	4,601.1	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	3,772.4	4,642.0	9,176.9	2,143.4	5,109.6	16,429.9
Apr.	148.5	593.9	14.9	3,757.1	4,650.8	9,165.1	1,976.0	5,106.2	16,247.3
May	148.7	635.7	14.7	3,705.0	4,683.4	9,187.5	2,128.0	5,102.9	16,418.4
June	148.0	716.0	14.8	3,575.1	4,722.6	9,176.4	2,003.5	4,888.0	16,067.8
July	148.5	711.7	11.5	3,550.4	4,751.4	9,173.5	1,959.6	4,852.0	15,985.1

[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		
	EUR[1]		Other		EUR[1]		Other		EUR[1,2]	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			
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.	1,008.1	2,648.5	72.3	36.5	171.6	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.	1,063.4	2,587.1	107.9	14.0	166.2	4,466.0	4.4	5.5	590.1	172.4	9,176.9
Apr.	1,058.6	2,566.3	118.8	13.4	238.6	4,402.0	4.7	5.5	587.9	169.3	9,165.1
May	1,007.3	2,565.9	68.9	62.9	237.5	4,435.4	5.0	5.5	621.7	177.4	9,187.5
June	927.9	2,514.3	67.4	65.4	234.0	4,477.7	5.4	5.5	703.4	175.3	9,176.4
July	924.9	2,496.2	63.3	66.1	232.2	4,507.9	5.8	5.5	700.8	170.8	9,173.5

[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			
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
June	168.0	5.8	616.2	453.0	335.6	7,966.5	3.5	9,548.5

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
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
June	0.3	9,138.5	408.6	1.2	9,548.5

[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
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	8,553.4	309.5	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	437.1	568.4	233.1	10,517.8	419.6	12,176.0
2015						
Mar.	401.2	602.7	256.9	11,240.1	427.5	12,928.4

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
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	6,561.2	533.3	284.0	9,967.4
2012	19.1	2,770.5	6,720.5	541.8	349.7	10,401.5
2013	18.7	2,450.4	7,615.9	663.4	361.1	11,109.5
2014	46.3	2,286.5	8,878.5	683.5	281.1	12,176.0
2015						
Mar.	47.9	2,385.8	9,392.8	722.3	379.5	12,928.4

[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.

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
Q2	5,318.5	2,341.8	358.2	8,018.6	42.5	322.3	0.0	364.8	-87.2

[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
Q2	9,413.0	1,112.0	10,525.0	259.8	0.0	259.8	1,576.4

[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			
								Apr.	May	June	July
NEW BUSINESS											
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**1.95**	**1.31**	**1.23**	**1.15**	**1.17**	**1.17**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.38	2.11	1.50	1.37	1.26	1.34	1.29
up to 1 year	3.06	1.95	2.03	1.99	1.91	1.84	1.17	1.02	0.97	0.98	0.93
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	2.70	2.12	1.89	1.80	1.74	1.73
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.29	2.38	2.30	2.39	2.43
Non-financial corporations											
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.72	1.60	0.68	0.75	0.74	0.65	0.58
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.22**	**3.77**	**3.33**	**3.19**	**3.40**	**3.68**	**2.98**
Households and NPISH	4.88	4.49	4.20	3.82	4.00	3.54	3.39	3.07	3.15	3.24	3.24
Lending for house purchase	3.84	3.51	3.43	3.38	3.40	3.03	2.85	2.62	2.72	2.78	2.75
Consumer credit	6.12	6.02	5.81	5.04	5.66	5.32	5.35	5.18	5.24	5.13	5.11
Other lending	6.44	5.56	5.86	5.60	5.61	5.21	5.46	4.91	5.13	5.37	5.06
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.52	3.82	3.75	3.80	3.85	3.73
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.28	3.58	3.60	3.62	3.68	3.56
Consumer credit	6.25	6.10	5.89	5.12	5.64	5.34	5.44	5.19	5.45	5.48	5.24
Non-financial corporations											
Loans	5.50	4.95	4.86	4.28	4.26	3.89	3.34	3.14	4.24	4.57	1.73
OUTSTANDING AMOUNTS											
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.41**	**1.03**	**0.90**	**0.87**	**0.85**	**0.83**
Households and NPISH	2.74	1.57	1.50	1.54	1.56	1.57	1.19	1.04	1.01	0.99	0.96
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.32	0.35	0.17	0.14	0.14	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	1.27	1.31	1.32	1.33
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.55	1.03	0.95	0.98	0.99	1.00
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.47	2.52	2.22	2.04	2.01	1.97	1.93
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.07	1.73	1.49	1.45	1.40	1.36
over 2 years	3.19	3.06	3.16	3.21	3.42	3.55	3.44	3.35	3.34	3.30	3.27
Non-financial corporations	1.73	0.86	0.81	0.84	0.79	0.72	0.43	0.36	0.33	0.31	0.31
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.30	0.18	0.14	0.13	0.12	0.13
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.11	2.04	1.59	1.47	1.39	1.38	1.35
up to 2 years	3.39	1.89	1.97	2.00	1.99	1.91	1.45	1.33	1.24	1.22	1.18
over 2 years	3.26	3.35	3.24	3.13	3.06	3.12	2.84	2.65	2.63	2.62	2.61
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.32**	**4.24**	**4.02**	**3.93**	**3.91**	**3.90**	**3.87**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.70	3.66	3.66	3.64	3.63
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.22	3.20	3.20	3.19	3.18
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.59	5.55	5.47	5.41	5.43	5.44	5.43
Non-financial corporations[5]	5.43	4.96	4.67	4.85	4.73	4.70	4.41	4.28	4.25	4.25	4.21
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	5.75
Non-financial corporations	5.30	5.08	5.03	5.07	5.26	5.18	5.01	5.06	5.05	5.00	4.95

[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.

