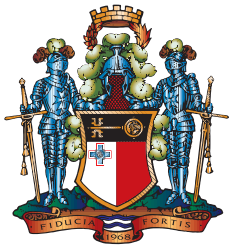

BANK ĊENTRALI TA' MALTA

EUROSISTEMA

CENTRAL BANK OF MALTA

QUARTERLY REVIEW

2015

Vol. 48 No. 3

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Printed by
Gutenberg Press Ltd
Gudja Road
Tarxien, Malta

The cut-off date for statistical information published in the Economic Survey of this Review is 20 November 2015. Figures in tables may not add up due to rounding.

ISSN 0008-9273 (print)
ISSN 1811-1254 (online)

CONTENTS

ABBREVIATIONS

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

FOREWORD[1]

The Governing Council of the European Central Bank (ECB) maintained an accommodative monetary policy stance during the third and fourth quarters of 2015. This accommodative stance reflects the expectation that euro area inflation will remain less than the target of below, but close to, 2% for a prolonged period.

In particular, the rate on the main refinancing operations was held at 0.05% and the rate on the marginal lending facility remained at 0.30%. Moreover, in December, the deposit facility rate was lowered by 10 basis points to -0.30%, which is a new record low.

Meanwhile, the Governing Council kept its monthly target for combined purchases of securities under its extended asset purchase programme (APP) unchanged at €60 billion per month. However, in December the Council decided to extend the APP until at least March 2017 and, in any case, until the Governing Council sees a sustainable adjustment of inflation towards levels that are below, but close to 2%. The public sector purchase programme, moreover, will include euro-denominated marketable debt instruments issued by regional and local governments in the euro area. The Council also extended its fixed rate full allotment procedures for as long as necessary and decided to reinvest the principal payments of debt securities purchased under the APP as they mature.

During the third quarter of 2015, gross domestic product (GDP) in the euro area rose by 0.3% on the previous quarter. The expansion was driven by domestic demand.

Inflation remained subdued. The annual rate of inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), fell from 0.2% in June to -0.1% in September. The decline in the inflation rate between June and September was driven by a faster decrease in energy prices, which outweighed a pick-up in the prices of food and services. Overall, euro inflation turned positive again in the following month, standing at 0.1% in October. It is estimated to have remained at this level in November.

According to the Eurosystem staff projections published in December, the economic recovery in the euro area is expected to progress. Real GDP growth is expected to stand at 1.5% this year, and is set to accelerate further over the subsequent two years, reaching 1.9% in 2017. The annual rate of inflation is set to remain low this year, averaging 0.1%, before it accelerates to 1.0% in 2016 and 1.6% in 2017.

The Maltese economy continued to expand at a robust pace. Previous estimates showed real GDP growing at an annual rate of 5.2% in the second quarter of the year. During the third quarter, annual real GDP growth stood at 5.4%, following an upwardly revised growth rate of 5.8% three months earlier.

The strong pace of economic expansion influenced developments in the domestic labour market, which saw continued growth in employment and a further decline in unemployment during the second quarter of 2015. According to the Labour Force Survey (LFS), employment increased by 1.4% in annual terms. Data issued by the Employment and Training Corporation show even larger gains, with the number of persons in full-time employment in May up by 4.2% on a year

[1] The cut-off date for statistical information in the Foreword is 9 December 2015.

earlier. Meanwhile, the unemployment rate based on the LFS fell to 5.4% in the second quarter, from 5.8% a year earlier.

The annual HICP inflation rate in Malta picked up to 1.6% in September from 1.1% in June. This acceleration reflected developments in the prices of services and non-energy industrial goods, as well as food. In contrast, energy prices declined at a faster pace. In October the annual HICP inflation rate remained stable at 1.6%.

With regard to competitiveness indicators, in the second quarter of 2015 Malta's unit labour costs (ULC), measured on a four-quarter moving average, rose by 0.2% on a year earlier, following a 1.1% increase in the previous quarter. The moderation in ULC growth was driven by an increase in productivity. More recently, both the nominal and real harmonised competitiveness indicators rose between June and September, reflecting a slight appreciation of the euro against major foreign currencies. Despite rising over the quarter, both indicators remained well below their year-ago levels.

With regard to external developments, the surplus on the current account of the balance of payments widened compared with the corresponding period of 2014. This resulted from a swing to net inflows on the primary income account and from higher net receipts on services. These developments offset a larger merchandise trade deficit and a decline in net inflows on the secondary income account.

Monetary dynamics remained robust, with the annual rate of growth of residents' deposits with Maltese banks standing at 16.0% in September, down from 19.1% in June. This rapid growth was mainly supported by increases in overnight deposits. Meanwhile, credit to Maltese residents continued to recover during the third quarter, with the annual growth rate going to 4.8% in September from 1.1% three months earlier. Both credit to government and credit to the private sector grew faster.

In the domestic money market, the three-month Treasury bill in the primary market was 0.00% in September, unchanged from June. In the primary capital market, the Government raised €179.9 million through two new bond issues. Meanwhile, in the secondary market, ten-year government bond yields fell by 48 basis points to 1.49%. Going into the fourth quarter, the three-month yield remained unchanged at 0.00% in October, while the ten-year yield declined to 1.27%.

As to bank lending rates, the composite interest rate charged by monetary financial institutions on outstanding loans to resident households and non-financial corporations fell by 4 basis points during the third quarter, standing at 3.85% in September.

With regard to fiscal developments, in the second quarter of 2015 the general government deficit narrowed on a year earlier, as revenue increased faster than expenditure. As a result, the general government deficit, measured on a four-quarter moving sum basis, stood at 2.2% of GDP, 0.3 percentage point less than in the first quarter of the year. The general government debt-to-GDP ratio also fell compared with the previous quarter, to 68.9%. Consolidated Fund data show that during the first nine months of 2015, the deficit on the Consolidated Fund narrowed over the same period of 2014.

In its latest projection exercise, which was concluded in November, the Central Bank of Malta expects real GDP growth to accelerate from 3.5% in 2014 to 4.1% in 2015. Economic growth is then projected to moderate to 3.2% by 2017, a rate which is consistent with the estimated rate of growth of potential output. Domestic demand is expected to remain the main driver of economic expansion.

Largely reflecting developments during the first ten months of the year, HICP inflation in Malta is expected to accelerate to 1.2% in 2015, from 0.8% in 2014. It is set to pick up further to 1.6% in 2016, partly on account of the earlier weakening of the euro. The acceleration in 2016 is largely driven by expected developments in energy and service prices. In 2017 HICP inflation is set to pick up slightly further, to 1.9%, largely reflecting an expected increase in the international oil price.

Risks to the GDP growth projections are balanced. Downside risks relate to the fragility of the global economic recovery. The recovery in the euro area may also be slower than expected. These factors would weigh on Maltese exports. The latter could also surprise on the downside if the envisaged recovery in the semiconductor industry is delayed. On the other hand, government consumption and private consumption could surprise on the upside. Imports could also be lower than expected, if efficiency gains from electricity generated by the new power plants prove stronger than expected.

Risks to inflation projections are balanced. Downside risks relate to the possibility of an extended period of weak inflation in Malta's trading partners, which would translate into lower import and consumer prices. Inflation would also be lower than expected if domestic energy prices were to fall further in response to earlier declines in the international oil price. On the other hand, the international oil price may rise above the assumed levels.

From a policy perspective, the recent narrowing in the fiscal deficit is welcome. However, it is important that the fiscal stance remains oriented towards achieving the official targets specified in the Budget 2016, which foresee the deficit narrowing to 0.2% of GDP by 2018 and the debt ratio declining to 64.1% of GDP.

The financial system remains sound, partly reflecting the prudent business model of core domestic banks in Malta, which is reflected in their healthy capital and liquidity levels. However, further efforts are needed to raise provisions against non-performing loans and strengthen capital buffers.

The non-standard measures of the ECB have had a positive impact on the Maltese economy, notably through the exchange rate channel. The domestic stock and property markets were also positively affected.

At the same time, although bank lending rates have declined, they remain higher than in other euro area countries. Indeed, in a recent report the Malta Competition and Consumer Affairs Authority made a number of recommendations to address issues related to price transparency, barriers to expansion and consumer mobility in relation to interest rates charged on loans to small and medium-sized enterprises in Malta. There remains, therefore, scope for further improvement in terms of the transmission of the accommodative monetary policy stance of the ECB to domestic retail rates. Access to finance also needs to improve. A reduction in bank charges would ease funding conditions for firms, while also encouraging the use of more efficient means of payment.

ECONOMIC SURVEY

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

Global economic activity continued to expand during the third quarter of 2015, although the world economy grew at a weaker pace than in the previous quarter. In developed economies, early estimates of gross domestic product (GDP) show that the US economy decelerated in the third quarter of the year, following the strong pick-up in the second quarter. A parallel but milder slowdown was also recorded in the euro area and the United Kingdom. In Japan GDP fell again, causing the economy to slip back into a recession, while the euro area continued to show signs of a recovery. The slowdown in emerging market growth continued, with particularly marked fragility noted in Brazil and Russia. Despite increased concerns about Chinese growth prospects, with heightened volatility on the Chinese financial market, activity indicators in China remained steady.

Between June and September, prices of crude oil fell further and remained consistently low compared with recent years, as excess supplies continued to put further pressure on prices. Prices of other commodities, particularly metals, declined further, although at slower rates. With global inflationary pressures remaining low, major central banks retained their accommodative monetary policies. Policymakers in some advanced economies, including the Federal Reserve, however, began to actively consider normalising their monetary policy stance, depending on expected economic developments in a timely fashion to avoid abrupt changes in response to increased inflationary pressures. Meanwhile, the Bank of Japan kept its monetary policy stance unchanged.

The European Central Bank (ECB) continued its expansionary monetary policy, supported by its expanded asset purchase programme (APP) and low interest rates. While the stance was unchanged during the third quarter, additional accommodative measures were announced in December. These included a cut in the deposit facility rate and an extension of the APP.

The international economy

US economy shows resilience

The US economy maintained a solid pace of expansion in the third quarter of the year. However, real GDP growth decelerated to 0.5% on the previous quarter, after a strong expansion of 1.0% in the three months to June 2015 (see Table 1.1). This deceleration was reflected in most GDP components.

The increase in real GDP in the quarter under review reflected positive contributions from personal consumption expenditures, state and local government spending, fixed investment and exports. These positive contributions were partly offset by a downturn in private stockbuilding, which includes inventory investment, and a negative contribution from imports.

Labour market indicators showed some improvement. Employment remained stable in the third quarter of 2015, with a slight decline in manufacturing employment being offset by modest increases in private services, government and construction. At the same time, however, the

[1] The cut-off date for data in this Chapter is 20 November 2015. However, the cut-off date for euro area data has been extended to 9 December 2015.

Table 1.1
REAL GDP GROWTH IN ADVANCED ECONOMIES

Quarterly percentage changes; seasonally and working day adjusted [(1)]

	2014		2015		
	Q3	Q4	Q1	Q2	Q3
United States	1.1	0.5	0.2	1.0	0.5
Euro area	0.3	0.4	0.5	0.4	0.3
United Kingdom	0.6	0.8	0.4	0.7	0.5
Japan	-0.3	0.3	1.1	-0.2	-0.2

(1) Data for Japan are seasonally adjusted only.

Sources: Bureau of Economic Analysis, US; Eurostat; Office for National Statistics, UK; Cabinet Office, Japan.

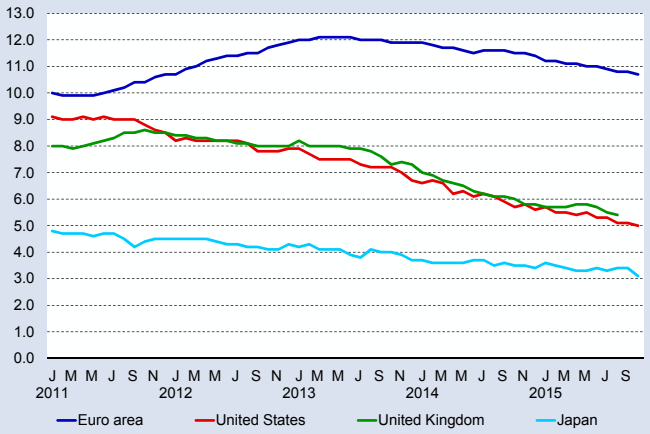
labour force participation rate fell further, remaining at historical lows. The unemployment rate marginally dropped in September, easing to 5.1% from 5.3% in June (see Chart 1.1).

By October the unemployment rate fell further to 5.0%, with strong month-on-month additions in employment across most sectors of the economy, especially private services.

The annual inflation rate, as measured by the overall consumer price index, fell to 0.0% in September 2015 from 0.1% in June (see Chart 1.2). Price developments during the third quarter continued to be affected by movements in international commodity prices. In particular, falling oil prices resulted in declining energy prices, with the annual rate of decline in September accelerating slightly when compared with June. The annual rate of change in prices of food eased slightly, ending the quarter at 1.6%, down from 1.8% in June. Excluding food and energy, inflation rose to 1.9% in September, up 0.1 percentage point over June.

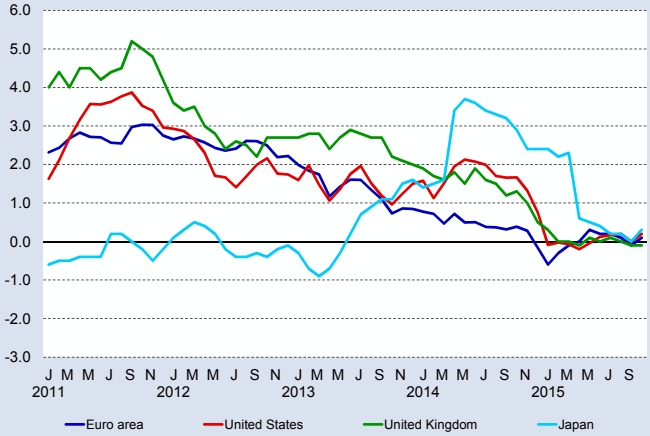
In October the annual inflation rate edged higher to 0.2%, as energy inflation was slightly less negative while service price

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.

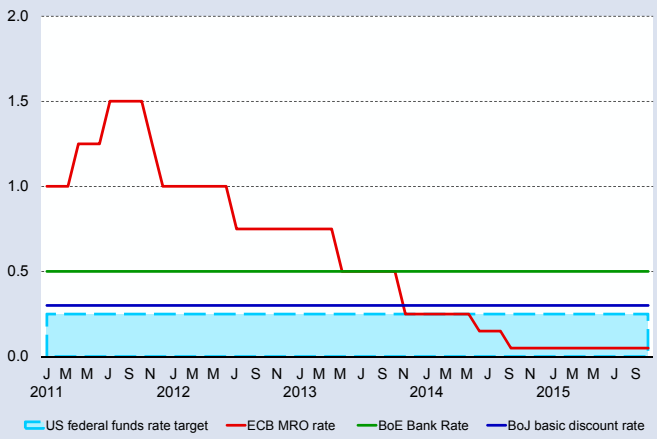
Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



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

inflation accelerated. Price pressures thus remain muted, with the overall inflation rate staying close to zero throughout the first ten months of the year. Moreover, excluding the more volatile food and energy components, inflation in the United States was unchanged at 1.9% in October.

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 third quarter of 2015, leaving the federal funds target range unchanged between 0.00% and 0.25% (see Chart 1.3). In October the Federal Open Market Committee (FOMC) at the Fed highlighted solid growth rates in business fixed investment and household spending, and a further improvement in the housing sector. The FOMC continued to deem risks to the outlook for economic activity and the labour market to be nearly balanced, with inflation expected to rise gradually towards 2% over the medium term, given the expected dissipation of transitory effects related to earlier declines in energy and non-energy import prices. Further improvements in the labour market were also expected. Conditions in the labour market and progress towards an inflation rate of 2% would determine the pace of normalisation of the monetary policy stance of the Federal Reserve. The FOMC considered that even if employment and inflation were to reach levels consistent with its mandate, economic considerations might justify keeping the target federal funds rate below levels that would have been normal in the longer run.

UK economic growth slightly decelerates

Revised estimates of GDP indicate that the UK economy grew by 0.5% in the third quarter of 2015, down from an increase of 0.7% in the second quarter of the year (see Table 1.1). Lower output growth in the quarter reflected a steady increase in services and slower growth in the productive industries, while construction was estimated to have fallen. Moreover, the non-manufacturing production sector, which includes oil extraction and the utilities industries, reported slower growth.

In terms of final expenditure components, household consumption expenditures remained stable on the previous quarter. However, general government consumption rose at a faster pace. Gross fixed capital formation also picked up strongly, with business investment recording a more modest acceleration. These developments more than offset a decline in net exports. With exports rising significantly less than imports, net exports lowered overall GDP growth. The UK economy has been growing since the first quarter of 2013, and although it expanded more slowly in the quarter under review, the economy continues to show marked resilience.

The labour market situation in the United Kingdom improved further, with some additional increases in employment and falls in unemployment during the quarter. In August the unemployment rate was 5.4%, slightly down from 5.7% recorded in June (see Chart 1.1).

The annual rate of inflation stood at -0.1% in September, down from 0.0% in June 2015 (see Chart 1.2). During the quarter there were higher year-on-year declines in prices on both food and energy components. However, services price inflation accelerated, while prices of non-energy industrial goods fell at a slower pace. In October the inflation rate remained unchanged at -0.1%, while the annual rate of inflation excluding food and energy, which increased to 1.0% in September from 0.8% in June, rose by a further 0.1 percentage point to 1.1%.

The Bank of England's key monetary policy instruments remained unchanged in the third quarter of 2015, with the official Bank Rate kept at 0.50% and its stock of asset purchases standing at GBP 375 billion (see Chart 1.3). In its October meeting, the vast majority of the Bank's Monetary Policy Committee deemed the current monetary policy stance to be appropriate to engender supportive economic growth rates that would be high enough to absorb the remaining spare capacity in the economy. The Committee aims to return inflation to its target rate within two years. The persistence of economic headwinds after the financial crisis means that the Committee expected to tighten its monetary policy more gradually than in previous cycles.

The Japanese economy slips into recession

The Japanese economy contracted by 0.2% over the previous quarter, the second consecutive decline for 2015 (see Table 1.1). The decrease in the third quarter reflected a fall in private non-residential investment expenditure, which offset positive contributions from private consumption, government consumption and net exports. The contraction, however, was rather slight, with a decline in private inventory investment expenditures driving most of it. The Japanese unemployment rate was unchanged over the previous quarter, ending September 2015 at 3.4% (see Chart 1.1).

Price pressures eased further, with the annual inflation rate falling to 0.0% in September 2015 from 0.4% three months earlier (see Chart 1.2). This reflected a moderate deceleration in food price inflation and larger decreases in energy prices. In contrast, excluding food and energy, the inflation rate rose to 0.9% by end-September from 0.6% in June. In October the overall inflation rate rose to 0.3%.

With regard to 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 October meeting.

Fragility marks most emerging markets

The economic situation remained fragile in most major emerging economies in the third quarter of 2015. GDP growth in China, however, rose by 1.8% over the previous quarter, while the annual rate stood at 6.9%, close to the Government's target of 7.0% but still low from a historical perspective. Other major emerging economies continued to report weak activity. The pace in Russia stayed subdued, as the economy continued to face trade sanctions and lower prices for its principal energy-related exports. Brazil remained in recession, while India showed signs of improving activity.

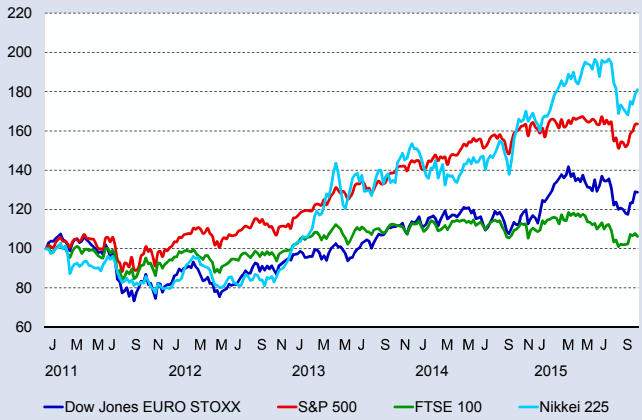
In October consumer prices in China went up by 1.3% year-on-year. Inflation remained elevated in Russia, with double-digit rates again being recorded partly reflecting a weak rouble in the context of difficult economic conditions. In Brazil inflation continued to accelerate, reaching almost 10% in October, while in India inflation rose to 6.3%.

International financial markets

Volatility continues in developed stock markets

Equity markets in advanced economies continued to experience marked volatility over the third quarter (see Chart 1.4). Share prices in Japan (NIKKEI225), the euro area (DJ EUROSTOXX), the United Kingdom (FTSE100) and the United States (S&P500) were down by -14.1%, -8.5%, -7.0% and -6.9%, respectively, since June. These developments partly reflected a severe correction in China's stock markets, which contributed to heightened volatility across the world.

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



Source: Reuters.

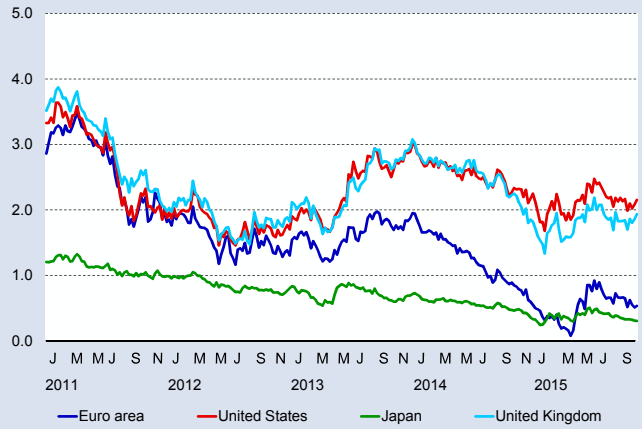
Going into the following quarter, in October all main indices were up on the previous month, adjusting for the earlier strong decline, with the NIKKEI 225, the DJ EUROSTOXX, the S&P500 and the FTSE100 rebounding by 9.7%, 8.9%, 8.8% and 5.1%, respectively, on a month-on-month basis.

Bond yields fall across advanced economies

Ten-year sovereign bond yields in most advanced economies fell during the third quarter. Between June and September benchmark yields in the United States, the United Kingdom, the euro area and Japan fell by 27, 26, 18 and 11 basis points, respectively (see Chart 1.5). By end-October, the closing benchmark yield in the United States stood at 2.17%, while in the euro area the ten-year German government bond yield stood at 0.53%.

US bond yields were affected by markets' views on the Federal Reserve's monetary policy. Higher interest rates from the Fed would make newly issued bonds more attractive to investors but US Treasury note yields remained low on the back of sluggish global growth in the third quarter, persistently weak inflation and cautious indications of eventual monetary policy tightening. While the Fed warned markets that an interest rate increase before the end of 2015 remained a possibility,

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



Source: Reuters.

investors believed that this would likely occur at a later stage, driving yields further down. In the euro area sovereign bond yields fell, particularly following the Federal Reserve's decision not to raise rates in the United States in September. 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.

Commodities

Oil price sharply down

Oil prices markedly fell in the third quarter of the year, and remained firmly below the levels that prevailed until mid-2014. The price of Brent crude oil stood at USD 47 per barrel at the end of September, 20.1% lower than the value at end-June 2015 (see Chart 1.6). Oil prices fell following concerns about the pace of economic growth in emerging markets, particularly China, and signs that oversupply would curb Saudi Arabian crude exports. The oil price increased slightly going into the fourth quarter, with Brent rising 2% on a month-on-month basis in October. The increase was driven by a lower than expected rise in US crude production and a concomitant decline in the oil rig count, and sharper than projected decreases in petrol and diesel stockpiles in the United States. However, while output in the United States declined, the global markets remained oversupplied.

Gold price falls further

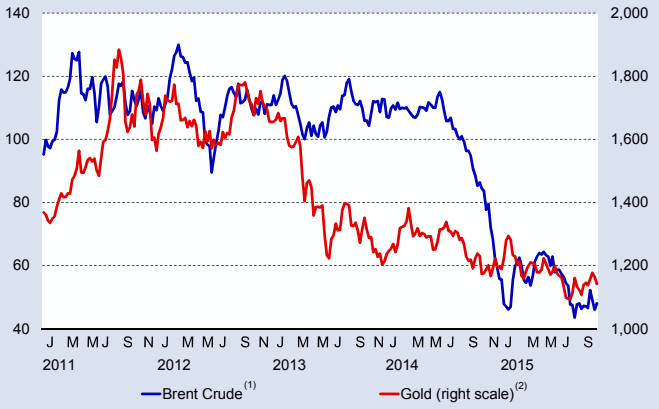
In the third quarter of 2015, the price of gold fell by 4.9%, ending the quarter at USD 1,114.6 per troy ounce (see Chart 1.6). The price of gold was affected by continued market speculation on the likelihood of monetary policy tightening by the Federal Reserve during the year. Higher interest rates have a tendency to depress gold prices. In fact, these fell on stronger US economic data by September, coupled with continued statements from the Fed on the increased likelihood of monetary tightening, pointing to a possible rise in rates in 2015.

Weaker economic data going forward into the fourth quarter, coupled with strong retail demand for gold, supported prices in October – which rose 2.9% on a month-on-month basis over September, and stood at USD 1,147.0, yet still 4.3% lower on a year earlier.

Metal prices fall faster

Prices of base metals continued to drop in the third quarter of the year, with the World Bank's Metals and Minerals Index falling by 9.9% after a drop of 2.0% in the previous quarter (see Chart 1.7). Prices fell for all metals, reflecting slowing demand in China and other emerging economies, as well as ongoing supply increases, following years of large investments and high prices. Moreover, stocks for a number of metals remained elevated, partly because demand

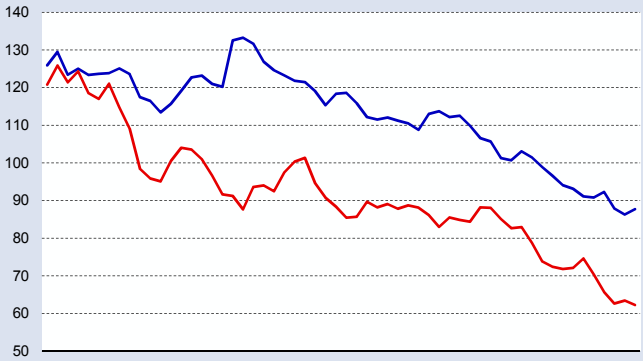
Chart 1.6
OIL AND GOLD PRICES
(end of week)



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

for them slowed as China continued to rebalance towards consumption, which is less metal intensive than investment. Furthermore, in October metal prices fell once again.

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



Source: World Bank.

Food prices ease further

Food prices extended their downward trend in the third quarter of 2015. The World Bank's Food Index lost 5.0% of its value on the previous quarter (see Chart 1.7). As a result, the Index was 14.9% less than in September 2014. Grain and rice prices reported sizeable price declines, while maize prices fell marginally. Edible oil prices also decreased, conditioned by higher supplies of soybean from high crop yields in Argentina and Brazil, and greater palm oil output in Indonesia. In October food prices rose marginally on the previous month, but remained substantially lower on a year earlier.

Economic and financial developments in the euro area

Economic activity in the euro area grows at a slower pace

In the third quarter the pace of expansion moderated further in the euro area, with the economy growing by 0.3%, slightly below the rate recorded in the second quarter (see Table 1.2).

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

	2014		2015		
	Q3	Q4	Q1	Q2	Q3
	Quarterly percentage changes				
Private consumption	0.4	0.5	0.5	0.3	0.4
Government consumption	0.3	0.2	0.5	0.3	0.6
Gross fixed capital formation	0.4	0.6	1.5	0.1	0.0
Exports	1.6	1.2	1.3	1.6	0.2
Imports	1.5	1.2	1.9	0.9	0.9
GDP	**0.3**	**0.4**	**0.5**	**0.4**	**0.3**
	Percentage point contributions				
Private consumption	0.2	0.3	0.3	0.2	0.2
Government consumption	0.1	0.1	0.1	0.1	0.1
Gross fixed capital formation	0.1	0.1	0.3	0.0	0.0
Change in inventories	-0.2	-0.1	0.1	-0.2	0.2
Exports	0.7	0.5	0.6	0.7	0.1
Imports	-0.6	-0.5	-0.8	-0.4	-0.4
GDP	**0.3**	**0.4**	**0.5**	**0.4**	**0.3**

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

Domestic demand was the main driver of economic growth during the third quarter, whereas net exports contributed negatively.

Private and government consumption increased at a faster pace than in the previous quarter, and thus continued to support growth. At the same time, changes in inventories turned positive, also contributing to growth. Investment remained stable, implying a neutral impact on GDP growth.

On the contrary, the positive contribution of the external balance seen in the second quarter of 2015 was not sustained in the third quarter, as imports expanded at a faster rate than exports. The sharp deceleration in the latter was the main driver behind the moderation in overall GDP growth during the quarter under review.

Annual inflation slows in the third quarter

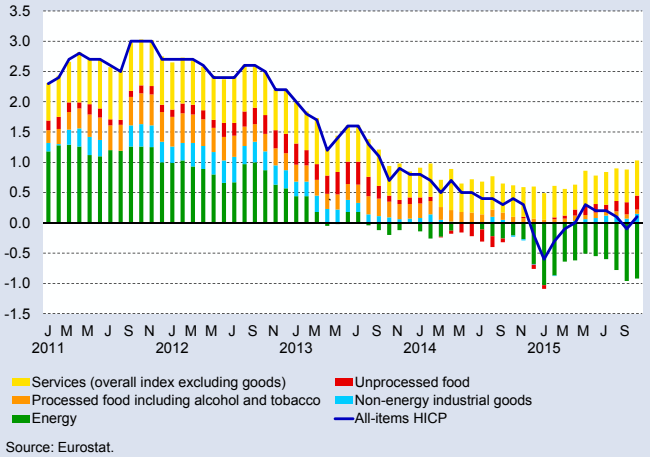
On the basis of the Harmonised Index of Consumer Prices (HICP), the annual rate of inflation in the euro area extended its downward path during the third quarter. HICP inflation fell to -0.1% in September from 0.2% in June. The decline in euro area inflation between June and September was entirely driven by a more pronounced drop in energy prices, offsetting faster growth in the prices of unprocessed food and services (see Chart 1.8). Meanwhile, in September non-energy industrial goods (NEIG) inflation was unchanged from June. Overall HICP inflation edged up to 0.1% in October and, according to preliminary estimates, is expected to have remained at that level in November.

The annual rate of change of HICP, excluding food and energy prices, rose marginally. However, it remains at historically low levels. In September 2015 it stood at 0.9%, up by 0.1 percentage point over June, and went up further to 1.1% in October, reflecting developments in NEIG and in service prices. This measure of inflation, however, is estimated to have eased back to 0.9% in November.

Labour market improves further

During the third quarter labour market conditions continued to improve, with the unemployment rate declining to 10.8% in September, down from 11.0% in June and 11.5% a year earlier. The unemployment rate went down to 10.7% in October, the lowest rate recorded since January 2012 (see Chart 1.9).

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



Source: Eurostat.

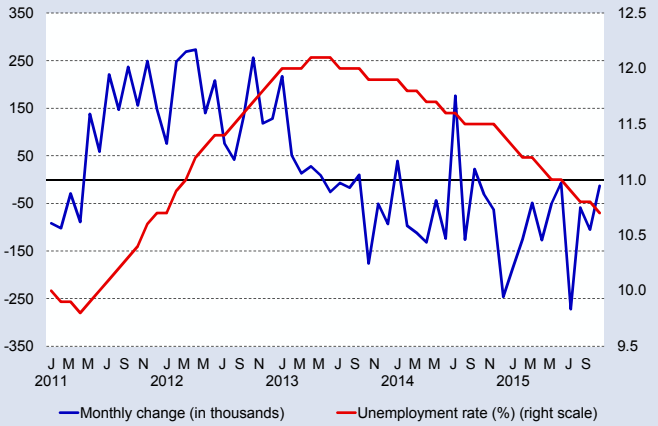
Eurosystem staff projections show recovery expected to continue

According to the Eurosystem staff's macroeconomic projections published in December, the recovery in the euro area is expected to continue. Real GDP is set to expand by 1.5% in 2015,

before accelerating to 1.7% and 1.9% in 2016 and 2017, respectively (see Table 1.3).

Compared with the previous forecasts released in September, GDP growth is expected to be slightly higher in 2015, while prospects for the subsequent two years are broadly unchanged.

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



Source: Eurostat.

Private consumption expenditure is projected to remain the key driver behind the recovery, supported by rising real disposable income. Low financing costs, improving credit supply conditions, and an improvement in households' net worth, all supported by the ECB's non-standard monetary policy measures, should also help domestic demand during the period. However, the low interest rate environment also weighs on disposable income due to lower interest receipts. Residential investment in the euro area is expected to pick up, while business investment ought to gain momentum gradually, as it benefits from a cyclical recovery and the ECB's measures. On the external side, foreign demand should gradually recover over the projection horizon, mainly driven by advanced economies, as imports by emerging economies are set to be weak. This, as well as the lagged effect of the weakening of the euro, should have a favourable impact on euro area exports.

The inflation outlook has been revised slightly downwards, mainly reflecting lower oil prices. Annual HICP inflation remains subdued, with the projected increase now expected to be more moderate than in the September projections for 2016. In fact, HICP inflation is expected to average 0.1% in 2015, and then rise to 1.0% in 2016, and 1.6% in 2017. The acceleration in inflation reflects projected developments in commodity prices, following a period of subdued growth and an increase in domestic price pressures, as economic activity recovers, and economic and labour market slack diminishes. The pass-through of the past depreciation of the euro is also expected to contribute positively to consumer price inflation in the euro area.

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

	2014	2015	2016	2017
GDP	**0.9**	**1.5**	**1.7**	**1.9**
Private consumption	0.8	1.6	1.9	1.7
Government consumption	0.8	1.4	1.2	1.0
Gross fixed capital formation	1.3	2.3	2.8	3.8
Exports	4.1	4.8	4.0	4.8
Imports	4.5	5.3	4.8	5.3
HICP	**0.4**	**0.1**	**1.0**	**1.6**

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

Robust monetary and credit dynamics

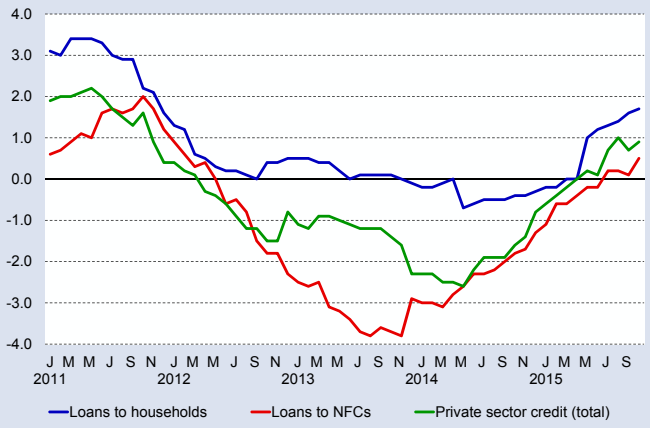
Annual growth in the broad monetary aggregate (M3) in the euro area rose to 5.2% in July from 4.9% in June, before decelerating again to 4.9% in September (see Table 1.4). Developments in M3 mirrored movements in M1. The annual rate of change of M1 rose to 12.2% in July from 11.8% in June, before easing again in August. By October, M1 growth climbed back to 11.8%.

The third quarter was characterised by a continued deceleration in currency in circulation, with the latter's growth rate falling to 8.3% in September from 8.8% in June. This moderation extended into October. Meanwhile, overnight deposits, which also form part of M1, continued to grow at double-digit rates in the context of a low interest environment, which renders such deposits preferable to other forms of deposits. Overnight deposits increased by 12.4% and by 12.5% in September and October, respectively, broadly in line with the growth rate recorded in June.

In contrast, time deposits extended their decline, whereas marketable instruments, the remaining component of M3, grew at a similar pace as in June, before accelerating in October.

With respect to the counterparts of broad money, credit dynamics improved further during the third quarter of the year, with the annual growth rate of credit to the private sector standing at 0.7% in September, up from 0.1% in June, and -1.9% a year earlier. In October annual growth in credit to the private sector rose further, to 0.9%. The acceleration in credit growth since June reflected improvements in both loans to households and loans to non-financial corporations (see Chart 1.10).

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



Source: ECB.

Although the ECB's accommodative monetary policy stance, including non-standard

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

	2015							
	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
Currency in circulation	7.3	8.1	8.3	8.8	8.9	8.6	8.3	8.1
Overnight deposits	10.6	11.1	12	12.4	12.9	12.1	12.4	12.5
M1	**10.1**	**10.6**	**11.4**	**11.8**	**12.2**	**11.5**	**11.7**	**11.8**
Time deposits	-3.3	-3.3	-4.2	-4.4	-4.7	-4.6	-4.7	-4.3
M2	**4.6**	**5.0**	**5.0**	**5.2**	**5.4**	**5.1**	**5.2**	**5.4**
Marketable instruments	5.6	11.7	4.7	0.5	2.7	2.4	0.7	3.4
M3	**4.7**	**5.4**	**5.0**	**4.9**	**5.2**	**4.9**	**4.9**	**5.3**

Source: ECB.

measures, has contributed in this regard, the need to reduce debt in certain economic sectors and to effect bank balance sheet consolidation may be hindering further credit increases.

ECB maintains an accommodative monetary policy stance

The ECB's Governing Council kept interest rates unchanged in the third quarter of the 2015 (see Chart 1.3). Since September 2014, the main refinancing operation (MRO) rate 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 policy stance continues to reflect the expectation that euro area inflation would remain below the targeted benchmark for a prolonged period.

During the third quarter, the Governing Council kept its target for combined purchases under its extended APP unchanged at €60 billion per month. The APP continued to have a favourable impact on the cost and availability of credit for firms and households. The purchases, which began 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.

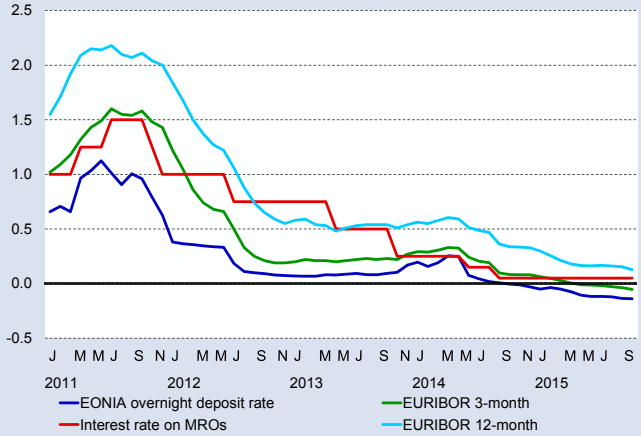
In the December meeting the Governing Council lowered the interest rate on the deposit facility by 10 basis points to -0.30%, while keeping the interest rate on the MRO and the rate on the marginal lending facility unchanged.

The Council also decided to extend the APP until at least the end of March 2017 and, in any case, until the Governing Council sees a sustainable adjustment of inflation towards levels that are below, but close to 2%. The public sector purchase programme, moreover, will include euro-denominated marketable debt instruments issued by regional and local governments in the euro area. The Council also decided to reinvest the principal payments of debt securities purchased under the APP as they mature. It also confirmed the extension of its fixed rate full allotment procedures for as long as necessary, and at least until the last reserve maintenance period of 2017.

Money market rates at record lows

Mainly driven by the impetus of the ECB's accommodative monetary policy, money market rates fell further in the presence of excess liquidity, with all benchmarks registering newer historic lows. During the third quarter of 2015 the EONIA deposit rate, as well as the three and 12-month EURIBOR fell further when compared with June (see Chart 1.11).[2] The three-month EURIBOR ended the quarter at -0.04%, with

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



Sources: Central Bank of Malta; ECB.

