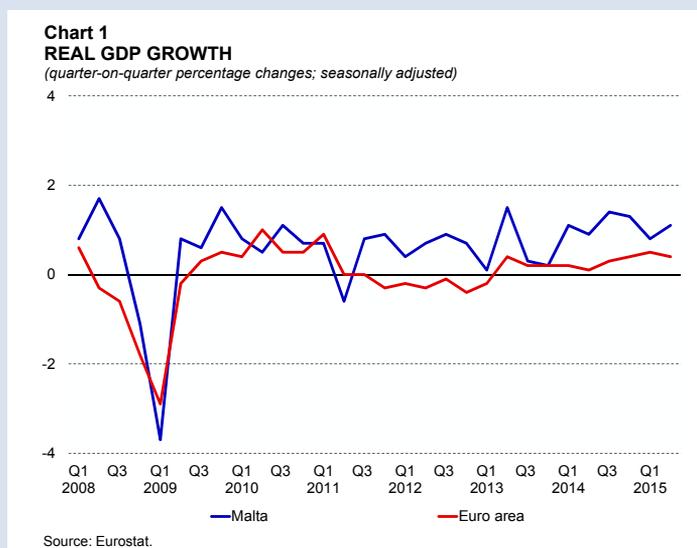


## SUPPLEMENT TO THE QUARTERLY REVIEW 2015:2

### Gross domestic product in the second quarter of 2015

#### *Real GDP growth accelerates further*

On 4 September 2015, the National Statistics Office (NSO) published provisional gross domestic product (GDP) figures for the second quarter of 2015.<sup>1</sup> During this period the Maltese economy continued to expand robustly, growing at an even faster rate than it did in the first quarter. Real GDP rose by 5.2% in the second quarter, up from a significantly upwardly-revised rate of 4.9% in the previous quarter.<sup>2</sup> Growth was driven by domestic demand.



Malta's GDP growth rate significantly exceeded that of the euro area as a whole. In seasonally adjusted terms, real GDP in Malta expanded at a quarterly rate of 1.1% during the second quarter of 2015, up from 0.8% in the previous quarter (see Chart 1). In contrast, in the euro area the quarterly growth rate stood at 0.4%, slightly down from 0.5% in the previous quarter.

#### *Domestic demand drives GDP growth*

During the second quarter of 2015, domestic demand significantly increased, contributing 6.5 percentage points to real GDP growth (see Table 1).

In the quarter under review, domestic demand rose by 6.9% on a year earlier, almost double the increase in the previous quarter. The main driver was a rise in gross fixed capital formation, which grew sharply when compared with the second quarter of 2014. The other major components of final domestic demand also expanded. In contrast, changes in inventories had a slight negative impact on growth.

Gross fixed capital formation rose by 24.3% on a year earlier. This sharp rise in investment followed the slowdown registered in the previous quarter, when annual growth had been almost nil. Over four-fifths of the increase in investment can be attributed to higher spending on machinery

<sup>1</sup> See NSO *News Release* 163/2015. These statistics are not commented on in the main text of the *Quarterly Review* 2015:2, as they became available after the *Review's* cut-off date.

<sup>2</sup> NSO *News Release* 108/2015 had shown that real GDP for the first quarter of 2015 grew by an annual 4.0%, driven entirely by net exports, as commented in the main text of this *Review*. These figures were heavily revised in NSO *News Release* 163/2015. Therefore, figures for the first quarter of 2015 and for preceding quarters in the main text of the *Review* do not tally with the ones referred to in this Supplement.

**Table 1**  
**GROSS DOMESTIC PRODUCT<sup>(1)</sup>**

	2014			2015	
	Q2	Q3	Q4	Q1	Q2
<i>Annual percentage changes</i>					
Private final consumption expenditure	3.3	3.0	3.5	4.6	2.8
Government final consumption expenditure	10.7	5.2	9.0	3.9	5.0
Gross fixed capital formation	1.6	4.3	15.1	0.3	24.3
<b>Domestic demand</b>	<b>3.7</b>	<b>3.6</b>	<b>10.0</b>	<b>3.6</b>	<b>6.9</b>
Exports of goods & services	3.1	-3.1	0.5	-1.7	-1.2
Imports of goods & services	3.7	-3.6	3.6	-2.3	-0.3
<b>Gross domestic product</b>	<b>2.8</b>	<b>3.1</b>	<b>4.8</b>	<b>4.9</b>	<b>5.2</b>
<i>Percentage point contributions</i>					
Private final consumption expenditure	1.9	1.6	2.0	2.6	1.5
Government final consumption expenditure	2.2	0.9	1.8	0.8	1.1
Gross fixed capital formation	0.3	0.6	2.8	0.1	4.3
Changes in inventories	-0.8	-0.1	2.6	0.1	-0.4
<b>Domestic demand</b>	<b>3.5</b>	<b>3.0</b>	<b>9.2</b>	<b>3.6</b>	<b>6.5</b>
Exports of goods & services	4.9	-4.9	0.9	-2.8	-1.8
Imports of goods & services	-5.5	5.0	-5.3	4.2	0.5
<b>Net exports</b>	<b>-0.7</b>	<b>0.1</b>	<b>-4.4</b>	<b>1.3</b>	<b>-1.3</b>
<b>Gross domestic product</b>	<b>2.8</b>	<b>3.1</b>	<b>4.8</b>	<b>4.9</b>	<b>5.2</b>

<sup>(1)</sup> Chain-linked volumes, reference year 2010.

Sources: NSO; Central Bank of Malta calculations.

& equipment. In addition, investment on dwellings and transport also rose. Conversely, non-dwelling construction investment declined. Overall, investment contributed 4.3 percentage points to real GDP growth.

In addition, government consumption rose by an annual 5.0%, following some moderation in the previous quarter, and contributed 1.1 percentage points to GDP growth. In nominal terms, both compensation of employees and intermediate consumption rose on their year-ago levels, boosting government consumption.

Private consumption also went up on its year-ago level, sustained by continued, though slower, growth in employee compensation. At 2.8%, the annual growth rate of private consumption was weaker than in the previous quarter. However, private consumption still contributed 1.5 percentage points to GDP growth.

#### *Net exports dampen growth*

Exports dropped by 1.2%, year-on-year, entirely owing to lower foreign sales of services, whereas goods exports increased. Meanwhile, imports fell by 0.3%. This stemmed entirely from a substantial decline in imports of services, while imports of goods increased, reflecting robust domestic demand. As a result, net exports dampened real GDP growth by 1.3 percentage points.