Monetary, Banking and Financial Markets

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 Apr.	2015 May	2015 June	2015 July
NEW BUSINESS											
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.13**	**2.47**	**1.22**	**1.28**	**1.23**	**1.31**	**1.21**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.38	2.10	1.52	1.38	1.32	1.47	1.31
up to 1 year	3.05	1.97	1.96	1.99	1.93	1.84	1.21	1.09	1.07	1.07	1.00
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	2.73	2.13	1.92	1.81	1.77	1.75
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.32	2.47	2.42	2.79	2.49
Non-financial corporations											
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.80	2.67	0.68	1.02	0.95	0.80	0.85
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**3.51**	**3.10**	**3.16**	**3.34**	**3.85**	**2.86**
Households and NPISH	4.88	4.48	4.20	3.81	4.00	3.48	3.42	3.07	3.15	3.24	3.24
Lending for house purchase	3.84	3.51	3.42	3.38	3.40	3.05	2.82	2.60	2.72	2.73	2.74
Consumer credit	6.12	6.01	5.81	5.04	5.66	4.40	5.32	5.18	5.24	5.14	5.10
Other lending	6.43	5.56	5.86	5.60	5.61	5.13	5.46	4.92	5.13	5.36	5.06
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.45	3.84	3.75	3.80	3.84	3.73
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.30	3.58	3.60	3.62	3.68	3.56
Consumer credit	6.25	6.09	5.89	5.12	5.64	4.41	5.39	5.19	5.45	5.47	5.22
Non-financial corporations											
Loans	4.93	4.42	4.52	4.20	4.18	3.53	2.97	3.09	3.76	3.90	2.15
OUTSTANDING AMOUNTS											
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.43**	**1.39**	**1.03**	**0.91**	**0.89**	**0.87**	**0.85**
Households and NPISH	2.74	1.58	1.49	1.54	1.56	1.57	1.19	1.04	1.01	0.99	0.96
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.35	0.17	0.14	0.14	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	1.31	1.34	1.35	1.35
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.55	1.03	0.95	0.98	0.99	1.00
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.48	2.52	2.23	2.05	2.02	1.98	1.94
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.08	1.73	1.50	1.46	1.41	1.36
over 2 years	3.24	3.10	3.16	3.22	3.44	3.56	3.46	3.36	3.35	3.31	3.28
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.77	0.46	0.46	0.45	0.47	0.46
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.29	0.30	0.18	0.13	0.12	0.12	0.13
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	1.55	1.57	1.75	1.75	1.79	1.75
up to 2 years	3.57	1.93	1.71	1.93	1.96	1.45	1.44	1.68	1.68	1.73	1.69
over 2 years	3.28	3.13	3.33	2.99	2.95	2.81	2.55	2.39	2.39	2.38	2.36
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.19**	**4.19**	**3.98**	**3.95**	**3.94**	**3.90**	**3.85**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.72	3.72	3.72	3.71	3.70
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.22	3.21	3.20	3.19	3.18
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.59	5.53	5.53	5.62	5.68	5.74	5.75
Non-financial corporations[5]	5.20	4.40	4.54	4.66	4.39	4.51	4.24	4.20	4.17	4.13	4.02
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	5.75
Non-financial corporations	5.14	5.08	5.02	5.07	5.25	5.16	4.96	4.98	4.96	4.98	4.77

[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.	June
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	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	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	-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	-0.10
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	-0.05
3 months	4.63	1.23	0.81	1.39	0.57	0.22	0.30	0.30	0.17	0.08	0.05	-0.01
6 months	4.72	1.44	1.08	1.64	0.83	0.34	0.40	0.39	0.26	0.18	0.13	0.06
1 year	4.81	1.62	1.35	2.01	1.11	0.54	0.56	0.57	0.44	0.33	0.26	0.17
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	-	0.00
6 month	2.75	1.52	1.10	1.33	1.15	0.44	0.64	0.38	0.15	0.12	0.01	0.00
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	-	0.01
3 month	2.64	1.40	0.94	0.97	1.00	0.40	0.37	0.29	0.09	0.03	0.00	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	0.00
1 year	2.73	1.69	1.28	1.26	1.26	0.70	0.66	0.43	0.18	0.23	0.03	0.09
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	0.23
5 year	4.01	3.66	3.05	3.48	3.01	2.13	2.00	1.78	1.24	0.97	0.77	0.78
10 year	4.53	4.54	4.19	4.49	4.13	3.36	3.01	2.87	2.49	2.08	1.50	1.48
15 year	4.76	4.96	n/a	n/a	n/a	4.35	4.16	3.89	3.34	2.83	2.26	1.95
20 year	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.80	0.67
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	4,091

[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		
2008	2,309.8	42.9	2,352.7	2,428.7	179.4	2,608.0	-255.3	-50.3
2009	2,306.3	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	-11.3
2011	2,527.0	115.5	2,642.5	2,586.5	233.6	2,820.1	-177.6	39.3
2012	2,657.1	146.2	2,803.3	2,757.4	305.6	3,063.0	-259.7	-44.6
2013	2,854.6	148.4	3,003.0	2,891.5	309.8	3,201.3	-198.3	20.7
2014	3,120.9	200.7	3,321.6	3,102.7	387.0	3,489.8	-168.2	62.0
2014								
Q1	659.1	36.4	695.5	748.6	83.7	832.3	-136.8	-81.0
Q2	758.4	36.4	794.8	779.3	88.8	868.1	-73.3	-15.4
Q3	744.3	43.4	787.7	751.1	78.8	829.8	-42.1	15.8
Q4	959.1	84.5	1,043.6	823.8	135.8	959.6	84.0	142.6
2015								
Q1	717.8	36.7	754.6	785.0	141.9	926.8	-172.3	-115.7

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		
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	2,306.3	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	921.5	486.7	162.9	81.7	24.8	2,527.0	14.8	100.7	115.5	2,642.5	2,272.4
2012	934.9	931.6	504.3	157.7	92.1	36.5	2,657.1	16.1	130.1	146.2	2,803.3	2,387.0
2013	1,043.3	977.9	524.8	179.0	99.5	30.1	2,854.6	12.7	135.6	148.4	3,003.0	2,558.8
2014	1,155.4	1087.3	560.3	186.4	94.5	37.0	3,120.9	11.8	188.8	200.7	3,321.6	2,814.9
2014												
Q1	207.6	239.6	131.8	36.9	36.6	6.6	659.1	2.5	33.9	36.4	695.5	581.5
Q2	303.6	250.2	136.6	43.6	16.2	8.2	758.4	3.1	33.3	36.4	794.8	693.6
Q3	242.1	293.6	132.3	43.7	14.4	18.3	744.3	3.1	40.3	43.4	787.7	671.0
Q4	402.1	303.9	159.6	62.2	27.3	3.9	959.1	3.1	81.4	84.5	1,043.6	868.7
2015												
Q1	225.1	268.4	140.7	37.7	36.6	9.3	717.8	3.2	33.5	36.7	754.6	637.3

[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.