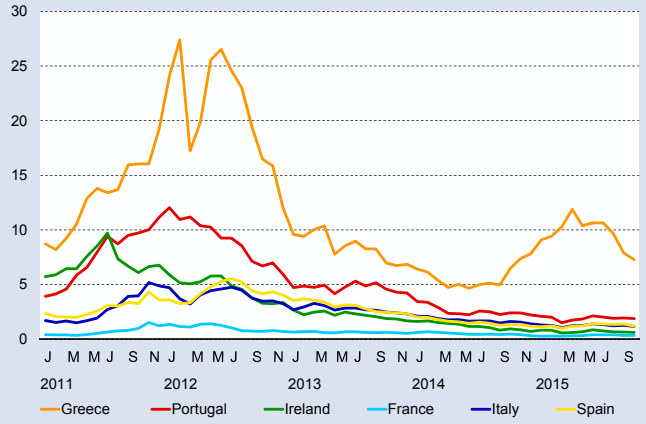
[2] EURIBOR is an interest rate benchmark indicating the average rate at which principal European banks lend unsecured funds on the interbank market in euro for a given period. The EONIA (Euro OverNight Index Average) is an effective overnight interest rate, measured as the weighted average of all overnight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

the 12-month rate standing at 0.15%. The EONIA deposit rate also extended its decline, reaching -0.14% in September. The spread between the ECB's MRO rate and the three-month EURIBOR remained narrow, and stayed broadly constant in the three months to September 2015. Money market rates declined further in October, with the three-month EURIBOR falling to -0.05% and the 12-month measure edging down to 0.13%. The EONIA rate remained unchanged from a month earlier.

Bond yield spreads narrow

Yields on ten-year government bonds in the euro area declined in the third quarter of 2015. The monthly average interest rate on ten-year German bonds dipped marginally to 0.7% in September, 0.1 percentage point lower than in June. In part, this downward path in yields reflects the reaction to the outcome of the FOMC meeting in mid-September. At the same time, spreads between yields on ten-year German bonds and those issued by most other Governments in the euro area narrowed (see Chart 1.12). As the Chart shows, following agreement on a new economic adjustment programme, Greek government bond yields markedly declined during the quarter, reversing most of the increase experienced in recent months. Concurrently, spreads on other peripheral euro area sovereign bonds moderately narrowed, and remained notably below the levels seen at the height of the sovereign debt crisis in 2011. Going into the last quarter of the year, in October 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.

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

Source: ECB.

The euro appreciates during the third quarter

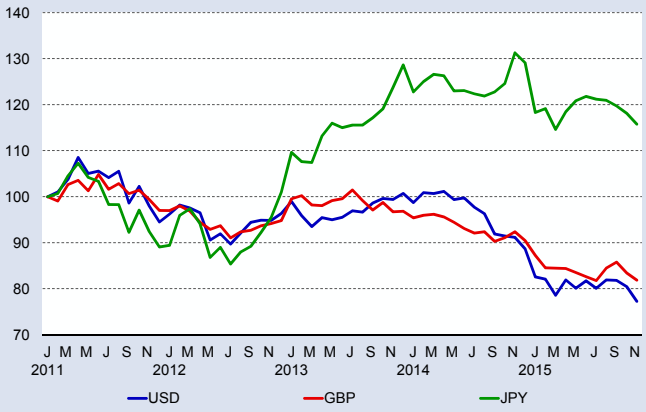
The euro exchange rate moderately appreciated in the third quarter of the year, with the nominal effective exchange rate against the EER-19 group of countries rising 2.1% above the level at the end of June 2015. However, it is still 4.7% below its September 2014 level (see Chart 1.13).[3] In fact,

[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.

the weakening in annual terms partly reflected continued expectations of a tighter monetary policy stance in the United States and a prolongation of the ECB's accommodative monetary policy, particularly through the extended APP. Since September, however, the euro weakened in effective terms, reversing some of the gains recorded previously.

On a bilateral basis, during the third quarter of 2015 the euro gained 3.8% against the pound sterling and 0.1% against the US dollar. However, the single currency lost 1.7% against the Japanese yen (see Chart 1.14). In October and November the euro weakened against all three major currencies.

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.

2. OUTPUT AND EMPLOYMENT

During the second quarter of 2015 the Maltese economy continued to expand rapidly, driven by domestic demand. In contrast, net exports had a dampening effect. Services were once more the main driver of economic growth, although activity in manufacturing, construction and quarrying, and utilities also increased. Employment rose further, while the unemployment rate continued to fall.

GDP and industrial production

Economic activity expands further, driven by domestic demand

The pace of economic expansion picked up during the third quarter. Real gross domestic product (GDP) increased at an annual rate of 5.2% in the second quarter of 2015, up from 4.9% in the previous quarter.[1] The rise was driven by domestic demand, as net exports lowered GDP growth (see Table 2.1).

On a quarter-on-quarter basis, real GDP went up by 1.1% in seasonally adjusted terms, up from 0.8% in the first quarter. Economic growth in Malta continued to exceed growth in the euro area, where the quarter-on-quarter growth rate stood at 0.4%, slightly down from the 0.5% in the previous three months (see Chart 2.1).

Table 2.1
GROSS DOMESTIC PRODUCT(1)

	2014			2015	
	Q2	Q3	Q4	Q1	Q2
	Annual percentage changes				
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
Domestic demand	**3.7**	**3.6**	**10.0**	**3.6**	**6.9**
Exports of goods and services	3.1	-3.1	0.5	-1.7	-1.2
Imports of goods and services	3.7	-3.6	3.6	-2.3	-0.3
Gross domestic product	**2.8**	**3.1**	**4.8**	**4.9**	**5.2**
	Percentage point contributions				
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
Domestic demand	**3.5**	**3.0**	**9.2**	**3.6**	**6.5**
Exports of goods and services	4.9	-4.9	0.9	-2.8	-1.8
Imports of goods and services	-5.5	5.0	-5.3	4.2	0.5
Net exports	**-0.7**	**0.1**	**-4.4**	**1.3**	**-1.3**
Gross domestic product	**2.8**	**3.1**	**4.8**	**4.9**	**5.2**

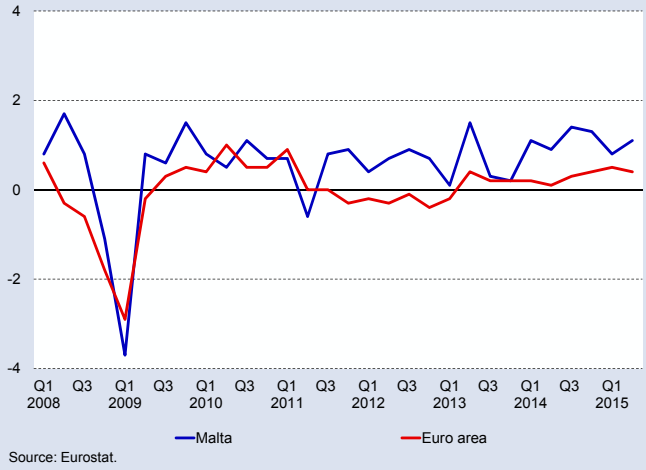
(1) Chain-linked volumes, reference year 2010.
Sources: NSO; Central Bank of Malta calculations.

[1] The analysis of GDP in this Chapter of the *Quarterly Review* is based on data in NSO *News Release* 163/2015, released on 2 September 2015, and available at http://nso.gov.mt/.

Domestic demand drives economic activity

During the second quarter of 2015 domestic demand increased by 6.9% on a year earlier, accelerating from a rise of 3.6% in the previous quarter. Domestic demand thus contributed 6.5 percentage points to real GDP growth. Gross fixed capital formation had the strongest positive impact, although the other major components of domestic demand also expanded. In contrast, changes in inventories contributed negatively to GDP growth.

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



Source: Eurostat.

Private consumption continued to rise, contributing 1.5 percentage points to GDP growth. However, the annual growth rate slowed from 4.6% in the first quarter to 2.8% in the second, reflecting weaker growth in compensation of employees. Spending went up across a number of commodity types, including clothing and footwear, housing and utilities, and furnishings and household equipment. Motor vehicle registrations also increased during the quarter, compared with the corresponding period of 2014.

Government consumption growth rose at an annual rate of 5.0% in the second quarter of 2015, following a 3.9% increase in the previous quarter. In nominal terms, higher expenditure on public administration and defence, and health and residential care activities accounted for most of the increase in government consumption. Both compensation of employees and intermediate consumption went up on their year-ago levels.

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

Exports fall faster than imports

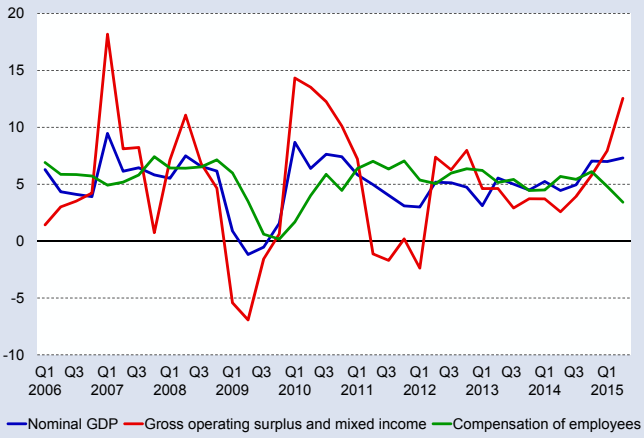
During the second quarter of 2015 net exports fell, as exports declined faster than imports. Exports dropped by 1.2%, year-on-year, while imports fell by 0.3%. These decreases stemmed entirely from transactions in services, while imports of goods rose. As a result, net exports dampened real GDP growth by 1.3 percentage points (see Table 2.1).

Nominal GDP growth picks up in the second quarter

In nominal terms annual GDP growth reached 7.3% during the second quarter of the year, up from 7.0% in the second quarter (see Chart 2.2).

Looking at the distribution of GDP by factor income, gross operating surplus went up by 12.5% in annual terms, a faster pace of growth than in previous quarters. In absolute terms, the largest increase in gross operating surplus was in the energy and other utilities sector. Gross operating surplus also rose in wholesale and retail trade, in professional, scientific and technical activities, and in arts and entertainment.

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



Source: NSO.

In contrast, compensation of employees grew at a slower pace, with the annual rate of change decelerating from 4.8% in the first quarter to 3.4% in the quarter under review. Growth was registered across most major sectors. The strongest increase in absolute terms was recorded in the sectors comprising public administration, health and education, and professional, scientific and technical activities. Most other sectors recorded only modest increases or declines in compensation of employees, reflecting relatively subdued growth in the average wage.

Services continue to drive growth in gross value added

The annual rate of growth of gross value added (GVA) reached 7.7%. GVA contributed 6.8 percentage points to nominal GDP growth, with services continuing to drive the expansion in GVA (see Table 2.2).[2] The strongest contributions came from professional and scientific activities, wholesale and retail trade, and public administration, which together accounted for more than half of the increase in GVA. Strong additions were also recorded in mining and utilities. Meanwhile, the construction sector, which until recently had a neutral impact on nominal GDP growth, showed a small positive contribution. The manufacturing sector's contribution to GDP growth also rose compared with recent quarters.

Industrial production expands at a slower pace

During the third quarter of 2015, industrial production continued to expand, though at a slower annual rate. Indeed, the index of industrial production rose by 6.7% on average when compared with the same quarter a year earlier, following an 8.1% increase during the second quarter (see Table 2.3).[3]

Growth in industrial production during the third quarter was mainly driven by the rapid expansion in output from pharmaceutical companies. Output also increased strongly in the food and bever-

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

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

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

	2014			2015	
	Q2	Q3	Q4	Q1	Q2
Agriculture, forestry and fishing	-0.1	0.0	-0.1	0.1	0.0
Mining and quarrying; utilities	-0.7	-0.5	-0.3	-0.4	0.9
Manufacturing	-0.4	-0.3	0.1	-0.6	0.4
Construction	0.0	0.0	0.0	0.0	0.2
Services	4.3	4.5	5.3	5.9	5.6
of which:					
Wholesale and retail trade; repair of motor vehicles; transportation; accommodation and related activities	1.0	0.4	1.1	0.9	1.1
Information and communication	0.4	0.5	0.4	0.2	0.2
Financial and insurance activities	0.2	0.1	-0.3	0.6	0.2
Real estate activities	0.0	0.2	0.0	0.4	0.5
Professional, scientific, administrative and related activities	0.8	1.7	1.9	2.0	1.7
Public administration and defence; education; health and related activities	1.3	1.0	1.5	1.2	1.2
Arts, entertainment; household repair and related services	0.6	0.6	0.7	0.5	0.7
Gross value added	**3.6**	**4.0**	**4.9**	**5.5**	**6.8**
Net taxation on products	**0.9**	**0.9**	**2.1**	**1.5**	**0.5**
Annual nominal GDP growth (%)	**4.4**	**4.9**	**7.0**	**7.0**	**7.3**

Source: NSO.

age sectors. More modest rises in production were also observed in energy production, in water collection, treatment and supply, and from manufacturers of rubber and plastic products.

On the other hand, firms in printing and reproduction of recorded media, and manufacturers of computer, electronic and optical products saw their output decline when compared with the same quarter of 2014.

Table 2.3
INDUSTRIAL PRODUCTION[1]
Percentages; annual percentage changes

		2014		2015		
	Shares	Q3	Q4	Q1	Q2	Q3
Industrial production	**100**	**-5.2**	**-0.3**	**4.4**	**8.1**	**6.7**
of which:						
Computer, electronic and optical products	18.4	-16.3	-15.6	0.1	15.4	-10.0
Energy[2]	11.8	-3.3	-3.2	5.8	-0.3	7.0
Basic pharmaceutical products and pharmaceutical preparations	10.4	-1.7	21.3	59.1	32.5	54.4
Food products	8.1	5.9	16.7	2.2	11.7	14.0
Printing and reproduction of recorded media	5.9	-15.2	35.2	5.5	11.2	-10.4
Water collection, treatment and supply	4.6	-0.3	-1.8	0.3	0.9	3.8
Rubber and plastic products	4.4	-11.7	2.3	1.7	6.9	1.5
Beverages	3.9	4.3	17.5	1.2	1.0	15.5

[1] The annual growth rates of the industrial production index are based on working-day adjusted data. The annual growth rates of the components are based on unadjusted data.
[2] Includes electricity, gas, steam and air conditioning supply.
Source: NSO.

BOX 1: TOURISM ACTIVITY

The tourism industry remains buoyant

The expansion in the tourism industry persisted during the first nine months of 2015, with arrivals increasing by 4.9% on the same period of 2014, while nights stayed and visitor expenditure edged up by 4.4% and 6.6%, respectively. This strong outturn was partly attributable to the positive performance of the sector during the third quarter of 2015.

National Statistics Office (NSO) data show that the number of visitors in the July to September period of 2015 was 645,661, up by 4.5% or nearly 28,000 on the same quarter of 2014 (see Chart 1). The increase 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.

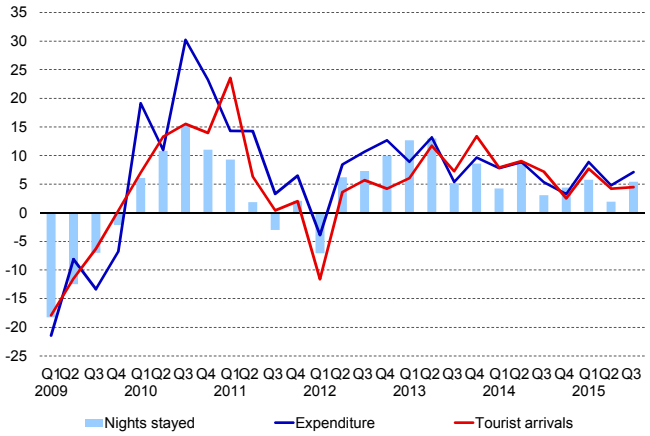
The United Kingdom and Italy remained the most important source markets, accounting for 28.1% and 17.5%, respectively, of total arrivals during the quarter under review. Visitors from the United Kingdom were up by 15,260 on the same period a year earlier, possibly owing to favourable exchange rate movements (see Table 1). As a result, the United Kingdom generated over one half of the overall increase in the number of visitors.

Additions from Italy and Scandinavia also contributed significantly to the overall increase, partly reflecting the introduction of new routes, mainly by low-cost carriers. More moderate additions were also registered from a number of other source markets, particularly Austria, Ireland and the United States.

In contrast, reflecting a reduction in the number of flights from Germany and Russia, arrivals from these countries noticeably declined in annual terms. Smaller drops were also seen from the Libyan, Spanish and French markets.

During the third quarter of 2015, nominal tourist spending in Malta reached a high of €692.4 million, a rise of €45.8 million or 7.1% in annual terms.[1] Although most expenditure categories recorded increases when compared with a year earlier, 80% of this rise was attributable to higher spending on accommodation and on the "other" component of expenditure. At the same time,

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 Q3	2015 Q3	Annual Change
Total tourists	**617,921**	**645,661**	**27,740**
Austria	8,530	10,310	1,780
France	45,090	44,305	-785
Germany	44,844	40,411	-4,433
Ireland	9,777	11,280	1,503
Italy	106,304	113,153	6,849
Libya	3,643	1,884	-1,759
Netherlands	17,524	17,593	68
Russia	15,194	9,752	-5,441
Scandinavia	41,938	44,490	2,552
Spain	22,379	21,413	-966
United Kingdom	166,207	181,467	15,260
USA	6,990	8,582	1,592
Other	129,501	141,021	11,520

Source: NSO.

spending on travel fares also registered a marked increase.[2] In contrast, when compared with the same months of 2014, spending on package holidays decreased slightly.

In per capita terms, tourist expenditure stood at €1,072, €26 higher than in the comparable quarter of 2014. Concurrently, expenditure per night stayed also increased, while the average stay rose marginally to nine nights. Tourists from Russia, Libya, the United States and Switzerland were the biggest per capita spenders.

During the quarter under review, tourists spent over 5.8 million nights in Malta, an increase of 300,454, or 5.4% over the level recorded in the July to September period of 2014. This rise was entirely spurred by an addition in nights stayed in private accommodation, which went up by 20.2% on a year earlier. Meanwhile, nights spent in collective accommodation contracted by 3.7%, and now account for 56.4% of total nights stayed, down from 61.8% a year ago.[3]

The decline in nights stayed in collective accommodation is also mirrored in the average occupancy rate during July and August of 2015, which at 85.1%, was 0.8 percentage point lower than a year earlier (see Chart 2).[4] This decrease was entirely driven by lower occupancy rates in the three and four-star categories. The dip in the three-star segment was in part influenced by a rise in the number of hotels, hence increasing bed capacity. Con-

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

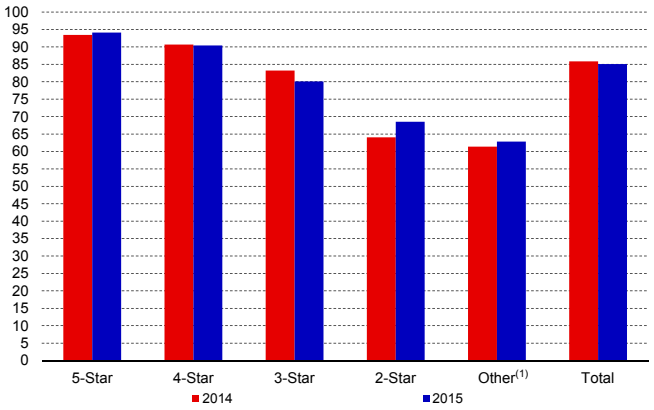
[3] Private accommodation includes self-catering apartments, farmhouses and private residences. As per Eurostat recommendation, timeshare accommodation is classified as "private accommodation". Collective accommodation comprises hotels, aparthotels, guesthouses, hostels and tourist villages.

[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.

versely, occupancy rates in the five and two-star segment rose on the same months of 2014.

The latest quarterly survey conducted by the Malta Hotels and Restaurants Association (MHRA) indicates that during the second quarter of 2015 gross operating profit per available room and average achieved room rates improved in all three main hotel categories. When compared with the second quarter of 2014, occupancy rates, as measured by the MHRA survey, went up by 1.1% in five-star outlets to 82.6%, and up by around 2.5% in the four and three-star segments, reaching 90.9% and 75.5%, respectively.[5]

Chart 2
AVERAGE OCCUPANCY RATES IN JULY AND AUGUST
(per cent)



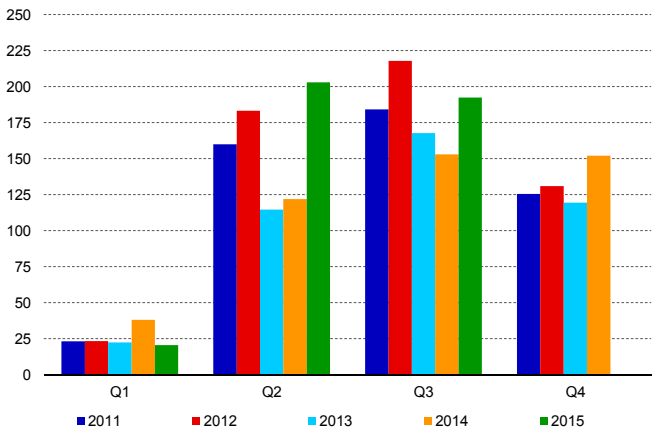
(1) Includes guest houses, hostels and holiday complexes.
Source: NSO.

Cruise liner visits increase

Between July and September 2015, the number of cruise liner calls stood at 102, an increase of 11 from a year earlier. The total number of foreign cruise liner passengers amounted to 192,570, a rise of nearly 40,000 on the third quarter of 2014 (see Chart 3). This improvement is partly the result of the diversion of calls at other destinations in the Mediterranean, owing to the continued geopolitical tension in some countries in the region.

Reflecting the strong increases recorded in the second and third quarters of the year, the total number of cruise passengers that visited Malta during the first nine months of the year was up by 32.9% on the same period of 2014, reaching 416,327.

Chart 3
CRUISE LINER PASSENGERS
(thousands)



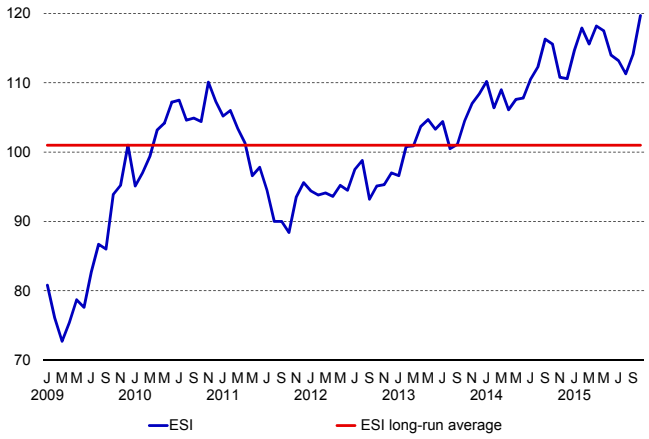
Source: NSO.

[5] See *BOV-MHRA Survey* – Q2 2015.

BOX 2: BUSINESS AND CONSUMER SURVEYS

During the third quarter of 2015, the economic sentiment indicator (ESI) fluctuated slightly. It stood at 114 in September, the same level as in June and well above its long-term average of 101 (see Chart 1).[1,2] The increase in industrial, consumer and retail confidence offset a fall in confidence in the service and construction sectors, resulting in a consistent ESI.

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



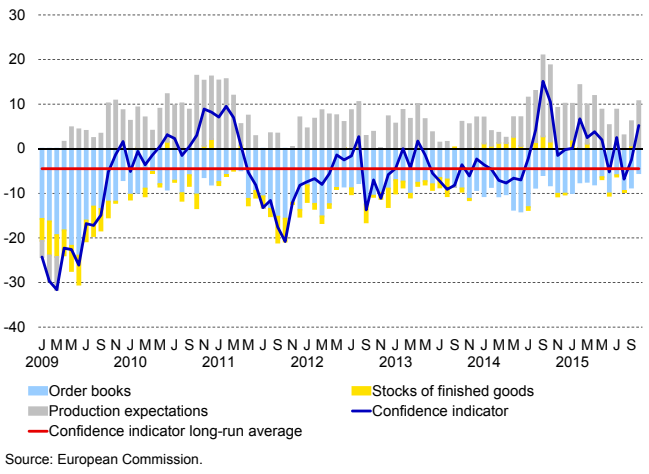
Source: European Commission.

Going into the fourth quarter, the ESI rose further to 120 in October. Almost all sectors contributed to this pick-up, though confidence in the construction sector remained unchanged.

Industrial confidence exceeds long-run average[3]

Confidence in the industrial sector edged up from -5 in June to -3 in September. Although the index remained in negative territory, it exceeded the long-term average of -5 (see Chart 2). The industrial confidence indicator turned positive at the beginning of the following quarter, reaching 5 in October.

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



Source: European Commission.

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

[2] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicators, 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.

Negative sentiment levels in the third quarter were primarily due to persistently weak order books, which were partially outweighed by positive responses about stocks of finished goods and production expectations.

All sub-components of the indicator contributed to the overall rise observed during the third quarter. Between June and September, production expectations and order-book levels increased, whereas stock levels fell.[4] Firms' assessments of order-book levels and stocks in September compared favourably with their respective long-term average. On the other hand, despite the rise in production expectations, the assessments remained below their long-term average. Similarly, all sub-components of the indicator contributed to the further rise in October.

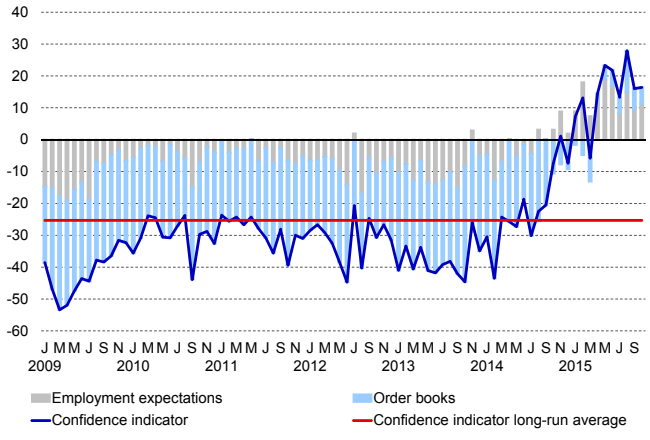
From a sectoral perspective, during the third quarter significant improvements in confidence were seen among manufacturers of rubber and plastic products, in printing and reproduction of recorded material, and by manufacturers of chemicals and chemical products. The rise in the printing and chemical sectors was largely due to a more positive assessment of order-book levels and production expectations. In contrast, confidence significantly fell in the other non-metallic mineral products sector, which includes producers of glass and certain types of construction material, and in the beverages sector. Sentiment among firms producing computers, electronic and optical products remained stable at a relatively low level.

Additional survey data suggest that, on average, in September when compared with June, more respondents were expecting to increase both their labour complement and prices in the subsequent months.

Confidence in the construction sector decreases[5]

Sentiment in the construction sector fell during the third quarter of 2015. In September the confidence indicator stood at 16, compared with 22 three months earlier. Despite this fall, September's reading still stood considerably above the indicator's long-term average of -26 (see Chart 3). This indicator remained virtually unchanged in October.

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.

The decline in confidence during the third quarter of 2015 was driven by respondents' employment expectations for the subsequent three months, when the balance of replies fell, though they remained positive. On the other hand, firms' assessment of order-book levels increased during the quarter. Additional survey data for September also indicate that, compared with June, a greater share of respondents anticipated higher selling prices for the subsequent three months.

Confidence in the services sector drops further, before recovering[6]

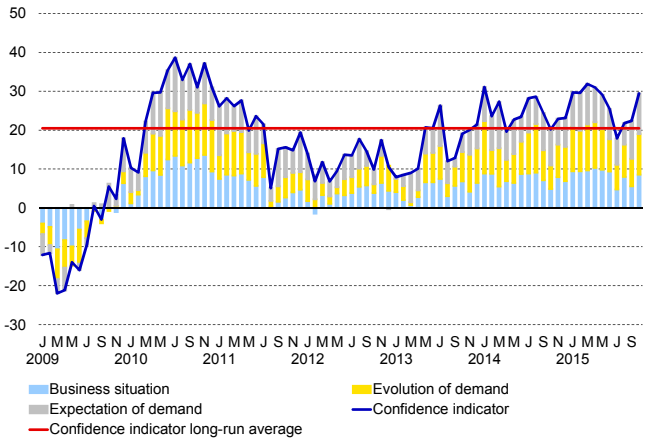
Confidence among firms in the services sector decreased to 22 in September, from 25 in June. Despite the drop, the indicator remained above its long-term average of 20 (see Chart 4). The indicator rebounded in October, when it reached 29.

Two out of three sub-components of the services confidence indicator decreased in September when compared with three months earlier. Respondents' assessment of demand and of the business situation over the previous three months worsened. On the other hand, respondents' expectation of demand over the subsequent three months improved.

At a sectoral level, confidence dropped among firms in the accommodation sector, in legal and accounting services and in architecture and engineering activities, among others. In contrast, sentiment improved among firms involved in programming and broadcasting activities, management consultants and head offices, and in air transport. In these sectors, firms reported a more favourable business situation, a positive evolution of demand and brighter demand prospects.

Additional survey data indicate that, overall, in September a smaller share of respondents planned to increase their labour complement in the subsequent months when compared with June. Similarly, a smaller share of respondents expected selling prices to rise.

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



Source: European Commission.

Consumer confidence remains broadly stable[7]

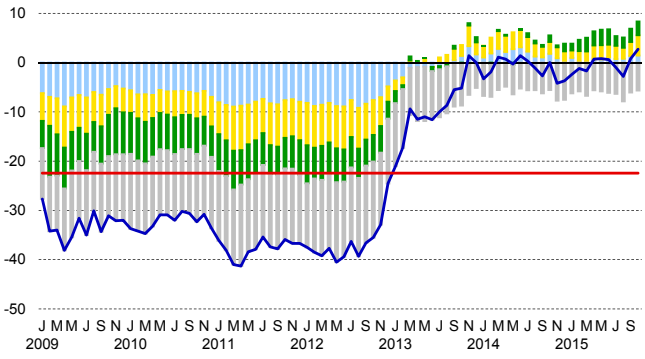
Consumer sentiment remained in positive

[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 in 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.

territory, with the indicator standing at 1 in September, unchanged from three months earlier. The indicator thus remained well above its long-term average of -23 (see Chart 5). The index edged up further to 3 in the following month.

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



Source: European Commission.

Almost all sub-components of the sentiment indicator improved in September when compared with June. On average, in September consumers assessed the general economic prospects and their financial situation over the subsequent 12 months marginally more favourable compared with June. Consumers' savings expectations over the subsequent 12 months remained broadly unchanged. In contrast, a lower share of respondents expected unemployment to fall in the following year. All sub-components of the sentiment indicator stood above their respective long-term averages.

In addition, in September a smaller share of consumers expressed the intention to make major purchases over the subsequent 12 months. Consumers' price expectations also fell from the level in June; on balance, respondents expected prices to decrease slightly over the subsequent 12 months.

The labour market[4]

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

Employment rises further

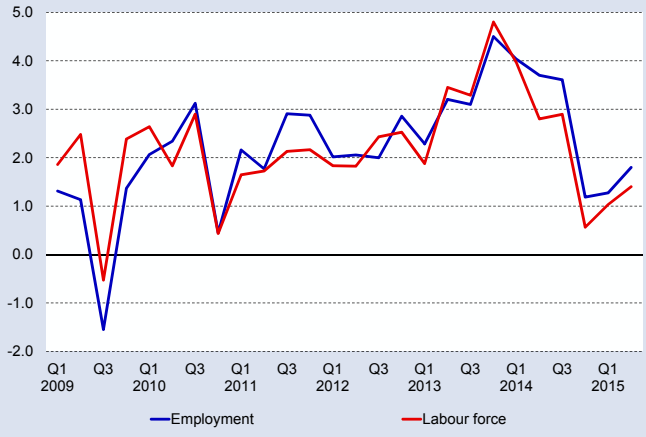
Labour Force Survey (LFS) data show that the labour force grew by 1.4% in the second quarter of 2015 over the same quarter a year earlier (see Chart 2.3).[5] This followed a 1.0% rise in the preceding quarter. Thus, the sharp slowdown in labour force growth seen in the final quarter of 2014 is gradually being corrected.

Between April and June 2015, employment also gathered pace. Total employment increased by 1.8% on a year earlier, up from 1.3% in the preceding quarter, reflecting further growth in the number of full-time employees (see Table 2.4).

In absolute terms, full-time employment went up by 5,604, or 3.7%, in the second quarter of 2015, when compared with the same quarter of 2014. In contrast, the number of full-time employees on reduced hours, which has been volatile in recent quarters, decreased further by 627, or 11.9%. Similarly, the number of part-time workers dropped by 6.9%, or 1,745 on a year earlier, following a fall in the final quarter of 2014.

During the second quarter of 2015 the employment rate rose by 1.4 percentage points on a year earlier, to 63.9%.[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 both male and female employment rates. In fact, the male employment rate went up by 0.9 percentage point on a year earlier, reaching 75.7%, while the female employment rate rose by 1.8 percentage points, reaching 51.5%. The increase in both male and female employment rates was especially pronounced among older workers,

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 aged 15 and over active in the labour market. This includes those in employment, whether full time or part time, and the unemployed, defined as those persons without work but 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, aged 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 between 15 and 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
	Q2	Q3	Q4	Q1	Q2	%
Labour force	**192,783**	**195,795**	**191,319**	**192,549**	**195,465**	**1.4**
Employed	181,639	184,355	180,124	181,537	184,871	1.8
By type of employment:						
Full-time	150,999	151,322	152,417	153,419	156,603	3.7
Full-time with reduced hours	5,278	6,640	4,409	4,416	4,651	-11.9
Part-time	25,362	26,393	23,298	23,702	23,617	-6.9
Unemployed	11,144	11,440	11,195	11,012	10,594	-4.9
Activity rate (%)	**66.4**	**67.5**	**65.5**	**66.1**	**67.6**	
Male	79.7	80.4	79.9	80.3	80.2	
Female	52.6	54.1	50.5	51.4	54.4	
Employment rate (%)	**62.5**	**63.5**	**61.6**	**62.3**	**63.9**	
Male	74.8	75.5	74.9	75.5	75.7	
Female	49.7	51.1	47.8	48.6	51.5	
Unemployment rate (%)	**5.8**	**5.8**	**5.9**	**5.7**	**5.4**	
Male	6.0	6.0	6.2	5.9	5.6	
Female	5.5	5.5	5.3	5.4	5.2	

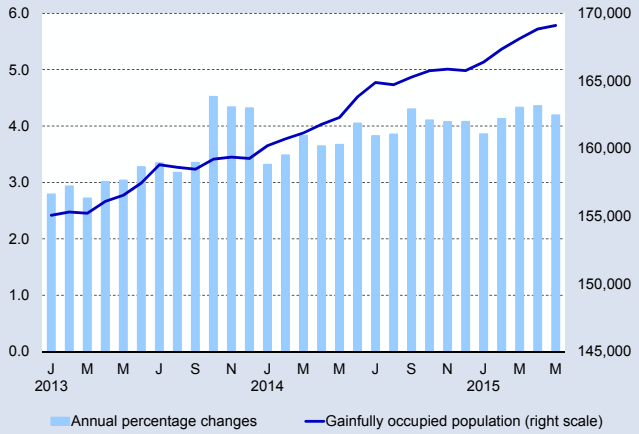
Source: NSO.

possibly reflecting the ongoing effects of the increase in the statutory retirement age in 2013. In contrast, the employment rate among the youngest cohort, aged between 15 and 24 years, decreased, which suggests a growing take-up of tertiary education.

Positive developments in employment rates also pushed up the activity rate, which rose to 67.6% in the second quarter of 2015 from 66.4% in the same quarter a year earlier.[8] Activity rates increased among both men and women. Indeed, the male activity rate went up by 0.5 percentage point to 80.2%, and the female participation rate rose by 1.8 percentage points to 54.4%.

According to the latest administrative records from the ETC, employment extended its upward trend. The gainfully occupied population, defined to include all persons in full-time employment, rose by 4.2% during the year to May 2015, reaching 169,104 (see Chart 2.4). This annual growth rate was only marginally lower than the 4.3% rate in March.

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



Source: NSO.

Both the private and public sectors contributed to employment growth, with the former account-

[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.

ing for most of the gain (see Table 2.5). Full-time employment within the private sector went up by 6,421, or 5.4%, in May over the same month of 2014. At the same time, public sector employment expanded by 383, or 0.9%.

Within the private sector, job creation continued to be driven by market services, which saw an increase of 6,006 full-time jobs, distributed across all sectors. Robust job creation in services mirrors the latter's strong contribution to gross domestic product growth.

Similar to March, the real estate, professional and administrative sector saw the largest increase in employment within market services. Employment in this sector rose by 1,763, or 9.6%, 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 in firms operating in security and investigation activities, and in legal and accounting activities. In addition, private sector employment in the transportation and storage sector went up by 16.9% or 1,079, mainly owing to the transfer of public transport operations to a private firm in January 2015, and the subsequent reclassification of employees.[9]

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

	2014			2015		Annual change
	May	Sep.	Dec.	Mar.	May	%
Labour supply	**169,441**	**171,887**	**172,053**	**174,030**	**174,437**	**2.9**
Gainfully occupied[(1)]	162,300	165,288	165,766	168,136	169,104	4.2
Registered unemployed	7,141	6,599	6,287	5,894	5,333	-25.3
Unemployment rate (%)	**4.2**	**3.8**	**3.7**	**3.4**	**3.1**	
Private sector	**118,666**	**120,919**	**121,361**	**124,077**	**125,087**	**5.4**
Direct production[(2)]	**31,841**	**31,912**	**31,926**	**32,334**	**32,256**	**1.3**
Market services	**86,825**	**89,007**	**89,435**	**91,743**	**92,831**	**6.9**
Wholesale and retail trade	23,710	23,800	23,990	24,192	24,287	2.4
Transportation and storage	6,384	6,442	6,462	7,360	7,463	16.9
Accommodation and food service activities	10,337	10,499	10,233	10,308	10,555	2.1
Information and communication	5,144	5,502	5,408	5,587	5,573	8.3
Financial and insurance activities	7,261	7,497	7,527	7,569	7,642	5.2
Real estate, professional and administrative activities[(3)]	18,429	19,290	19,569	19,962	20,192	9.6
Arts, entertainment and recreation	4,060	4,228	4,359	4,604	4,771	17.5
Education	4,626	4,732	4,723	4,738	4,771	3.1
Other	6,874	7,017	7,164	7,423	7,577	10.2
Public sector	**43,634**	**44,369**	**44,405**	**44,059**	**44,017**	**0.9**

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

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

In May employment in direct production within the private sector grew by 415, or 1.3% on the same month of the preceding year.[10] The construction sector accounted for most of this rise, adding 302 full-time jobs. Meanwhile, employment in manufacturing increased by 78, mainly reflecting gains in the manufacture of computer, electronic and optical products, in the "other" manufacturing sector, and in the food industry. These outweighed losses in the manufacture of rubber and plastic products sector, and in printing and reproduction of recorded media.

Public sector jobs rose by 0.9% on a year earlier, following an annual rise of 1.2% in March. This slowdown in growth was mainly a result of a fall in employment in the air transport sub-sector. In the year to May, growth in public sector employment was principally driven by changes within the education and healthcare sectors. Strong growth in employment was also registered in the information service activities sector.