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]	
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	191.3	45.8	233.6	2,820.1
2012	922.4	924.9	215.1	483.0	76.9	135.1	2,757.4	228.4	67.0	305.6	3,063.0
2013	977.2	964.2	219.0	470.8	80.3	180.0	2,891.5	211.2	95.3	309.8	3,201.3
2014	1,051.9	1,008.4	230.2	525.4	103.6	183.2	3,102.7	300.0	88.6	387.0	3,489.8
2014											
Q1	257.5	250.0	55.9	111.1	26.7	47.3	748.6	60.9	21.3	83.7	832.3
Q2	261.5	258.8	57.9	140.5	26.2	34.5	779.3	61.8	23.9	88.8	868.1
Q3	265.7	237.3	57.9	117.9	23.7	48.5	751.1	66.1	14.0	78.8	829.8
Q4	267.2	262.3	58.5	155.9	27.0	52.9	823.8	111.1	29.3	135.8	959.6
2015											
Q1	274.8	251.3	56.5	120.8	27.8	53.8	785.0	86.5	47.6	141.9	926.8

[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
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	2,820.1
2012	536.2	50.6	102.0	357.2	100.9	32.0	394.0	66.2	419.0	1004.9	3,063.0
2013	526.4	52.6	106.8	385.9	104.0	25.9	433.0	67.9	443.1	1055.7	3,201.3

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

Sources: Eurostat; NSO.

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	
2008	498.0	0.0	21.5	753.0	331.6	1,604.2	31.2	3,662.9	497.0	543.8	4,734.9	-3,130.7
2009	604.5	0.0	18.2	812.4	369.7	1,804.8	37.2	3,994.2	436.4	604.8	5,072.6	-3,267.8
2010	607.4	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	859.6	534.8	2,200.8	45.8	4,625.1	462.0	671.7	5,804.6	-3,603.8
2012	429.8	0.0	256.8	1,115.2	711.7	2,513.4	50.4	4,889.7	346.6	764.6	6,051.4	-3,538.0
2013	408.3	0.0	292.9	1,188.0	800.4	2,689.6	55.3	5,294.2	374.1	719.4	6,442.9	-3,753.3
2014												
Mar.	402.3	0.0	293.3	1,171.5	860.1	2,727.2	55.0	5,613.0	374.5	642.0	6,684.5	-3,957.3
June	926.2	0.0	300.0	1,175.9	855.8	3,257.9	57.1	6,002.8	379.1	985.6	7,424.7	-4,166.8
Sep.	582.6	0.0	303.7	1,202.2	853.6	2,942.1	59.5	6,026.8	385.3	790.7	7,262.3	-4,320.1
Dec.	475.7	0.0	304.6	1,067.6	783.9	2,631.9	60.4	5,895.5	390.1	770.3	7,116.3	-4,484.5
2015												
Mar.	562.6	0.0	253.9	1,127.8	763.3	2,707.6	60.3	6,460.7	377.3	726.4	7,624.7	-4,917.1

[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			
2008	253.4	-255.3	-16.3	5.3	0.0	-5.4	32.1	-17.7	-1.9
2009	316.1	-201.9	141.6	-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	-5.2	86.1
2011	346.9	-177.6	65.3	84.8	0.0	15.6	10.0	-6.4	169.3
2012	62.9	-259.7	-228.4	120.2	0.0	39.7	-201.1	72.8	-196.8
2013	369.3	-198.3	-18.1	36.2	0.0	27.1	2.4	123.4	171.0
2014	176.2	-168.2	64.6	11.7	0.0	9.0	-7.7	-69.6	8.0
2014									
Q1	256.4	-136.8	-6.0	0.3	0.0	-4.8	-2.3	132.3	119.6
Q2	261.5	-73.3	523.2	6.8	0.0	10.9	-3.5	-349.1	188.2
Q3	-130.4	-42.1	-345.6	3.7	0.0	1.9	0.5	167.0	-172.5
Q4	-211.3	84.0	-107.0	0.9	0.0	1.1	-2.4	-19.8	-127.3
2015									
Q1	223.2	-172.3	84.6	-50.7	0.0	-6.3	1.3	22.0	50.9

[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		
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	19.0	353.3	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	5,497.7	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	30.3	354.1	384.3	5,628.8	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
2015									
Mar.	60.3	208.1	4,996.3	5,204.4	34.4	341.4	375.9	5,640.6	1,245.8

[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.

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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
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
May	28.1	26.0	0.0	26.0	204.1	0.0	204.1
June	24.0	50.5	0.0	50.5	230.6	0.0	230.6

[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-June 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/Apr/2015	03/Jul/2015	0.000	N/A	20.0	0.0	20.0	0.0	20.0
02/Jan/2015	03/Jul/2015	0.052	N/A	13.0	0.0	13.0	0.0	13.0
16/Jan/2015	17/Jul/2015	0.055	0.005	20.0	0.0	20.0	0.0	20.0
24/Apr/2015	24/Jul/2015	0.000	0.007	13.0	0.0	13.0	0.0	13.0
30/Apr/2015	31/Jul/2015	0.000	0.010	14.0	0.0	14.0	0.0	14.0
06/Feb/2015	07/Aug/2015	0.042	0.008	12.0	0.0	12.0	0.0	12.0
15/May/2015	14/Aug/2015	0.000	0.007	1.5	0.0	1.5	0.0	1.5
13/Feb/2015	14/Aug/2015	0.037	0.007	9.0	0.0	9.0	0.0	9.0
22/May/2015	21/Aug/2015	-0.001	0.005	3.0	0.0	3.0	0.0	3.0
20/Feb/2015	21/Aug/2015	0.032	0.005	8.0	0.0	8.0	0.0	8.0
29/May/2015	28/Aug/2015	-0.004	0.004	6.0	0.0	6.0	0.0	6.0
27/Feb/2015	28/Aug/2015	0.030	0.004	6.0	0.0	6.0	0.0	6.0
05/Jun/2015	04/Sep/2015	-0.005	0.003	5.0	0.0	5.0	0.0	5.0
06/Mar/2015	04/Sep/2015	0.026	0.003	4.0	0.0	4.0	0.0	4.0
12/Jun/2015	11/Sep/2015	-0.005	0.001	13.0	0.0	13.0	0.0	13.0
13/Mar/2015	11/Sep/2015	0.028	0.001	2.0	0.0	2.0	0.0	2.0
19/Jun/2015	18/Sep/2015	0.030	0.000	2.0	0.0	2.0	0.0	2.0
26/Jun/2015	25/Sep/2015	-0.003	-0.002	20.5	0.0	20.5	0.0	20.5
27/Mar/2015	25/Sep/2015	0.010	-0.002	1.0	0.0	1.0	0.0	1.0
10/Apr/2015	08/Oct/2015	0.000	-0.003	12.0	0.0	12.0	0.0	12.0
17/Apr/2015	15/Oct/2015	0.000	-0.003	20.1	0.0	20.1	0.0	20.1
08/May/2015	05/Nov/2015	0.000	-0.002	8.0	0.0	8.0	0.0	8.0
15/May/2015	12/Nov/2015	0.000	-0.002	3.5	0.0	3.5	0.0	3.5
29/May/2015	26/Nov/2015	0.000	-0.001	4.0	0.0	4.0	0.0	4.0
19/Jun/2015	17/Dec/2015	0.000	0.000	10.0	0.0	10.0	0.0	10.0
Total				230.6	0.0	230.6	0.0	230.6