Unemployment rate declines further

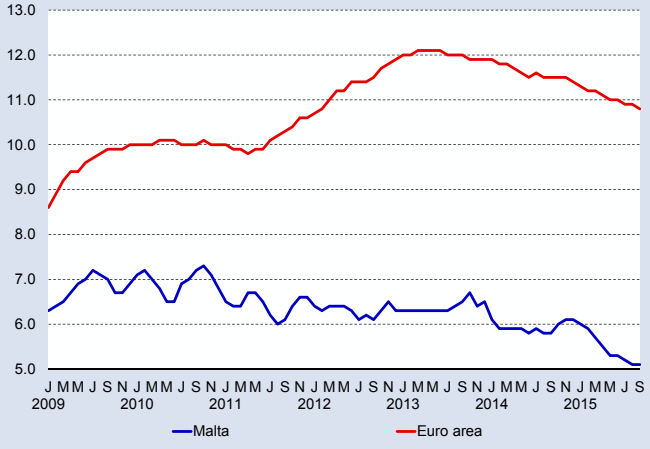
In the second quarter of 2015, the unemployment rate based on the LFS stood at 5.4%. This is 0.3 percentage point lower than in the first quarter of 2015 and 0.4 percentage point lower than in the same quarter of the preceding year. This drop was driven by a fall in both male and female unemployment rates.

The seasonally adjusted unemployment rate also decreased further to 5.4% in the second quarter of 2015, from 5.9% in the preceding quarter (see Chart 2.5). Subsequently, it fell to 5.1% during the third quarter of 2015, or 0.7 percentage point below its level a year earlier. At these levels, the seasonally-adjusted unemployment rate in Malta remains well below the rate in the euro area. The latter has fallen from the peak of 12.1% recorded in the second quarter of 2013, to 10.9% in the third quarter.

The drop in the unemployment rate tallies with developments in the number of registered unemployed. ETC records show that between March and June the registered unemployed fell by 685 to 5,209. This is also significantly below the level a year earlier, reflecting improving labour market conditions.

The ETC unemployment rate stood at 3.1% in May, which is 0.3 percentage point lower than in March and 1.1 percentage points lower than in the same month of 2014.[11] As with

Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

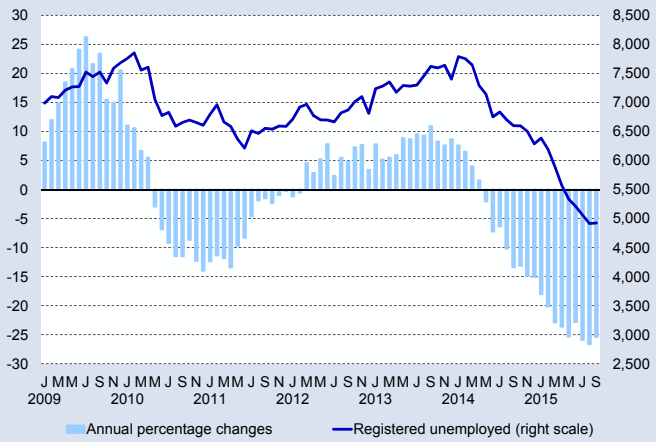
[10] Direct production relates to manufacturing, agriculture and fishing, mining and quarrying, construction and utilities.

[11] The unemployment rate computed on the basis of ETC records differs from the computation in 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 in the two sources.

the gauge based on the LFS, the unemployment rate computed on this basis is also at historical lows.

The number of registered unemployed fell further during the third quarter of 2015 (see Chart 2.6). Between June and September the number of claimants for unemployment benefits declined by 285 to 4,924. This is approximately one-fourth less than the level recorded in the same month of 2014.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

3. PRICES, COSTS AND COMPETITIVENESS

During the third quarter of 2015, the annual rate of inflation based on the Harmonised Index of Consumer Prices (HICP) picked up further when compared with June, reaching 1.6% in September, owing to stronger increases in the prices of services, non-energy industrial goods (NEIG) and food. These developments were broadly mirrored in movements in the Retail Price Index (RPI), in which inflation rates rose to slightly over 1.3%. Meanwhile, harmonised competitiveness indicators rose while producer prices continued to fall.

HICP inflation

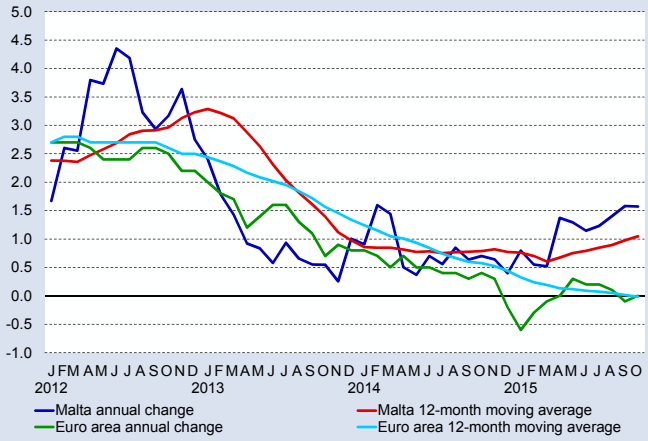
HICP inflation rises further

The annual inflation rate based on the HICP stood at 1.6% in September, up from 1.1% in June (see Chart 3.1 and Table 3.1).[1] During this period, the 12-month moving average rate rose to 1.0% from 0.8% in June.

In the euro area, the annual rate of HICP inflation turned marginally negative again, falling to -0.1% in September from 0.2% three months earlier. This mainly reflected a further sharp decline in energy prices. In fact, in September HICP excluding energy rose at an annual rate of 1.0%, up by 0.1 percentage point from June.

Compared with the euro area, Malta's inflation rate is closer to the monetary policy target, partly on account of a more

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

	2015								
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
Unprocessed food	5.0	5.0	4.9	2.8	4.3	4.2	4.2	5.2	5.2
Processed food including alcohol and tobacco	1.3	1.3	1.5	1.8	1.8	2.0	2.2	2.4	2.4
Energy	-11.6	-13.0	-5.1	-4.4	-4.4	-4.4	-4.7	-4.7	-4.9
Non-energy industrial goods	0.7	1.4	1.6	1.4	0.9	0.8	1.2	1.2	1.2
Services (overall index excluding goods)	1.8	1.5	1.6	1.7	1.4	1.6	1.7	1.9	1.9
All Items HICP	**0.6**	**0.5**	**1.4**	**1.3**	**1.1**	**1.2**	**1.4**	**1.6**	**1.6**

Source: NSO.

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

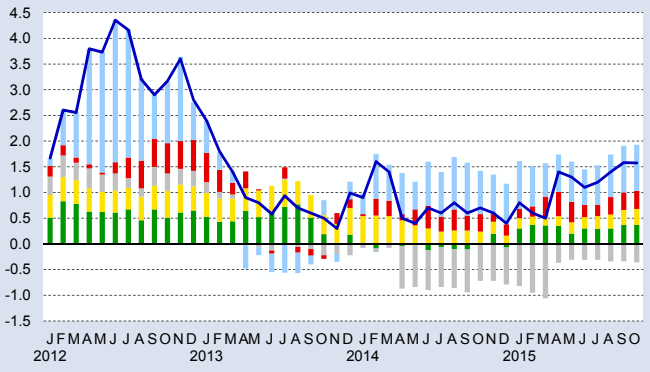
buoyant pace of domestic economic activity and partly reflecting the impact of the euro depreciation since the beginning of the year on the price of imported goods and services from non-euro area countries.

The acceleration in HICP inflation in Malta during the third quarter of 2015, when compared with June, reflected developments in the service and NEIG components, as well as food.

The annual rate of change of service prices went up to 1.9% in September from 1.4% in June. The positive contribution of services to headline inflation was slightly stronger, rising to 0.9 percentage point in September from 0.7 percentage point in June, while that of the NEIG component rose by 0.1 percentage point to 0.3 (see Chart 3.2).

The rate of inflation in services remains robust compared with other HICP components, and given the large weight of services in the index, it had a significant bearing on overall inflation. The recreation and personal service component, which includes accommodation services, was the main driver behind this acceleration. This component contributed 0.5 percentage point in September to overall service price inflation, an increase of 0.2 percentage point, while the contribution of transport services fell by 0.1 percentage point (see Chart 3.3).

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

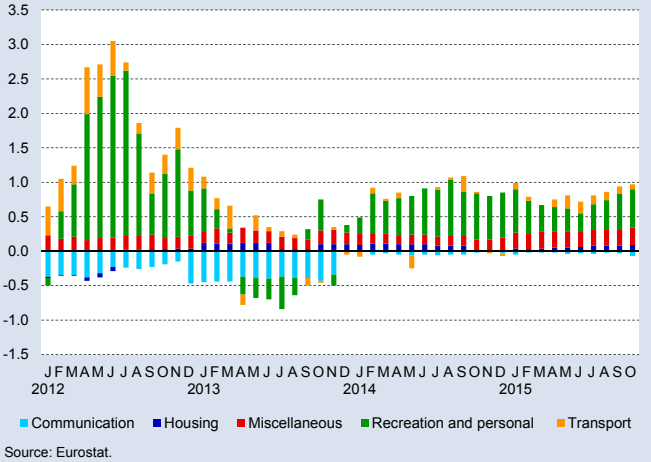


Source: Eurostat.

Meanwhile, faster growth in furniture prices pushed up the NEIG inflation to 1.2% in September, from 0.9% in June.

Unprocessed food prices also rose at a quicker pace, with their annual inflation rate reaching 5.2% in September, up from 4.3% at the end of the previous quarter. A decrease in fish and seafood price inflation was more than offset by faster increases in the price of vegetables and fruit. At the same time, the annual rate of decline in the prices of meat products was weaker compared with June. Unprocessed food

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

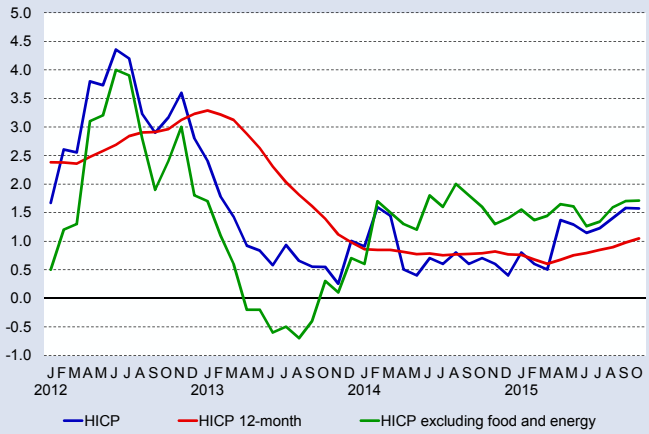


Source: Eurostat.

contributed 0.4 percentage point to headline inflation in September, up by 0.1 percentage point from June.

Processed food prices, including alcohol and tobacco, accelerated to 2.4% in September from 1.8% in June, with their contribution to overall inflation increasing by 0.1 point to 0.3. This acceleration mostly reflected stronger growth in alcohol prices, particularly wine and beer.

Chart 3.4
HICP IN MALTA: OVERALL AND EXCLUSION MEASURE
(annual percentage changes; annual average percentage change)



Sources: Central Bank of Malta estimates; NSO.

Energy inflation fell further to -4.7% in September, from -4.4% in June on the back of lower gas prices from August. The contribution of energy inflation to headline inflation remained almost unchanged at -0.3 percentage point.

The annual rate of HICP inflation was constant at 1.6% in October. The 12-month moving average rate continued on its upward trend, but also remained very close to the 1.0% recorded in September.

To better gauge underlying inflationary pressures in the economy, central banks often rely on inflation measurements that exclude the more volatile components of the price index.[2] A widely used measure in this regard is the change in the HICP excluding energy and food. This measure of 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 HICP excluding energy and food stood at 1.7% at the end of the third quarter, up from 1.3% in June (see Chart 3.4). It also remained above the 12-month moving average of the overall inflation rate.

RPI inflation[3]

RPI inflation rises modestly

Partly mirroring developments in the HICP, inflation based on the RPI was 1.3% in September, up from 1.2% in June (see Chart 3.5). The 12-month moving average inflation rate continued to trend upwards, ending the third quarter at 0.9%.

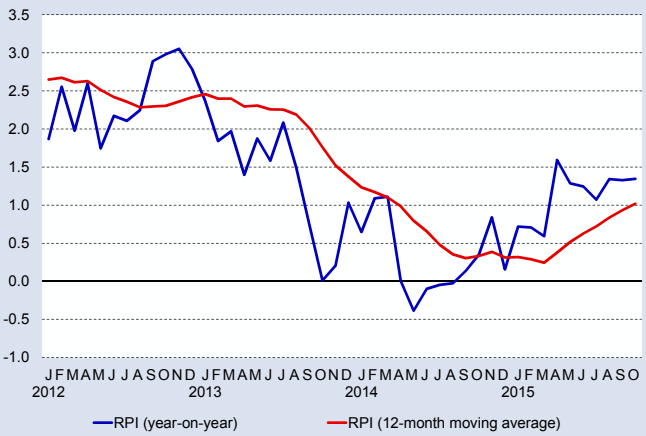
The modest acceleration in RPI inflation between June and September primarily resulted from offsetting changes in its sub-components (see Table 3.2). Prices of food rose by 3.4% in annual

[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.

terms at the end of the quarter, up from 2.5% three months earlier. This sub-component accounts for over a fifth of the index and remained the largest contributor to overall RPI inflation, with its contribution up to 0.7 percentage point in September. Beverages and tobacco inflation also picked up to 3.6%, from 3.2% three months earlier, thus contributing 0.2 percentage point to overall inflation.

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



Sources: Central Bank of Malta estimates; NSO.

Moreover, household equipment and house maintenance prices rose to 4.2% in September, turning strongly positive from the -0.4% observed in June. This category's contribution to overall RPI inflation increased to 0.3 percentage point, up from nil three months earlier. In addition, inflation in recreation and culture products rose to 2.8% in September from 2.5% in June, with this sub-component pushing up inflation by a further 0.3 percentage point, following a contribution of 0.2 point three months earlier.

In contrast, transport and communication prices declined at a stronger pace than in the previous quarter, falling by 1.9% in September on their year-ago level, pulling down the headline inflation rate by 0.4 percentage point. This marked the eighth consecutive month of declining prices in this sub-component. Likewise, lower prices were registered in the clothing and footwear sub-component, with the related inflation rate decreasing to -1.8% in September from 2.8% in June. As a result, its contribution to overall inflation turned negative, to -0.1 percentage point, from a positive 0.2 in June.

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

	2015								
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
Food	0.9	0.7	0.8	0.4	0.5	0.5	0.6	0.7	0.7
Beverages and tobacco	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Clothing and footwear	0.1	0.3	0.5	0.4	0.2	0.0	0.1	-0.1	0.0
Housing	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Water, electricity, gas and fuels	-0.6	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Household equipment and house maintenance costs	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.2
Transport and communications	-0.1	-0.3	-0.4	-0.3	-0.3	-0.4	-0.3	-0.4	-0.5
Personal care and health	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Recreation and culture	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Other goods and services	0.2	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.1
RPI (annual percentage change)	**0.7**	**0.6**	**1.6**	**1.3**	**1.2**	**1.1**	**1.3**	**1.3**	**1.3**

Sources: Central Bank of Malta; NSO.

Meanwhile, prices of water, electricity, gas and fuels eased slightly, with the inflation rate for the related sub-index ending the quarter at -1.4% from -0.5% in June. This was due to a decrease in the price of natural gas in effect since August.

Furthermore, similar movements in prices were registered in the housing services, personal care and health, and other goods and service sub-components. Together, these pushed up inflation by 0.4 percentage point, unchanged from three months earlier.

The more modest acceleration in RPI inflation, compared with HICP inflation between June and September, is based on the expenditure of Maltese residents and excludes hotel accommodation, resulting in the RPI being less influenced by buoyant conditions in tourist expenditure.

In October the annual rate stood at 1.3%, unchanged from September. The 12-month moving average rate continued on its upward trend, ending the month at 1.0%.

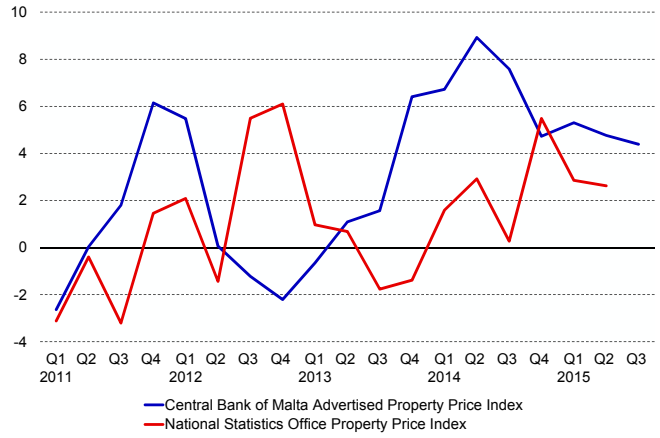
BOX 3: RESIDENTIAL PROPERTY PRICES

Residential property prices continue to increase

In the third quarter of 2015, the Central Bank of Malta's index of advertised prices for residential property went up by 4.4% compared with a year earlier. This followed increases of 5.3% and 4.8% in the first and second quarters, respectively. Although the annual rate of change in house prices moderated, it remains strong, a development evident since the end of 2013.

The National Statistics Office Property Price Index also shows an increase in property prices. However, this index, which is based on actual transactions covering apartments, maisonettes and terraced houses, shows a more moderate increase. Measured on this basis, annual house price inflation in Malta stood at 2.6% in the second quarter (see Chart 1). As the Chart shows, in recent quarters contracted property prices have increased at a slower rate than advertised property prices. This could reflect methodological differences in the compilation of the two indices, lagged effects and a tendency to boost asking prices in an upswing. Moreover, the advertised property price index is more likely to capture high-value properties.

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES
(annual percentage changes)



Sources: Central Bank of Malta; Eurostat.

This upward movement in prices may be partly influenced by government measures supporting demand for property in Malta. These measures have included the introduction of the Individual Investor Programme, which targets high net worth individuals, and a fiscal incentive for first-time buyers, which first came into force in 2013, but was then subsequently extended.

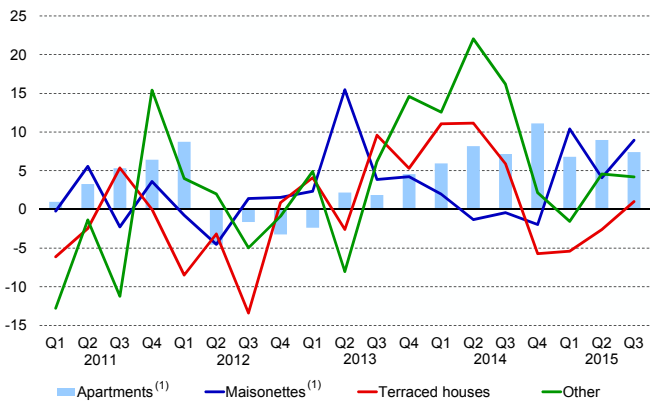
The observed deceleration in the annual growth rate of advertised property prices during the third quarter was mainly due to a slowdown in the rate of change in prices for apartments, which comprise over half of the properties in the sample (see Chart 2). Inflation based on advertised prices for this type of property eased to 7.4% in the third quarter, from 9.0% in the second, although it still remained robust.

During the quarter under review, annual price inflation for "other" properties advertised, which consist of town houses, houses of character and villas, also decelerated slightly, going to 4.2% from 4.6% in the previous quarter.

On the other hand, price indices for maisonettes accelerated in the third quarter, while prices of terraced houses returned to positive growth. Advertised prices for maisonettes rose by 8.9% on a year earlier, following an increase of 4.1% in the second quarter.

Meanwhile, the asking price for terraced houses rose by 1.0% on its year-ago level, following three consecutive quarters of contraction.

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



(1) Includes both units in shell form and finished units.

Source: Central Bank of Malta.

Costs and competitiveness

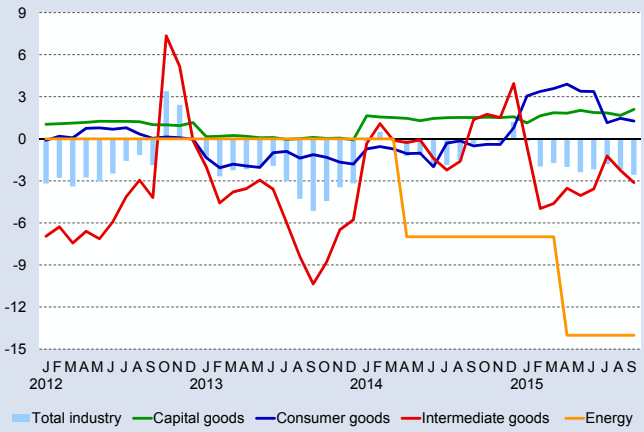
Producer prices extend their decline[4]

Producer prices continued to decline during the third quarter of 2015. The annual rate of change of the producer price index (PPI) fell to -2.6% in September, lower than the -2.2% registered in June (see Chart 3.6).

[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 and quarrying, manufacturing and the supply of electricity, gas and 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.

This faster drop in producer prices was mainly the result of slower growth in factory-gate prices of consumer goods. These rose at an annual rate of 1.3% in September, after increasing by 3.4% in June, reflecting a weaker increase in the prices of non-durables. As a result the contribution of consumer goods to producer price inflation fell to 0.4 percentage point, from 1.0 percentage point in June.

Chart 3.6
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

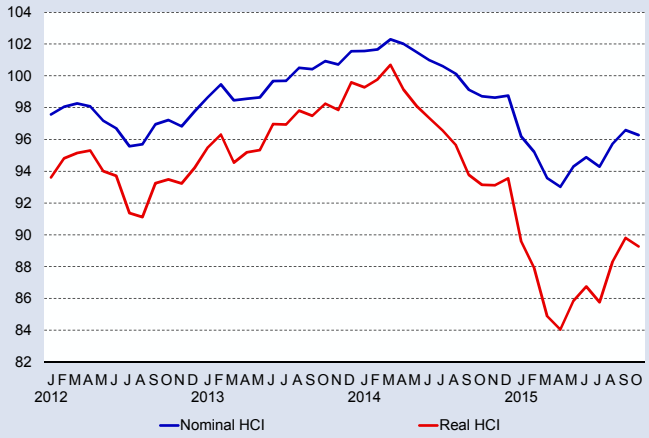
This deceleration offset developments in the other categories of the PPI. Intermediate goods prices fell at a weaker pace during the third quarter, declining by 3.1% in September after dropping by 3.6% in June. Their contribution to overall producer price inflation rose to -1.5 percentage points, from -1.7 percentage points in June. Intermediate goods include semiconductors, pharmaceuticals, paper and plastic products. Moreover, prices of capital goods also rose at a marginally quicker pace of 2.1% in September, from 1.9% in June.

Energy producer prices, following the administrative reduction in utility tariffs for businesses in April 2015, were down 14.0% on a year earlier, as in June. Thus, this component's contribution to overall producer price inflation remained constant at -1.9 percentage point in September.

Harmonised competitiveness indices rise during the third quarter

During the third quarter of 2015, both the nominal and real harmonised competitiveness indicators (HCI) rose for the second consecutive quarter. The nominal and real HCIs went up by 1.8% and 3.4%, respectively, on their June levels (see Chart 3.7). These movements are a reflection of a slight appreciation of the euro against major foreign currencies during the period under review. The larger increase in the real indicator over the nominal indicator implies that the loss in competitiveness from exchange rate

Chart 3.7
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)



Source: ECB.

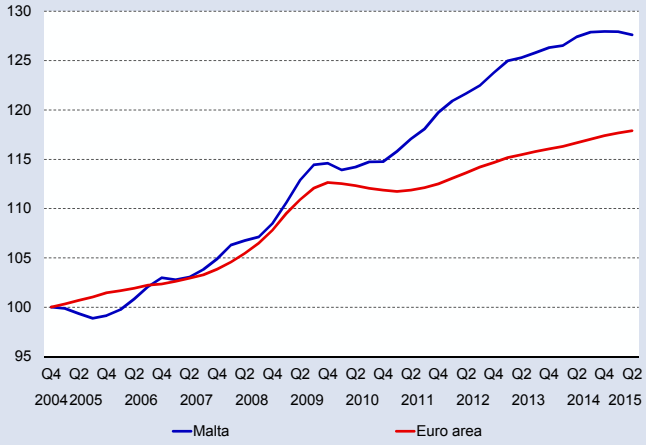
movements was amplified by a wider gap between Malta's inflation rate and that of its trading partners.[5]

Despite rising over the quarter, both indicators continued to register large declines in annual terms. In September the nominal and real HCIs fell by 2.6% and 4.4%, respectively, when compared with the same month a year earlier. These declines reflect the fact that, while the euro appreciated during the quarter under review, it was still below its year-ago level. Both indicators fell in October.

Increase in unit labour costs moderates

During the second quarter of 2015 Malta's unit labour cost (ULC) index, measured as a four-quarter moving average, was 0.2% higher on a year earlier (see Chart 3.8). This increase followed a 1.1% rise in the previous quarter. A degree of caution is required in the interpretation of ULC in view of contemporaneous structural shifts in the composition and factor-intensity of production.[6]

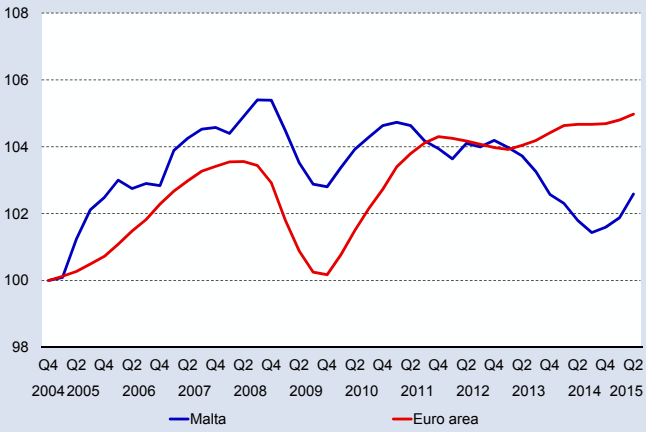
Chart 3.8
UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

The deceleration in Malta's ULC growth between April and June was a result of a return to positive growth in labour productivity, following eight consecutive quarters of year-on-year declines. On a four-quarter moving average basis, productivity increased by 0.8% in the June quarter, as opposed to a contraction of -0.4% three months earlier. The downward pressure on ULCs caused by the recovery in productivity, however, was slightly dampened by a pick-up in compensation per employee, which rose by 1.0%, following growth of 0.8% in the previous quarter (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.

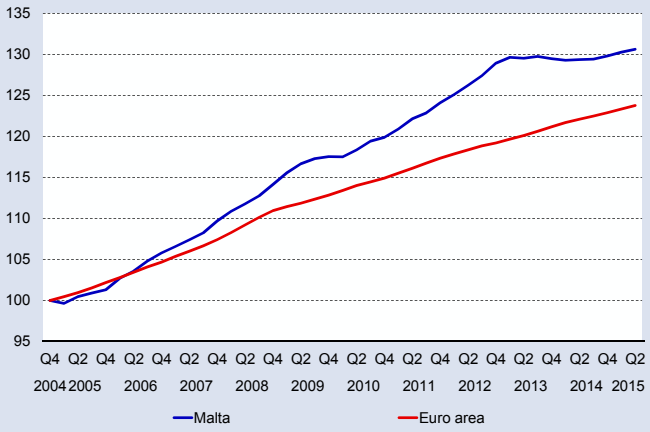
[5] As already pointed out, Malta's inflation rate is closer to the monetary policy's target, partly on account of a relatively more buoyant pace of economic activity.

[6] 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 explain the increase in ULC in recent years. See Micallef, B. "Unit labour costs, wages and productivity in Malta: a sectoral and cross-country analysis" *Policy Note*, August 2015, available at http://www.centralbankmalta.org/en/working-papers-2015.

ULC growth also decelerated in the euro area, increasing by 1.1% against its year-ago level during the second quarter, 0.1 percentage point less than in the previous quarter. This marginal deceleration was the result of slower compensation growth and slightly stronger gains in productivity.

The increase in ULC in Malta was slower than in the euro area as a whole, which implies a strengthening of Malta's competitive position within the single currency area.

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.

BOX 4: THE PHILLIPS CURVE IN THE MALTESE ECONOMY[1]

Economists believe that, in the short run, inflation moves in line with economic conditions. This relationship, known as the Phillips curve, traces its origins to an empirical exercise showing the existence of a negative relationship between nominal wage growth and unemployment in the United Kingdom, which A.W. Phillips published in 1958.[2] The theory developed after this finding spoke of how, during times of high demand, firms employ more workers, leading to a tighter labour market. This puts upward pressure on wage claims and, hence, on firm operating costs, which are reflected in higher prices for goods and services. Low demand generates the opposite effect. Thus, favourable demand-side shocks boost economic activity, lowering unemployment; subsequently, we should observe an increase in inflation.[3]

In the past policymakers believed they could exploit this trade-off and reduce unemployment at the cost of faster growth in prices. However, advances in the theory behind the Phillips curve, in particular the incorporation of people's expectations in the late 1960s, as well as a better framework for firms' pricing behaviour in the 1970s and 1980s, showed that exploiting this trade-off did not really pay off in the medium to long run.[4,5] Today the Phillips

[1] Prepared by William Gatt, Senior Research Economist at the Economic Research Department. The views expressed in this article are the author's own and do not necessarily represent the views of the Bank. The author would like to thank Professor Josef Bonnici, Mr Alfred Mifsud, Mr Alexander Demarco, Dr Aaron Grech and colleagues for valuable comments and suggestions during an internal presentation.

[2] Phillips, A. W., "The Relation between unemployment and the rate of change of money wage rates in the United Kingdom, 1861–1957". *Economica*, Vol. 25 No 100, 1958, pp. 283-299.

[3] Favourable supply-side shocks, such as lower oil prices, on the other hand tend to boost economic activity and lower inflation. For instance, in Grech, O. and Micallef, B., "A structural macro-econometric model of the Maltese economy", *Working Paper version 2*, Central Bank of Malta, 2014, it is shown that a drop in oil prices of 20% lowers inflation by 0.74 percentage point after three years, in Malta. Conversely, a rise in government expenditure of 1% of GDP raises inflation by 0.47 percentage point over the same period.

[4] Economists soon realised that as people came to expect higher inflation owing to policymakers' intervention, unions called for higher wage growth, which increased unemployment back to the "equilibrium" level. When this point would have been reached, there would be no more upward pressure on price and wage growth, so the economy would return to the previous unemployment rate, yet it would have a higher rate of price inflation. Thus, the Phillips curve is vertical in the long run.

[5] For a list of the important contributions to this field, see Kajuth, F., "Identifying the Phillips curve through shifts in volatility", *Journal of Macroeconomics*, Vol. 34, No 4, 2012, pp. 975-991.

curve is a complex but important component of the New Keynesian micro-founded models, which are the workhorse models in academia, central banks and other policymaking institutions. Despite the rich theory behind it, recent studies have shown that simple versions of the Phillips curve can nonetheless summarise developments in inflation reasonably well.[6]

Estimating a Phillips curve for Malta

There are two main consumer price indices for the Maltese economy, the HICP and the RPI. Both these indices broadly cover the same set of goods and services, but the RPI does not cover services, which are related to tourism, such as accommodation services. Furthermore, the HICP database starts in 1996, while the RPI database dates much further back in time. As a result, inflation in the RPI was used as the explanatory variable in the Phillips curve for Malta. RPI inflation since the mid-1960s is shown in Chart 1. It can be seen that inflation was, on average, high and volatile in the early part of the period. This is in line with inflation in other advanced economies and was mainly due to the effects of two oil price shocks during the 1970s. The sudden drop in inflation in the early 1980s was due to a series of price controls, which were enacted to rein in price growth, particularly in household staples, such as bread. Subsequently, the Maltese economy generated moderate inflation, which fluctuated around the average of 2.5% between 1990 and 2014. This stabilisation of inflation also mirrors developments in advanced economies.

While a simple plot of Maltese data on inflation and unemployment displays the negative relationship typically associated with a Phillips Curve, to understand this relationship one needs to adopt a more rigorous approach.[7]

The Phillips curve model that was specified for Malta is given by:

$$\pi_t = \alpha \widetilde{U}_{t-3} + \gamma \pi_{t-1}^{IMP} + \rho_1 \pi_{t-1} + \rho_2 \pi_{t-4} + c$$

whereby π is annual RPI inflation, $\widetilde{U}$ is cyclical unemployment, defined as the deviation of unemployment from the non-accelerating inflation rate of unemployment (NAIRU), π^{IMP} is a measure of relative import price growth and c is a constant.[8] Similar specifications have been used in recent studies to understand the extent to which the Phillips curve holds in many advanced economies.[9] The estimation results, shown in Table 1, indicate that over the past four decades the link between inflation and economic activity was strong. Indeed, the coefficient α, the "slope" of the Phillips curve, is negative as expected, and is statistically

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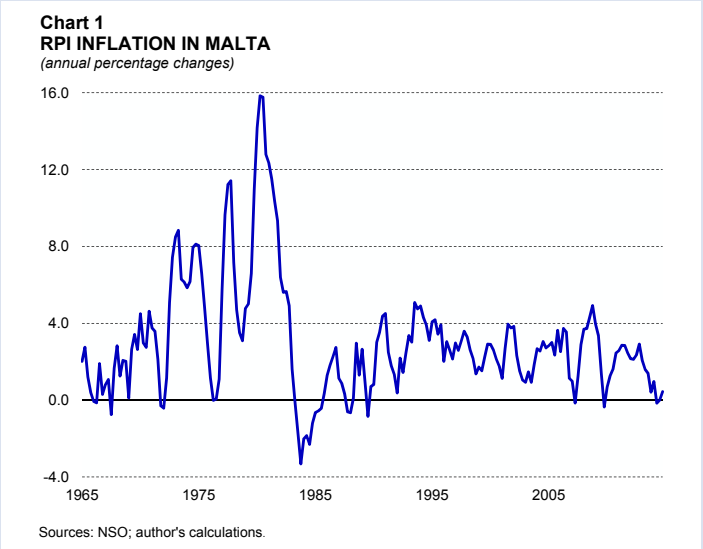
6 See, for instance, Ball, L. M. and Mazumder, S., "Inflation dynamics and the Great Recession", *Working Paper* WP/11/121, IMF, 2011, and "The Phillips curve relationship in the euro area", *Monthly Bulletin*, ECB, July 2014, pp. 99-114.

7 See Grech, A. G., "The evolution of the Maltese economy since independence", *Working Paper* No 05, Central Bank of Malta, 2015. See https://www.centralbankmalta.org.

8 The NAIRU was estimated by the author using a trend-cycle decomposition on the series of ETC data on the registered unemployment rate by means of a Kalman Filter. Developments in the NAIRU are qualitatively similar to those found in Micallef, B., "Developments in Malta's structural unemployment", *Quarterly Review* 2014:2, Central Bank of Malta, pp. 34-37, but as the former is based on registered unemployment, the level of the NAIRU is different. Relative import price growth is defined as inflation in the consumer price index of four major trading partners (France, Germany, Italy and the United Kingdom, weighted using relative import trade shares) less RPI inflation.

9 See "The dog that didn't bark: Has inflation been muzzled or was it just sleeping?" *World Economic Outlook*, IMF, 2013, pp. 1-17, and Blanchard, O., Cerutti, E., and Summers, L., "Inflation and activity – two explorations, and their monetary policy implications", *Working Paper* WP/15/230, IMF, 2015.

significant. The results also point towards an important role for import price shocks, on account of Malta having a small and open economy.



It was noted above that the economy has been through two "regimes": one having high and volatile inflation and another having more moderate price growth. It is therefore reasonable to expect that these structural changes may have affected the Phillips curve relationship over time. To test this empirically, the sample was divided into two, and the Phillips curve was re-estimated over each sub-sample. The results are shown in Table 1. One can note that, while the slope in the first sub-sample is negative and significant, it is not statistically different from 0 in the second sub-sample. This can be considered as evidence of a flattening Phillips curve in the latter period, when inflation was no longer correlated to economic activity. On the other hand, it appears that the pass-through of import price shocks increased in the second sub-sample.

These results provide support to the hypothesis that structural changes may have changed the workings of the economy. To test this hypothesis further, the same specification was re-cast in terms of a more flexible model, which allows the parameters to change over

Table 1
ECONOMETRIC ESTIMATES OF THE PHILLIPS CURVE

	Full sample 1966Q4 - 2014Q4	Sub-sample 1 1966Q4 - 1995Q4	Sub-sample 2 1996Q1 - 2014Q4
α	-0.48 **	-0.58 **	-0.28
γ	0.11 **	0.13 **	0.30 **
ρ_1	1.05 ***	1.09 ***	0.91 ***
ρ_2	-0.21 ***	-0.21 ***	-0.34 ***
c	0.30 **	0.10	1.11 **
Adjusted R^2	0.860	0.867	0.638
Standard error of regression	0.857	1.408	0.675
Sample size (quarters)	193	117	76

Note: ***, ** and * denote statistical significance at the 1%, 5% and 10% level of significance respectively, based on Newey-West standard errors.
Source: Author's calculations.

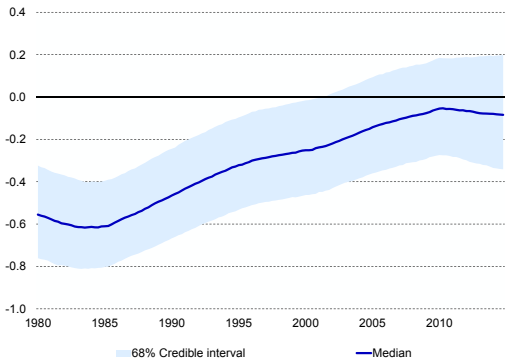
time.[10,11] Charts 2 and 3 show the estimated evolution of the slope of the Phillips curve and the import price sensitivity over time.[12]

The latter results provide further evidence of a weakening in the slope of the Phillips curve. In Chart 2 the slope starts close to the estimate from sub-sample 1 in Table 1 above, but then progressively falls in absolute terms to around one-sixth of this value by end-2014. Furthermore, the uncertainty around the estimates towards the end of the sample is high. Chart 3 shows the evolution of the parameter on relative import price shocks. It too confirms the hypothesis that the link between import price shocks and local inflation has increased since the late 1990s.

These phenomena are not unique to the Maltese economy. Studies by the International Monetary Fund and other institutions have found that the flattening of the Phillips curve has occurred in many advanced economies over the same period.[13] Starting in the mid-1980s, central banks committed to the sole task of maintaining stable inflation. It is argued that these efforts gained the public's credibility and ushered in the so-called Great Moderation – a period in which unemployment and inflation fell, economies prospered and business cycles became much less volatile. As a result, inflation expectations were controlled, leading to lower pressure on wage growth. Given these developments, the Phillips curve trade-off ceased to be exploited. This is one explanation.

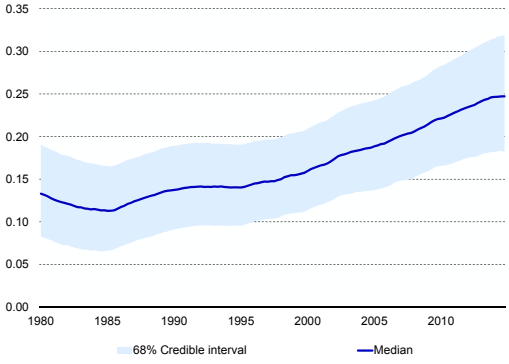
At low levels of inflation people tend to resist any reduction in wages during bad times, and firms face costs in revising prices by a small amount too often.[14] These factors tend to

Chart 2
TIME-VARYING PARAMETERS: PHILLIPS CURVE SLOPE



Source: Author's calculations.

Chart 3
TIME-VARYING PARAMETERS: IMPORT PRICE SENSITIVITY



Source: Author's calculations.

[10] While in the first set of results presented the parameters were treated as fixed, in this framework they were modelled as random walks. The model also allows for changes in the variance of inflation over time (stochastic volatility), and is estimated using Bayesian techniques. More details can be found in a forthcoming working paper.

[11] This follows the practice in recent studies. See Álvarez, L. J. and Urtasun, A., "Variation in the cyclical sensitivity of Spanish inflation: an initial approximation", *Economic Bulletin*, Bank of Spain July-August 2013, Stevens, A., "What inflation developments reveal about the Phillips curve: implications for monetary policy", *Economic Review*, National Bank of Belgium, Vol. III, 2013, pp. 67-76, and the references cited in Footnote 9 above.

[12] For technical reasons, the results are available from 1980 onwards.

[13] Refer to the studies cited in Footnote 9. A few studies found that after the Great Recession of 2009, the slope actually steepened. See, *inter alia*, Oinonen, S. and Paloviita, M., "Updating the euro area Phillips curve: the slope has increased", *Research Discussion Paper*, No 31, Bank of Finland, 2014, and Riggi, M. and Venditti, F., "Failing to forecast low inflation and Phillips curve instability: A euro-area perspective", *International Finance*, Vol. 18 No 1, 2015, pp. 47-68.

[14] See Yellen, J. "Perspectives on monetary policy", *Speech* delivered at the Boston Economic Club on 6 June 2012, and Ball, L., Mankiw, G. N. and Romer, D., "The New Keynesian economics and the output-inflation trade-off", *Brookings Papers on Economic Activity*, Vol. 1, 1998, pp. 1-82.

weaken the link between economic activity and inflation, yielding a flatter Phillips curve.[15] A survey conducted by the Central Bank of Malta found evidence of downward wage rigidity: the majority of firms surveyed preferred to cut non-labour costs, reduce overtime and freeze, rather than cut wages when faced with economic shocks.[16]

Another possible cause, particularly relevant to Malta, is that the labour market has changed significantly. Trade unionisation rates have declined substantially from 33% in 1995 to 23% in 2013.[17] At the same time, labour participation rates, which had remained stable for decades, rose very sharply after 1995, led by a near doubling of the female participation rate. In recent years, this was also complemented by a significant inflow of foreign workers. Availability of labour may have dampened wage claims.

Globalisation can also account for these developments. Lower global inflation is in part due to increased openness to trade and cheaper imported goods – the so-called "China effect".[18] In Malta this coincided with EU accession, the adoption of the euro and the growing rise of internet purchases, which all reduced the potential for lack of sufficient competition in the goods market.

[15] There is also further evidence (not presented) that the Phillips curve is asymmetric in Malta; there is no link between economic activity and prices during a slowdown, but during an upturn prices seem to respond to an overheating economy.
[16] See *Wage Dynamics Report,* 2010, available at https://www.centralbankmalta.org/updates/Downloads/pdfs/wage_dynamics_report.pdf.
[17] See Micallef, B. and Caruana, K., "Wage dynamics network survey", *Annual Report*, Central Bank of Malta, 2014, pp. 56-61.
[18] For a discussion see Lewis, J. and Saleheen, J., "Tailwinds from the East: how has the rising share of imports from emerging economies affected import prices?" *Working Paper* No 506, Bank of England, 2014.

4. THE BALANCE OF PAYMENTS[1]

In the second quarter of 2015 the current account of the balance of payments posted a higher surplus than in the corresponding period of 2014. This improvement resulted from a swing to net inflows on the primary income account and from higher net receipts on services. These developments were partly dampened by a widening in the merchandise trade deficit and by lower net inflows on the secondary income account. Meanwhile, net inflows on the capital account also declined on a year earlier.

Concurrently, compared with the second quarter of 2014, the financial account balance showed a larger net lending position, mainly because the "other" investment account showed a net increase in assets compared with a net decrease a year earlier. Movements on this account offset developments related to direct and portfolio investment, and to financial derivatives.[2] Net reserve assets, which also form part of the financial account, decreased while errors and omissions turned positive.[3]

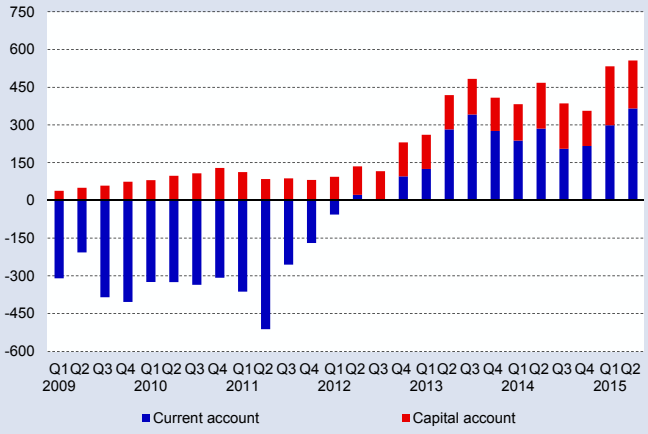
The current account

The current account posts a larger surplus in the second quarter

In the June quarter of 2015, the current account recorded a surplus of €246.1 million, an increase of €67.0 million on a year earlier. The balance on the current account reached €365.7 million during the four quarters to June 2015. This was €80.3 million more on the level recorded in the year to June 2014 (see Chart 4.1). The higher surplus was driven by favourable developments on all main components, bar merchandise trade (see Table 4.1).

Thus, in the year to June 2015, the current account surplus stood at 4.5% of gross domestic product, 0.8 percentage point higher than in the comparable period a year earlier.

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



Source: NSO.

The merchandise trade deficit widens

In the April to June period of 2015, the merchandise trade gap widened by €111.8 million on a year earlier, standing at

[1] This analysis is based on balance of payments data issued by the National Statistics Office (NSO) in accordance with the guidelines contained in the Sixth Edition of the International Monetary Fund's Balance of Payments and International Investment Position Manual (BPM6). The most notable difference resulting from these guidelines, compared with those of the Fifth Edition, relates to the inclusion of data pertaining to Special Purpose Entities (SPE) and to 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 *Release* 176/2014, NSO.

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

Table 4.1
BALANCE OF PAYMENTS
EUR millions

	Four-quarter moving sums						
	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2014 Q2	2015 Q2
Current account	**285.4**	**205.1**	**216.4**	**298.7**	**365.7**	**179.1**	**246.1**
Goods	-1,098.4	-1,051.2	-1,114.0	-1,100.7	-1,212.5	-269.3	-381.1
Services	1,657.7	1,637.9	1,642.8	1,641.2	1,729.7	429.6	518.1
Primary income	-423.7	-566.6	-506.8	-459.7	-359.2	-43.7	56.8
Secondary income	149.8	185.0	194.3	217.9	207.7	62.6	52.4
Capital account	**182.3**	**180.4**	**140.0**	**234.4**	**190.8**	**66.6**	**23.0**
Financial account	**216.8**	**407.3**	**23.5**	**165.2**	**497.7**	**203.9**	**536.3**
Direct investment	-4,430.3	-4,489.8	-6,816.9	-8,129.5	-8,915.0	-423.4	-1,208.8
Portfolio investment	10,611.8	9,395.1	12,385.8	9,741.3	6,321.0	3,837.4	417.1
Financial derivatives	269.2	-487.6	-576.7	-590.3	-905.5	259.3	-55.9
Other investment	-6,679.8	-4,214.8	-4,980.7	-540.7	4,473.8	-3,629.7	1,384.9
Reserve assets	446.0	204.4	12.0	-315.5	-476.6	160.2	-0.9
Errors and omissions	-250.9	21.7	-332.9	-367.9	-58.8	-41.8	267.2

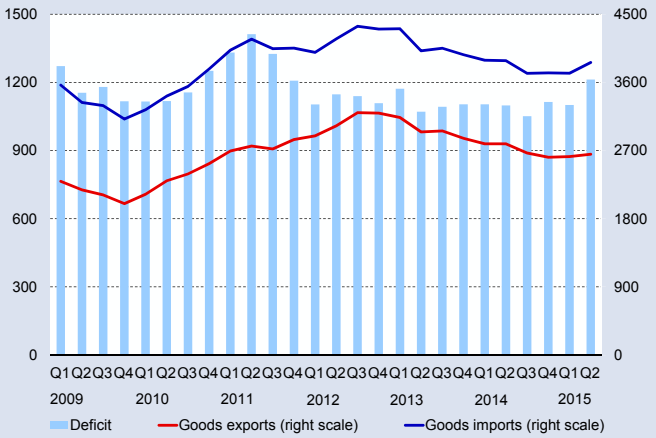
Source: NSO.

€381.1 million, as imports outpaced exports. The former expanded by €143.2 million, offsetting a rise of €31.4 million in exports.

Customs data suggest that higher imports during the second quarter of the year were principally due to increased capital imports.[4] To a lesser extent, a rise in purchases of industrial supplies and consumer goods also contributed. On the other hand, the fuel import bill declined. With regard to exports, the rise was primarily propelled by higher sales of food and electronic components.

On a four-quarter cumulative basis, the merchandise trade gap widened to €1,212.5 million, €114.1 million more than the deficit recorded in the year to June 2014. Exports fell by €137.3 million, whereas imports declined by a more moderate €23.2 million (see Chart 4.2). Overall, the decline in goods exports and imports in the year to June was heavily influenced by transactions related to fuel. Nonetheless, drops in sales and purchases by 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 third quarter of 2015 indicate that the visible trade gap narrowed by €325.4 million on a year earlier. This improvement was entirely driven by a notable decline in imports, predominantly fuels and boat registrations. At the same time, exports edged down marginally on the same quarter of 2014.

The surplus on services increases

Between April and June 2015, the positive balance on services stood at €518.1 million, a surge of €88.5 million on the same period of 2014. The larger surplus was mainly spurred by an increase in receipts, though a small drop in payments also contributed. Although all main service components recorded favourable movements, the improvement in the overall services balance was primarily driven by an increase in net receipts from the "other" services component, which went up by €40.8 million on the comparable period of 2014. This positive performance was primarily the result of higher exports related to remote gaming and audio-visual services. At the same time, net travel exports increased by €22.9 million, as higher exports offset a rise in spending by Maltese residents abroad. Moreover, the shortfall of €22.6 million on transport services recorded in the second quarter of 2014 swung to net receipts of €2.2 million in the quarter under review.

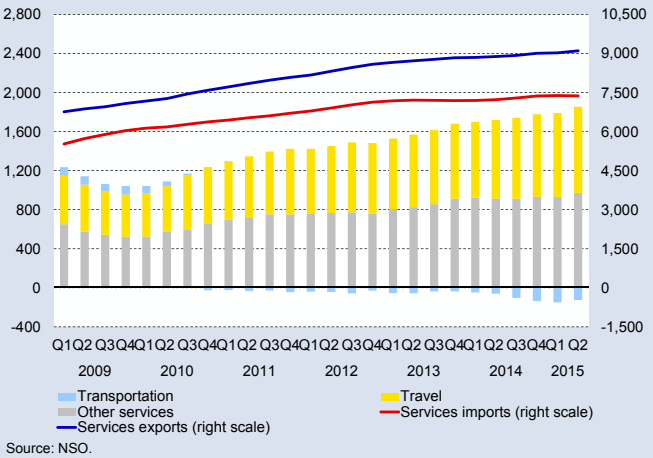
Partly reflecting developments in the quarter under review, the overall surplus on services in the four quarters to June 2015 stood at €1,729.7 million, up by €71.9 million from the level registered a year earlier, as exports of services increased more strongly than imports (see Chart 4.3). The rise in this surplus continued to be strongly influenced by positive developments on the travel and "other services" components (see Chart 4.3).

As favourable developments in the tourism sector persisted, net travel receipts increased by €77.6 million, to €881.9 million.

At the same time, the net surplus on the "other services" component rose by €58.0 million, to €972.2 million, reflecting higher receipts from remote gaming companies, telecommunications, as well as insurance and pension services. Meanwhile, net inflows from financial and other business services, which are influenced by the activities of SPEs, contracted when compared with the previous 12 months.

In contrast, the negative balance on transport reached €124.5 million, €63.7 million more than in the four quarters to June 2014, with this decline almost entirely driven by higher payments.

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



Source: NSO.

Primary income swings to net inflows[5]

During the second quarter of 2015, the primary income account posted net inflows of

[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.

€56.8 million, as opposed to net outflows of €43.7 million in the corresponding period of 2014. This swing was mainly attributable to a decline in dividends of foreign firms operating in Malta. Flows on this component of the current account continued to be significantly influenced by activities of internationally-oriented firms, including SPEs and banks, which engage in financial operations predominantly with non-residents.

Partly reflecting developments in the quarter under review, net outflows on this account, measured on a four-quarter cumulative basis, contracted by €64.5 million on a year earlier, to €359.2 million. This was predominantly driven by a rise in net earnings on portfolio and "other" investment transactions. Together, these offset higher net outflows related to direct investment, including profits accruing to non-resident shareholders in firms operating in Malta.

Inflows on the secondary income decline

In the second quarter of 2015, net inflows on the secondary income account amounted to €52.4 million, €10.2 million less than the level recorded in the corresponding quarter of 2014. This dip was partly influenced by lower net government receipts, which are heavily influenced by timing differences between refunds and tax receipts from companies engaged in international business.

Over the 12 months to June 2015, net inward secondary income flows rose to €207.7 million, up by €57.9 million on the corresponding period a year earlier.

The capital account

Between April and June 2015, net inflows on the capital account decreased to €23.0 million, a marked decline over the €66.6 million registered in the same period of 2014 (see Table 4.1). Nevertheless, during the four quarters to June 2015, capital inflows amounted to €190.8 million, a rise of €8.5 million on the four quarters ending a year earlier (see Chart 4.1). This improvement mainly stemmed from an increase in funds received under EU financing programmes.

The financial account

At the same time, in the second quarter of 2015 the financial account showed a higher net lending position compared with the same period of 2014. Thus, net lending on the financial account rose to €536.3 million in the second quarter of 2015, markedly more than the €203.9 million recorded a year earlier.

This difference was wholly attributable to movements on the "other" investment account, which recorded a strong decrease in liabilities. This contrasts with an increase in liabilities in the second quarter of 2014. This swing, in turn, mainly reflected a drop in the short-term liabilities of deposit taking corporations.

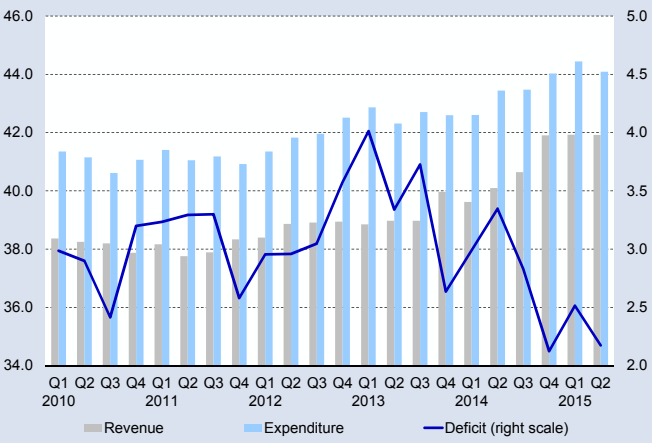
Higher net lending on the "other investment" account was partly dampened by developments on the remaining sub-components of the financial account. In particular, net liabilities in the form of direct investment increased strongly, whereas the financial derivatives account moved from a net lending to a net borrowing position. Moreover, the net increase in portfolio assets was also smaller compared with a year earlier. Overall, financial flows continued to be heavily affected by operations of internationally-oriented banks and SPEs.

Over the four quarters ending in June 2015, the financial account recorded net lending of €497.7 million, compared with €216.8 million in the year to June 2014, principally reflecting developments in the quarter under review.

5. GOVERNMENT FINANCE

During the second quarter of 2015, the general government deficit narrowed on a year earlier. As a result, the ratio between the general government deficit and gross domestic product (GDP), measured on the basis of four-quarter moving sums, stood at 2.2%, 0.3 percentage point lower than that recorded in the first quarter of the year (see Chart 5.1).

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



Source: NSO.

With regard to the Consolidated Fund, data for July to September 2015 show that the deficit decreased compared with the third quarter of 2014.[1] Consequently, during the first nine months of 2015 the deficit on the Consolidated Fund narrowed over the same period of 2014.

In June 2015 the general government debt-to-GDP ratio fell compared with the previous quarter, reaching 68.9%.

General government

General government deficit narrows

Between April and June 2015, the general government recorded a deficit of €47.5 million, down by €24.4 million on a year earlier, as growth in revenue outweighed an increase in expenditure (see Table 5.1).

Over the first half of the year, the deficit widened by €9.9 million year-on-year to €216.2 million, while the primary deficit, which excludes interest payments from total expenditure, increased by €11.1 million.

Revenue rises

General government revenue expanded by €59.6 million, or 7.5%, in the second quarter of 2015 compared with the same period a year earlier. Substantial growth stemmed from higher inflows from direct taxes, partly reflecting favourable developments in the labour market. Revenue from current taxes on income and wealth rose by €38.6 million, while social contributions yielded €2.9 million more. Concurrently, receipts from taxes on production and imports went up by €4.8 million.

Compared with a year earlier, capital and current transfers grew by €8.7 million in the second quarter, mainly reflecting a rise in investment grants received from the European Union. At the

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

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2014 Q2	2015 Q2	Change Amount	Change %	2014 Q1-Q2	2015 Q1-Q2	Change Amount	Change %
Revenue	**794.8**	**854.5**	**59.6**	**7.5**	**1,492.1**	**1,607.4**	**115.4**	**7.7**
Taxes on production and imports	252.2	257.0	4.8	1.9	493.7	525.0	31.3	6.3
Current taxes on income and wealth	303.6	342.2	38.6	12.7	511.2	567.4	56.2	11.0
Social contributions	136.6	139.6	2.9	2.2	268.4	280.2	11.8	4.4
Capital and current transfers receivable	44.8	53.5	8.7	19.4	88.4	98.8	10.4	11.8
Other[1]	57.6	62.2	4.6	8.0	130.3	136.1	5.8	4.4
Expenditure	**866.7**	**901.9**	**35.3**	**4.1**	**1,698.4**	**1,823.6**	**125.3**	**7.4**
Compensation of employees	261.6	280.1	18.4	7.0	518.4	554.9	36.6	7.1
Intermediate consumption	137.2	143.0	5.8	4.2	249.3	263.4	14.0	5.6
Social benefits	258.1	263.3	5.2	2.0	505.8	512.5	6.8	1.3
Subsidies	26.6	27.1	0.4	1.6	53.4	55.1	1.8	3.3
Other current transfers payable	34.8	42.8	8.0	22.9	83.0	96.2	13.2	15.9
Interest	57.9	56.7	-1.2	-2.1	113.8	112.7	-1.2	-1.0
Gross fixed capital formation	61.4	88.5	27.1	44.1	124.3	171.2	47.0	37.8
Capital transfers payable	23.9	5.5	-18.4	-77.2	45.1	53.1	7.9	17.6
Other[2]	5.0	-5.0	-10.0	-	5.3	4.5	-0.8	-
Primary balance	**-13.9**	**9.2**	**23.1**	**-**	**-92.5**	**-103.5**	**-11.1**	**-**
General government balance	**-71.8**	**-47.5**	**24.4**	**-**	**-206.3**	**-216.2**	**-9.9**	**-**

[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.

same time, “other” revenue went up by €4.6 million, primarily because of higher inflows from property income, which includes rents and dividends.

Over the first two quarters of 2015, revenue grew by €115.4 million, or 7.7%. Tax revenues rose strongly, reflecting rapid economic growth and favourable labour market conditions. Inflows from current taxes on income and wealth accounted for almost half the rise in total revenue, while social contributions increased by €11.8 million. At the same time, receipts from taxes on production and imports went up by €31.3 million, driven by higher intakes from customs and excise duties, and duty on documents on property.

Meanwhile, capital and current transfers went up by €10.4 million mainly owing to higher capital transfers. At the same time, “other” revenue grew by €5.8 million, driven by property income flows in the second quarter.

Expenditure increases

Between April and June, general government expenditure rose by €35.3 million, or 4.1%, reflecting higher current expenditure. In particular, compensation of employees increased by €18.4 million, while intermediate consumption rose by €5.8 million. At the same time, higher spending on medicine boosted social benefits in kind, with overall benefit spending expanding by €5.2 million. Current transfers payable rose by €8.0 million, partly owing to higher contributions to the EU budget. Meanwhile, subsidies went up marginally, whereas interest payments contracted by €1.2 million as the debt stock decreased compared with a year earlier and maturing debt was rolled over at lower rates.

Spending on gross fixed capital formation was strong during the quarter under review, growing by €27.1 million owing to higher outlays on infrastructural projects. On the other hand, capital transfers contracted by €18.4 million, while "other" expenditure went down by €10.0 million following an increase in proceeds arising from the sale of land.[2]

Over the first six months of the year, total expenditure grew by €125.3 million, or 7.4%, with current spending accounting for around three-fifths of the rise. With regard to current expenditure, compensation of employees and intermediate consumption registered the largest increases. Social benefits rose by €6.8 million as a result of the increases recorded in the second quarter.

Subsidies marginally rose by €1.8 million, led by higher payments to the public transport provider. At the same time, in line with the drop registered in the second quarter of the year, interest payments decreased by €1.2 million. Current transfers payable increased by €13.2 million owing to higher contributions to the EU budget and to Church schools.

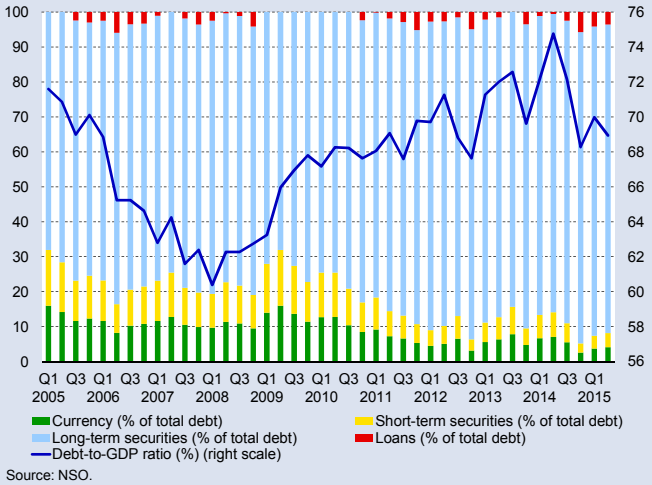
Capital expenditure rose in the first half of the year mainly on the back of higher spending on gross fixed capital formation owing to greater outlays on infrastructural projects and military aircraft. Capital transfers also rose by €7.9 million following the equity injection by Government in Air Malta, which took place in the first quarter.

The general government debt ratio decreases

In June 2015 the stock of general government debt amounted to €5,663.0 million, up from €5,646.9 million three months earlier, but below the level recorded in June 2014. The debt-to-GDP ratio fell to 68.9% during the second quarter of 2015 as GDP grew at a faster pace (see Chart 5.2). Compared with the same quarter of 2014, the debt-to-GDP ratio fell by 5.8 percentage points.

The debt composition shifted slightly towards short-term obligations, largely reflecting an increase in the stock of Treasury bills outstanding. The share of short-term securities in total debt increased to 4.1% as a result. In contrast, the share of long-term securities, made up of Malta Government Stocks (MGS), declined by 0.2 percentage point to 88.3%. Meanwhile, the share of loans decreased to 6.6% from 6.8% in the first quarter of 2015, while the proportion of government liabilities in the form of euro coins remained unchanged at 1.1%.

Chart 5.2
GENERAL GOVERNMENT DEBT



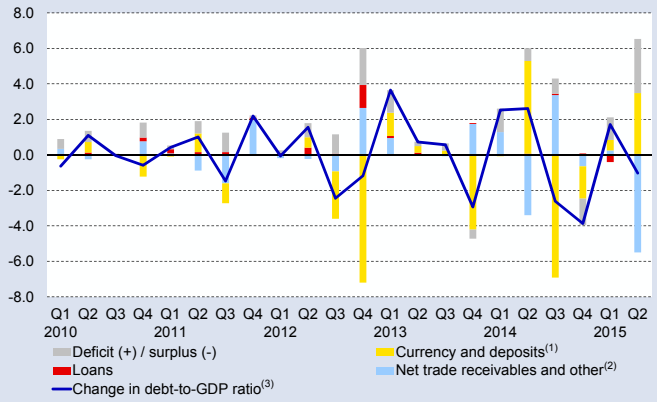
Source: NSO.

The increase in debt during the second quarter of 2015, which amounted to €16.0 million, was smaller than the deficit, implying a negative deficit-debt adjust-

[2] In line with ESA 2010 such revenue, which is related to the disposal of assets, is deducted from expenditure.

ment caused by a net decrease in receivables (see Chart 5.3). As the Chart shows, net receivables fluctuate widely from quarter to quarter and are often inversely related to movements in government deposit holdings.

Chart 5.3
CONTRIBUTION TO CHANGE IN DEBT
(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.

Consolidated Fund

The Consolidated Fund deficit improves

According to Consolidated Fund data, the fiscal position improved further during the third quarter. Between July and September, the Consolidated Fund deficit narrowed by €15.1 million compared with the same period a year earlier, falling to €3.7 million (see Table 5.2). Concurrently, the primary surplus increased by €11.5 million.

Revenue grew by €90.7 million, or 12.0%, on the same quarter of the previous year, driven entirely by tax receipts. Inflows from direct taxes rose by €45.8 million, reflecting growth in both income tax and social security contributions. At the same time, indirect taxes grew by €65.6 million on the back of additional inflows from all main components. Conversely, a drop in grants led to a reduction in non-tax revenue of €20.7 million.

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2014 Q3	2015 Q3	Change Amount	Change %	2014 Q1-Q3	2015 Q1-Q3	Change Amount	Change %
Revenue	**757.4**	**848.1**	**90.7**	**12.0**	**2,080.3**	**2,359.7**	**279.4**	**13.4**
Direct tax(1)	416.5	462.3	45.8	11.0	1,061.5	1,155.4	93.9	8.8
Indirect tax	263.9	329.5	65.6	24.9	741.8	877.8	136.1	18.3
Non-tax(2)	77.0	56.3	-20.7	-26.9	277.1	326.5	49.4	17.8
Expenditure	**776.1**	**851.8**	**75.6**	**9.7**	**2,364.2**	**2,521.3**	**157.1**	**6.6**
Recurrent(1)	688.5	754.5	66.1	9.6	2,085.0	2,218.0	133.0	6.4
Of which: Interest payments	60.8	57.2	-3.6	-5.9	172.0	173.4	1.4	0.8
Capital	87.7	97.3	9.6	10.9	279.2	303.3	24.1	8.6
Primary balance(3)	**42.1**	**53.6**	**11.5**	**-**	**-111.9**	**11.7**	**123.7**	**-**
Consolidated Fund balance	**-18.7**	**-3.7**	**15.1**	**-**	**-283.9**	**-161.6**	**122.3**	**-**

(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.

On the other hand, expenditure went up by €75.6 million, or 9.7%. In absolute terms, growth in expenditure was driven to a large extent by recurrent spending, though capital expenditure also increased.

Between January and September, the Consolidated Fund deficit narrowed by €122.3 million to €161.6 million, as revenue outpaced expenditure. Revenue grew by €279.4 million, or 13.4%, following higher intakes in all major components. Indirect taxes accounted for almost half the rise in absolute terms, boosted by higher customs and excise duties, VAT and licences, taxes and fines. Direct taxation receipts also grew following higher intakes from income tax and social security contributions. Meanwhile, non-tax revenue expanded driven primarily by higher grants received.

On the other hand, expenditure grew by €157.1 million, or 6.6%, mainly owing to greater recurrent spending, which went up by €133.0 million. Personal emoluments, outlays on social benefits and on medical supplies all increased, as did contributions to government entities and interest payments.

Meanwhile, capital expenditure grew by €24.1 million, reflecting additional spending on infrastructural projects, largely financed by EU grants.

Central government debt increases

During the third quarter of 2015, central government debt (excluding debt owed by local councils and extra-budgetary units) increased by €21.5 million to €5,406.3 million (see Table 5.3). Thus, between December 2014 and September 2015, central government debt grew by €276.7 million.

In the first nine months of the year, outstanding MGS rose by €167.4 million, owing to new stock issues in February and June. At the same time, the stock of Treasury bills went up by €112.2 million as new issues outweighed redemptions. The share of MGS in central government debt stood at 92.5% by September, down from 94.2% at end-2014. On the other hand, the share of Treasury bills edged up to 4.7% from 2.7% at end-2014.

Meanwhile, euro coins issued, which are considered as a government liability, rose marginally. 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.

Table 5.3
CENTRAL GOVERNMENT DEBT[(1)]
EUR millions

	2014 Sep.	2014 Dec.	2015 Mar.	2015 June	2015 Sep.
Government debt	**5,347.4**	**5,129.6**	**5,365.5**	**5,384.8**	**5,406.3**
Euro coins issued in name of the Treasury	59.5	60.4	60.3	62.9	65.4
Treasury bills	308.6	140.4	208.1	230.6	252.6
Malta Government Stocks	4,879.9	4,832.0	5,000.3	5,002.4	4,999.4
Local loans	56.4	56.4	56.4	56.4	56.4
Foreign loans	43.1	40.4	40.4	32.6	32.5

[(1)] Government debt excludes 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 Chart 5.2.

Sources: NSO; Central Bank of Malta.

BOX 5: FISCAL MULTIPLIERS IN THE MALTESE ECONOMY[1]

Abstract

A key consideration of the impact of fiscal policy is the size of fiscal multipliers. This article employs three approaches to estimate the latter in Malta: a structural vector-autoregression model, the Central Bank of Malta's macro-econometric model and a large-scale dynamic stochastic general equilibrium model calibrated for Malta. The results indicate that first-year multiplier estimates for government spending range between 0.73 and 0.97, whereas for taxation, the range is between 0.03 and 0.30. These are relatively small estimates compared with larger economies, possibly reflecting Malta's greater propensity to imports, which results in a higher demand leakage. The results suggest that a fiscal adjustment strategy based on a combination of expenditure and tax measures may have a lower short-run cost compared with purely expenditure-based consolidation. Moreover, to be growth friendly, the strategy should aim to minimise these short-run negative effects by being coherent, credible and well communicated so as to properly shape expectations.

Introduction

The recent global financial crisis has triggered a renewed interest in fiscal policy and its impact on economic activity. A key consideration of this impact is the size of the fiscal multiplier. The latter is generally defined as the ratio of a change in output to an exogenous change in the fiscal instrument, such as government spending or taxation, with respect to their respective baselines.[2] In addition to their importance for policy design, recent studies have shown that a better understanding of fiscal multipliers can play an important role in improving the accuracy of macroeconomic forecasts.[3]

Despite the extensive literature, however, there is still no consensus on the size of the fiscal multiplier. Generally, estimates of multipliers are found to differ across countries and fiscal instruments. In addition, estimates may also vary according to the methodology used.

The empirical and theoretical literature suggests that the size of the multiplier can be affected by the structural characteristics of the economy. For instance, countries with a high propensity to import tend to have lower multipliers as the demand leakage from imports is more pronounced. Similarly, multipliers are usually smaller for countries with a flexible exchange rate regime, as currency movements can offset the impact of fiscal policy on activity. Countries whose debt levels are high also tend to have lower multipliers since fiscal consolidation can exert positive credibility and confidence effects on private demand, and could even lower the risk premium on debt. On the contrary, countries with more rigid labour markets tend to have higher fiscal multipliers as less flexible wage setting usually amplifies the response of output to shocks. The size of automatic stabilisers also matters,

[1] Prepared by Ian Borg, Owen Grech and Brian Micallef. Ian Borg is a Senior Economist at the Economic and Monetary Analysis Department. Owen Grech and Brian Micallef work in the Economic Research Department as Senior Research Economist and Principal Research Economist, respectively.

Comments and suggestions by Aaron G. Grech are gratefully acknowledged.

The views expressed in this article are the authors' own and do not necessarily represent the views of the Bank.

[2] Batini, N., Eyraud, L., Forni, L. and Weber, A., "Fiscal Multipliers: Size, Determinants and Use in Macroeconomic Projections", *Technical Notes and Manuals*, 14/04, IMF, 2014.

[3] Blanchard, O. and Leigh, D., "Growth forecast errors and fiscal multipliers", *American Economic Review*, Vol. 103, No 2, 2013, pp. 446-65.

with larger stabilisers tending to lower multipliers as the response of transfers and taxes may offset part of the initial shock.

More recent studies have emphasised the role of conjunctural or cyclical factors, mainly focusing on the state of the business cycle and the degree of monetary accommodation. For instance, studies usually find that fiscal consolidation can be more contractionary if made during a recession than during an expansion.[4] Similarly, multipliers can potentially be larger when the transmission of monetary policy is impaired by, say, the zero lower bound (ZLB) on interest rates and, hence, the impact of fiscal contraction cannot be cushioned by accommodative monetary policy.[5]

Differences in the size of the multiplier also originate from the methodology used.[6] The spectrum of approaches employed ranges from empirical models, such as vector auto-regressions (VAR) to structural and theoretically-driven ones, such as dynamic stochastic general equilibrium (DSGE) models. A recent strand in the literature extended the analysis to allow for non-linearities or state-dependent multipliers. Finally, some studies employ a narrative approach, using information from budget documents to directly identify exogenous policy changes.[7]

Despite these differences, some of the findings from the literature are fairly robust across a variety of models. Studies generally report first-year multipliers to be lower than one in normal times but could potentially be above unity in abnormal circumstances, such as when the economy is in severe recession or when monetary policy is constrained by the ZLB. Multipliers associated with government spending are generally higher compared with taxes, as part of the impact of tax changes is dampened by private saving behaviour. In a recent survey of the literature, one study reports an average multiplier of 0.75 for government spending and 0.25 for government revenues in advanced economies.[8] Finally, there is broad consensus that medium to long-term benefits from well-designed fiscal consolidation strategies usually come at the expense of temporary losses in output.[9]

Against this background, this article employs three approaches to estimate the size of fiscal multipliers in Malta. It also investigates selected topics from the literature, such as differences in the size of multipliers arising from temporary and permanents shocks, the role of the ZLB and of liquidity-constrained households. Finally, the article compares estimates of Malta's multipliers with those from other EU economies and provides policy recommendations based on the main findings.

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4 Auerbach, A. J. and Gorodnichenko, Y., "Fiscal multipliers in recession and expansion", in *Fiscal Policy after the Financial Crisis*, edited by Alesina, A. and Giavazzi, F., 2012.

5 Christiano, L., Eichenbaum, M. and Rebelo, S., "When is the government spending multiplier large?" *Journal of Political Economy*, Vol. 119, 2011, pp. 78–121. Using a DSGE model with the ZLB constraint, these authors have shown that the fiscal multiplier can exceed three.

6 For an outline of the main methodologies employed in the literature, the interested reader is referred to Spilimbergo, A., Symansky, S. and Schindler, M., "Fiscal Multipliers," *Staff Position Note* SPN/09/11, IMF, 2009, and Leeper, E.,Traum, N. and Walker, T. "Clearing up the fiscal multiplier morass", *NBER Working Papers 17444*, 2011.

7 Romer, C. and Romer, D., "The macroeconomic effects of tax changes: estimates based on a new measure of fiscal shocks", *American Economic Review*, Vol. 100, No 3, 2010, pp. 763-801.

8 Mineshima, A., Poplawski-Ribeiro, M. and Weber, A., "Fiscal multipliers", in *Post-Crisis Fiscal Policy*, edited by Cottarelli, C., Gerson, P. and Senhadji, A., 2014.

9 Kilponen, J. et al., "Comparing fiscal multipliers across models and countries in Europe", *Working Paper*, 1760, ECB, 2015.

2. The models used

The first approach is based on a structural vector auto-regression (SVAR) using the Blanchard-Perotti method.[10] In this approach, the estimation of spending and tax multipliers requires the modelling of two basic blocks. The first is a fiscal block that includes government consumption and net taxes. The latter are defined as total revenues less transfers, subsidies and interest payments. The second is the macroeconomic block, which consists of GDP and its deflator as a measure of output and prices, respectively. The model controls for demand and prices in Malta's main trading partners as exogenous variables to reflect the small and open features of the Maltese economy.

The main advantage of the SVAR approach is that it requires minimum restrictions on the part of the econometrician, and hence, results are more data-driven. On the other hand, the primary limitation is that very few variables can be included in the model to maintain its statistical robustness.

The second approach relies on the Central Bank of Malta's macro-econometric model, which is a medium-sized traditional structural model.[11] Behavioural equations are mostly estimated, rather than calibrated, in error-correction form. Economic agents are assumed to have adaptive expectations, and thus the model is backward looking. The model includes a relatively detailed endogenous fiscal block, which disaggregates the government sector into a number of revenue and expenditure categories.[12] The use of a detailed structural model allows for a better understanding of the channels through which fiscal policy shocks are transmitted to the real economy.

The third approach relies on simulations using a DSGE model calibrated for Malta.[13] The latter class of models are derived from micro-foundations with forward looking expectations. In this case, estimates of the size of fiscal multipliers are derived from a multi-country model with nominal and real rigidities, and a detailed fiscal block in which Malta is modelled as a small and open economy in a monetary union.

In all three approaches, we consider shocks to government consumption and taxation. Each shock is scaled such that it amounts to 1.0% of GDP to facilitate the comparability of the results. To ensure consistency across all approaches, we report the average multiplier for the first year.

The simulated shocks to the policy instrument are dictated by the relative richness of the fiscal block of each model. The parsimonious structure of the SVAR model implies that

[10] Blanchard, O. and Perotti, R., "An empirical characterization of the dynamic effects of changes in government spending and taxes on output", *Quarterly Journal of Economics*, Vol. 117,(4), 2002, pp. 1329-68. Borg, I., "Fiscal multipliers in Malta", *Working Paper* WP/06/2014, Central Bank of Malta 2014, provides a detailed discussion on the choice of Blanchard-Perotti type restrictions as opposed to the other identification restrictions available in the literature.

[11] Grech, O. and Micallef, B., "A structural macro-econometric model of the Maltese economy", *Working Paper* WP/04/2014, Central Bank of Malta, 2014. The model is built around the neoclassical synthesis, with sluggish adjustment of wages and prices in the short run and also some inertia of real variables in response to shocks.

[12] Further details are available in 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.

[13] Micallef, B., Measuring the effects of structural reforms in Malta: an analysis using the EAGLE model, *Working Paper* No 01/2013, Central Bank of Malta, 2013. A detailed description of the EAGLE model is available in Gomes, S., Jacquinot, P. and Pisani, M., "The EAGLE: a model for policy analysis of macroeconomic interdependence in the euro area", *Working Paper* No 1195, European Central Bank, 2010.

only shocks to aggregate variables (i.e. government consumption and net taxes) are presented. In a separate specification of the SVAR model, however, a distinction is also made between public consumption and investment. The other two models have a more detailed fiscal block and, hence, the simulations are implemented on disaggregated fiscal instruments. For instance, in the macro-econometric model, the government consumption shock refers to real intermediate consumption, whereas on the revenue side a distinction is made between direct and indirect taxes.[14] Simulations using the DSGE model are applied to government consumption on the expenditure side, and to households' labour income tax and the consumption tax rate on the revenue side.

3. Estimates of multipliers for Malta

Table 1 summarises the first year multipliers from the three different approaches. The main channels in each model are described in detail below.

3.1 Expenditure multipliers

Despite the differences in methodology, the range of estimates for the short-term government consumption multiplier presented in Table 1 is quite narrow, ranging from 0.73 to 0.97. In each case the average multiplier for the first year is lower than one, in line with findings in the literature, which implies that a €1 change in government consumption would lead to crowding out effects, such that the rise in output is lower than the initial shock.[15]

In the SVAR approach, a positive shock to government consumption leads to a contemporaneous response in GDP, which exhibits hump-shaped dynamics that peak in

Table 1
FISCAL MULTIPLIERS FOR MALTA USING THREE DIFFERENT METHODS
Impact on GDP in Year 1 to a 1.0% of GDP increase in the different fiscal variables
Per cent deviation from baseline

	SVAR	Macroeconometric model	DSGE
Expenditure			
Government consumption	0.97	0.78	0.73
Government investment	0.61	0.18	
Revenue			
Total taxation	-0.30		
Direct taxes		-0.03	-0.09
Indirect taxes		-0.12	-0.15

Source: Authors' calculations.

[14] The shock to direct taxes is distributed proportionately between households, corporations and social security contributions. Similarly, the shock to indirect taxes is distributed proportionately between VAT, excise taxes and other indirect taxation.