[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-June 2015)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by MFIs[6]	Held by Others	Amount
5.90	2015 (II)[4]	02/03/07	100/102/105	N/A	09/04 - 09/10	45.9	70.6	116.5
7.00	2015 (III)[3]	2005	100	0.08	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	0.08	03/05 - 03/11	0.6	0.2	0.8
3.75	2015 (VI)[4]	2010	100	N/A	03/06 - 03/12	88.3	43.3	131.5
6.65	2016 (I)[4]	2001	100	0.09	28/03 - 28/09	14.9	55.0	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	0.20	26/05 - 26/11	88.4	98.0	186.4
7.00	2016 (III)[3]	2006	100	0.23	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[4]	2011	100.93	0.13	16/02 - 16/08	130.5	27.6	158.1
3.75	2017 (IV)[4]	2012	102	0.43	20/02 - 20/08	42.8	29.2	72.0
7.00	2017 (I)[3]	2007	100	0.49	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	0.49	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	0.47	06/05 - 06/11	177.3	86.5	263.9
3.85	2018 (V)[4]	2012	105.26	0.54	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	0.58	15/01 - 15/07	80.8	82.3	163.1
7.00	2018 (II)[3]	2008	100	0.69	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	0.69	30/06 - 30/12	0.0	6.5	6.5
3.20	2019 (V)[4]	2013	105.12	0.83	31/01 - 31/07	80.1	41.4	121.5
6.60	2019 (I)	1999	100	0.85	01/03 - 01/09	50.6	51.9	102.5
3.00	2019 (III)[4]	2013	100	0.86	22/03 - 22/09	89.9	32.6	122.5
7.00	2019 (II)[3]	2009	100	0.94	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	1.05	10/06 - 10/12	14.2	38.2	52.4
4.60	2020 (II)[4]	2009	100	1.02	25/04 - 25/10	65.3	93.1	158.3
3.35	2020 (IV)[4]	2013	105.06	1.08	31/01 - 31/07	64.0	0.0	64.0
2.00	2020 (V)[4]	2014	101.75	1.11	26/03 - 26/09	1.3	10.8	12.1
2.00	2020 (V)[4]	2015	105.71	1.11	26/03 - 26/09	68.9	5.0	73.9
7.00	2020 (III)[3]	2010	100	1.17	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	1.31	08/02 - 08/08	158.3	300.5	458.8
7.00	2021 (II)[3]	2011	100	1.43	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[3]	2011	100	1.43	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	1.58	16/02 - 16/08	11.1	60.0	71.0
4.30	2022 (II)[4]	2012	100.31	1.53	15/05 - 15/11	120.2	120.0	240.2
7.00	2022 (III)[3]	2012	100	1.64	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	1.73	06/01 - 06/07	18.5	60.4	78.8
7.00	2023 (II)[3]	2013	100	1.82	18/05 - 18/11	0.0	2.4	2.4
3.30	2024 (I)[4] R	2014	100.25	1.97	12/05 - 12/11	2.4	21.6	24.1
7.00	2024 (II)[3]	2014	100	1.99	18/02 - 18/08	0.0	1.1	1.1
4.80	2028 (I)[4]	2012	101.04	2.28	11/03 - 11/09	32.6	74.5	107.0
4.50	2028 (II)[4]	2013	100	2.29	25/04 - 25/10	69.5	217.2	286.7
2.30	2029 (II)	2015	102.08	2.35	24/01 - 24/07	2.5	13.6	16.1
5.10	2029 (I)[4]	2012	101.12/101	2.36	01/04 - 01/10	20.5	58.7	79.1
5.25	2030 (I)[4]	2010	100	2.42	23/06 - 23/12	127.3	312.8	440.2
5.20	2031 (I)[4] I	2011	102.88	2.49	16-03 - 16/09	42.6	158.7	201.3
4.65	2032 (I)[4] R	2013	103.03	2.54	22/01 - 22/07	27.4	113.0	140.5
4.45	2032 (II)[4]	2014	110.41	2.55	03/03 - 03/09	31.4	121.7	153.1
4.30	2033 (I)[4]	2014	104.55	2.60	01/02 - 01/08	22.0	128.7	150.7
4.10	2034 (I)[4] R	2014	109.12	2.66	18/04 - 18/10	37.1	163.0	200.1
3.00	2040 (I)[4] R	2015	109.25	2.81	11/06 - 11/12	23.0	139.3	162.3
F.R. 6-mth Euribor[7]	2015 (V)[4]	2009	100	1.700[8], (85.46)[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], 28.11[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], 35.97[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], 36.63[9]	25/03 - 25/09	32.9	6.1	39.0
F.R. 6-mth Euribor[7]	2018 (VII)	2014	100.45	0.949[8], 39.27[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], 42.26[9]	25/03 - 25/09	34.8	6.0	40.8
F.R. 6-mth Euribor[7]	2020 (VI)[4]	2014	101.4356	0.817[8], 58.59[9]	29/04 - 29/10	47.9	0.0	47.9
Total						2,180.0	2,908.0	5,088.0

[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.

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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
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
June	349.2	1,564.0	1,237.7	929.1	1,008.0	5,088.0

[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	
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
June	0.0	203.5	0.1	0.0	0.0	0.2	203.8

[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.