[15] These results are broadly in line with Cordina, G., "A structural econometric model of the Maltese economy", *Quarterly Review* 1996:4, Central Bank of Malta, pp. 44-61. He reports a government consumption multiplier of slightly above one in the first year that falls to 0.5 in the second year, and tapers off in later years owing to the substantial leakages from imports. Another recent study that provides estimates of fiscal multipliers for Malta is Arpa, E. and Vella, K., "Economic growth and debt dynamics", *Economic Policy Department*, Ministry for Finance, 2015. Using a large scale traditional econometric model, these authors reported short-term multipliers that usually ranged from 0.4 to 0.7 although they note that there were specific cases when the multiplier exceeded 0.9.

the second quarter. The response of output, which remains statistically significant for around two years, causes a persistent increase in the price level. Estimates from a disaggregated VAR model, that substitutes GDP with private consumption and investment, show that while private investment declines following a government consumption shock, private consumption increases. The latter implies that there is a relatively high share of liquidity-constrained households.

In the Bank's macro-econometric model, the rise in government consumption results in an immediate increase in GDP. This leads to higher employment and wages, and hence disposable income, which, in turn, raises private consumption. Moreover, heightened economic activity also stimulates investment. These developments bring about a further rise in GDP, which is offset to some degree by higher imports. The increase in economic activity raises the output gap which, in turn, exerts upward pressure on prices. With foreign prices unchanged, higher domestic prices lead to a loss in competitiveness and, thus, to a decline in exports. Still, on balance, the effect on GDP is positive, which translates into lower unemployment. On the fiscal side, as a result of the increase in government consumption, government expenditure rises. Owing to higher macroeconomic bases, government revenue also rises, but the net effect is for the government-balance ratio to fall – which implies a deterioration in the deficit ratio – and consequently the government debt ratio increases.

The positive shock to government consumption in the DSGE model also leads to an increase in GDP. The higher demand for factor inputs leads to a rise in hours worked and, to a lesser extent, in real wages. These induce a positive income effect that only partially offsets the negative wealth effect associated with higher government spending. Both private consumption and investment are adversely affected by the negative wealth effect as households and firms expect future fiscal policy to be tightened. The response of overall consumption masks differences in the behaviour of two types of households in the model. Higher government expenditure leads to an increase in consumption by liquidity-constrained households, given the rise in real wages, which is, however, offset by the decline in consumption of non-constrained households due to the negative wealth effect as households anticipate higher taxes in future. The effects of government expenditure on inflation are small and, given the small country assumption, have no effect on the monetary policy stance of the monetary union central bank. With unchanged nominal interest rates, there is a small reduction in the real interest rate, which partially compensates for the negative wealth effect of optimising households.

Model estimates point to significant differences between government consumption and investment shocks. Estimates for the response of output owing to a government consumption shock from the Bank's macro-econometric model and the SVAR range between 0.78 and 0.97, whereas the range is somewhat wider for public investment, between 0.18 and 0.61. Differences between the two shocks can be attributed to the relatively higher import share of government investment relative to government consumption.

3.2 Revenue multipliers

Estimates for tax multipliers in Table 1 range from -0.03 to -0.30. Tax multipliers are not only smaller than one but also lower than those for government consumption, in line with most studies in the literature.[16]

In the SVAR model, an increase in net taxes of 1.0% of GDP leads to a contemporaneous decline in output. The response of the latter is hump-shaped, peaking in the second quarter and slowing down monotonically thereafter. Government consumption also declines, although with a lag. The reaction of prices to the shock is negative and becomes statistically significant in the third quarter, exhibiting a prolonged hump-shaped response.

Estimates from the macro-econometric and DSGE models suggest that the negative impact on economic activity arising from an increase in indirect taxation is more pronounced than that from higher direct taxes. In the former, the multiplier estimates range between 0.03 and 0.09, whereas in the latter, they are between 0.12 and 0.15. This reflects the fact that the rise in indirect taxes has a positive effect on prices, which leads to a deterioration in price competitiveness. On the contrary, higher direct taxes exert lower price pressures, which, in the absence of changes in foreign prices or the exchange rate, lead to an improvement in price competitiveness and, hence, exports of goods and services.

4. Selected topics in the literature

The use of a DSGE framework allows for an in-depth investigation of a number of potential factors that could affect the size of the fiscal multiplier. Differences in multiplier estimates can depend on the policy adopted by the authorities, such as the degree of monetary accommodation by the central bank, the state of the business cycle and the nature of the fiscal adjustment making a distinction, for instance, between temporary and permanent shocks.

4.1 Distinction between temporary and permanent shocks

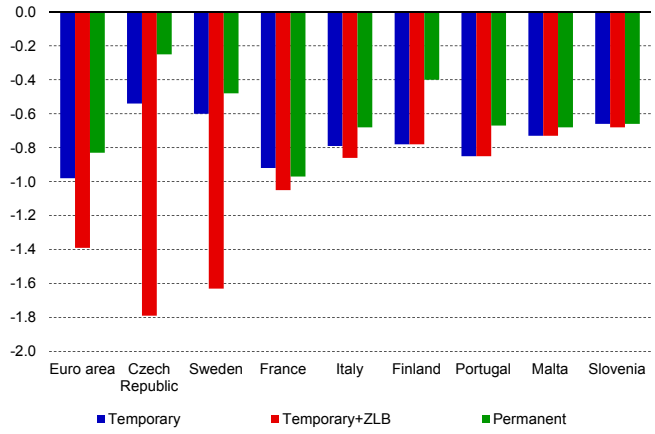
Chart 1 compares the fiscal multiplier for a number of EU countries from a tightening of government consumption – both temporary and permanent – with the impact of the ZLB on nominal interest rates. A temporary shock is defined as a tightening of government consumption of 1.0% of GDP for two years, which then returns to baseline. In this case we make a distinction between situations when the ZLB is operational and when it is not. Theoretically, a situation of constrained monetary policy could lead to higher fiscal multipliers compared with normal times. In the case of permanent shocks, the change in the fiscal variable continues indefinitely and does not return to baseline. This can be interpreted to constitute a "fiscal reform", which permanently alters the fiscal structure of the economy.

Chart 1 shows that the ZLB on nominal interest rates only has a small effect on the multiplier for countries that belong to the euro area, especially small Member States

[16] Cordina, G., "A structural econometric model of the Maltese economy", *Quarterly Review* 1996:4, Central Bank of Malta, pp. 44-61, also reports relatively low income tax multipliers. Following a permanent 2 percentage point increase in the personal income tax rate, real GDP settles at a lower level compared with the baseline as the decline in consumption and investment offsets the positive contribution of the expansion in exports and the drop in imports. These findings are also similar to those in Grech, A. G., "An evaluation of the possible macroeconomic impact of the income tax reduction in Malta", *Quarterly Review* 2015:2, Central Bank of Malta, pp. 41-47.

like Malta. The effect on small economies is negligible because country-specific developments, such as GDP and inflation, only have a minor impact on aggregate activity and on inflationary pressures at euro area level. In contrast, the ZLB can have an important effect for the euro area as a whole and for countries outside the monetary union with an independent monetary policy. In the latter cases the multiplier rises above one, as the constant nominal interest rate and the fall in inflation lead to a strong increase in the real interest rate that depresses private spending. This is in line with DSGE-based literature findings, which suggest that the ZLB is one of the most important reasons for a higher than normal short-term multiplier.

Chart 1
REDUCTION IN GOVERNMENT CONSUMPTION IN SELECTED ECONOMIES
(per cent of GDP; impact on GDP in Year 1)



Source: Kilponen et al. (2015).

A permanent adjustment leads to slightly smaller short-run multiplier compared with a transitory reduction. This is due to the large positive wealth effect on households and firms, in which the permanent reduction in public consumption frees resources for private spending on a permanent basis, thereby inducing a larger crowding-in effect on private consumption and investment. Short-run multipliers are even lower when the fiscal room is used to reduce labour income taxes as the anticipation of lower future taxes induces households to gradually increase their labour effort.

Permanent fiscal shocks allow for an assessment of both short and long-run multipliers. In a permanent fiscal scenario, the long-run response of GDP depends critically on the instrument that is determined by the fiscal rule.[17] This is illustrated in Table 2, which compares two different simulations. In the first case the fiscal rule, that is, the instrument that adjusts

Table 2
SHORT AND LONG-RUN MULTIPLIERS WITH DIFFERENT FISCAL INSTRUMENTS
Impact on GDP; per cent deviation from baseline

	Year 1	Year 2	Long-run
Reduction in government consumption			
Fiscal rule: Lump-sum transfers	-0.68	-0.37	-0.51
Fiscal rule: Labour income tax	-0.62	-0.21	0.30

Source: Authors' calculations.

[17] The fiscal rule is a technical instrument used in econometric models aimed to replicate, in a mechanical fashion, the Government's behaviour in managing fiscal policy to prevent public debt from following an unstable path that will lead to insolvency.

in the long run after the fiscal space is created by the consolidation, is specified in terms of non-distortionary lump-sum taxes. In the second case, the fiscal rule depends on distortionary labour income tax.

Financing matters a lot in the long run: when the fiscal space from the reduction in government consumption is used to permanently lower distortionary labour income taxes, the long-run multiplier becomes positive. The reduction in the labour tax rate provides an incentive to increase employment, thereby raising the productivity of capital, leading to relatively large supply-side effects on production and economic activity.

4.2 The role of liquidity-constrained consumers

The results presented so far are based on the baseline calibration of EAGLE for the Maltese economy.[18] In this section we analyse the sensitivity of the results with respect to some changes in the model's calibration aimed to mimic conditions along the business cycle. More specifically, the sensitivity analysis tries to replicate a recessionary environment, reflected by a higher share of liquidity-constrained households, with the latter share being raised from 25% in the baseline case to 55%. It focuses on two scenarios, a permanent reduction in government consumption and a permanent increase in labour income taxes.

Table 3 shows that both the short and long-run multipliers become larger in absolute terms when there are more liquidity-constrained households, reflecting the fact that these households are less able to smooth consumption than unconstrained ones. In both scenarios, however, the multipliers remain smaller than one in absolute terms.

Table 3
SENSITIVITY TO A HIGHER SHARE OF LIQUIDITY CONSTRAINED
Impact on GDP

	Baseline	Higher share of liquidity constrained households + 30 percentage point from baseline
Permanent reduction in government consumption		
Lump-sum transfers in fiscal rule		
Year 1	-0.68	-0.74
Year 2	-0.37	-0.41
Long-run	-0.51	-0.65
Permanent increase in labour taxes		
Lump-sum transfers in fiscal rule		
Year 1	-0.14	-0.19
Year 2	-0.33	-0.36
Long-run	-0.72	-0.80

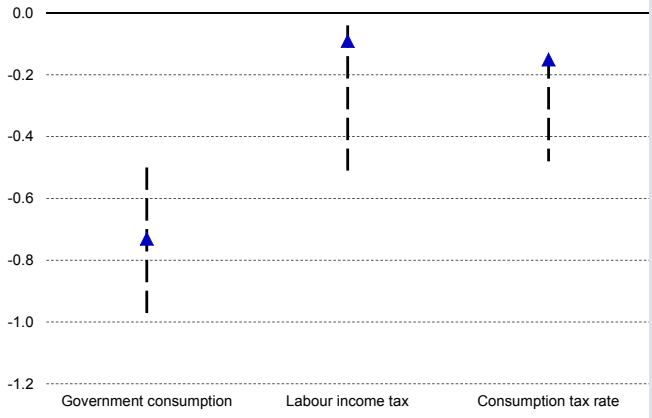
Source: Authors' calculations.

[18] Micallef, B., "Measuring the effects of structural reforms in Malta: an analysis using the EAGLE model", *Working Paper* No 01/2013, Central Bank of Malta.

4.3 Cross-country comparison

Finally, we compare the estimates of fiscal multipliers for different spending and tax instruments with those in other EU economies. All results are obtained from DSGE models maintained within the European System of Central Banks using a harmonised exercise. The simulations consist in a reduction in government consumption and increases in households' labour income tax and the consumption tax rate. In all cases, the change in the policy instrument amounts to 1.0% of baseline GDP.

Chart 2
RANGE OF FISCAL MULTIPLIERS IN SELECTED EU ECONOMIES
(per cent on GDP; impact on GDP in Year 1)



Source: Authors' calculations based on Kilponen et al. (2015).

Chart 2 plots the first-year fiscal multiplier in Malta, together with the range of estimates for 14 other EU economies. A number of interesting conclusions emerge. First, short-term multipliers are smaller than one in absolute terms for all models, irrespective of the countries considered and the nature of the fiscal shock. Second, reductions in government consumption are typically associated with larger short-run GDP effects compared with increases in taxation. Third, multiplier estimates for small and open economies, such as Malta, are generally smaller than in larger economies. This could be due to a higher propensity for importation in small open economies, which tends to lower the multiplier as the demand leakage from imports is more pronounced.

5. Conclusion and policy recommendations

This article provided estimates of multipliers in Malta for alternative fiscal instruments using three different methods. This exercise confirmed a common finding in the literature that there is no "single" fiscal multiplier: in addition to differences originating from the methodology used, multipliers are generally found to be country, time and instrument dependent. They are likely to differ depending on the structural characteristics of the economy and on conjunctural factors, such as the state of the business cycle or the degree of monetary accommodation to fiscal shocks.

Despite these differences, we are able to arrive at a number of conclusions that are in line with the stylised facts that emerge from the literature. Short-run multipliers are smaller than one in absolute terms, irrespective of the methodology used or the nature of the fiscal shock. Spending multipliers, such as those related to a reduction in government consumption, tend to be larger than revenue multipliers. The short-term multipliers presented in this article for government spending range between 0.73 and 0.97, whereas for taxes,

the range is between 0.03 and 0.30. Multipliers from indirect taxes tend to be larger than those from direct taxation owing to their impact on prices, and the latter's impact on output. Multipliers can become larger in a recessionary environment compared with normal times but estimates of multipliers for Malta still remain lower than one.[19] The ZLB has a negligible impact on the multiplier for a small economy like Malta in a monetary union as country-specific shocks have little impact on euro area wide aggregates.

Short-run multipliers are generally lower if the reduction in government consumption is permanently, instead of temporarily, implemented. In the case of permanent shocks, the long-run impact on GDP depends on how the budgetary room for manoeuvre is used following fiscal tightening. Long-run multipliers are negative when the fiscal space materialising after the tightening is used to adjust non-distortionary lump-sum taxes but become positive if distortionary taxation, such as the households' labour income tax rate, is reduced in the medium to long term. Given the anticipation effects, short-run multipliers are even lower when the fiscal space is used to lower distortionary taxes.

These findings lead to a number of policy recommendations. First, a fiscal adjustment strategy based on a combination of expenditure and tax measures may potentially have a lower short-run cost compared with purely expenditure-based consolidation. This is especially the case when there is ample spare capacity or when the economy is financially distressed. Second, once the public debt is permanently stabilised at a new lower level, the fiscal room created by the fiscal consolidation strategy should be exploited to reduce distortionary taxation on labour and capital. This should help to boost the economy's growth potential. Finally, a growth-friendly fiscal consolidation strategy would reduce the short-run negative effects of fiscal measures on economic activity. For this purpose, any fiscal consolidation plan needs to be coherent, credible and well communicated to properly shape the expectations of households and businesses.

[19] This should not be interpreted to construe that fiscal policy is not an appropriate instrument to stabilise demand, especially during times of heightened uncertainty and slack in the economy. For instance, following the collapse of international trade in 2009, the Maltese government intervened at a micro-level by tailoring state assistance directly to those companies in difficulties, mostly in manufacturing and tourism. This temporary and targeted approach was deemed more appropriate than a broad-based fiscal stimulus package, which, in a small and open economy, would have leaked abroad through imports with a reduced effect on the domestic economy. Tailor-made assistance mainly took the form of financial aid for training concerning new business lines and the conversion of tax credits into investment aid. More generally, these measures were aimed at improving the competitiveness of the companies involved and to avoid mass redundancies.

6. MONETARY AND FINANCIAL DEVELOPMENTS

Monetary dynamics in Malta remained robust during the third quarter of 2015.[1] The annual growth rate of residents' deposits was once more strong, driven by overnight deposits. Meanwhile, the recovery in credit to residents gathered pace, with the annual growth rate accelerating further.

Domestic money market yields were broadly unchanged during the quarter under review. In the secondary capital market, following increases in the second quarter of 2015, yields on five-year and ten-year government bonds resumed their downward trend during the quarter under review. As a result, spreads over the euro area benchmarks narrowed. In the equity market, the Malta Stock Exchange (MSE) index continued to rise.

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 September quarter, contracting by €3.4 billion. The drop primarily stemmed from international banks operating in Malta. Meanwhile, assets of core banks dropped slightly which, given also the increase in gross domestic product (GDP), saw the core bank assets-to-GDP ratio drop to 240% in September from 249% in June (see Chart 6.1).[2,3]

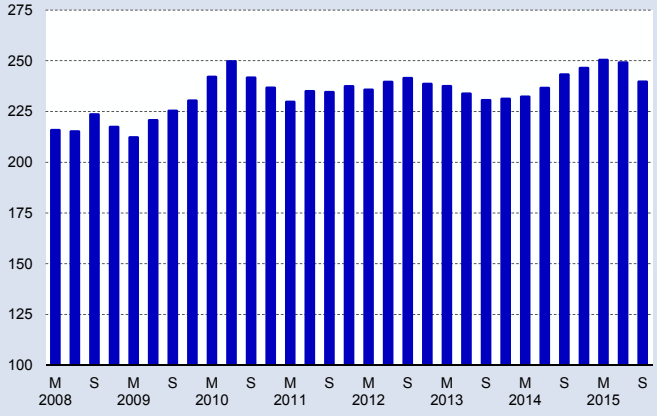
Residents' deposits grow rapidly

Total residents' deposits with Maltese banks continued to grow at a fast pace during the third quarter, registering an annual growth rate of 16.0% in September. Nonetheless, growth was lower than the recent peak of 19.1% registered in June (see Table 6.1).

This rapid growth was mainly supported by increases in overnight deposits, the largest component of total residents' deposits. This category went up by 33.3% in the 12 months to September, after growing by 39.3% in the year to June. Although both households and non-financial corporations' deposits increased on a year earlier, the former continued to account for the largest part of the overall rise in overnight deposits.

Conversely, deposits with an agreed maturity of up to two years, the second largest component, fell at a faster pace during the third quarter. This

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 statistical standards found in the General Notes of the Statistical Tables in 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* 224/2015, published on 7 December 2015.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2015	2014		2015		
	Sep.	Sep.	Dec.	Mar.	June	Sep.
Overnight deposits	**10,116.3**	**20.4**	**29.0**	**30.5**	**39.3**	**33.3**
of which						
Households	5,391.6	19.6	25.4	29.8	34.9	29.5
Non-financial corporations	2,656.9	15.3	22.3	17.0	44.8	21.5
Deposits redeemable at notice of up to three months	**120.9**	**1.4**	**9.3**	**8.2**	**3.3**	**6.6**
of which	18.1					
Households	96.9	-0.8	7.8	4.7	0.6	0.8
Non-financial corporations		20.4	10.9	14.7	10.6	7.9
Deposits with an agreed maturity of up to two years	**3,675.5**	**4.9**	**-2.0**	**-7.6**	**-8.4**	**-9.5**
of which						
Households	2,914.9	1.3	-0.7	-4.9	-5.4	-5.2
Non-financial corporations	280.6	-0.8	-15.4	-29.9	-21.2	-20.2
Deposits with an agreed maturity above two years	**1,518.0**	**2.4**	**-3.0**	**2.5**	**0.7**	**-1.2**
of which						
Households	1,415.7	0.1	-5.1	1.1	0.5	-0.5
Non-financial corporations	70.5	29.5	13.5	11.4	7.6	-6.5
Total residents' deposits[(1)]	**15,430.7**	**12.9**	**14.6**	**14.6**	**19.1**	**16.0**

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

Source: Central Bank of Malta.

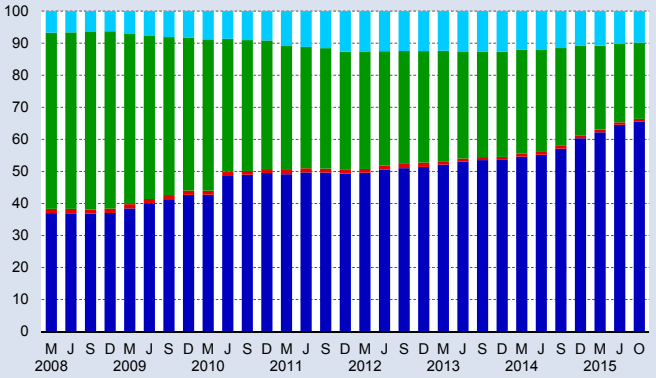
extended the downward trend seen in recent quarters, partly as a result of a persistent contraction in deposits belonging to non-financial corporations (NFC) and households. The annual rate of change of these deposits fell to -9.5% in September, from -8.4% in June.

At the same time, deposits redeemable at notice of up to three months increased at an annual rate of 6.6% in June, up from 3.3% in March. However, the amount of such deposits is small in absolute terms.

Meanwhile, growth in deposits with agreed maturities beyond two years, which are excluded from broad money (M3), contracted during the year to September. As a result, the annual growth rate fell to -1.2% from 0.7% 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. As a result, the share of overnight deposits in total residents' deposits went up to just over 65% by end-September (see Chart 6.2).

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



[(1)] Deposits exclude those belonging to central government.

Source: Central Bank of Malta.

On the other hand, the share of deposits with an agreed maturity of up to two years, and longer-term deposits outside M3, fell to 24% and 10%, respectively. Deposits redeemable at notice of up to three months continued to account for a very small share of total deposits, with their share falling slightly compared with June.

Interest rates on residents' deposits decline

During the third 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 0.76% (see Table 6.2).[4] The decline stemmed mainly from decreases in rates on time deposits, given that rates on overnight deposits, which were already very low, fell only marginally.

In fact, rates on household overnight deposits fell by 1 basis point, to 0.14%, while those on similar deposits belonging to NFCs went down to 0.11%. Meanwhile, rates on deposits with an agreed maturity of up to two years fell by 14 basis points for households and 20 basis points for NFCs, to 1.26% and 1.01%, respectively. At the same time, rates on longer-term deposits went down by 10 basis points for households and by 4 basis points for NFCs.

From a longer-term perspective, the composite rate on deposits of households and NFCs fell by 38 basis points compared with a year earlier. The drop was mainly driven by time deposits with maturities of up to two years and those with a maturity of over two years.

Contribution to euro area M3 decelerates

The contribution of Maltese MFIs to euro area M3 rose at an annual rate of 15.3% in the September quarter, down from 18.8% in June.[5] Growth was almost entirely driven by deposits belonging to residents of Malta, though this contribution dropped slightly during the period under review.

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

	2014		2015		
	Sep.	Dec.	Mar.	June	Sep.
Total deposits	1.14	1.03	0.93	0.85	0.76
Overnight deposits					
Households	0.17	0.17	0.15	0.15	0.14
Non-financial corporations	0.18	0.18	0.17	0.12	0.11
Time deposits with agreed maturity up to two years					
Households	1.85	1.73	1.53	1.40	1.26
Non-financial corporations	1.26	1.45	1.33	1.22	1.01
Time deposits with agreed maturity over two years					
Households	3.52	3.44	3.35	3.30	3.20
Non-financial corporations	2.93	2.84	2.70	2.60	2.55

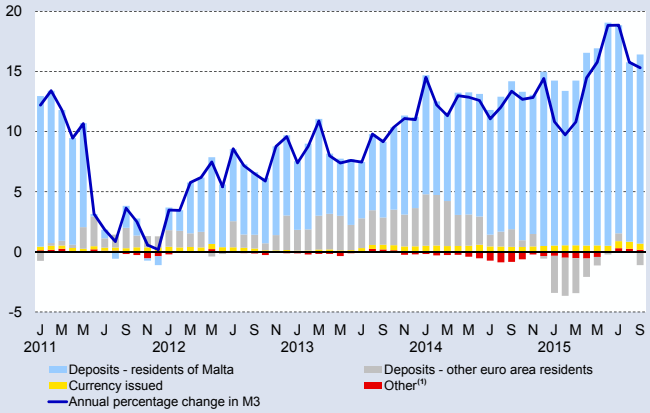
(1) Annualised agreed rates on outstanding euro-denominated deposits belonging to households and non-financial corporations.
Source: Central Bank of Malta.

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.

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.

On the other hand, the contribution from deposits belonging to residents of other euro area countries was negative. Contributions from the remaining components, which include currency issued, were small (see Chart 6.3).

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

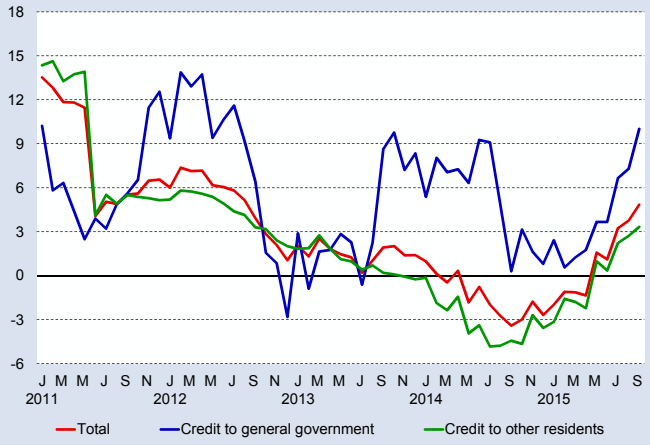


(1) The "other" category consists of loans granted to resident MFIs, money market fund shares/units and debt securities with a maturity of up to and including two years issued by MFIs.
Source: Central Bank of Malta.

Credit to residents continues to recover

Credit to Maltese residents continued to recover during the third quarter, with the annual growth rate going to 4.8% in September from 1.1% three months earlier. The acceleration is being driven by increased credit to general government and a recovery in credit to the remaining sectors (see Chart 6.4). Credit in the euro area also grew at a faster pace during the quarter under review, expanding by 2.1% during the year to September, up from 1.2% in the year to June.

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



Source: Central Bank of Malta.

Credit granted to general government grew by 10.0% during the year to September, up from 3.7% three months earlier. The acceleration mainly reflected an increase in MFIs' holdings of Malta Government Stocks (MGS). Meanwhile, credit to residents other than general government, which mainly consists of credit to the private sector, grew at an annual rate of 3.3% in September, up from 0.4% in June. This acceleration was mainly driven by an increase in loans to households and, to a lesser extent, loans to non-bank financial intermediaries. Loans to NFCs, on the other hand, contracted once more, due in part to a reduction in loans to the energy sector, and to the construction and real estate sector. Meanwhile, an increase in equity held by MFIs in other financial intermediaries also contributed substantially to the rise in credit granted to other residents.

Bank lending to NFCs falls

Bank lending to NFCs decreased once more during the September quarter, with the annual growth rate standing at -6.6%, down from -2.9% in June (see Table 6.3). The annual decline in September was driven by developments in loans to public sector NFCs, whereas loans to private NFCs grew at a modest pace. Weak growth in credit to NFCs is being partly offset by strong growth in loans to non-bank financial intermediaries.

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

	2014		2015		
	Sep.	Dec.	Mar.	June	Sep.
Accommodation and food service activities	-0.5	-0.7	-0.3	-1.1	1.2
Construction; real estate activities	-1.3	-1.0	-0.5	-1.2	-3.2
Manufacturing	-0.2	-0.2	0.1	0.5	-0.3
Transportation and storage	0.2	-0.1	-0.8	-1.5	-1.1
Wholesale and retail trade	1.2	1.7	1.9	1.3	0.2
Other	2.5	2.3	1.4	-1.0	-3.5
Total	**1.9**	**2.0**	**1.8**	**-2.9**	**-6.6**

Source: Central Bank of Malta.

At a sectoral level, the largest underlying movements in overall lending to NFCs were observed in the energy sector, which forms part of "other activities", and in the sector comprising real estate and construction. These were the main contributors to the annual decline in total NFC loans during the period under review. Lending also decreased in the transportation and storage sectors, and in manufacturing. In contrast, lending to firms in the accommodation sector and food services, and to the wholesale and retail trade sector went up.

Bank lending to households grows strongly

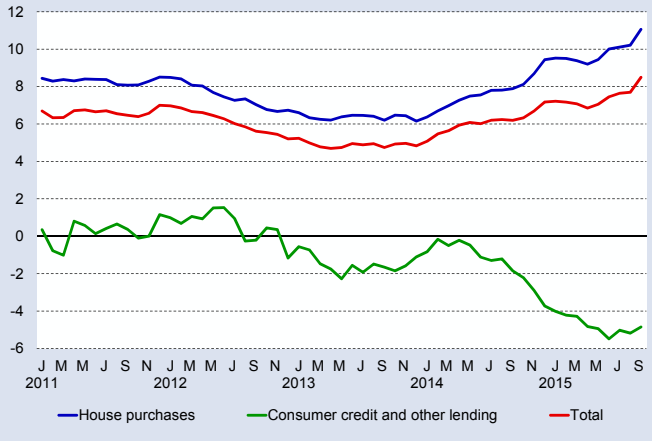
Bank loans to households, the other major component of private sector credit, continued to grow at a robust pace during the quarter under review. These increased by 8.5% in the year to September, higher than the corresponding figure of 7.4% in June (see Chart 6.5). As in recent quarters, lending for house purchases was the main driver of growth in household loans, with the annual growth rate of the former standing at 11.1% in September. On the other hand, consumer credit and other lending to households continued to contract, though at -4.8%, the annual rate of decline was weaker than the -5.5% recorded in June. The share of such loans in total household lending remains small.

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 September quarter, edging down by 4 basis points to 3.85% (see Chart 6.6). Rates paid by households marginally dipped by 2 basis points to 3.62%, while rates charged on NFC loans fell by 6 basis points to 4.18%.

The composite interest rate on loans to households and NFCs was 21 basis points lower in September than a year earlier. Over this period, lending rates to NFCs

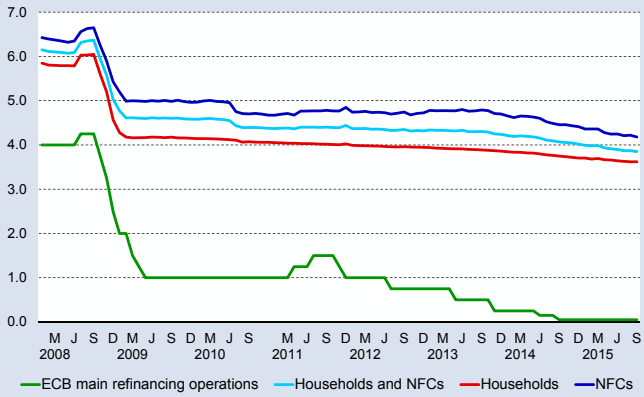
Chart 6.5
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

fell more than lending rates to households. On balance, since the European Central Bank (ECB) began cutting official interest rates in the second half of 2011, the pass-through to domestic bank interest rates was limited and the transmission to lending rates was slightly weaker than to deposit rates.

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.

Bank Lending Survey indicates stable credit conditions

The Bank Lending Survey (BLS), conducted in October 2015, generally indicated that credit demand and supply conditions in Malta remained stable during the third quarter.

More specifically, credit standards for businesses were unchanged over the period, as was the share of business loan applications that were completely rejected. On the demand side, responses were more mixed. While two of the four banks surveyed indicated that loan demand from enterprises had remained unchanged, another bank reported an increase in overall loan demand. The survey indicated that this increase was mainly related to fixed investment. On the other hand, one bank reported a decrease in loan demand from large enterprises.

With regard to households, banks generally indicated that credit standards for loans to households were unchanged, though one bank did report an easing of terms and conditions on loans for house purchase. Meanwhile, the share of loan applications from households that were rejected by the banks remained the same. Loan demand from households was also relatively unchanged, though one bank reported a drop in demand for loans for house purchases.

Looking ahead, in general banks expect credit standards for businesses and households to remain constant during the fourth quarter of 2015. Most banks also expect loan demand to be stable, though one bank indicated that it expected an increase in loan applications from businesses in the near future.

Banks were also asked about the ECB's expanded asset purchase programme (APP). Overall, this measure did not lead to any change in banks' lending behaviour over the previous six months, a situation which is expected to continue in the near future. However, banks indicated that the APP had influenced balance sheets due to the resulting movements in interest rates and asset prices, with one bank also reporting a rise in deposits. Meanwhile, one bank indicated that the extra liquidity resulting from the programme had been used for purchasing financial instruments other than sovereign bonds, while another channelled the extra funds towards granting new loans.

SME financing conditions improve moderately

Firms' financing conditions may also be gauged from the ECB's Survey on Access to Finance, which provides information on financing conditions from the perspective of small and medium-sized

enterprises (SME). The latest survey, covering the period April to September 2015, suggests that only 12% of resident companies surveyed considered access to finance a pressing problem, broadly the same percentage reported in the previous survey conducted a year earlier.

The net balance of respondents reporting increases in bank interest rates remained moderately positive, suggesting that SMEs in Malta may not be benefiting from the pass-through of earlier cuts in ECB policy rates. In contrast, the tightening of non-interest rate conditions, which include collateral requirements and limits on loan size, was mentioned less frequently compared with the previous survey. Furthermore, the percentage of firms that reported that they had obtained the full amount of loans requested rose marginally.

The survey also suggests that the availability of bank finance is expected to improve, particularly with regard to trade credit and overdrafts. In contrast, the situation regarding the availability of bank loans was expected to remain constant, as reported in the previous survey.

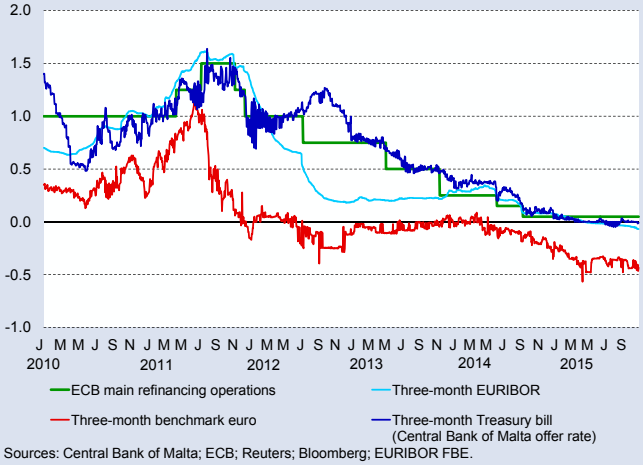
Meanwhile, a survey of Maltese firms conducted by the Malta Chamber of Commerce, Enterprise, and Industry indicated that most firms, which had applied for a loan during the quarter under review obtained most of the requested amount, with this share being highest in the retail sector. In contrast, the majority of firms in the construction industry reported that the banks' offer had been rejected owing to unacceptable terms.

The money market

Domestic yields remain broadly unchanged

During the third quarter of 2015, the ECB's monetary policy stance remained accommodative, characterised by the continued implementation of the APP and a stable main refinancing operation rate at 0.05%. At the same time, the three-month EURIBOR moved further into negative territory, falling by 3 basis points to -0.04% as at end-September, reflecting excess liquidity in the euro area banking system (see Chart 6.7).[6] Meanwhile, the domestic primary market yield on three-month Treasury bills remained unchanged from its end-June level, standing at 0.00% at the end of both September and October.

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



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

The Government issued €195.1 million worth of Treasury bills in the third quarter of 2015, €39.5 million more 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 either

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

a six or nine-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, fell by 9 basis points to -0.44% at the end of September. At the same time, the corresponding domestic yield remained unchanged at 0.00%. Consequently, the spread over the euro area benchmark rose to 44 basis points at end-September (see Chart 6.7).

This spread narrowed marginally in October, to 43 basis points, as the corresponding German yield remained unchanged at -0.44%, whereas the domestic yield edged down to -0.01%.

The capital market

During the third quarter of 2015, the Government raised €179.9 million through two new MGS issues. The bonds offered fixed coupons of 2.00% and 2.30%, and mature in 2020 and 2029, respectively. As both bonds were issued above par, the corresponding yields to maturity were 0.69% and 2.02%. These bonds were oversubscribed, as the Treasury received bids totalling €231.4 million, leading to a bid-to-cover ratio of 1.3.[7] The bonds, which were fully listed on the MSE in October, were primarily acquired by resident banks and households. Banks placed the bulk of the bids for the shorter-dated issue, whereas retail investors bid more strongly for the longer-dated paper. Overall, demand for MGS by the retail sector was weaker than in the past, possibly indicating a search for yields outside the sovereign bond market.

In the corporate bond market Hili Properties plc issued a new €37 million bond in September, offering a coupon rate of 4.50% and a maturity date of 2025. The issue was oversubscribed, and the bonds were listed on the MSE in October. Two more corporate bonds, a €13 million issue by 6pm Holdings plc and a €20 million issue by Mediterranean Investment Holding plc, were also listed on the MSE during the third quarter. These bond issues had been announced in June.

Meanwhile, in November Bank of Valletta announced that it was offering to the public €75 million worth of unsecured notes, with a coupon rate of 3.50% and maturing in 2030. This is the first of two tranches of a Subordinated Debt Programme.

In the secondary market for government bonds, turnover amounted to €133.7 million during the September quarter, €123.9 million less than in the previous quarter.[8] The Central Bank of Malta, acting as market-maker, accounted for more than three-fourths of the value traded. Meanwhile, in the secondary corporate bond market, trading rose to €19.7 million from €11.1 million in the second quarter of the year.

Government bond yields resume downward trend

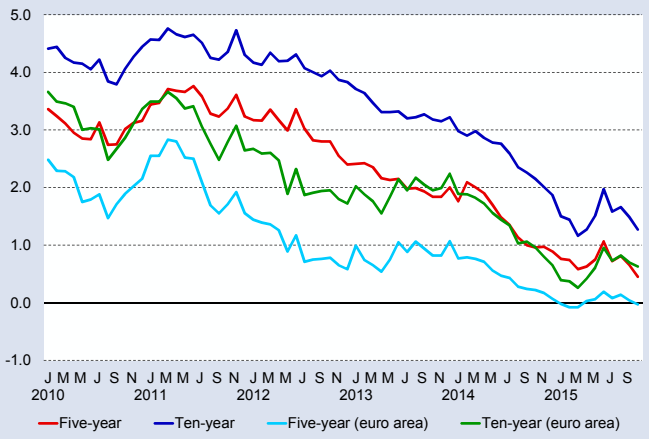
After increasing in the second quarter, government bond yields in the secondary market resumed their downward trend during the third quarter of 2015, largely mirroring developments in the euro area. Yields on five-year bonds dropped by 41 basis points to 0.66% at the end of September, while the corresponding yield on AAA-rated securities in the euro area dropped by 15 basis points to 0.04% (see Chart 6.8). Similarly, yields on ten-year domestic bonds fell by 48 basis points to 1.49%, while benchmark yields for the euro area were down by 25 basis points. Consequently, spreads over the euro area benchmarks narrowed, with the five-year differential falling

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

by 26 basis points to 62 basis points and the ten-year differential dropping by 23 basis points to 79 points. Compared with a year earlier, yields on domestic five-year bonds were 34 basis points lower, while those on ten-year bonds were 77 basis points lower.

In October government bond yields declined in both Malta and the euro area. However, domestic yields fell faster, leading to a narrower spread over euro area yields. In October the domestic five-year yield stood at 0.45% while the ten-year yield stood at 1.27%, compared with -0.03% and 0.63%, respectively, in the euro area.

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 €19.7 million, higher than the €18.9 million recorded in the previous quarter. Share prices rose, with the MSE share index going up by 5.9% over the period under consideration, to end September at 4,333.5 (see Chart 6.9).

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

Source: MSE.

Going into the fourth quarter, the MSE share index remained relatively unchanged, going up by 0.1% in October.