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

Period	USD	GBP	JPY	CHF	AUD	CAD
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
May	1.0970	0.7190	135.95	1.0341	1.4338	1.3650
June	1.1189	0.7114	137.01	1.0413	1.4550	1.3839
July	1.0967	0.7041	136.34	1.0565	1.5140	1.4310

[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
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
May	1.1150	0.7212	134.75	1.0391	1.4123	1.3568
June	1.1213	0.7208	138.74	1.0455	1.4530	1.3854
July	1.0996	0.7069	135.68	1.0492	1.4844	1.4124

[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	-2,635.0	-2,683.6	-64.5	32.3	8.9
2009[1]	1,999.3	3,116.2	7,081.7	6,038.9	7,715.9	8,135.1	1,413.9	1,324.4	-403.8	80.7	6.3
2010[1]	2,526.5	3,777.7	7,588.5	6,376.6	6,710.2	7,055.1	1,269.5	1,192.7	-307.4	150.0	21.0
2011[1]	2,844.9	4,052.7	8,083.9	6,704.8	9,955.8	10,383.8	878.7	791.8	-169.8	98.8	17.3
2012[1]	3,195.1	4,303.5	8,588.9	7,129.9	10,006.2	10,366.7	925.3	815.5	99.9	140.7	5.8
2013[1]	2,861.6	3,952.9	8,764.2	7,242.0	9,984.1	10,314.8	908.2	769.3	239.1	135.6	5.7
2014[1]											
Q1	651.0	915.6	2,100.5	1,800.2	2,440.7	2,584.1	218.4	187.9	-77.1	30.7	1.5
Q2	667.9	934.2	2,243.4	1,815.6	2,475.3	2,530.7	246.0	187.5	164.8	67.4	1.4
Q3	648.5	935.5	2,435.0	1,871.1	2,450.3	2,648.7	248.7	187.3	139.8	35.5	2.0
Q4	640.9	917.6	2,191.6	1,857.0	2,489.4	2,562.2	240.2	191.1	34.2	10.7	1.4
2015[1]											
Q1	642.5	800.6	2,076.1	1,809.8	2,482.7	2,546.2	248.7	187.4	106.1	124.9	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	0.0	0.1	-2,377.7	9,499.2	-108.7	-479.6	-438.5
2009[1]	-6,081.3	-7,129.4	7,594.7	1,259.8	735.3	0.0	-7,773.3	368.5	2.4	-21.0	308.5
2010[1]	3,016.9	2,332.8	4,656.3	-211.6	0.0	262.6	-5,766.0	-374.9	23.6	-78.0	100.5
2011[1]	-10,603.7	-71.0	11,750.1	127.4	0.0	246.7	3,264.5	4,148.1	-52.9	-93.1	-5.0
2012[1]	-6,441.5	998.3	8,921.5	-396.5	0.0	438.5	474.0	1,370.9	121.4	664.3	429.4
2013[1]	-6,745.8	-1,423.9	8,234.0	-669.0	0.0	104.4	-140.1	3,686.6	-38.8	-388.7	-757.7
2014[1]											
Q1	-1,649.4	-1,029.8	3,407.2	797.9	0.0	51.3	-1,743.5	996.2	263.6	-537.7	-489.8
Q2	-1,811.9	-1,590.2	3,942.1	105.8	258.6	0.0	-3,413.9	636.9	160.2	-17.4	-248.2
Q3	-1,620.2	570.4	1,983.7	-334.9	0.0	760.4	1,797.1	721.5	-242.5	200.8	27.4
Q4	-1,517.4	504.4	3,372.8	147.6	0.0	22.4	12.1	1,040.0	-169.3	-16.1	-59.6
2015[1]											
Q1	-1,549.0	439.3	272.6	-121.8	0.0	129.2	1,875.4	99.4	-63.9	-11.0	-240.5

[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			Total
				Currency and deposits	Securities other than shares	Other reserve assets[2]	
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]	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
May	3.4	107.2	48.9	19.5	350.4	-4.4	524.9
June	3.3	106.3	43.7	45.5	341.4	6.7	546.7

[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		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2008[1]	48,000.8	100,490.4	45,717.4	3,973.4	1,128.3	324.8	53,666.3	43,933.9	268.3	58.5
2009[1]	44,489.2	104,245.4	53,558.7	5,184.4	1,675.9	258.3	54,084.0	43,712.0	373.7	781.6
2010[1]	53,497.2	122,676.3	58,780.5	5,072.3	2,009.8	542.4	58,901.1	44,477.9	404.9	824.4
2011[1]	54,021.0	138,287.1	69,125.0	4,874.9	1,913.7	607.8	66,966.7	48,136.8	395.9	515.6
2012[1]	53,305.8	146,886.2	79,284.5	5,423.3	1,996.1	587.1	69,013.5	49,609.1	533.8	1,628.0
2013[1]	52,023.9	150,856.8	84,682.1	4,471.5	1,777.2	468.1	69,307.9	50,607.6	435.4	1,822.5
2014[1]										
Mar.	51,740.2	152,672.8	88,374.8	5,009.0	2,377.6	608.0	68,748.3	51,668.4	694.6	1,977.3
June	51,313.5	152,527.9	93,208.8	5,108.6	2,540.9	510.2	65,193.8	52,496.5	857.8	2,471.6
Sep.	50,972.2	153,918.8	95,768.6	4,681.7	1,903.2	519.0	67,463.5	54,543.5	647.0	3,091.5
Dec.	50,857.2	156,121.0	99,996.1	4,922.3	1,901.3	544.4	68,343.9	56,658.6	510.0	3,362.1
2015[1]										
Mar.	50,574.6	157,503.1	101,488.1	5,602.5	1,873.5	679.1	71,518.3	59,172.7	524.8	3,021.9