BOX 6: THE BANKING SECTOR EXTENSION TO THE BANK'S MACRO-ECONOMETRIC MODEL[1]

The role undertaken by financial intermediaries in the latest economic crisis has highlighted the need for a more comprehensive quantitative analysis of the relationship between the liquidity and solvency positions of such organisations and the real economy. This is particularly relevant to the Maltese economy, which is characterised by the absence of a highly developed and liquid financial market, implying that SMEs operating in Malta mainly finance their investment through bank loans. A change in the ability or willingness of banks to extend credit is likely to have a significant effect on real economic activity. In this context, the second version of the Bank's macro-econometric model has introduced improvements that seek to model some of the macro-financial linkages existing in the Maltese economy.[2] While these modifications have certainly improved the fit and simulation properties of the model, they cannot explicitly account for the effects which changes in the health of financial intermediaries are likely to have on the supply of credit, and therefore on the real economy.

The third version of the Bank's model proposes an extension that features an aggregate, yet sufficiently detailed, framework of the Maltese banking system. In contrast with the majority of banking sector models found in literature, this extension is modelled using an error-correction framework, which allows it to be integrated with a fully fledged macro-econometric model. When compared with other more stylised representations aimed at modelling financial frictions, this set-up is more flexible and allows the model to explain a larger number of relationships. Also, such a framework caters for a less stringent theoretical framework that takes into consideration relationships and properties that are specific to the Maltese banking system.

This banking sector extension targets two main objectives. First, it helps to improve the modelling of credit supply constraints by taking into account the health of Maltese financial intermediaries and the link that exists between savings generated by the economy and credit developments. Second, the endogenous determination of the banks' balance sheets allows for a simultaneous response between developments in the real economy and the banks' ability or willingness to extend credit, allowing the model to be used for financial stability and macro-prudential purposes.

The banking sector block

This extension to the Bank's core macro-econometric model allows for a two-way feedback to exist between the real and the financial blocks of the model. The feedback from the real side of the model to the banking sector is modelled via two transmission channels, the Indirect Interest Rate and the Probability of Default (PD) channels. The financial sector

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[1] Prepared by Noel Rapa, Senior Research Economist at the Economic Research Department. The views expressed in this article are the author's own and do not necessarily represent the views of the Bank. The author would like to thank Professor Josef Bonnici, Mr Alfred Mifsud, Mr Alexander Demarco, Dr Aaron G. Grech, Mr Alfred DeMarco and colleagues for valuable comments and suggestions during an internal presentation.

[2] See Grech, O. and Micallef, B., "A structural macro-econometric model of the Maltese economy", *Working Paper* WP07/2014 available at http://www.centralbankmalta.org/macro-econometric-model.

is affected by the real part of the economy through the endogenous determination of the banks' profits or losses and balance sheets.

The transmission channels

The banking sector extension makes use of two main channels that are used to model the interactions between financial intermediaries and the real economy. The first channel taken into consideration is the *interest rate channel*, which predicts that credit developments are affected by the policy stance of the monetary authority.[3] A monetary tightening (easing) will directly increase (reduce) bank lending rates through the *direct interest rate channel*, thereby leading to a reduction (increase) in the credit extended by financial intermediaries. However, the extent of the pass-through between the policy relevant rate of interest and the lending rates charged by banks is likely to depend on specific bank characteristics that can increase or decrease the costs of financing of banks, a channel which will be labelled as the *indirect interest rate channel*. There are two alternative theories, which can explain a varying degree of pass-through owing to changes in the cost of financing of banks, the Bank Lending Channel and the Bank Capital Channel.[4]

According to the bank lending channel thesis, an exogenous drop in bank deposits cannot be completely offset by the issue of other forms of finance, such as bonds. Since these types of liabilities are uninsured and are subject to asymmetric information issues, the interest rates of such financial assets carry a premium to compensate investors for the higher risk. Therefore, following a negative shock to their deposits, banks will usually find it cheaper to restore their liquidity position by increasing deposit rates to attract new depositors than to issue new bank debt. Moreover, following a negative liquidity shock, the ability of banks to issue new debt is likely to decrease as investors demand higher risk premiums to account for greater risks faced by the banks.

The effects of the bank lending channel are amplified in the case of banks operating in relatively less developed financial systems. In such instances, the ability of banks to finance their assets through the issue of longer-term financial instruments is substantially undermined, implying that banks' financing needs will be heavily dependent on deposits. Deposits are usually re-negotiated more frequently than loans, forcing these banks to keep a low loan-to-deposit ratio (LDR) to account for higher maturity mismatch risks. Following negative deposit shocks, such banks will be required to increase interest rates on deposits to compensate deposit holders for higher maturity mismatch risks, as well as to reduce their credit exposure, either directly via credit rationing or indirectly by raising lending rates.

The bank lending proposition is introduced by augmenting the commercial interest rate pass-through equations with a cost of funding indicator.[5] Despite recent trends of deregulation

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[3] Gambacorta, L., "How do Banks set Interest Rates?" *European Economic Review*, 52(5), 2008, pp. 792-819.

[4] These two theories provide two different propositions of how the indirect interest rate channel works. Therefore, they can be seen as two mutually exclusive ways of how to model the cost of funding channels of commercial banks. Despite the fact that only one theory can be operative at each point in time, both theories are retained in the extension to the core model. Indeed, despite the similarity in the way these two theories work within the model, as well as in the final simulation results, both theories can provide unique interpretations of the manner in which some shocks are transmitted to the economy.

[5] This study augments simple pass-through equations as discussed in Gauci, T. and Micallef, B., "Interest rate pass-through in Malta", *Quarterly Review*, 2014:1, Central Bank of Malta, pp. 71-82.

and liberalisation that have shaped the global financial system in the last two decades, Maltese banks can still be regarded as operating a fairly traditional banking model. Indeed, by 2014 more than 70% of core banks' assets consisted of credit issued to the private sector and government bonds. Also, 85% of the funding needs of these banks were financed by attracting deposits from the private sector. Given these characteristics, the LDR is a good gauge for the maturity transformation risk faced by banks and can thus be used as a cost of funding indicator that allows for the simultaneous analysis of both asset and liability sides of Maltese banks. The sign and magnitude of the LDR in the pass-through equations is according to a priori expectations, implying that a fall in deposits (which increases the maturity mismatch risk of the banking sector) prompts banks to increase deposit and lending rates in an attempt to raise deposits and restrict credit growth, thereby pushing the LDR to safer levels.

The bank capital channel theory is based on two hypotheses. First, the market for bank equity is imperfect and, therefore, banks cannot issue new capital without incurring costs. Second, commercial banks are subject to risk-based regulatory capital requirements that limit the supply of credit. These two conditions imply the failure of the Modigliani-Miller theorem for bank lending, suggesting that bank credit will depend on the financial structure of the bank.[6] When capital is sufficiently low, either due to credit defaults or other losses, banks will find it too costly to recapitalise through the issue of new shares.[7] Therefore, they will opt to reduce credit either directly through credit rationing or by increasing bank lending rates.

In line with literature, the bank capital channel is captured by introducing the amount of bank capitalisation relative to its risk-weighted-assets (RWA) or the Capital Adequacy Ratio (CAR), held in excess of an exogenously set minimum requirement.[8] The estimated sign and magnitude of the excess CAR variables are also according to theory and predict that a fall in the CAR causes banks to raise lending rates (and to a lesser extent deposit rates), resulting in an increase in net lending margins. This helps to raise bank profits (and therefore capital accumulation) and reduce credit growth, pushing up the CAR to target levels.

The second channel used to enhance the macro-financial linkages in the Maltese economy is the PD channel. This channel predicts that an increase in the credit risk of some classes of assets will prompt banks to re-allocate their portfolio towards less risky assets. In the case of increases in the PDs of credit, banks will either seek to reduce their credit exposure by shifting their portfolio to less risky alternatives (such as government or corporate bonds),

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6 Modigliani, F. and Miller, M., "The Cost of Capital, Corporation Finance and the Theory of Investment", *American Economic Review* 48 (3), 1958, pp. 261–297.

7 Literature shows that even if the capital requirement is not binding at a specific point in time, low capitalised banks may find it optimal to forgo profitable lending to lower the risk of future capital inadequacy. Therefore, banks will seek to retain some optimal level of CAR, which is above the minimum required by regulatory bodies. For a more in-depth discussion, see Van den Heuvel, S. "Does bank capital matter for monetary transmission?" *Economic Policy Review* 8, 259265, FED, 2002.

8 In studies, such as Gambacorta, L. and Mistrulli, P., "Does bank capital affect lending behaviour?" *Journal of Financial Intermediation*, 13(4), 2004, pp. 436-457, the measure of excess bank capitalisation used is the total CAR held in excess of a minimum of 8% as required by the Capital Requirement Directive IV of the European Commission. Other studies, such as Miani, C., Nicoletti, G., Notarpietro, A. and Pisani M., "Banks' balance sheets and the macro-economy in the Bank of Italy Quarterly Model", *Occasional papers (Questioni di Economia e Finanza)*, 64, Banca d'Italia, 2012, suggest using the CAR held in excess of an endogenous minimum requirement that takes in consideration the overall risk of the bank's portfolio.

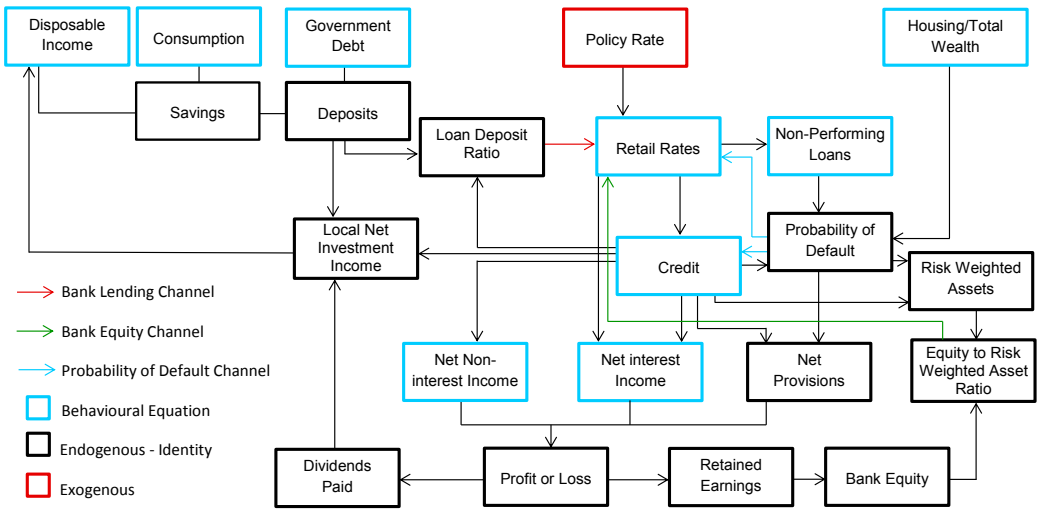
in effect rationing credit supply to the private sector, or else continue extending credit, although at higher interest rates, as a compensation for the higher credit risk exposure. This channel was introduced in the model in two ways. First, the pass-through equations were augmented with PDs, allowing bank lending rates to respond positively following higher credit risks faced by banks. Second, the credit demand equations were extended to allow for direct supply-side rationing whenever banks face higher probabilities of default.

The link between macroeconomic and banking sector conditions

The link between developments in the real economy and banking sector conditions is modelled by introducing a stylised framework for the Maltese banking system. The approach used is similar to the one recently used by the Banca d'Italia in the extension to its macroeconometric model and allows for the determination of a number of important banking variables, such as RWAs, PDs, bank profits, bank equity and deposits.[9]

The schematic diagram in Chart 1 shows the structure of the banking sector block, the relations that exist between the real economy and the banking sector (shown in black arrows) and the transmission mechanism of banking sector conditions to the real economy through the bank lending thesis (shown in red arrows), the bank equity channel (shown in green arrows), and the PD channel (shown in blue arrows). The banking sector framework consists of seven behavioural equations (which determine the variables encircled in blue) and 13 identities (determining the variables encircled in black).

Chart 1
SCHEMATIC REPRESENTATION OF THE BANKING SECTOR EXTENSION



[9] Miani, C., Nicoletti, G., Notarpietro, A. and Pisani, M, "Banks' balance sheets and the macro-economy in the Bank of Italy Quarterly Model", *Occasional papers (Questioni di Economia e Finanza)*, 64, Banca d'Italia, 2012.

On the profit and loss side of the block, the most significant variable is net interest income, which is assumed to grow in line with total credit and the net interest rate spread between lending and deposit rates. Given that government debt makes up the majority of the non-credit assets of Maltese banks, non-interest income is assumed to grow proportionally with government debt outstanding, and to be positively related to government bond yields. Operating expenses are assumed to grow in line with total credit, while net provisions are assumed to grow in line with non-performing loans (NPL), assuming a constant coverage ratio.

The law of motion for capital assumes that equity accumulates with profits after tax and distribution of dividends, both of which are assumed as a fixed proportion of profits before tax.[10] The PDs necessary for the evaluation of RWAs, as well as for the PD transmission channel, are determined via an identity, in line with the study of Buncic and Melecky.[11]

Deposits are determined as the difference between total private savings generated by the economy and the change in general government debt. This assumes that the economy's private savings can be either used to finance government debt or deposited with the local banking sector, and that economic agents will always demand enough government bonds to cover the financing needs of the public sector. This simple framework allows for a direct link to exist between savings, deposits and ultimately private sector credit via the transmission channels explained above. Also, it introduces an element of crowding out effect, through which extra credit demanded by Government will adversely affect bank deposits and, eventually, bank lending via the indirect interest rate channel.

The banking sector extension also allows for the partial modelling of local household investment income. The Bank's current econometric model assumes that household investment income moves in line with household financial wealth. Such an assumption ignores the fact that investment income generally depends on prevailing commercial interest rates. The endogenous determination of deposits and banks' profits or losses allows for net investment income to depend on the amount of net household deposits, commercial lending and deposit rates, and bank dividends earned.

Simulation results

To illustrate the properties of the banking sector block, this section presents the results of two shocks: a permanent upward shock to NPLs and a temporary shock to bank profits resulting from a deterioration in the credit quality of core banks' securities portfolio.

Table 1 shows a 20% permanent increase in NPLs of both household and NFCs. This shock emanates from the real side of the economy and affects the financial sector, and its willingness to extend credit via both bank capital and PD channels.

Following the shock in NPLs, total PD is pushed up, causing an increase in RWAs. Together with a fall in bank equity, caused by a rise in net provisions, the increase in RWAs reduces

[10] In the event of losses incurred by banks, dividends and taxes paid are assumed to be zero.

[11] Buncic, D. and Melecky, M., "Macro-prudential stress testing of credit risk: A practical approach for policy makers", *Policy Research Working Paper*, 5936, WPS5936, The World Bank, 2012.

the CAR of the banking system. In an effort to address a deterioration in their solvency position, banks seek to raise net profits – thereby improving capital accumulation – by increasing their net interest margin. Also, the increase in bank lending rates helps reduce the demand for credit, causing downward pressures on credit extended by banks, which partly offsets the rises in RWAs caused by higher PDs. The volume of credit extended by financial institutions is also affected by the PD channel. Higher PDs attached to bank lending will prompt banks to re-allocate their asset portfolio towards less risky assets, thereby reducing their exposure to bank credit both by increasing lending rates, as well as through direct credit rationing.

The aggregate effect of bank capital and PD channels leads to a fall in private credit in the first year of 1.73% – mainly driven by falls in credit to NFCs – and an increase in total real lending rates of around 0.07 percentage point. This helps banks reduce losses caused by greater risks of default that lead to higher net provisions. These measures aid banks to limit the fall in their CAR from 0.95 percentage point (registered on impact with no changes in bank asset allocation and net interest profit), to less than 0.1 percentage point by the first

Table 1
RESPONSES TO NON-PERFORMING LOANS SHOCK
Percentage changes from baseline levels unless otherwise specified

	Year 1	Year 2	Year 3
Economic Activity			
Real GDP	-0.05	-0.08	-0.09
Contributions to Real GDP Growth[(1)]			
Domestic Demand	-0.21	-0.33	-0.32
Net exports	0.16	0.26	0.23
Prices			
GDP deflator	-0.01	-0.03	-0.06
Labour Market			
Unemployment rate[(1)]	0.00	0.01	0.01
Credit Developments			
Total Credit to Private Sector	-1.73	-2.62	-3.33
Credit to Households	-1.01	-1.95	-2.82
Mortgages	-0.96	-1.84	-2.68
Credit to Consumers	-1.26	-2.53	-3.54
Credit to NFCs	-2.67	-3.49	-3.97
Deposits	-0.03	0.22	0.48
Retail Rates[(1)]			
Real Mortgage Rates	0.09	0.15	0.13
Real NFC Rates	0.05	0.13	0.13
Real Rates on Other Household credit	0.10	0.18	0.15
Banks' Balance Sheets			
Interest Rate Margin[(1)]	0.05	0.05	0.02
Loan Deposit Ratio[(1)]	-0.53	-1.87	-2.47
Capital Adequacy Ratio[(1)]	-0.07	0.12	0.27

[(1)] Absolute changes from baseline in percentage points.
Source: Author's calculations.

year.[12] Driven entirely by the PD channel, private credit falls by around 2.6% in the second year, allowing banks to cut their RWAs by almost 1%, and driving the CAR to levels higher than the baseline scenario. At this point the bank capital channel starts to exert negative pressures on bank lending rates, slightly outweighing the positive pressures exerted by the PD channel. Still, private credit and RWAs continue to fall in the third year after the shock, pushing the banking sector CAR further up, as the effects of the PD channel dominate those of the bank capital channel. From these results one can conclude that, when faced by a heightened degree of uncertainty in the economy, banks will seek to increase their capital buffers in the medium term so as to be able to sustain adverse solvency shocks.[13]

Turning to developments in economic activity, the falls in private credit cause marginal reductions in real GDP. The reductions are mainly driven by decreases in both private consumption and private gross fixed capital formation. The slowdown in economic activity generates some slack in the economy, causing the GDP deflator to fall and the unemployment rate to marginally climb up.

Table 2 shows the responses of the main variables of interest to a temporary shock to bank profits, following a deterioration in the credit quality of core banks' asset portfolio.[14] This shock negatively affects bank equity, causing a fall in the CAR. This brings about a raise in bank lending rates as banks try to increase capital accumulation and reduce RWAs. Indeed, credit to the private sector falls substantially by 1.00% in the first year, while the increases in bank lending rates outstrip those of deposits rates, leading to a rise in interest rate margins of 0.09 percentage point. These measures help improve bank profitability and reduce the impact of this shock on the solvency of the banking system.

Real economic activity is affected in three ways. First, the reduction in private lending causes a slowdown in private consumption and in gross fixed capital formation, and therefore in real GDP. Second, the slowdown in economic activity causes an increase in NPLs and PDs, which cause additional upward pressures on bank lending rates and downward pressures on real credit via the PD channel. This result also implies that there is an element of contagion between the banking sector's and the private non-banking sector's solvency. Third, household investment income is reduced immediately after the shock owing to the suspension of banks' dividend pay-outs, as well as to increases in net interest rates, further contributing to reductions in private consumption. One can note that the impact of this shock on economic activity is quite different from the result of a shock to NPLs. Indeed, while the latter causes a gradual but prolonged fall in economic activity, the former has a more immediate but short-lived effect on real GDP, suggesting that shocks that directly affect bank's willingness to extend credit (especially through the PD channel) have a long-term effect on economic activity.

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[12] The reduction in the capital adequacy ratio following a 20% increase in NPLs under a static environment, whereby banks are not allowed to reduce or re-allocate the size of their portfolio, is in line with the Central Bank of Malta *Financial Stability Report*, which performs stress tests on core Maltese banks under these conditions.

[13] This result is in line with conclusions put forward by McShane R.W. and Sharpe, G., "A time series/cross section analysis of the determinants of Australian trading bank loan/deposit interest margins: 1962-1981", *Journal of Banking & Finance*, Vol. 9, issue 1, 1985, pp. 115-136.

[14] In line with the stress tests performed in the *Financial Stability Report*, a three-notch downgrade for securities held to maturity was assumed. The losses from these downgrades are then charged to the profit and loss figure of banks, resulting in a reduction in equity.

Table 2
RESPONSES TO ASSET QUALITY DETERIORATION SHOCK
Percentage changes from baseline levels unless otherwise specified

	Year 1	Year 2	Year 3
Economic Activity			
Real GDP	-0.09	-0.15	-0.07
Contributions to Real GDP Growth[1]			
Domestic Demand	-0.44	-0.45	-0.29
Net exports	0.34	0.30	0.21
Prices			
GDP deflator	-0.01	-0.05	-0.11
Labour Market			
Unemployment rate[1]	0.00	0.02	0.01
Credit Developments			
Total Credit to Private Sector	-1.00	-1.81	-2.34
Credit to Households	-1.51	-2.29	-2.86
Mortgages	-1.63	-2.46	-3.06
Credit to Consumers	-0.89	-1.41	-1.80
Credit to NFCs	-0.34	-1.17	-1.70
Deposits	-0.10	0.26	0.61
Retail Rates[1]			
Real Mortgage Rates	0.14	0.26	0.28
Real NFC Rates	0.12	0.30	0.36
Real Rates on Other Household credit	0.20	0.41	0.44
Banks' Balance Sheets			
Interest Rate Margin[1]	0.09	0.13	0.08
Loan Deposit Ratio[1]	-0.38	-1.23	-1.87
Capital Adequacy Ratio[1]	-2.26	-2.17	-2.05

[1] Absolute changes from baseline in percentage points.
Source: Author's calculations.

Conclusion

This article presents the development of a banking sector extension to the bank's macro-econometric model. This block includes a detailed framework of the banking sector linking the real economy with the profit and loss, and balance sheet accounts of banks. It also introduces two new channels that link the liquidity and solvency of the banking sector with the real economy through the determination of bank lending and deposit rates.

Simulations show that when faced with real economic shocks that impact their solvency position, banks react in an attempt to improve their capital accumulation. These studies show that shocks that directly impact the credit disintermediation function of banks have a more prolonged impact on real output. Results also suggest that when banks operate in a riskier environment, they will try to increase their capital adequacy in an attempt to improve their capital buffers. These indications are in line with empirical studies that suggest a positive correlation between banks' risk averseness and CAR. The simulations presented in this article also indicate that real economic activity can be substantially affected from a purely financial shock that threatens the financial viability of the Maltese banking system.

7. ECONOMIC PROJECTIONS FOR 2015 - 2017

Outlook for the Maltese economy[1]

The Bank's latest macroeconomic projections indicate that, following the strong expansion in 2014, gross domestic product (GDP) growth is expected to pick up further this year, before easing in 2016 and 2017. Thus, real GDP growth is set to accelerate to 4.1% in 2015 from 3.5% in 2014. However, it is forecast to ease back to 3.4% in 2016 and to 3.2% in 2017 (see Table 7.1).

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

	2014[(1)]	2015[(2)]	2016[(2)]	2017[(2)]
Real economic activity (% change)				
GDP	3.5	4.1	3.4	3.2
Private consumption expenditure	2.9	3.3	3.3	2.9
Government consumption expenditure	7.5	0.8	3.6	5.5
Gross fixed capital formation	9.1	13.1	3.5	-2.8
Exports of goods and services	-0.3	0.1	2.8	3.2
Imports of goods and services	0.6	0.4	2.8	2.5
Contribution to real GDP growth (in percentage pts)				
Final domestic demand	4.7	4.4	3.2	2.0
Net exports	-1.3	-0.4	0.2	1.1
Changes in inventories	0.1	0.0	0.0	0.0
Real disposable household income[(3)]	2.6	3.3	3.1	2.4
Household saving ratio[(3)]	9.7	9.7	9.5	9.0
Balance of payments (% of GDP)				
Goods and services balance	6.4	5.4	5.7	6.4
Current account balance	2.4	1.4	1.8	2.4
Labour market (% change)				
Total employment	4.5	2.6	2.6	2.5
Unemployment rate (% of labour force)	5.7	5.3	5.4	5.4
Prices and costs (% change)				
RPI	0.3	1.2	1.3	1.8
Overall HICP	0.8	1.2	1.6	1.9
HICP excluding energy	1.5	1.9	1.9	1.9
Compensation per employee	0.3	1.1	2.0	2.1
ULC	1.2	-0.3	1.1	1.5
Public finances (% of GDP)				
General government balance	-2.1	-1.6	-1.2	-1.1
General government debt	68.3	66.6	65.2	63.7
Technical assumptions				
EUR/USD exchange rate	1.33	1.11	1.09	1.09
Oil price (USD per barrel)	98.9	53.8	52.2	57.5

(1) Data on GDP were sourced from NSO *News Release* 163/2015 published on 4 September 2015.
(2) Central Bank of Malta projections.
(3) Data for 2014 are Central Bank of Malta estimates.

1 The Bank's outlook for the Maltese economy is based on information available up to 19 November 2015 and is conditional on the technical assumptions shown in Table 7.1.

Compared with the Bank's previous projections, GDP growth has been revised up by 0.5 percentage point in 2015 and by 0.4 percentage point in 2016.[2]

These revisions are mainly motivated by developments during the first half of 2015, when GDP increased by an average of 5.1% in year-on-year terms, significantly faster than the 3.6% growth forecast in the previous exercise.

Domestic demand expected to remain the main driver of economic growth

The Bank expects economic growth to be driven principally by domestic demand. In contrast, net exports are set to contribute negatively to GDP growth in 2015, with their contribution turning positive in 2016 and increasing further in 2017. Changes in inventories are set to remain broadly constant over the forecast horizon.

Private consumption is projected to maintain a robust pace of expansion. Following a 2.9% increase last year, it is set to grow by 3.3% in both 2015 and 2016. Private consumption is expected to be supported by continued growth in real disposable income, which is set to benefit from a reduction in effective personal income tax rates in both years. In 2017 private consumption growth is projected to moderate to 2.9%, reflecting an expected easing in real disposable income growth. Over the projection period, the saving ratio should gradually fall from the relatively high level reached in 2014.

After rising by 7.5% in 2014, government consumption is projected to increase by a more moderate 0.8% in 2015. Growth in government consumption is then set to pick up to 3.6% in 2016 and to 5.5% in 2017. Underlying government consumption is expected to go up relatively fast throughout the projection horizon, partly because government employment is expected to continue rising, especially in the health and education sectors. Intermediate consumption growth is also projected to remain strong. Nonetheless, following the strong increases recorded last year, these two elements of government expenditure are set to grow at a more modest pace over the forecast horizon as, in line with announced policy, Government is expected to pursue a degree of expenditure restraint. The outlook for government consumption is heavily influenced by inflows from the Individual Investor Programme (IIP). These inflows, which are netted against consumption expenditure, are set to increase significantly in 2015 and to rise slightly further in 2016. This explains the relatively subdued growth rate of government consumption in both years. With inflows under the IIP projected to decline in 2017, government consumption is set to increase more strongly.

Following a rise of 9.1% in 2014, investment is expected to expand at an even faster pace of 13.1% this year, before it slows down to 3.5% in 2016. In 2017 investment is set to contract. This profile is heavily influenced by expected movements in private investment. The latter is expected to grow by 15.2% in 2015, before it decelerates to 8.2% in 2016. In 2017 private investment is projected to decline by 4.5%. The projected profile for private investment largely mirrors investment in machinery, which, in turn, is influenced to a large extent by spending on the new gas power plant and the conversion of the existing oil-fired power plant to gas, which is set to peak this year. With the power plant coming on stream in 2016, private investment in machinery is set to drop markedly in 2017.

[2] See *Quarterly Review* 2015:1, Central Bank of Malta, pp. 81-85.

Dwelling investment is also expected to grow strongly over the forecast horizon, particularly in 2015, as it builds on the rebound seen during the first half of the year and the continued recovery in permits issued. In the following two years growth in dwelling investment is set to moderate, although it will still exceed recent years' outturns. Over the forecast horizon, dwelling investment is set to benefit from the Eurosystem's expanded asset purchase programme. Fiscal incentives targeting first-time buyers and property purchases in urban conservation areas are also expected to support investment in this area.

In contrast, expenditure on non-residential construction is set to decline this year following an exceptionally strong outturn related to one-off outlays in the energy sector in 2014. Non-residential construction is set to recover strongly in 2016 and maintain a high growth rate in 2017, partly reflecting the start of a number of projects in the health and education sectors, and the expected redevelopment of facilities previously occupied by the Malta Shipbuilding. Other investment, which includes spending on software, is also set to broadly accelerate over the forecast horizon, in line with the expectation that the services sector in Malta will continue to perform strongly over this period.

After having increased very strongly in 2014, government investment is set to rise by a further 4.9% this year, thereby maintaining a high level. The profile of government investment continues to reflect the Bank's expectation of further progress in relation to the absorption of funds under the 2007-2013 EU financing framework. In the following year, government investment is set to decline as the take-up of funds under the 2014-2020 framework is projected to be initially low. It is then set to rise by 7.0% in 2017, as projects partly financed under this Programme get under way.

Net exports begin to support GDP growth in 2016

After having dropped in 2013 and 2014, exports are set to increase marginally in 2015, before accelerating in 2016. A further acceleration, to 3.2%, is foreseen in 2017. The recovery in exports in 2015 is mainly attributable to an expected improvement in semiconductor exports and the stabilisation of fuel re-exports. In contrast, total service exports are projected to contract during 2015, despite increased receipts related to Malta's IIP and tourism, partly reflecting developments seen during the first half of the year. In 2016 and 2017, exports are expected to continue recovering in line with an expected recovery in foreign demand. They are also set to benefit from an improvement in price competitiveness following a decline in utility tariffs in April 2015.

Import growth largely mirrors expected developments in aggregate demand, notably exports and investment. Activity in the energy sector, in particular, explains the relatively fast growth in imports, compared with exports, in 2015. As projects in the energy sector near completion in 2016, import growth begins to mirror more closely exports growth, also standing at 2.8%. In 2017 import growth is set to moderate to 2.5%, reflecting lower capital spending. Additionally, investment in the energy sector is expected to lead to efficiency gains in power generation, somewhat lowering fuel imports.

On balance, net exports are foreseen to contribute negatively to GDP growth in 2015, but their contribution turns slightly positive in 2016 and increases further in 2017, as investment-related imports moderate and exports respond to the improvement in external demand.

The external balance is expected to remain in surplus

The surplus on external trade in goods and services is expected to narrow slightly to 5.4% in 2015 from 6.4% of GDP in 2014, before it increases to 5.7% in 2016 and to 6.4% in 2017.

The goods balance is expected to deteriorate in 2015 and, to some extent, also in 2016. Lower international oil prices should dampen fuel imports. However, these are more than offset by an increase in imports related to exports and investment.[3] A slight narrowing in the goods deficit is foreseen for 2017 as capital imports slow down, following the completion of the aforementioned projects and as a result of efficiency gains in power generation. At the same time, goods exports should respond to the expected strengthening in foreign demand.

In contrast, the services balance is set to improve in both 2015 and 2016, aided by inflows under the IIP and a buoyant tourist sector, with the surplus remaining broadly stable as a share of GDP in 2017. In 2015 the deterioration in the goods balance is stronger than the improvement on the services account, leading to a narrower trade surplus overall. As investment-related imports normalise, the overall balance is set to improve in 2016. With the services balance broadly stable in 2017 and the goods deficit narrowing, the overall trade surplus is expected to widen further that year.

Broadly reflecting expected movements in the trade balance, the current account surplus is also set to narrow in 2015, before widening slightly again in the following two years, reaching 2.4% of GDP in 2017.

Employment growth is set to moderate

Following a 4.5% increase in 2014, annual employment growth is set to moderate to 2.6% in 2015, reflecting developments seen in the first half of the year. It is expected to fluctuate around 2.5% over the rest of the projection horizon. Employment growth is projected to moderate in both the private and public sectors. In the private sector, employment growth is set to slow down as firms adjust to recent declines in productivity. Following very strong intakes in both 2013 and 2014, government employment should also grow at more moderate rates during the forecast horizon.

After having stood at 5.7% in 2014, the unemployment rate is projected to fall to around 5.4% over the forecast horizon.[4] It is thus set to remain very low from a historical perspective.

Partly reflecting a tighter labour market, growth in nominal compensation per employee is expected to pick up over the forecast horizon, going from 0.3% in 2014 to 1.1% this year, and rising further to 2.0% in 2016 and to 2.1% in 2017. In particular, private sector employees are expected to respond to a period of relatively subdued growth in nominal wages, and a recovery in productivity and consumer inflation, by demanding higher wages.

After declining in 2013 and 2014, productivity is set to recover in 2015, gaining 1.4%. In 2016 and 2017 productivity is projected to increase further, although with GDP growth moderating, the gains are set to be more modest, at 0.8% and 0.6%, respectively.

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[3] Data on the trade balance and the current account in this Chapter are consistent with *News Release* 163/2015, NSO, and with projections for real exports and imports reported in Table 7.1. These may differ from the balance of payments data published in *News Release* 173/2015, NSO.

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

Unit labour costs (ULC) are set to decline in 2015, as the recovery in compensation per employee is initially modest, with growth in average compensation levels falling short of the increase in productivity. Subsequently, as compensation per employee accelerates, while productivity growth moderates, ULC growth is expected to turn positive, reaching 1.5% in 2017.

The fiscal deficit is projected to narrow further[5]

The general government deficit-to-GDP ratio is set to narrow to 1.6% in 2015 from 2.1% in 2014, and further to 1.2% in 2016. In 2017 the fiscal deficit-to-GDP ratio is set to stand at 1.1%.

The narrowing in 2015 mainly reflects a rise in the intake under the IIP, and increases in direct and indirect tax revenues, in the context of a buoyant economy and higher excise duties announced in the Budget 2015. These factors offset the negative impact of lower tax rates, a one-time bonus for households and higher capital transfers to the national airline.

The further decline in 2016 largely reflects the expectation that capital transfers to the national airline cease as the airline returns to profitability. Inflows under the IIP, moreover, are set to maintain a high level, while Government is expected to exercise an element of expenditure restraint, particularly in relation to the wage bill. These factors, along with additional indirect taxes announced in the Budget 2016, are expected to offset the widening of the tax-free income bracket and increases in certain categories of pensions.

In 2017 the fiscal deficit is expected to narrow. Although a degree of restraint in recurrent expenditure is foreseen to prevail that year, this is almost entirely offset by an expected decline in revenue, reflecting the profile of inflows under the IIP. The Bank's projections for 2017 assume no new fiscal measures.

The general government debt-to-GDP ratio is set to fall from 68.3% in 2014 to 63.7% in 2017, supported by an improvement in the primary balance and a favourable interest rate environment.

Inflation is expected to accelerate

Inflation projections are influenced by the technical assumptions shown in Table 7.1, which entail a significant decline in the US dollar oil price in 2015, and a weakening of the euro against the US dollar. In 2016 a further drop in the US dollar oil price is set to be partly offset by the weakening of the euro that year. As a result, the oil price in euro terms is expected to fall significantly in 2015 and, to a lesser extent, in 2016. With the exchange rate assumed to be stable, the oil price in euro terms is set to increase in 2017, mirroring the movement in the dollar price of oil.

The annual rate of inflation, measured by the Harmonised Index of Consumer Prices (HICP), is expected to accelerate to 1.2% in 2015 from 0.8% in 2014. This acceleration largely reflects developments during the first ten months of the year, when overall HICP inflation averaged 1.1%. Developments during this period were characterised by a strong recovery in food price inflation and some pick-up in non-energy industrial goods inflation, the latter partly reflecting the impact of the weaker euro. In addition, the decline in energy prices eased. In contrast, service prices grew at a slightly slower annual rate.

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

In 2016 consumer prices are set to rise at a slightly faster pace of 1.6%. Although food price inflation is projected to remain broadly unchanged, energy prices are foreseen to decline at a weaker rate compared with 2015, largely in line with the oil price. Moreover, services price inflation is set to accelerate, supported by an expected pick-up in prices charged by restaurants and hotels in the context of a fast expanding tourist sector and the introduction of an environmental contribution on tourist nights following the Budget 2016.

In 2017 HICP inflation is set to pick up slightly further, to 1.9%, largely reflecting the higher international oil price.

Risks to the projections

Risks to the GDP growth projections are balanced. Downside risks relate to the fragility of the global economic recovery, particularly if the slowdown in emerging economies is more pronounced than assumed in the projections. The recovery in the euro area may also be slower than expected. These factors would weigh on Maltese exports. Exports could also surprise on the downside if the envisaged recovery in the semiconductors industry is delayed.

On the other hand, government consumption could surprise on the upside if the assumed restraint in expenditure does not materialise. In addition, the relatively high level of the saving ratio poses an upside risk to the projections for private consumption, should savings converge more rapidly to their estimated long-run average. Imports could also be lower than expected, if efficiency gains from electricity generated by the new power plants prove stronger than assumed in the projections.

Risks to inflation projections are balanced. Downside risks relate to the possibility of an extended period of weak inflation in Malta's trading partners, which would translate into lower import and consumer prices. Inflation would also be lower than expected if domestic fuel and gas prices were to fall further in response to earlier declines in the international oil price. On the other hand, the international oil price may rise above the levels implied by the technical assumptions.

STRENGTHENING ECONOMIC RESILIENCE[1]

Professor Josef Bonnici
Governor of the Central Bank of Malta

I would like to thank the President and Committee of ifs Malta for once again organising this Annual Dinner and giving me the opportunity to share my thoughts with such a distinguished audience.

Mr President, I am pleased to hear you speak about the Institute's commitment towards raising the standards of financial services education, as this is exactly what we need for our dynamic financial sector to remain successful and a key contributor to our economic development.

Over the years, the Central Bank of Malta has worked closely with the Institute, and more recently participated in the successful ifs Annual Conference on The Future of Pensions. This national conference acted as a catalyst to rekindle the debate on private pensions in Malta. I commend the Institute for this important initiative. I wish you success in all the Institute's future endeavours.

Introduction

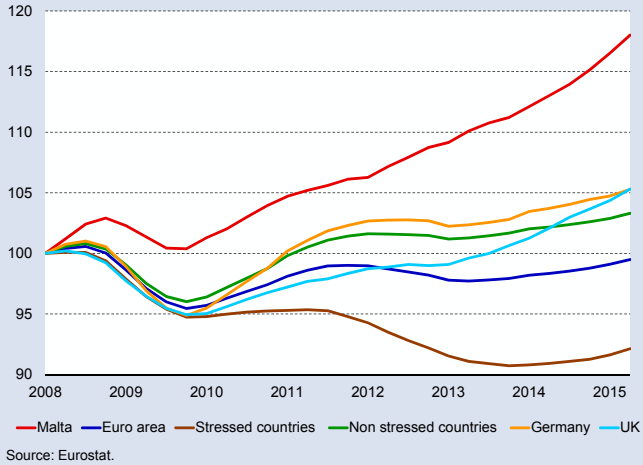
The current international economic environment poses a number of key challenges, including the weak recovery in the euro area, the slowdown in emerging economies, the enduring geopolitical tensions, and possible spill-overs from the US monetary policy that could affect financial conditions on a global scale. Clearly, our economy is not immune to developments beyond our shores. Against an uncertain economic and political landscape, our vision should be to turn challenges into opportunities to sustain economic growth in the long term.

Factors underpinning Malta's remarkable resilience

The Maltese economy has been vibrant, showing remarkable economic resilience in the face of the unstable economic environment elsewhere. In fact, the theme "Vibrant Malta" has been chosen for the European Cultural Days at the ECB in Frankfurt, which this year focus on Malta. Earlier this month, we launched a cultural programme aimed to enhance awareness of Malta's cultural heritage. The theme reflects not only the current cultural scene but also our vibrant economy.

Malta is the most open economy in the euro area, having exports and imports of goods and services each over 150% of GDP. Despite this challenging factor, the Maltese economy has managed to outperform its peers, with GDP growth consistently above that of the euro area average. A good perspective to this positive outcome is given in Chart 1, which is an update of a Chart I used in last year's

Chart 1
REAL GDP
(Index 2008Q1=100; four quarter moving sum; chain-linked volumes)



Source: Eurostat.

[1] Speech given at the Annual Dinner of the ifs Malta on 20 November 2015.