[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

	2011[5]	2012[5]	2013[5]	2014[5]				2015[5]
				Mar.	June	Sep.	Dec.	Mar.
General Government	420.5	592.8	652.6	599.8	588.1	587.7	588.1	626.1
Short-term	222.4	276.8	265.3	210.0	165.7	155.9	163.2	172.2
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	222.4	276.8	265.3	210.0	165.7	155.9	163.2	172.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	198.1	316.0	387.3	389.8	422.4	431.7	424.9	453.9
Special drawing rights (allocations)[4]	-	-	-	0.0	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	106.6	116.9	162.9	165.5	198.6	206.1	202.1	231.1
Loans	90.1	197.9	223.5	223.5	223.0	224.9	222.2	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	1.4	1.1	0.9	0.8	0.8	0.7	0.6	0.6
Central Bank of Malta								
Short-term	562.0	326.0	814.6	1,373.2	2,154.5	2,055.6	2,321.2	1,590.6
Currency and Deposits	562.0	326.0	814.6	1,266.3	2,046.5	1,943.2	2,207.5	1,468.2
Debt securities	562.0	326.0	814.6	1,265.8	2,046.5	1,943.2	2,207.5	1,468.2
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
Long-term	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
Special drawing rights (allocations)[4]	0.0	0.0	0.0	106.9	108.0	112.4	113.8	122.4
Currency and deposits	-	-	-	106.9	108.0	112.4	113.8	122.4
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]	29,077.6	30,059.4	29,595.0	29,996.1	29,915.0	32,140.5	32,729.9	35,578.8
Short-term	22,525.7	24,315.0	24,747.2	25,552.8	24,731.8	27,053.1	26,272.0	28,776.7
Currency and Deposits	15,544.7	17,499.2	17,422.4	17,863.0	16,287.3	18,888.6	17,941.3	21,703.4
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	6,865.8	6,687.6	7,027.2	7,318.6	8,190.6	7,792.3	7,899.3	6,655.2
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	115.2	128.2	297.6	371.1	253.8	372.2	431.4	418.1
Long-term	6,551.9	5,744.4	4,847.8	4,443.3	5,183.2	5,087.3	6,457.9	6,802.1
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	4.0	4.5	6.8	7.3	12.2	13.9	13.0	17.6
Loans	6,548.0	5,739.8	4,841.0	4,436.0	5,171.0	5,073.5	6,444.9	6,784.6
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]	18,267.3	18,969.4	19,929.3	20,197.1	20,372.4	20,377.5	21,700.5	22,090.9
Short-term	9,332.9	9,965.9	10,841.1	11,086.6	11,232.3	11,312.9	12,586.7	12,931.5
Currency and Deposits	123.2	202.3	281.3	312.3	343.3	374.3	405.3	436.3
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	901.1	1,061.5	681.6	658.8	616.1	583.4	530.6	497.9
Trade credit and advances	2,154.3	2,579.9	3,141.7	3,204.2	3,328.9	3,376.1	3,523.6	3,638.5
Other debt liabilities	6,154.2	6,122.3	6,736.5	6,911.4	6,944.0	6,979.1	8,127.2	8,358.9
Long-term	8,934.4	9,003.5	9,088.3	9,110.5	9,140.1	9,064.6	9,113.8	9,159.4
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	218.6	217.1	214.2	218.0	214.7	285.3	300.6	329.0
Loans	2,477.1	2,064.1	1,664.6	1,565.3	1,477.2	1,209.1	1,122.4	1,018.5
Trade credit and advances	6,238.7	6,722.4	7,209.4	7,327.1	7,448.2	7,570.2	7,690.8	7,811.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany Lending	30,002.0	31,998.7	34,022.2	34,541.9	35,113.5	35,391.7	36,000.7	36,123.8
Debt liabilities of direct investment enterprises to direct investors	21,054.3	23,045.8	25,040.9	25,593.9	25,886.6	26,469.0	26,997.4	27,192.0
Debt liabilities of direct investors to direct investment enterprises	8,947.6	8,953.0	8,981.3	8,948.0	9,226.9	8,922.7	9,003.2	8,931.9
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	**78,329.4**	**81,946.3**	**85,013.8**	**86,708.1**	**88,143.5**	**90,552.9**	**93,340.4**	**96,010.2**
of which: Financial Institutions and Deposit-Taking Corporations, except the Central Bank of Malta	**73,791.5**	**77,329.8**	**79,636.8**	**80,723.4**	**81,293.3**	**84,132.2**	**86,548.2**	**90,190.6**
Gross External Debt Excluding Debt Liabilities of Financial Institutions and Deposit-Taking Corporations, except the Central Bank of Malta	**4,537.9**	**4,616.5**	**5,377.0**	**5,984.7**	**6,850.2**	**6,420.7**	**6,792.2**	**5,819.6**