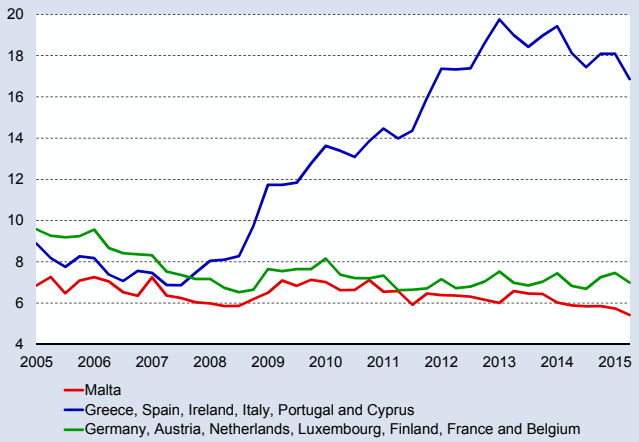
presentation; since the onset of the global financial crisis in 2008, Malta's GDP increased by 18%, whereas that of Germany and the United Kingdom rose by just 5%, while that of the euro area as a whole contracted by 0.5%.

Chart 2 shows the unemployment rate in the stressed and non-stressed euro area members and Malta since 2005. Over this period, Malta's performance has been quite distinct, outperforming the non-stressed countries, while having a declining trend since 2013. This year, at 5.4%, it is the second lowest in the euro area, after Germany.

Chart 3 shows the employment performance. Since 2008 employment in Malta increased by around 18%, compared with a rise of just under 3% in the non-stressed economies and a contraction in employment in the stressed ones. In particular, the private sector employment growth rate averaged above 3% per year over the past three years.

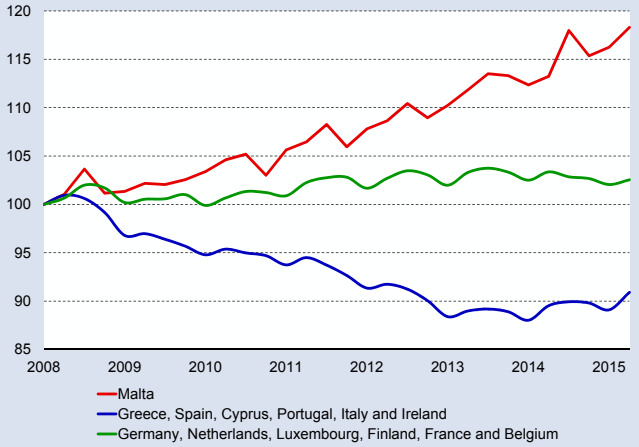
Of significant importance is the strong potential output growth, which has been supported by the robust dynamics in the Maltese labour market. In its projections, the European Commission had foreseen potential output growth in 2015 in excess of 3.5%, compared with around 1% in the euro area as a whole, as shown in Chart 4. In fact, according to the European Commission, Malta and

Chart 2
UNEMPLOYMENT RATES
(per cent; quarterly)



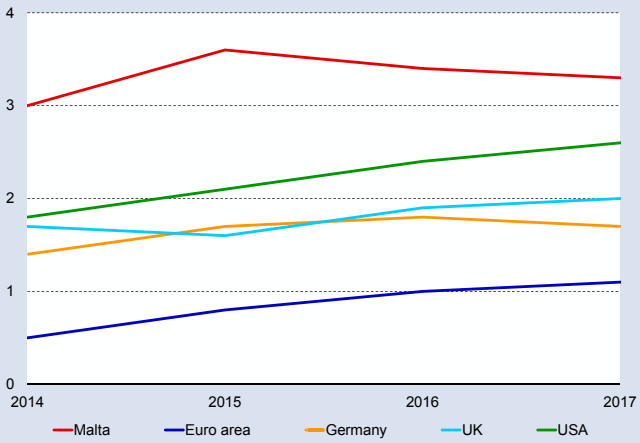
Sources: Statistical Data Warehouse; Eurostat.

Chart 3
EMPLOYMENT
(Indexed 2008 = 100; quarterly)



Source: Eurostat.

Chart 4
POTENTIAL GDP
(volume; percentage change over previous year)



Source: European Commission Autumn Forecasts, 2015.

Germany were the only two Member States in which potential GDP in 2014 had already exceeded its pre-crisis growth rate.

Labour market participation is a critical factor supporting potential output, particularly the steady increase in female participation. This is further reinforced by inward migration, mostly from the European Union. In fact, we estimate that in the period 2010 to 2014, migrant workers contributed to 0.6 percentage point of potential output growth. It is important to recognise that the bulk of migrant workers are in managerial, professional and technical occupations, although there is a growing number of foreign workers in elementary occupations in the hotel and restaurant sector, and in clerical and other support duties. These workers enhance the human capital stock, bringing new skills and knowledge, while also helping to avoid bottlenecks in the labour supply in expanding sectors, including in tourism related jobs.

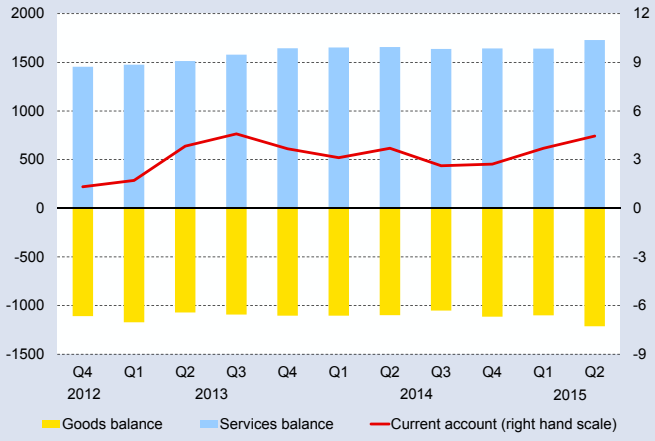
The buoyant performance in output and employment has dampened concerns about macroeconomic imbalances. The current account of the balance of payments turned positive in 2012 and has remained in surplus on an annual basis since then, as shown in Chart 5. The shift into surplus in recent years was driven by exports of services on the back of a strong performance in tourism and the development of new areas of economic activity.

Imbalances in the public sector have also been narrowing. Malta has successfully emerged from the European Commission's excessive deficit procedure, and this year Government is aiming at a deficit of 1.6% and a declining national debt of 68.3% of GDP. Next year, the deficit is targeted at 1.1% of GDP, while the national debt is forecast to decline to 65.2%.

Although the economy is small and highly dependent on foreign trade, resource flexibility and ongoing structural change strengthened its ability to adjust to external shocks, so that Malta emerged from the crisis with strong economic fundamentals.

The transformation in the exports profile of Malta, labour market developments, the *modus operandi* of the banking sector and the prudent management of public finances have been the main determinants of this resilience. The post-EU accession period witnessed a sharp rise in export-oriented services. Liberalisation of various sectors, the higher availability of better educated human resources and a targeted strategy to attract foreign direct investment opened new service sectors.

Chart 5
COMPOSITION OF CURRENT ACCOUNT
(four-quarter moving sums in EUR millions; as a percentage of GDP)



Source: National Statistics Office.

The strong shift of the Maltese economy towards services could in fact explain the rising unit labour costs observed in the past decade. The service sector engages higher quality employees and is less capital intensive than the more traditional parts of the economy. Although this

could increase unit labour costs, it does not necessarily imply a loss of competitiveness. The labour content per unit of output is higher in the changed composition of output of the economy.

The resilience of the Maltese economy can also be attributed to its banking sector, which operates in a sound and liquid framework and is profitable. The prudent business model adopted by the core domestic banks is the backbone of our financial system's resilience.

Finally, the prudent management of public finances, and the stable funding of Maltese government debt, have also contributed positively. Around 94% of local sovereign bonds are held by residents, largely with a buy-to-hold mentality.

What are the challenges ahead of us? How to strengthen resilience further?

Internationally, the risk of deflation has been the primary concern from a central banking and monetary policy perspective. In a low or negative inflation environment, consumption could be postponed in the expectation of further price reductions, putting pressure on firm revenues. Given the downward rigidity in wages, firms cannot easily adjust through lower wages in a deflationary environment. So a deflationary environment could lead to higher unemployment and stagnation. Also, low inflation increases the burden of servicing debt. Indeed, with deflation the real interest rate starts rising. When nominal policy rates are close to the zero lower bound, higher real rates cannot be corrected by reductions in policy rates.

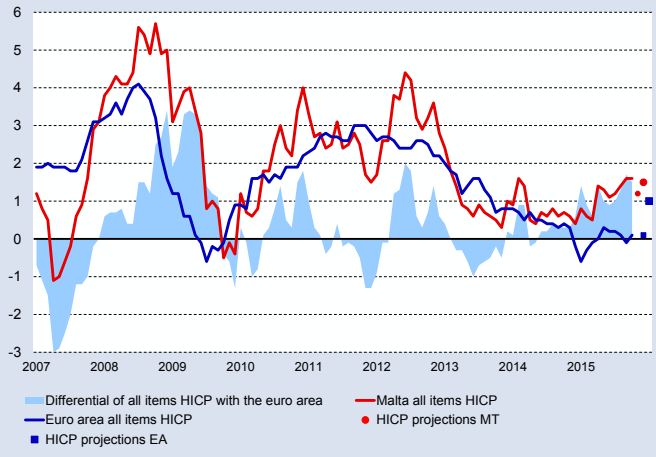
The prolonged period of low inflation in the euro area since 2014 has prompted the ECB to introduce unconventional monetary policy measures (see Chart 6).

These complement the reductions in the main policy rate so as to maintain an accommodative monetary stance. In January 2015 the ECB announced the launch of the asset purchase programme (APP), first encompassing ABS and covered bonds, and later extended to the purchase of sovereign bonds.

At the euro area level, the ECB's monetary policy strategy has gradually improved financial and credit conditions, as well as the ongoing economic recovery.

The non-standard measures have resulted in higher equity and bond prices, higher liquidity and improved lending conditions. Since June 2014 the transmission of policy rates to lending rates has improved, with declines in lending rates becoming more pronounced and more widely distributed across euro area countries. The bank lending survey confirms the improvements in broader credit conditions since the introduction of the APP. As a result, credit to the private sector in the

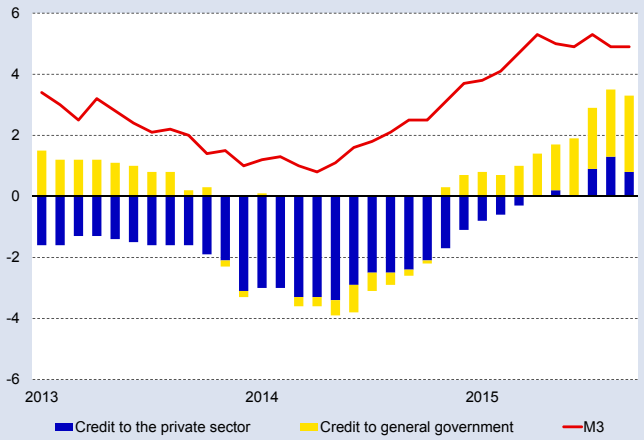
Chart 6
PRICE INFLATION IN MALTA AND THE EURO AREA
(annual percentage change; monthly)



Source: Eurostat.

euro area has shown signs of recovery and registered a positive growth since May 2015, the first time in 36 months, as shown in Chart 7.

Chart 7
ANNUAL GROWTH OF M3 AND MAIN COUNTERPARTS
(percentage points)



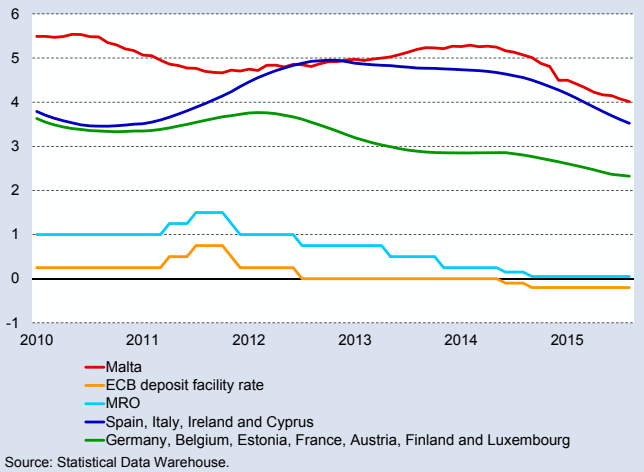
Source: Statistical Data Warehouse.

On the inflation front, however, results continue to disappoint on the downside. The harmonised index of consumer prices in the euro area is just 0.1% in October 2015, following a period of negative or close-to-zero inflation. On the other hand, the latest inflation rate for Malta, at 1.6%, is within reach of the ECB's below but close to 2% target; it attests to the buoyancy of the economy. It also indicates that the APP has had positive effects on Malta's economy. The main transmission channel has worked through the exchange rate. The depreciation of the euro against other major currencies has kept inflation in Malta closer to the ECB target and it also boosted competitiveness on the exports side. Countries with high openness to trade with non-euro area countries have been more sensitive to the depreciation of the euro. In Malta exports of goods towards non-euro area countries represent around 72% of total goods exports and around 87% in the case of service exports.

The wealth effect is another transmission channel of the APP that has been evident in Malta. The Malta Stock Exchange has gained 32% since the beginning of the year, while the property market continued to perform buoyantly. A higher level of wealth positively affects consumption and general consumer confidence.

On other fronts, however, Malta can position itself better to reap more benefits from this unprecedented scenario of accommodative monetary policy, particularly in the area of access to finance. As just mentioned, the ECB's monetary policy has enabled significant reductions in lending rates across the euro area. Bank lending rates in Malta did go down but still remain higher than in other euro area countries, as shown in Chart 8.

Chart 8
MRO AND NFC LENDING RATES
(12-month moving average; loans up to 1 million; weighted by loan volumes)

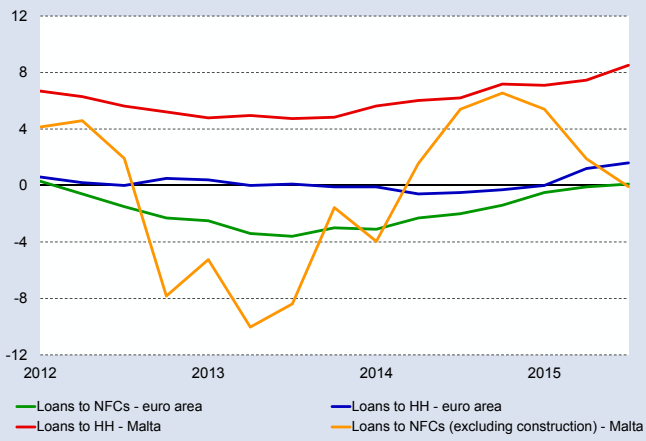


Source: Statistical Data Warehouse.

The transmission of central bank policy rates to retail bank rates is an essential condition for the monetary policy

transmission mechanism. This is especially important in Malta where the predominant types of businesses are SMEs, which use banks as a main source of financing. In fact, although Malta outperformed the euro area on the main macroeconomic indicators, credit to the non-financial corporate sector has remained subdued, although this partly reflects deleveraging in certain sectors, particularly in construction and real estate.

Chart 9
GROWTH IN PRIVATE SECTOR CREDIT - MALTA AND THE EURO AREA
(annual percentage change)



Sources: Statistical Data Warehouse; Central Bank of Malta calculations.

Apart from the impaired transmission of ECB policy rates to retail rates, charges and commissions of commercial banks are found to be relatively high. In a recent report, the Malta Competition and Consumer Affairs Authority made a number of recommendations to address issues primarily related to price transparency, barriers to expansion and consumer mobility in view of improving competition and borrowing costs for SMEs. Bank charges on SME loans and charges for credit transfers need to be revised downwards to facilitate access to finance and also to encourage the use of electronic money, which would ultimately result in lower processing costs to banks.

In keeping constant focus on maintaining competitiveness, the Government took a significant step by committing itself to set up the Malta Development Bank. Preparatory work on the establishment of the Bank is well advanced. The development bank will strengthen and diversify the local financial base and will contribute to economic growth by funding sectors and projects that are not catered for by commercial banks on their own. It will provide attractive wholesale financing and risk sharing facilities. It will be a powerful tool to bring to realisation more economically feasible projects.

The delay in tackling non-performing loans (NPL) on the bank's books is another factor that puts a drag on credit growth and reflects a dimension of credit risk that should be resolved. An efficient judiciary system that deals with insolvency cases in a timely and cost efficient manner facilitates credit risk management by bringing down the stock of NPLs. An improved corporate insolvency regime facilitates the rehabilitation of viable firms and speeds up the exit of non-viable ones. This would boost banks' profitability as a result of reduced provisioning needs, while it would also generate gain of output for the real economy arising from more efficient allocation of resources. The authorities have launched a comprehensive review of the judicial system, which is expected to result in a reform that would benefit the banking sector and the overall economy.

As I said earlier, the APP has had some positive effects on our economy. However, we need to be vigilant to identify any arising risks from liquidity flows. Accordingly, the Central Bank of Malta, through its participation with the Malta Financial Services Authority on the Joint Financial Stability Board, is monitoring credit developments for any undue credit growth that could potentially lead

to the formation of asset bubbles. Should it be required, we will take offsetting macro-prudential measures to safeguard financial stability and maintain the resilience of the financial sector.

Given the limited depth of our capital market, the APP has somewhat tightened investment options for the Maltese investor. In this context we need to diversify our capital market further, with securities that are sufficiently backed by assets, such that the integrity of our capital market and the stability of our investors' base remain intact.

During the Governing Council meeting held in Malta last October, President Mario Draghi stated that "monetary policy should not be the only game in town", indicating that monetary policy could not solve the euro zone's economic problems alone, and that "…all countries should strive for growth-friendly fiscal policies".

In the current state of affairs, an efficient budgetary policy must be built around structural reforms, fiscal responsibility and productive public investment. With the Maltese economy operating close to its potential output, it is the appropriate time to create fiscal buffers that could act as a cushion against any future need.

Conclusion

The single currency has proved to be a challenge to various countries in the euro area. Instead of exploiting the opportunities offered by the single market, some Member States have been impacted by the fixed nominal exchange rate and their inability to correct macroeconomic imbalances through internal adjustment. This made them more vulnerable in times of crisis. One fundamental lesson to be learnt is that, with a fixed exchange rate, it is of utmost importance that the rest of the economy is as flexible as possible to correct imbalances.

In this regard, the Maltese economy has been nimble enough to adapt to the new realities of the single currency. Yet, the challenges that lie ahead will require further structural changes that increase flexibility and strengthen economic fundamentals. To this end, Government has identified health and education as new sectors with growth potential that could be transformed into exportable services. Malta has the ability to develop a regional cluster in these areas, attracting students and patients from the region and beyond. This year we have seen a significant correction in the exchange rate, which is expected to exert a positive influence on economic growth in the year ahead.

There are other major elements that add to Malta's positive outlook. In addition to being an efficient and profitable international business location, Malta is a meeting point of cultures and languages at the centre of the Mediterranean. There is, therefore, potential for further development of economic activities that exploit our location, our strengths in doing business from Malta that add value to current activities, such as, for example, developing further cultural niches in the tourism sector so as to maintain a vibrant and evolving economy.

NEWS NOTES

ECB announcements

On 31 August the European Central Bank (ECB) introduced changes to its monetary policy implementation framework. More specifically, the eligibility criteria for counterparties taking part in the monetary policy operations were revised, with information on institutions' capital, leverage and liquidity ratios now forming part of the eligibility assessment. Moreover, the list of assets eligible as collateral was expanded to include certain types of non-marketable debt instruments.

On 3 September the Governing Council decided, with regard to the ECB's public sector asset purchase programme, to increase the issue share limit from 25% to 33%. This would allow the purchase of more single issue bonds, subject to a case-by-case verification so as not to create a situation, which would allow the Eurosystem to have blocking minority power for the purposes of collective action clauses.

Central Bank of Malta

Issue of numismatic product

On 25 September the Bank, together with Heritage Malta, issued a silver coin and a silver foil commemorating the 450th anniversary of the Great Siege. The coin was struck at the Royal Dutch Mint and depicts Antonio Sciortino's 1927 bronze monument to the fallen of the Great Siege. The foil depicts Grand Master Jean de Valette as painted by Matteo Perez d'Aleccio.

Issue of commemorative coin

On 5 October the Bank issued the fifth and last coin in a series of €2 commemorative coins highlighting milestones in Malta's constitutional history. The theme of the coin was "Republic – 1974", with the obverse depicting the marble tablet affixed to the façade of the Presidential Palace in Valletta marking Malta's transition from a monarchy to a republic in 1974. The reverse side shows the common €2 side. The coin, which was struck at the Royal Dutch Mint, was issued in circulation-quality rolls of 25 and also in proof quality.

Central Bank of Malta hosts Governing Council meeting

On 22 October the Central Bank of Malta hosted a meeting of the Governing Council of the ECB. The meeting, which focused on monetary policy in the euro area, is one of two meetings that were held outside Frankfurt in 2015.

Fiscal and economic policy developments

Budget 2016

On 12 October the Minister for Finance presented the government budget estimates for 2016. The general government deficit as a ratio of gross domestic product (GDP) is expected to stand at 1.6% in 2015, down from 2.1% in 2014, and thereafter to gradually decline

to 0.2% by 2018. Meanwhile, the ratio of general government debt to GDP is expected to stand at 66.6% in 2015, gradually falling to 61.4% in 2018.

The main revenue measures announced included an increase in the income tax exempt band for households, a new environmental contribution on tourist nights and a raise in excise duties. On the expenditure side the minimum pension, as well as in-work benefits, were increased. Various measures related to the property market were also announced.

Credit ratings

On 22 August Fitch Ratings affirmed Malta's Issuer Default Rating at A, with a stable outlook. The outlook reflected strong economic growth, a gradual improvement in public finances and lower nominal interest expenditure. Nonetheless, the agency highlighted the challenges in meeting fiscal targets, as well as the large amount of government-guaranteed liabilities to state-owned enterprises, which continue to weigh on creditworthiness.

On 2 October DBRS Credit Rating Agency confirmed Malta's long-term rating at A Stable. The agency commented on Malta's favourable growth dynamics, the improvement in public finances and the reduction in public indebtedness. The agency stated that Malta's rating reflects its membership of the euro area, the robust financial position of households, an attractive business environment and a solid external position. However, it noted that Malta's public finances remain a source of vulnerability and that the economy is exposed to external shocks. Weak productivity growth, coupled with rapid wage increases, could gradually erode competitiveness.

On 10 November Moody's confirmed Malta's government bond rating at A3, with a Stable outlook. This rating is supported by the country's healthy economic outlook and the Government's access to a large and reliable domestic funding pool. In particular, the agency commented on the good performance of the services sector. Malta's main challenges relate to public finances, namely the high government debt relative to its rating peers, the country's reliance on domestic funding, and contingent liability risk stemming from public utilities. Nonetheless, the agency expects the fiscal deficit to narrow, while government debt is forecast to fall gradually.

European Commission forecasts

On 5 November the European Commission published its EU-wide Autumn Forecasts. With regard to Malta, the Commission's forecasts point to continued robust growth, with GDP growth peaking at 4.3% in 2015 before moderating to 3.6% in 2016 and 3.1% in 2017. Growth will be mainly supported by domestic demand. Meanwhile, employment growth will remain robust, although at a more moderate pace, thereby keeping the unemployment rate at low levels. The inflation rate, based on the Harmonised Index of Consumer Prices, is expected to accelerate over the forecast horizon, reaching 2.2% in 2017. The general government deficit and debt ratios are expected to gradually decline to 1.1% and 61.0% of GDP, respectively, in 2017.

IMF mission statement

On 16 November the International Monetary Fund concluded its Article IV mission to Malta. In its concluding statement, the Fund mentioned that the Maltese economy is growing strongly, aided in part by policy initiatives. The economy remains resilient in the face of external shocks, while unemployment is at historic lows. Nonetheless, there are challenges, including external uncertainty and improved competitiveness in euro area neighbouring countries. Meanwhile, inflation is expected to gradually pick up. The Fund recommended the building of fiscal buffers to cope with adverse shocks, ensuring financial stability and sustaining structural reforms.

Financial sector developments

Financial Legislation

Legal Notices 298, 299, 300, and 301, all dated 18 September, amend various financial service laws with the purpose of implementing the EU Bank Recovery and Resolution Directive (Directive 2014/59/EU). The Directive establishes a framework for the recovery and resolution of credit institutions and investment firms. In particular, Legal Notice 301 lays down rules and procedures relating to the recovery and resolution of such entities.

Legal Notice 326, dated 9 October, amends the Central Bank of Malta Act and establishes the Central Bank of Malta as the competent authority for interchange fees for card-based payment transactions, under EU Regulation No 2015/751.

Deutsche Bank to close operations in Malta

On 29 October Deutsche Bank announced that it would cease all operations in Malta, as part of a worldwide restructuring exercise.

Capital market developments

Malta Government Stocks

Legal Notice 305, dated 25 September, announced the issue of two Malta Government Stocks (MGS) amounting to €120 million, subject to an over-allotment amount of €60 million. The issue was oversubscribed, with the Treasury receiving bids totalling of €231.4 million. Of this amount, €52.5 million were allotted to a 2.00% MGS 2020 (V) (Fungibility Issue), at an issue price of €106.25, and €127.4 million were allotted to a 2.30% MGS 2029 (II) (Fungibility Issue), at an issue price of €102.50. The bonds were listed on the Malta Stock Exchange on 19 October.

Corporate Bonds

On 23 September Hili Properties plc published a prospectus announcing a new €37 million bond issue. The unsecured bonds, which were issued at par with a coupon rate of 4.50%, will mature in 2025. The issue was oversubscribed, and the bonds were listed on the Malta Stock Exchange on 21 October.

Issue of notes

On 12 November Bank of Valletta announced that it was offering to the public €75 million worth of unsecured notes, with a coupon rate of 3.50% and maturing in 2030. This is the first of two tranches of a Subordinated Debt Programme.

Global Competitiveness Index

On 30 September the World Economic Forum published the *Global Competitiveness Report 2015-2016*. Malta ranked in 48th place (out of 140 countries) in the Global Competitiveness Index, with an unchanged score of 4.4 out of a maximum of 7.0. While Malta ranked highly in terms of factors, such as health, primary education, technological readiness, and the general macroeconomic environment, it was held back by low scores in market size and innovation. The report also specified that government bureaucracy and access to finance, along with other supply and capacity constraints, were the most problematic factors highlighted by businesses operating in Malta.

International economic and financial news

Council of the European Union

On 4 August the Council approved a regulation amending the European Financial Stability Mechanism (EFSM). The regulation ensures that financial assistance from the EFSM to a euro area Member State is only granted if legally binding provisions, which guarantee that Member States outside the euro area are immediately and fully compensated for any liability they may incur as a result of a failure by the beneficiary to repay the financial assistance, are in place.

European Council

On 15 October the quadrennial European Council meeting of the leaders of EU Member States was held. The main focus was the ongoing migration and refugee crisis. In this context, leaders discussed improving cooperation with third countries to stem the flows, strengthening the protection of the European Union's external borders, and Europe's response to the current influx of refugees. Other items discussed included developments in Syria and Libya, and the Presidents' report on completing Europe's Economic and Monetary Union.

IMF/World Bank Annual Meeting

On 9 October the International Monetary and Financial Committee met in Lima as part of the annual meetings of the International Monetary Fund and the World Bank Group. The Committee discussed the global economic recovery, which continues but remains modest and uneven, with medium-term prospects weakening in the face of uncertainty and financial market volatility. It called on advanced economies to maintain an accommodative monetary stance and implement sustainable fiscal policy to support growth and job creation. Meanwhile, emerging and developing economies should remove bottlenecks to stronger growth while smoothing the adjustment to less favourable external conditions, such as lower commodity prices.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

(as at 7 December 2015, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates:	EUR 1 = USD 1.0809	
		EUR 1 = GBP 0.7177	
CLIMATE	Average temperature (2015):	Jan. - Mar.	12.8°C
	Average temperature (2015):	July - Sep.	27.3°C
	Annual rainfall (2014)		504.3mm
SELECTED GENERAL	GDP growth at chain-linked volumes 2010 prices (2015 Q3)[1]		5.4%
ECONOMIC STATISTICS	GDP per capita at current market prices (2014)[1]		EUR 19,056
	GDP per capita in PPS relative to the EU-27 average (2014)		85.0%
	Ratio of gross general government debt to GDP[1] (2014)		66.9%
	Ratio of general government deficit to GDP[1] (2014)		2.1%
	RPI inflation rate (12-month moving average) (Oct. 2015)		1.0%
	HICP inflation rate (12-month moving average) (Oct. 2015)		1.0%
	Ratio of exports of goods and services to GDP (2015 Q2)[1]		139.6%
	Ratio of current account surplus to GDP (2015 Q2)[1]		11.3%
	Employment rate (2015 Q2)[2]		63.9%
	Unemployment rate (2015 Q2)[2]		5.4%
	Long term government bond yield (Jul. 2015)		1.4%
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		1,882
EDUCATION	Gross enrolment ratio (2013/2014)		71.5%
	Teachers per 1,000 students (2010/2011)[1]		110
ELECTRICITY	Domestic Consumption (million kwh) (2013)		604
WATER	Average daily consumption ('000 m^3) (2014)		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 Q3)		62.0

[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 October 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)
Credorax Bank Ltd (from September 2015)
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.

PART 1: MONETARY, BANKING AND FINANCIAL MARKETS

PART 2: GOVERNMENT FINANCE

PART 3: EXCHANGE RATES, EXTERNAL TRANSACTIONS AND POSITIONS

PART 4: REAL ECONOMY INDICATORS

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
Aug.	4.7	1,457.7	910.9	122.1	524.9	187.8	53.4	1,220.1	4,481.6
Sep.	4.5	1,485.7	929.1	121.5	531.5	197.3	53.4	1,268.3	4,591.4
Oct.	4.5	1,500.3	939.0	124.8	525.3	136.3	53.4	1,189.1	4,472.9

[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
Aug.	896.2	1,404.0	293.9	485.3	137.4	76.4	0.0	119.9	855.4	128.0	379.0
Sep.	894.4	1,314.7	301.0	520.7	181.8	96.4	0.0	119.5	953.7	132.4	377.9
Oct.	895.7	1,494.1	275.7	480.7	18.6	98.1	0.0	119.5	851.7	135.4	379.2

[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] 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										
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
Aug.	0.1	6.8	677.9	684.7	1,687.1	1,677.0	289.9	3,654.0	315.0	4,653.9
Sep.	0.1	6.6	693.2	699.8	1,749.8	1,706.6	286.6	3,743.1	326.0	4,769.0
Oct.	0.1	6.6	715.2	721.7	1,689.0	1,720.9	280.4	3,690.3	262.0	4,674.2

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										
July	962.5	434.4	0.0	434.4	1,008.2	102.1	304.0	1,414.3	562.8	1,318.6
Aug.	961.2	486.6	0.0	486.6	835.6	88.3	159.6	1,083.6	558.6	1,563.8
Sep.	959.8	538.7	0.0	538.7	925.7	92.3	211.8	1,229.8	559.7	1,480.9
Oct.	962.4	501.7	0.0	501.7	824.5	93.5	53.6	971.7	578.2	1,660.1

[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	680.1	35,376.2	797.5	48,180.4
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	733.0	39,600.1	1,154.9	52,728.2
2015										
Jan.	897.0	9,109.1	2,162.7	182.7	6,946.0	34,590.7	852.5	42,389.3	1,168.1	55,908.8
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	868.0	42,385.4	1,116.8	56,161.0
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	27,745.7	1,048.5	34,793.9	1,229.2	48,883.0
Aug.	1,521.5	9,148.3	2,179.1	291.5	6,226.6	25,065.5	1,103.6	32,395.7	1,182.9	46,719.0
Sep.	1,421.6	9,225.0	2,205.3	292.0	6,308.5	24,583.4	1,116.4	32,008.2	1,183.1	46,335.2
Oct.	1,596.3	9,214.1	2,155.6	294.8	6,275.0	24,053.8	1,150.2	31,478.9	1,192.3	45,932.0

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

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

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

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

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

EUR millions

End of period	Deposits from residents of Malta[2]				External liabilities				Debt securites issued[4]	Capital & reserves	Other liabilities[2]
	Withdraw-able on demand[3]	Redeem-able at notice	With agreed maturity[3]	Total	Deposits from other residents of the euro area[4]	Deposits from non-residents of the euro area[3,4]	Other external liabilities[5]	Total			
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	11,496.1	29,376.6	350.8	4,185.7	1,359.0
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	12,277.0	32,167.3	370.9	4,366.6	1,705.8
2015											
Jan.	8,815.4	207.1	5,385.6	14,408.1	6,154.2	16,456.0	12,401.5	35,011.7	371.3	4,446.7	1,671.0
Feb.	8,615.6	206.3	5,272.6	14,094.6	6,445.4	16,702.8	11,086.5	34,234.7	371.7	4,453.1	1,707.2
Mar.	8,972.2	216.7	5,284.7	14,473.6	6,542.0	17,875.6	10,729.5	35,147.2	371.7	4,467.0	1,701.5
Apr.	9,338.2	221.5	5,248.8	14,808.5	6,078.8	17,721.8	9,669.8	33,470.4	371.7	4,350.2	1,729.8
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	5,828.2	14,857.2	7,680.5	28,365.8	394.6	3,121.5	1,640.5
Aug.	9,975.7	210.5	5,231.1	15,417.2	5,623.9	13,657.4	7,001.2	26,282.5	394.3	3,064.6	1,560.4
Sep.	10,238.1	212.5	5,192.2	15,642.8	6,076.2	13,109.3	6,465.1	25,650.6	394.2	3,009.5	1,638.1
Oct.	10,299.8	215.6	5,155.2	15,670.6	6,056.9	12,504.4	6,532.6	25,093.8	385.4	3,190.9	1,591.2

[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.	851.0	9,255.0	385.0	125.0	0.0	3,710.0	387.0	93.0	14,805.0
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	576.4	155.7	15,622.2
Aug.	887.1	9,851.4	394.0	119.1	0.1	3,675.9	557.0	154.7	15,639.2
Sep.	880.2	10,116.3	444.6	120.9	0.1	3,675.5	361.4	145.2	15,744.2
Oct.	884.8	10,178.6	400.5	120.5	0.1	3,631.0	356.7	131.4	15,703.6

[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	30,311.9	20,980.5	9,331.4	11,723.1
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	32,084.1	22,582.3	9,501.9	11,345.5
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	33,949.6	22,110.8	11,838.7	13,204.5
2015										
Jan.	14,346.3	2,613.8	9,260.4	1,722.5	2,573.0	16,169.8	37,170.2	24,423.9	12,746.3	14,569.8
Feb.	13,983.9	2,631.1	9,311.3	1,698.0	2,477.7	16,118.1	36,794.7	24,032.8	12,761.9	14,896.1
Mar.	14,410.3	2,673.7	9,330.9	1,670.8	2,481.6	16,157.0	37,384.4	25,193.5	12,190.9	13,937.6
Apr.	14,805.0	2,703.0	9,319.0	1,664.0	2,365.0	16,051.0	36,026.0	24,767.0	11,258.0	12,504.0
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	15,622.2	2,892.6	9,334.6	1,684.1	1,986.0	15,897.2	30,707.6	20,341.3	10,366.3	10,641.3
Aug.	15,639.2	2,899.6	9,403.9	1,683.2	2,339.1	16,325.9	28,042.0	18,693.1	9,348.9	10,035.6
Sep.	15,744.2	2,940.9	9,481.3	1,719.3	2,304.9	16,446.4	27,611.7	18,080.9	9,530.8	10,233.0
Oct.	15,703.6	2,912.8	9,473.4	1,591.1	2,248.5	16,225.7	27,061.0	17,446.8	9,614.2	10,136.4

[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
Aug.	896.2	65.0	-	74.2	887.1	19.8
Sep.	894.4	65.4	-	79.6	880.2	28.0
Oct.	895.7	66.7	-	77.6	884.8	27.2

[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 aforementioned 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
Sep.	40.0	6.1	18.9	7.8	7.1	40.0

[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
Sep.	-22.6	-44.7	206.9	528.2	-222.1	82.8	393.9	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
Sep.	0.3	0.9	2.1	3.2	5.3	8.0	12.1	33.6	65.4

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	8,206.2	19,454.3	43,413.6
Aug.	287.4	2,241.8	453.0	3,025.4	9,761.6	15,769.2	7,622.1	17,916.3	41,307.5
Sep.	294.7	2,384.0	457.0	3,044.0	9,817.5	15,997.3	7,621.5	17,282.6	40,901.3
Oct.	296.2	2,239.4	458.0	3,090.3	9,848.2	15,932.0	7,546.0	16,839.8	40,317.8

[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	2,654.7	5,551.5	19,454.3	43,413.6
Aug.	13,693.7	700.9	1,145.4	229.2	2,553.0	5,069.1	17,916.3	41,307.5
Sep.	13,883.4	715.7	1,072.3	325.9	2,452.2	5,169.3	17,282.6	40,901.3
Oct.	13,927.8	695.7	1,051.8	256.8	2,443.5	5,102.5	16,839.8	40,317.8

[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
Aug.	742.6	5,917.6	1,631.5	7,784.5	16,076.2
Sep.	749.0	5,947.3	1,636.8	7,721.7	16,054.7
Oct.	752.6	5,966.6	1,636.4	7,696.2	16,051.9

[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
Aug.	270.1	429.6	287.2	574.6	499.8	826.7	603.7	3,813.7	363.3	271.3	4,448.3	1,209.0	788.9	8,359.9
Sep.	286.2	431.1	282.5	572.6	491.1	852.4	602.0	3,864.3	365.6	270.6	4,500.5	1,207.3	800.2	8,425.3
Oct.	296.5	431.1	281.0	566.8	509.9	844.2	599.0	3,876.8	364.3	269.5	4,510.6	1,175.7	788.3	8,426.4

[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
Aug.	150.3	678.6	11.4	3,542.0	4,766.4	9,148.8	2,278.4	4,649.0	16,076.2
Sep.	152.0	674.5	11.5	3,565.0	4,822.5	9,225.6	2,223.6	4,605.5	16,054.7
Oct.	153.6	643.1	11.7	3,573.3	4,833.0	9,214.7	2,222.3	4,614.9	16,051.9

[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
Aug.	780.1	2,634.4	66.7	60.9	231.1	4,524.2	5.7	5.4	696.9	143.5	9,148.8
Sep.	822.8	2,618.6	60.6	63.1	234.2	4,577.5	5.5	5.3	699.2	138.9	9,225.6
Oct.	787.2	2,650.5	95.2	40.4	233.3	4,589.0	5.4	5.3	675.8	132.7	9,214.7

[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
Sep.	170.0	5.9	623.5	458.3	339.6	8,060.3	3.5	9,660.9

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
Sep.	0.3	9,246.1	413.4	1.2	9,660.9

[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.	494.2	602.6	256.9	11,629.4	433.6	13,416.6
June	497.7	571.4	264.1	11,770.5	430.9	13,534.6

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.	52.0	2,566.2	9,586.1	897.9	314.4	13,416.6
June	52.5	2,656.1	9,565.3	1,008.7	251.9	13,534.6

[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	878.9	311.3	5,179.4	290.9	-429.7	14.5	-124.2	666.5
2011	4,312.1	1,616.5	314.3	6,242.9	322.9	736.6	-3.4	1,056.1	7.4
2012	4,505.8	995.8	296.8	5,798.4	193.7	-664.7	-14.0	-485.0	40.5
2013	4,859.0	1,252.2	258.6	6,369.8	353.2	257.2	-29.8	580.6	-9.1
2014	5,040.0	2,035.9	315.5	7,391.4	181.0	780.0	31.7	992.7	28.9
2015									
Q1	5,276.0	2,141.3	342.0	7,759.2	236.0	100.6	-0.7	335.9	31.9
Q2	5,318.5	2,430.8	333.2	8,082.6	42.5	322.3	0.0	364.8	-41.5
Q3	5,342.6	2,950.5	332.6	8,625.6	9.6	493.0	0.0	502.5	40.5

[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]	2,659.8	562.4	3,222.2	0.3	96.4	96.7	281.5
2011	2,182.4	462.5	2,644.8	15.2	0.0	15.2	-592.6
2012	2,483.2	508.1	2,991.3	232.3	15.3	247.6	98.9
2013	2,750.9	723.5	3,474.4	75.0	29.7	104.8	378.3
2014	2,614.8	855.8	3,470.6	218.4	0.0	218.4	-222.2
2015							
Q1	2,856.2	1,026.2	3,882.4	0.0	0.0	0.0	411.8
Q2	3,265.6	1,177.9	4,443.5	259.8	0.0	259.8	301.3
Q3	3,209.7	1,321.5	4,531.2	2.7	0.0	0.0	87.7

[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		
								July	Aug.	Sep.
NEW BUSINESS										
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**1.95**	**1.31**	**1.13**	**1.04**	**1.15**
Households and NPISH										
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.38	2.11	1.50	1.24	1.28	1.30
up to 1 year	3.06	1.95	2.03	1.99	1.91	1.84	1.17	0.85	0.80	0.77
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	2.70	2.12	1.72	1.70	1.66
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.29	2.42	2.37	2.32
Non-financial corporations										
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.72	1.60	0.68	0.58	0.57	0.62
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.22**	**3.77**	**3.33**	**2.98**	**3.68**	**3.94**
Households and NPISH	4.88	4.49	4.20	3.82	4.00	3.54	3.39	3.24	3.04	3.17
Lending for house purchase	3.84	3.51	3.43	3.38	3.40	3.03	2.85	2.75	2.67	2.75
Consumer credit	6.12	6.02	5.81	5.04	5.66	5.32	5.35	5.12	5.20	4.93
Other lending	6.44	5.56	5.86	5.60	5.61	5.21	5.46	5.06	5.21	5.10
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.52	3.82	3.73	4.21	3.79
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.28	3.58	3.56	4.10	3.65
Consumer credit	6.25	6.10	5.89	5.12	5.64	5.34	5.44	5.25	5.33	5.01
Non-financial corporations										
Loans	5.50	4.95	4.86	4.28	4.26	3.89	3.34	1.73	4.37	3.90
OUTSTANDING AMOUNTS										
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.41**	**1.03**	**0.83**	**0.80**	**0.76**
Households and NPISH	2.74	1.57	1.50	1.54	1.56	1.57	1.19	0.96	0.93	0.90
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.32	0.35	0.17	0.14	0.14	0.14
Savings deposits redeemable at notice [3,4]	2.05	1.68	1.59	1.51	1.54	1.93	1.31	1.33	1.32	1.32
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.55	1.03	1.00	1.03	1.02
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.47	2.52	2.22	1.93	1.89	1.84
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.07	1.73	1.36	1.30	1.26
over 2 years	3.19	3.06	3.16	3.21	3.42	3.55	3.44	3.27	3.25	3.20
Non-financial corporations	1.73	0.86	0.81	0.84	0.79	0.72	0.43	0.31	0.30	0.27
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.30	0.18	0.13	0.13	0.11
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.11	2.04	1.59	1.35	1.26	1.19
up to 2 years	3.39	1.89	1.97	2.00	1.99	1.91	1.45	1.18	1.09	1.01
over 2 years	3.26	3.35	3.24	3.13	3.06	3.12	2.84	2.61	2.56	2.55
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.32**	**4.24**	**4.02**	**3.87**	**3.87**	**3.85**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.70	3.63	3.62	3.62
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.22	3.18	3.17	3.17
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.59	5.55	5.47	5.43	5.43	5.43
Non-financial corporations [5]	5.43	4.96	4.67	4.85	4.73	4.70	4.41	4.21	4.22	4.18
Revolving loans and overdrafts										
Households and NPISH	7.16	6.44	5.75	6.12	5.84	5.78	5.72	5.75	5.74	5.75
Non-financial corporations	5.30	5.08	5.03	5.07	5.26	5.18	5.01	4.95	4.99	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.