[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

	2011[2]	2012[2]	2013[2]	2014[2]				2015[2]
				Mar.	June	Sep.	Dec.	Mar.
General Government	294.8	246.4	259.3	198.7	269.1	208.4	201.4	243.5
Short-term	177.2	153.7	154.1	90.7	38.2	20.6	20.1	21.3
Currency and Deposits	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.2	-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	177.4	153.8	154.3	91.0	38.5	20.8	20.3	21.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	117.6	92.8	105.1	107.9	230.9	187.8	181.3	222.2
Special drawing rights (allocations)[4]	0.0	0.0	0.0	0.0	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	106.6	116.9	162.9	165.5	198.6	206.1	202.1	231.1
Loans	23.9	11.3	0.3	0.3	43.2	-7.5	-10.3	0.3
Trade credit and advances	-12.7	-11.0	-9.7	-9.4	-9.1	-8.8	-8.5	-8.2
Other debt liabilities	-0.3	-24.5	-48.4	-48.5	-1.8	-1.9	-2.0	-2.0
Central Bank of Malta	-1,806.8	-2,274.5	-1,858.7	-1,795.8	-1,258.4	-1,200.0	-869.8	-1,709.1
Short-term	255.4	100.7	522.1	813.5	1,517.5	1,639.6	2,065.0	1,416.2
Currency and Deposits	255.4	100.7	522.1	813.0	1,517.5	1,639.6	2,065.7	1,416.2
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	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	0.5	0.0	0.0	-0.7	0.0
Long-term	-2,062.2	-2,375.2	-2,380.8	-2,609.3	-2,775.9	-2,839.5	-2,934.8	-3,125.3
Special drawing rights (allocations)[4]	-	-	-	6.6	6.7	32.9	13.0	14.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-49.5
Debt securities	-2,045.8	-2,359.5	-2,365.2	-2,599.8	-2,766.3	-2,856.5	-2,931.8	-3,073.9
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	-16.3	-15.8	-15.6	-16.1	-16.3	-15.9	-16.0	-15.9
Deposit-Taking Corporations, except the Central Bank of Malta[2]	-8,388.6	-9,451.3	-6,775.4	-5,754.6	-4,985.3	-5,697.0	-6,826.0	-6,449.8
Short-term	13,046.0	14,210.7	13,037.1	15,105.5	16,013.1	28,036.0	27,083.7	31,328.8
Currency and Deposits	6,523.1	7,618.7	5,214.3	6,409.4	6,513.8	18,888.6	17,941.3	22,907.9
Debt securities	-2.0	-0.1	-20.2	-58.4	-59.3	-131.6	-79.1	-80.3
Loans	6,458.6	6,555.8	7,632.8	8,459.6	9,395.1	8,956.4	8,846.7	8,147.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	66.4	36.3	210.1	295.0	163.5	322.6	374.8	354.2
Long-term	-21,434.6	-23,661.9	-19,812.5	-20,860.1	-20,998.4	-33,733.0	-33,909.7	-37,778.6
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-13,568.9	-16,079.8	-15,497.2	-16,526.7	-19,116.0	-20,222.0	-21,545.2	-20,989.5
Loans	-7,865.7	-7,582.1	-4,315.3	-4,333.5	-1,882.4	-13,511.0	-12,364.5	-16,789.1
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]	-27,382.7	-29,747.7	-30,862.1	-32,052.9	-32,212.2	-32,766.9	-32,538.4	-32,320.4
Short-term	1,565.1	946.9	1,376.6	1,916.5	1,972.7	1,402.3	2,061.1	2,171.6
Currency and Deposits	-5,924.5	-6,887.5	-7,203.2	-6,712.1	-6,720.2	-7,307.0	-7,569.2	-7,720.2
Debt securities	-120.7	-126.4	-147.0	-129.4	-126.5	-152.1	-170.3	-180.7
Loans	850.6	998.7	627.3	624.2	581.1	538.6	485.2	455.2
Trade credit and advances	871.9	1,155.6	1,711.0	1,765.8	1,842.7	1,972.4	2,057.2	2,144.7
Other debt liabilities	5,887.8	5,806.5	6,388.5	6,368.0	6,395.6	6,350.4	7,258.2	7,472.5
Long-term	-28,947.9	-30,694.5	-32,238.7	-33,969.4	-34,184.9	-34,169.2	-34,599.6	-34,492.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-2,631.3	-3,236.2	-2,579.9	-2,888.4	-3,191.7	-3,163.6	-3,773.8	-3,710.3
Loans	-1,660.0	-1,933.4	-3,238.5	-3,246.9	-3,330.2	-3,514.5	-3,505.2	-3,577.6
Trade credit and advances	-18,738.9	-18,264.7	-17,820.1	-18,896.3	-18,391.1	-17,885.1	-17,380.5	-16,930.0
Other debt liabilities	-5,917.7	-7,260.3	-8,600.2	-8,937.9	-9,271.9	-9,606.0	-9,940.0	-10,274.1
Direct Investment: Intercompany Lending	-18,015.0	-15,393.0	-12,270.9	-11,596.6	-10,948.3	-10,386.1	-9,708.5	-9,312.4
Debt liabilities of direct investment enterprises to direct investors	-12,717.2	-12,967.9	-13,125.7	-13,161.7	-13,767.0	-13,400.1	-13,521.9	-13,833.4
Debt liabilities of direct investors to direct investment enterprises	-5,297.8	-2,425.1	854.8	1,565.2	2,818.7	3,014.0	3,813.4	4,521.0
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net External Debt	**-55,298.3**	**-56,620.0**	**-51,507.8**	**-51,001.3**	**-49,135.1**	**-49,841.6**	**-49,741.4**	**-49,548.3**
of which: Financial Institutions and Deposit-Taking Corporations, except the Central Bank of Malta	**-54,357.0**	**-55,251.7**	**-50,921.6**	**-50,491.2**	**-49,171.6**	**-49,626.9**	**-49,912.1**	**-48,631.4**
Net External Debt Excluding Debt Liabilities of Financial Institutions and Deposit-Taking Corporations, except the Central Bank of Malta	**-941.3**	**-1,368.3**	**-586.3**	**-510.0**	**36.5**	**-214.7**	**170.7**	**-916.9**

[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
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	6,189.3	(1,750.5)
2013[2]	3,925.5	5,689.0	(1,763.5)
2014[2]			
Jan.	347.6	456.2	(108.6)
Feb.	281.5	416.0	(134.5)
Mar.	345.0	477.2	(132.2)
Apr.	327.9	456.7	(128.8)
May	355.5	484.1	(128.5)
June	286.6	644.0	(357.4)
July	323.5	623.1	(299.7)
Aug.	264.7	557.5	(292.8)
Sep.	337.1	617.4	(280.3)
Oct.	341.8	662.5	(320.7)
Nov.	290.0	530.2	(240.2)
Dec.	235.7	466.4	(230.6)
2015[2]			
Jan.	303.6	403.9	(100.4)
Feb.	241.3	620.9	(379.6)
Mar.	299.8	522.2	(222.4)
Apr.	351.6	456.0	(104.3)
May	247.6	637.4	(389.8)
June	310.1	563.5	(253.3)

[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.

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]	204.1	309.2	159.9	160.6	833.8	99.3	171.0	1,104.1	767.4	164.1	1,701.4	3,737.0
2015[2]												
Jan.	13.4	26.8	15.3	10.9	66.5	6.9	7.3	80.7	69.8	7.9	145.1	303.6
Feb.	29.1	30.7	8.2	8.2	76.2	8.4	7.5	92.0	58.3	9.5	81.4	241.3
Mar.	13.5	32.7	8.8	9.0	64.0	8.5	9.0	81.4	75.2	12.1	131.1	299.8
Apr.	10.1	28.8	10.2	8.8	57.9	18.7	12.1	88.7	50.8	10.5	201.6	351.6
May	14.8	22.8	8.3	8.6	54.5	8.5	12.0	75.1	51.2	12.1	109.3	247.6
June	26.3	22.1	12.2	9.5	70.2	10.3	11.3	91.8	55.2	11.1	152.1	310.1

[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	320.1	1,988.7	659.4	3,337.3	372.7	242.0	3,952.0	769.9	134.1	1,333.3	6,189.3
2013[2]	285.6	321.2	1,410.2	671.8	2,688.9	309.3	296.2	3,294.4	827.6	187.9	1,379.1	5,689.0
2014[2]	224.6	323.2	1,172.3	787.6	2,507.8	390.1	319.8	3,217.7	733.6	610.2	1,829.6	6,391.2
2015[2]												
Jan.	12.6	25.9	80.3	30.0	148.8	23.3	29.6	201.7	58.9	54.4	88.9	403.9
Feb.	14.3	26.3	71.0	97.5	209.2	29.0	22.5	260.7	52.1	20.7	287.4	620.9
Mar.	14.8	30.5	107.6	43.5	196.3	30.3	40.4	267.0	55.8	7.6	191.8	522.2
Apr.	12.8	27.4	136.7	36.3	213.1	51.2	23.4	287.7	58.4	26.4	83.5	456.0
May	23.7	21.9	76.5	257.5	379.6	42.0	28.3	449.9	55.0	16.8	115.7	637.4
June	19.3	26.3	117.7	107.1	270.4	45.4	23.6	339.4	55.6	25.9	142.6	563.5

[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	4,025.5	1,344.5	1,205.4	128.3	6,703.7	10,989.8	10,800.7	189.1	6,892.8	6,669.2
2012	4,116.1	1,447.6	1,320.6	-40.1	6,844.1	11,857.8	11,497.0	360.8	7,205.0	6,888.2
2013	4,241.2	1,479.6	1,340.0	-49.2	7,011.6	11,852.0	11,330.0	522.0	7,533.6	7,144.9
2014	4,361.8	1,611.7	1,499.2	-36.1	7,436.6	11,864.7	11,360.0	504.7	7,941.3	7,588.0
2014										
Q1	1,043.0	387.9	391.8	23.1	1,845.8	2,753.1	2,755.5	-2.4	1,843.4	1,776.0
Q2	1,081.3	411.8	341.0	-18.3	1,815.8	3,024.9	2,868.6	156.3	1,972.2	1,994.2
Q3	1,116.3	393.9	333.1	-31.1	1,812.2	3,166.3	2,884.7	281.6	2,093.8	1,872.2
Q4	1,121.1	418.2	433.3	-9.8	1,962.7	2,920.5	2,851.2	69.3	2,032.0	1,945.6
2015										
Q1	1,091.8	410.9	414.5	27.1	1,944.3	2,780.0	2,751.9	28.1	1,972.3	1,884.0
Q2	1,121.8	439.1	457.8	-26.4	1,992.3	3,058.2	2,934.3	123.9	2,116.1	2,196.5

[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	3,929.6	1,335.5	1,153.2	6,418.3	10,342.2	10,152.0	6,738.7
2012	3,921.3	1,419.5	1,205.6	6,546.4	11,064.8	10,676.8	6,909.1
2013	3,993.9	1,423.0	1,197.3	6,614.2	11,047.2	10,545.9	7,091.7
2014	4,108.4	1,530.3	1,305.7	6,944.4	11,015.0	10,605.0	7,343.0
2014							
Q1	977.7	367.3	344.1	1,689.1	2,621.7	2,698.5	1,643.5
Q2	1,014.8	393.3	298.1	1,706.3	2,720.7	2,628.7	1,782.8
Q3	1,061.1	372.2	289.5	1,722.7	2,979.1	2,663.4	2,012.6
Q4	1,054.8	397.5	374.1	1,826.4	2,693.6	2,614.3	1,904.1
2015							
Q1	1,022.3	381.6	345.2	1,749.1	2,577.5	2,636.4	1,724.8
Q2	1,042.8	413.0	370.5	1,826.3	2,688.4	2,620.1	1,876.0

[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.

Real Economy Indicators

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					
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	212.1	709.5	454.7	152.6	1,316.8	265.4	1,582.2
2014	125.5	143.1	262.6	221.5	752.7	487.7	176.8	1,417.2	272.6	1,689.8
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.	11.9	13.5	24.7	18.5	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
Apr.	11.9	14.9	23.8	23.7	74.3	44.6	15.9	134.8	17.1	151.9
May	18.6	12.2	25.8	29.0	85.6	49.7	20.0	155.3	21.9	177.2
June	13.0	12.4	28.7	28.0	82.1	56.5	19.7	158.3	25.5	183.8

[1] Based on the NSO's inbound tourism survey. Data refer to tourist departures by air and sea.

Source: NSO.

Real Economy Indicators

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]
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[3]	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[3]	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[3]	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]	109.8	60.6	170.4	104.5	58.9	163.4	5.3	4.8	1.7	2.8	7.0	4.1
2014[3]												
Jan.	108.7	59.3	168.0	102.8	57.4	160.2	5.9	5.4	1.9	3.2	7.8	4.6
Feb.	109.0	59.5	168.5	103.1	57.6	160.7	5.8	5.4	1.9	3.2	7.8	4.6
Mar.	109.1	59.7	168.8	103.3	57.8	161.2	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
2015[3]												
Jan.	110.7	62.1	172.8	105.9	60.5	166.4	4.8	4.4	1.5	2.5	6.4	3.7
Feb.	111.1	62.5	173.5	106.4	61.0	167.4	4.7	4.2	1.5	2.4	6.2	3.6
Mar.	111.2	62.8	174.0	106.8	61.3	168.1	4.5	4.0	1.4	2.3	5.9	3.4

[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
2015[3]												
Q1	119.7	72.9	192.5	112.6	68.9	181.5	7.1	5.9	4.0	5.4	11.0	5.7

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: 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
Q2	193.1	200.5	193.5	201.4	216.1

[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		
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
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.

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
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
May	109.6	0.5	1.7	3.2	2.9	0.4	-16.2	0.4	-0.4	1.0	2.5	1.5
June	109.8	0.6	2.0	3.1	3.0	0.4	-14.9	0.1	-0.4	1.0	2.4	1.7
July	109.5	0.7	2.1	3.1	3.1	0.4	-13.6	0.1	-0.5	1.1	2.4	1.8

[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
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
May	124.0	0.8	0.9	5.0	2.7	-7.2	0.6	0.7	-0.1	-0.9	1.3	6.2	2.4	1.9
June	125.2	0.8	1.2	4.8	2.9	-6.5	0.2	0.7	-0.2	-0.9	1.3	6.3	2.3	2.1
July	125.3	0.8	1.4	4.7	3.1	-5.8	0.1	0.8	-0.4	-0.8	1.4	6.3	2.2	2.2

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 sub-classified 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.