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		
								July	Aug.	Sep.
NEW BUSINESS										
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.13**	**2.47**	**1.22**	**1.17**	**1.08**	**1.17**
Households and NPISH										
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.38	2.10	1.52	1.25	1.27	1.28
up to 1 year	3.05	1.97	1.96	1.99	1.93	1.84	1.21	0.93	0.88	0.85
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	2.73	2.13	1.73	1.71	1.68
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.32	2.47	2.42	2.37
Non-financial corporations										
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.80	2.67	0.68	0.85	0.71	0.73
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**3.51**	**3.10**	**2.91**	**3.55**	**3.84**
Households and NPISH	4.88	4.48	4.20	3.81	4.00	3.48	3.42	3.24	3.04	3.22
Lending for house purchase	3.84	3.51	3.42	3.38	3.40	3.05	2.82	2.74	2.65	2.69
Consumer credit	6.12	6.01	5.81	5.04	5.66	4.40	5.32	5.11	5.19	4.94
Other lending	6.43	5.56	5.86	5.60	5.61	5.13	5.46	5.06	5.21	5.10
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.45	3.84	3.73	4.20	3.82
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.30	3.58	3.56	4.10	3.69
Consumer credit	6.25	6.09	5.89	5.12	5.64	4.41	5.39	5.23	5.32	5.01
Non-financial corporations										
Loans	4.93	4.42	4.52	4.20	4.18	3.53	2.97	2.22	3.96	3.76
OUTSTANDING AMOUNTS										
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.43**	**1.39**	**1.03**	**0.85**	**0.83**	**0.78**
Households and NPISH	2.74	1.58	1.49	1.54	1.56	1.57	1.19	0.96	0.94	0.90
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.35	0.17	0.14	0.14	0.14
Savings deposits redeemable at notice [3,4]	2.09	1.70	1.69	1.63	1.61	2.04	1.34	1.35	1.35	1.35
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.55	1.03	1.00	1.03	1.02
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.48	2.52	2.23	1.94	1.90	1.84
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.08	1.73	1.36	1.31	1.26
over 2 years	3.24	3.10	3.16	3.22	3.44	3.56	3.46	3.28	3.26	3.21
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.77	0.46	0.46	0.44	0.36
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.29	0.30	0.18	0.13	0.13	0.11
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	1.55	1.57	1.75	1.69	1.55
up to 2 years	3.57	1.93	1.71	1.93	1.96	1.45	1.44	1.69	1.63	1.45
over 2 years	3.28	3.13	3.33	2.99	2.95	2.81	2.55	2.36	2.34	2.33
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.19**	**4.19**	**3.98**	**3.87**	**3.86**	**3.83**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.72	3.75	3.75	3.76
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.22	3.18	3.18	3.18
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.59	5.53	5.53	5.75	5.78	5.79
Non-financial corporations [5]	5.20	4.40	4.54	4.66	4.39	4.51	4.24	4.07	4.05	4.00
Revolving loans and overdrafts										
Households and NPISH	7.16	6.45	5.76	6.12	5.84	5.79	5.72	5.75	5.74	5.75
Non-financial corporations	5.14	5.08	5.02	5.07	5.25	5.16	4.96	4.86	4.94	4.93

[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.
INTEREST RATES (%)[1]										
Key ECB interest rates[2]										
Marginal lending facility	3.00	1.75	1.75	1.75	1.50	0.75	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	0.05	0.05	0.05	0.05
Deposit facility	2.00	0.25	0.25	0.25	0.00	0.00	-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	-0.01	-0.05	-0.10	-0.13
Rates for fixed term deposits (EURIBOR)										
1 month	4.27	0.90	0.57	1.18	0.33	0.13	0.01	0.00	-0.05	-0.09
3 months	4.63	1.23	0.81	1.39	0.57	0.22	0.08	0.05	-0.01	-0.03
6 months	4.72	1.44	1.08	1.64	0.83	0.34	0.18	0.13	0.06	0.04
1 year	4.81	1.62	1.35	2.01	1.11	0.54	0.33	0.26	0.17	0.16
Government securities										
Treasury bills (primary market)										
1 month	-	-	-	1.20	-	-	0.06	-	-	-
3 month	3.65	1.40	0.99	0.82	0.85	0.39	0.08	-	0.00	0.00
6 month	2.75	1.52	1.10	1.33	1.15	0.44	0.12	0.01	0.00	0.00
1 year	-	-	-	-	-	-	-	-	-	-
Treasury bills (secondary market)										
1 month	2.64	1.36	0.77	0.85	0.94	0.40	0.03	-	0.01	0.00
3 month	2.64	1.40	0.94	0.97	1.00	0.40	0.03	0.00	0.00	0.00
6 month	2.65	1.46	1.23	0.99	1.05	0.54	0.05	0.02	0.00	0.01
1 year	2.73	1.69	1.28	1.26	1.26	0.70	0.23	0.03	0.09	0.02
Government long-term debt securities (period averages)										
2 year	3.43	2.41	1.88	2.41	1.90	1.00	0.39	0.25	0.23	0.15
5 year	4.01	3.66	3.05	3.48	3.01	2.13	0.97	0.77	0.78	0.80
10 year	4.53	4.54	4.19	4.49	4.13	3.36	2.08	1.50	1.48	1.65
15 year	4.76	4.96	n/a	n/a	n/a	4.35	2.83	2.26	1.95	2.25
20 year	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.80	0.67	0.00
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,095	3,212	3,686	3,331	3,776	4,091	4,334

[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	2010	2011	2012	2013	2014
Non-financial corporations	**13,770**	**15,701**	**17,447**	**17,420**	**19,489**
Currency	38	40	58	42	45
Deposits	1,931	2,234	2,460	2,815	3,316
Debt securities	67	74	84	72	124
Loans	3,824	4,612	5,139	5,565	6,457
Equity and Investment Fund Shares	3,997	4,602	5,150	4,601	4,853
Insurance, pension and standardised guarantees	57	48	49	56	62
Other accounts receivable	3,856	4,091	4,507	4,270	4,631
Financial corporations	**188,036**	**207,861**	**221,147**	**225,304**	**238,060**
Monetary gold and SDRs	115	118	120	113	106
Currency	96	82	99	107	121
Deposits	8,569	8,432	9,691	9,658	9,742
Debt securities	21,109	23,295	26,863	25,758	33,893
Loans	56,427	64,228	63,126	60,900	57,589
Equity and Investment Fund Shares	67,289	79,788	88,550	95,809	102,659
Insurance, pension and standardised guarantees	3	2	2	3	4
Other accounts receivable	34,428	31,916	32,697	32,958	33,946
General government	**2,036**	**2,263**	**2,610**	**2,786**	**2,794**
Currency	0	0	0	0	0
Deposits	607	670	430	408	484
Debt securities	8	8	31	48	76
Loans	54	140	263	299	309
Equity and Investment Fund Shares	885	873	1,124	1,197	1,079
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	483	572	763	833	846
Households and non-profit institutions	**16,351**	**17,081**	**18,796**	**19,987**	**22,239**
Currency	567	615	601	654	698
Deposits	7,410	7,702	8,072	8,638	9,450
Debt securities	2,219	2,447	2,781	2,869	3,252
Loans	993	874	962	1,091	1,161
Equity and Investment Fund Shares	3,395	3,583	4,405	4,613	5,274
Insurance, pension and standardised guarantees	1,562	1,628	1,770	1,910	2,171
Other accounts receivable	205	231	206	212	234
Total economy[2]	**220,193**	**242,905**	**260,000**	**265,497**	**282,582**
Monetary gold and SDRs	115	118	120	113	106
Currency	701	738	757	803	864
Deposits	18,517	19,037	20,653	21,518	22,992
Debt securities	23,402	25,826	29,758	28,747	37,346
Loans	61,297	69,853	69,489	67,856	65,515
Equity and Investment Fund Shares	75,566	88,846	99,229	106,219	113,865
Insurance, pension and standardised guarantees	1,623	1,678	1,821	1,969	2,237
Other accounts receivable	38,972	36,809	38,173	38,272	39,658
Rest of the world	**172,912**	**191,954**	**202,452**	**206,593**	**218,499**
Currency	-	-	-	-	-
Deposits	29,173	29,520	30,253	30,105	34,493
Debt securities	904	935	919	847	1,154
Loans	4,607	4,372	4,023	3,233	2,493
Equity and Investment Fund Shares	99,366	112,949	120,045	121,098	124,807
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	38,862	44,177	47,212	51,310	55,552
Total[3]	**393,105**	**434,859**	**462,452**	**472,091**	**501,081**
Monetary gold and SDRs	115	118	120	113	106
Currency	701	738	757	803	864
Deposits	47,690	48,557	50,905	51,624	57,485
Debt securities	24,306	26,760	30,677	29,593	38,500
Loans	65,905	74,226	73,512	71,089	68,009
Equity and Investment Fund Shares	174,932	201,795	219,274	227,317	238,671
Insurance, pension and standardised guarantees	1,623	1,678	1,821	1,969	2,237
Other accounts receivable	77,834	80,987	85,384	89,583	95,210

[1] Data as from 2010 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	2010	2011	2012	2013	2014
Non-financial corporations	**19,713**	**21,239**	**23,126**	**23,491**	**25,159**
Currency	-	-	-	-	-
Deposits	-	-	-	-	-
Debt securities	460	480	604	558	701
Loans	9,766	10,618	10,925	11,226	12,079
Equity and Investment Fund Shares	5,528	5,836	6,792	6,633	7,025
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	3,959	4,305	4,803	5,074	5,354
Net Financial Assets/Liabilities	-5,943	-5,538	-5,678	-6,071	-5,670
Financial corporations	**189,946**	**210,632**	**224,037**	**228,258**	**241,467**
Currency	701	738	757	803	864
Deposits	41,008	42,138	43,514	43,828	49,571
Debt securities	1,216	1,323	1,370	1,182	1,414
Loans	4,657	4,439	4,322	3,616	3,090
Equity and Investment Fund Shares	103,198	117,870	126,838	127,730	130,881
Insurance, pension and standardised guarantees	1,623	1,678	1,821	1,969	2,237
Other accounts receivable	37,543	42,446	45,414	49,130	53,408
Net Financial Assets/Liabilities	-1,910	-2,771	-2,890	-2,954	-3,407
General government	**5,445**	**5,863**	**6,148**	**6,537**	**7,263**
Currency	-	-	-	-	-
Deposits	41	46	50	55	60
Debt securities	4,346	4,648	4,920	5,343	5,969
Loans	444	465	351	378	394
Equity and Investment Fund Shares	13	13	11	11	11
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	601	691	815	749	829
Net Financial Assets/Liabilities	-3,409	-3,600	-3,538	-3,751	-4,469
Households and non-profit institutions	**4,685**	**4,902**	**5,249**	**5,553**	**5,884**
Currency	-	-	-	-	-
Deposits	-	-	-	-	-
Debt securities	-	-	-	-	-
Loans	3,891	4,099	4,325	4,517	4,810
Equity and Investment Fund Shares	-	-	-	-	-
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	793	804	924	1,037	1,073
Net Financial Assets/Liabilities	11,666	12,179	13,547	14,434	16,356
Total economy[2]	**219,789**	**242,636**	**258,559**	**263,839**	**279,773**
Currency	701	738	757	803	864
Deposits	41,049	42,184	43,565	43,883	49,632
Debt securities	6,023	6,451	6,895	7,083	8,085
Loans	18,758	19,621	19,923	19,737	20,373
Equity and Investment Fund Shares	108,739	123,719	133,641	134,374	137,917
Insurance, pension and standardised guarantees	1,623	1,678	1,821	1,969	2,237
Other accounts receivable	42,896	48,246	51,956	55,990	60,664
Net Financial Assets/Liabilities	404	269	1,441	1,658	2,810
Rest of the world	**173,313**	**192,213**	**203,879**	**208,239**	**221,304**
Monetary gold and SDRs	111	108	106	100	101
Currency	0	0	0	0	0
Deposits	6,641	6,374	7,341	7,741	7,851
Debt securities	18,283	20,310	23,782	22,511	30,415
Loans	47,147	54,605	53,589	51,352	47,636
Equity and Investment Fund Shares	66,193	78,076	85,633	92,943	100,755
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	34,938	32,741	33,428	33,592	34,546
Net Financial Assets/Liabilities	-400	-259	-1,427	-1,645	-2,805
Total[3]	**393,101**	**434,848**	**462,438**	**472,078**	**501,077**
Monetary gold and SDRs	111	108	106	100	101
Currency	701	738	757	803	864
Deposits	47,690	48,557	50,905	51,624	57,483
Debt securities	24,306	26,760	30,677	29,593	38,500
Loans	65,905	74,226	73,512	71,089	68,009
Equity and Investment Fund Shares	174,932	201,795	219,274	227,317	238,671
Insurance, pension and standardised guarantees	1,623	1,678	1,821	1,969	2,237
Other accounts receivable	77,834	80,987	85,384	89,583	95,210
Net Financial Assets/Liabilities	4	11	14	13	5

[1] Data as from 2010 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	2,311.0	42.9	2,353.9	2,429.9	179.4	2,609.2	-255.3	-50.3
2009	2,306.9	61.2	2,368.1	2,383.2	186.8	2,570.0	-201.9	-1.1
2010	2,383.1	116.0	2,499.1	2,487.1	223.1	2,710.2	-211.1	-7.9
2011	2,526.9	115.5	2,642.4	2,587.4	232.8	2,820.2	-177.8	39.0
2012	2,659.3	146.2	2,805.5	2,758.5	304.3	3,062.8	-257.4	-42.2
2013	2,858.3	152.5	3,010.8	2,899.9	309.3	3,209.3	-198.5	20.6
2014	3,124.3	203.4	3,327.7	3,108.7	387.6	3,496.3	-168.6	62.3
2014								
Q1	660.6	36.6	697.2	747.7	84.0	831.7	-134.5	-78.6
Q2	758.1	36.7	794.8	776.7	90.0	866.7	-71.8	-13.9
Q3	747.6	43.4	791.0	753.6	80.4	834.0	-43.0	15.1
Q4	957.9	86.8	1,044.7	830.7	133.2	964.0	80.7	139.7
2015								
Q1	716.4	36.5	753.0	782.0	139.7	921.7	-168.7	-112.8
Q2	807.7	46.8	854.5	813.1	88.8	901.9	-47.5	9.2

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	845.1	432.0	191.2	73.4	26.6	2,311.0	15.1	27.8	42.9	2,353.9	2,035.0
2009	795.4	820.1	434.9	164.2	71.4	20.9	2,306.9	14.0	47.2	61.2	2,368.1	2,064.4
2010	807.8	856.2	456.5	154.3	86.8	21.5	2,383.1	14.7	101.3	116.0	2,499.1	2,135.2
2011	849.4	921.9	486.7	162.4	81.7	24.8	2,526.9	14.8	100.7	115.5	2,642.4	2,272.8
2012	934.9	938.1	504.3	156.6	92.1	33.2	2,659.3	16.1	130.1	146.2	2,805.5	2,393.5
2013	1,043.3	981.1	524.8	179.4	99.5	30.1	2,858.3	12.7	139.7	152.5	3,010.8	2,562.0
2014	1,155.4	1097.8	560.3	178.7	93.1	38.9	3,124.3	11.8	191.6	203.4	3,327.7	2,825.3
2014												
Q1	207.6	241.6	131.8	36.0	36.7	7.0	660.6	2.5	34.1	36.6	697.2	583.4
Q2	303.6	252.2	136.6	41.8	15.8	8.1	758.1	3.1	33.6	36.7	794.8	695.5
Q3	242.1	295.2	132.3	42.3	14.7	21.1	747.6	3.1	40.2	43.4	791.0	672.6
Q4	402.1	308.9	159.6	58.7	25.9	2.7	957.9	3.1	83.7	86.8	1,044.7	873.7
2015												
Q1	225.1	268.0	140.7	37.2	36.6	8.8	716.4	3.2	33.3	36.5	753.0	637.0
Q2	342.2	257.0	139.6	42.3	19.9	6.7	807.7	4.0	42.7	46.8	854.5	742.8

[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	116.4	2,429.9	149.4	41.9	179.4	2,609.2
2009	838.3	807.3	200.8	365.0	50.0	121.8	2,383.2	148.3	53.8	186.8	2,570.0
2010	855.1	842.4	203.2	403.1	52.8	130.5	2,487.1	146.6	76.5	223.1	2,710.2
2011	882.2	878.9	216.9	430.2	51.0	128.2	2,587.4	190.6	45.8	232.8	2,820.2
2012	922.4	924.9	215.1	483.2	76.9	136.0	2,758.5	227.2	67.0	304.3	3,062.8
2013	977.8	964.2	219.1	471.6	80.3	187.0	2,899.9	210.4	95.3	309.3	3,209.3
2014	1,053.5	1,004.1	230.9	526.8	105.0	188.5	3,108.7	298.4	92.5	387.6	3,496.3
2014											
Q1	256.7	247.7	55.9	112.1	26.7	48.5	747.7	62.9	21.3	84.0	831.7
Q2	261.6	258.1	57.9	137.2	26.6	35.2	776.7	61.4	23.9	90.0	866.7
Q3	265.6	236.7	58.0	119.5	24.2	49.5	753.6	69.8	13.9	80.4	834.0
Q4	269.5	261.6	59.0	157.9	27.5	55.2	830.7	104.3	33.5	133.2	964.0
2015											
Q1	274.9	249.2	56.0	120.3	28.1	53.5	782.0	82.7	47.6	139.7	921.7
Q2	280.1	263.3	56.7	143.0	27.1	42.9	813.1	88.5	5.5	88.8	901.9

[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	445.4	38.1	86.0	408.0	94.3	43.4	322.7	38.2	317.4	815.7	2,609.2
2009	478.4	53.9	89.6	271.2	96.4	20.7	315.1	44.9	329.0	870.8	2,570.0
2010	449.1	50.4	92.4	291.4	128.5	21.3	347.1	51.5	371.7	906.8	2,710.2
2011	492.2	56.0	94.5	301.3	87.5	23.6	370.4	58.4	392.1	944.2	2,820.2
2012	536.1	50.6	102.0	357.2	100.9	32.0	393.9	66.2	419.0	1004.8	3,062.8
2013	527.7	52.8	107.1	386.9	104.2	26.0	434.0	68.1	444.2	1058.3	3,209.3

[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	604.8	0.0	18.2	812.4	369.7	1,805.2	37.2	3,994.2	436.7	604.8	5,072.9	-3,267.8
2010	608.5	0.0	51.7	871.3	441.7	1,973.2	41.0	4,307.5	443.0	590.5	5,381.9	-3,408.7
2011	670.2	0.0	136.6	859.6	534.7	2,201.1	45.8	4,625.1	462.3	668.2	5,801.5	-3,600.3
2012	430.2	0.0	259.2	1,112.8	703.4	2,505.6	50.4	4,889.7	347.1	752.5	6,039.8	-3,534.2
2013	408.8	0.0	295.5	1,185.4	820.1	2,709.7	55.3	5,294.2	377.8	728.2	6,455.5	-3,745.7
2014	485.7	0.0	307.7	1,071.5	825.9	2,690.9	60.4	5,892.9	394.1	814.4	7,161.9	-4,471.0
2014												
Mar.	403.0	0.0	293.3	1,171.5	861.6	2,729.4	55.0	5,613.0	378.2	634.5	6,680.7	-3,951.3
June	927.8	0.0	300.0	1,175.9	857.7	3,261.4	57.1	6,002.8	382.8	978.5	7,421.2	-4,159.8
Sep.	584.7	0.0	303.7	1,202.2	855.9	2,946.6	59.5	6,026.8	389.0	783.9	7,259.1	-4,312.5
Dec.	485.7	0.0	307.7	1,071.5	825.9	2,690.9	60.4	5,892.9	394.1	814.4	7,161.9	-4,471.0
2015												
Mar.	566.2	0.0	253.7	1,127.8	773.7	2,721.4	60.3	6,460.7	383.6	719.9	7,624.5	-4,903.1
June	619.5	0.0	254.5	1,112.0	829.7	2,815.7	62.9	6,213.7	372.1	870.3	7,519.0	-4,703.2

[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	316.4	-201.9	141.9	-3.3	0.0	-1.0	-7.5	-15.7	114.5
2010	301.4	-211.1	44.0	33.5	0.0	-0.8	15.4	-1.8	90.4
2011	346.1	-177.8	64.5	84.8	0.0	15.6	10.0	-6.7	168.3
2012	63.1	-257.4	-228.3	122.6	0.0	37.3	-201.1	75.2	-194.3
2013	372.5	-198.5	-18.2	36.3	0.0	26.4	2.4	127.1	174.0
2014	176.5	-168.6	74.0	12.6	0.0	15.4	-5.3	-88.9	7.8
2014									
Q1	256.3	-134.5	-5.8	-2.2	0.0	-2.3	-2.3	134.5	121.9
Q2	261.5	-71.8	524.1	6.8	0.0	10.9	-3.5	-348.5	189.7
Q3	-130.5	-43.0	-345.1	3.7	0.0	1.9	0.4	165.6	-173.4
Q4	-210.9	80.7	-99.1	4.3	0.0	5.0	0.0	-40.4	-130.3
2015									
Q1	225.5	-168.7	78.3	-54.1	0.0	-10.2	-1.8	44.4	56.7
Q2	16.0	-47.5	53.3	0.8	0.0	0.1	-0.8	-84.9	-31.4

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

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt[1]	Government guaranteed debt[2]
		Short-term	Long-term	Total	Short-term	Long-term	Total		
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	42.8	391.4	434.2	4,161.9	639.6
2010	41.0	377.8	3,603.6	3,981.4	49.0	391.9	440.9	4,463.3	779.0
2011	45.8	257.1	4,046.3	4,303.5	55.7	404.4	460.1	4,809.4	870.1
2012	50.4	154.1	4,322.8	4,476.9	80.2	264.9	345.1	4,872.5	1,191.9
2013	55.3	248.1	4,565.6	4,813.7	22.2	353.8	376.0	5,245.0	1,198.7
2014	60.4	140.4	4,828.0	4,968.5	31.3	361.3	392.6	5,421.5	1,335.3
2014									
Mar.	55.0	367.2	4,702.7	5,069.9	24.2	352.2	376.4	5,501.3	1,159.5
June	57.1	407.2	4,916.9	5,324.1	32.1	349.6	381.7	5,762.9	1,203.0
Sep.	59.5	308.6	4,876.4	5,185.0	33.7	354.3	388.0	5,632.4	1,297.8
Dec.	60.4	140.4	4,828.0	4,968.5	31.3	361.3	392.6	5,421.5	1,335.3
2015									
Mar.	60.3	208.1	4,996.3	5,204.4	40.6	341.6	382.2	5,646.9	1,245.8
June	62.9	230.6	4,998.4	5,229.0	37.4	333.7	371.1	5,663.0	1,211.7

[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.

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
July	80.0	98.0	0.0	98.0	248.6	0.0	248.6
Aug.	45.5	40.0	0.0	40.0	243.1	0.0	243.1
Sep.	47.5	57.1	0.0	57.1	252.6	0.0	252.6

[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-September 2015)*

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)[2]	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding[5]
				OMFIs[3]	Others[4]	MFIs	Others[3]	
03/Jul/2015	01/Oct/2015	-0.003	N/T	5.0	0.0	5.0	0.0	5.0
10/Jul/2015	08/Oct/2015	-0.250	0.000	25.0	0.0	25.0	0.0	25.0
10/Apr/2015	08/Oct/2015	0.000	0.000	12.0	0.0	12.0	0.0	12.0
17/Jul/2015	15/Oct/2015	-0.030	0.000	15.0	0.0	15.0	0.0	15.0
17/Apr/2015	15/Oct/2015	0.000	0.000	20.1	0.0	20.1	0.0	20.1
24/Jul/2015	22/Oct/2015	-0.036	0.000	16.0	0.0	16.0	0.0	16.0
31/Jul/2015	29/Oct/2015	-0.041	0.000	12.0	0.0	12.0	0.0	12.0
07/Aug/2015	05/Nov/2015	-0.047	0.000	10.0	0.0	10.0	0.0	10.0
08/May/2015	05/Nov/2015	0.000	0.000	8.0	0.0	8.0	0.0	8.0
14/Aug/2015	12/Nov/2015	-0.048	0.000	10.0	0.0	10.0	0.0	10.0
15/May/2015	12/Nov/2015	0.000	0.000	3.5	0.0	3.5	0.0	3.5
21/Aug/2015	19/Nov/2015	-0.038	0.000	10.0	0.0	10.0	0.0	10.0
28/Aug/2015	26/Nov/2015	-0.023	0.000	3.0	0.0	3.0	0.0	3.0
29/May/2015	26/Nov/2015	0.000	0.000	4.0	0.0	4.0	0.0	4.0
04/Sep/2015	03/Dec/2015	0.030	0.000	3.0	0.0	3.0	0.0	3.0
11/Sep/2015	10/Dec/2015	0.017	0.000	18.0	0.0	18.0	0.0	18.0
18/Sep/2015	17/Dec/2015	0.002	0.000	18.0	0.0	18.0	0.0	18.0
19/Jun/2015	17/Dec/2015	0.000	0.000	10.0	0.0	10.0	0.0	10.0
25/Sep/2015	24/Dec/2015	-0.001	0.000	18.0	0.0	18.0	0.0	18.0
03/Jul/2015	31/Dec/2015	0.000	0.000	20.0	0.0	20.0	0.0	20.0
28/Aug/2015	25/Feb/2016	0.000	0.006	7.0	0.0	7.0	0.0	7.0
17/Jul/2015	14/Apr/2016	0.000	0.011	5.0	0.0	5.0	0.0	5.0
18/Sep/2015	16/Jun/2016	0.000	0.014	0.1	0.0	0.1	0.0	0.1
Total				252.6	0.0	252.6	0.0	252.6

[1] Amounts are at nominal prices.

[2] 'N/T' denotes non-tradable treasury bills.

[3] OMFIs include the money market funds.

[4] Includes the Malta Government sinking fund.

[5] 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-September 2015)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by		Amount
						MFIs[6]	Others	
5.90	2015 (II)[4]	02/03/07	100/102/105	N/A	09/04 - 09/10	46.6	70.0	116.5
7.00	2015 (III)[3]	2005	100	N/A	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	N/A	03/05 - 03/11	0.6	0.2	0.8
3.75	2015 (VI)[4]	2010	100	N/A	03/06 - 03/12	92.3	39.3	131.5
6.65	2016 (I)[4]	2001	100	0.03	28/03 - 28/09	15.1	54.7	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	0.06	26/05 - 26/11	89.3	97.1	186.4
7.00	2016 (III)[3]	2006	100	0.06	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[4]	2011	100.93	0.05	16/02 - 16/08	130.5	27.6	158.1
3.75	2017 (IV)[4]	2012	102	0.06	20/02 - 20/08	42.9	29.1	72.0
7.00	2017 (I)[3]	2007	100	0.12	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	0.12	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	0.09	06/05 - 06/11	179.0	84.8	263.9
3.85	2018 (V)[4]	2012	105.26	0.17	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	0.21	15/01 - 15/07	81.1	81.9	163.1
7.00	2018 (II)[3]	2008	100	0.30	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	0.30	30/06 - 30/12	0.0	6.5	6.5
3.20	2019 (V)[4]	2013	105.12	0.43	31/01 - 31/07	87.2	34.3	121.5
6.60	2019 (I)	1999	100	0.45	01/03 - 01/09	51.9	50.6	102.5
3.00	2019 (III)[4]	2013	100	0.46	22/03 - 22/09	90.1	32.4	122.5
7.00	2019 (II)[3]	2009	100	0.53	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	0.64	10/06 - 10/12	14.3	38.2	52.4
4.60	2020 (II)[4]	2009	100	0.61	25/04 - 25/10	65.5	92.8	158.3
3.35	2020 (IV)[4]	2013	105.06	0.67	31/01 - 31/07	64.0	0.0	64.0
2.00	2020 (V)[4]	2014	101.75	0.71	26/03 - 26/09	75.5	10.5	86.0
7.00	2020 (III)[3]	2010	100	0.76	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	0.87	08/02 - 08/08	161.3	297.5	458.8
7.00	2021 (II)[3]	2011	100	0.95	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[3]	2011	100	0.95	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	1.08	16/02 - 16/08	13.6	57.4	71.0
4.30	2022 (II)[4]	2012	100.31	1.03	15/05 - 15/11	121.7	118.5	240.2
7.00	2022 (III)[3]	2012	100	1.14	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	1.22	06/01 - 06/07	17.7	61.1	78.8
7.00	2023 (II)[3]	2013	100	1.31	18/05 - 18/11	0.0	2.4	2.4
3.30	2024 (I)[4] R	2014	100.25	1.49	12/05 - 12/11	2.7	21.4	24.1
7.00	2024 (II)[3]	2014	100	1.52	18/02 - 18/08	0.0	1.1	1.1
7.00	2025 (I)[3]	2015	100	1.67	14/02 14/08	0.0	2.0	2.0
4.80	2028 (I)[4]	2012	101.04	1.97	11/03 - 11/09	31.6	75.5	107.0
4.50	2028 (II)[4]	2013	100	1.98	25/04 - 25/10	61.7	225.0	286.7
2.30	2029 (II)	2015	102.08	2.06	24/01 - 24/07	2.7	13.4	16.1
5.10	2029 (I)[4]	2012	101.12/101	2.08	01/04 - 01/10	21.0	58.1	79.1
5.25	2030 (I)[4]	2010	100	2.16	23/06 - 23/12	130.2	310.0	440.2
5.20	2031 (I)[4] I	2011	102.88	2.25	16-03 - 16/09	44.0	157.4	201.3
4.65	2032 (I)[4] R	2013	103.03	2.31	22/01 - 22/07	29.5	111.0	140.5
4.45	2032 (II)[4]	2014	110.41	2.31	03/03 - 03/09	24.2	128.9	153.1
4.30	2033 (I)[4]	2014	104.55	2.35	01/02 - 01/08	21.1	129.6	150.7
4.10	2034 (I)[4] R	2014	109.12	2.40	18/04 - 18/10	41.9	158.1	200.1
3.00	2040 (I)[4] R	2015	109.25	2.64	11/06 - 11/12	25.1	137.2	162.3
F.R. 6-mth Euribor[7]	2015 (V)[4]	2009	100	1.700[8], (92.07)[9]	25/04 - 25/10	13.5	16.3	29.8
F.R. 6-mth Euribor[7]	2017 (V)[4]	2012	100.2	0.938[8], (0.50)[9]	05/03 - 05/09	25.0	0.0	25.0
F.R. 6-mth Euribor[7]	2018 (IV)[4]	2012	99.33	1.138[8], 11.01[9]	05/03 - 05/09	30.5	0.9	31.4
F.R. 6-mth Euribor[7]	2018 (VI)[4]	2013	100.09	0.933[8], 12.03[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], 13.77[9]	12/06 - 12/12	29.3	0.0	29.3
F.R. 6-mth Euribor[7]	2019 (IV)[4]	2013	100.31	1.033[8], 16.74[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], 34.68[9]	29/04 - 29/10	47.9	0.0	47.9
Total						2,205.7	2,884.3	5,090.0

[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.

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
Sep.	349.2	1,872.3	929.4	931.1	1,008.0	5,090.0

[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
Sep.	0.0	203.5	0.1	0.0	0.0	0.1	203.7

[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
Aug.	1.1215	0.7275	136.07	1.0825	1.5753	1.4863
Sep.	1.1203	0.7385	134.69	1.0915	1.5939	1.5034
Oct.	1.1017	0.7182	132.88	1.0900	1.5544	1.4515

[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
Aug.	1.1139	0.7142	137.12	1.0777	1.5269	1.4637
Sep.	1.1221	0.7313	134.85	1.0913	1.5900	1.4882
Oct.	1.1235	0.7329	134.84	1.0882	1.5586	1.4685

[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	896.9	848.3	-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	7,055.0	1,269.5	1,192.7	-307.4	150.0	21.0
2011[1]	2,844.9	4,052.7	8,084.9	6,705.0	9,955.8	10,383.8	878.7	792.1	-169.2	98.8	17.3
2012[1]	3,195.1	4,303.5	8,589.7	7,135.0	10,006.2	10,366.7	925.3	815.5	95.6	140.7	5.8
2013[1]	2,861.6	3,965.3	8,840.0	7,195.4	9,972.5	10,376.3	908.5	769.4	276.2	134.0	1.7
2014[1]											
Q1	651.5	918.7	2,075.1	1,790.7	2,434.9	2,586.6	216.5	187.8	-105.7	30.0	0.4
Q2	668.0	937.3	2,257.0	1,827.4	2,476.4	2,520.2	250.0	187.5	179.1	67.0	0.4
Q3	649.2	940.1	2,449.2	1,878.7	2,452.3	2,659.7	246.1	187.3	130.9	34.9	0.9
Q4	642.8	929.4	2,230.3	1,872.0	2,482.2	2,586.2	235.7	191.4	12.0	10.2	0.4
2015[1]											
Q1	660.2	914.0	2,091.1	1,808.4	2,495.6	2,600.2	240.3	188.0	-23.3	124.4	0.4
Q2	699.4	1,080.5	2,333.4	1,815.4	2,467.3	2,410.5	240.6	188.2	246.1	23.3	0.3

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]	10,978.3	10,094.9	1,278.0	-1,245.0	0.0	0.1	5,977.4	9,556.6	-108.7	-281.6	-240.4
2009[1]	-4,378.8	1,030.4	7,595.1	1,259.8	735.3	0.0	-1,271.5	369.7	2.4	22.6	352.1
2010[1]	2,511.2	7,016.5	4,656.0	-211.6	0.0	262.6	-532.2	-375.0	23.6	-33.9	144.5
2011[1]	-3,286.2	5,640.4	11,750.4	127.4	0.0	246.7	1,693.5	4,148.1	-52.9	-57.7	30.0
2012[1]	-6,592.5	2,561.5	8,921.7	-396.5	0.0	438.5	2,237.6	1,370.9	121.4	713.8	483.3
2013[1]	-6,696.3	340.2	8,127.0	-669.0	0.0	102.4	1,687.4	3,566.9	-38.8	-261.3	-669.8
2014[1]											
Q1	-1,662.1	-623.7	3,398.9	424.2	0.0	52.6	-1,302.6	955.5	263.6	-110.9	-34.8
Q2	-1,831.9	-1,408.5	3,942.1	104.7	259.3	0.0	-3,008.0	621.7	160.2	203.8	-41.8
Q3	-1,651.3	962.2	1,999.5	-334.9	0.0	761.1	2,226.2	710.3	-242.5	233.2	68.3
Q4	-1,542.2	1,199.4	3,386.9	147.6	0.0	22.4	399.0	1,007.8	-169.3	-302.7	-324.5
2015[1]											
Q1	-1,534.7	816.3	263.3	-66.7	0.0	66.1	2,537.9	356.0	-63.9	30.8	-69.8
Q2	-1,513.4	-304.6	187.6	-229.5	0.0	55.9	-2,860.0	-4,244.9	-0.9	536.3	267.2

[1] Provisional.

As from 2008 figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

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
July	3.1	107.4	43.5	27.1	352.7	-2.7	531.1
Aug.	3.1	105.9	42.9	24.4	353.1	4.9	534.4
Sep.	3.1	105.8	39.1	23.4	364.6	2.1	538.2

[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.

As from 2008 figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

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
General Government	420.5	592.8	652.6	588.1	607.1	571.2
Short-term	222.4	276.8	265.3	163.2	163.8	167.0
Currency and deposits	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
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	222.4	276.8	265.3	163.2	163.8	167.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	198.1	316.0	387.3	424.9	443.3	404.2
Special drawing rights (allocations)[4]	-	-	-	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	106.6	116.9	162.9	202.1	231.1	199.7
Loans	90.1	197.9	223.5	222.2	211.6	203.8
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.4	1.1	0.9	0.6	0.6	0.6
Central Bank of Malta	562.0	326.0	814.6	2,321.2	1,590.6	1,617.9
Short-term	562.0	326.0	814.6	2,207.5	1,468.2	1,498.0
Currency and deposits	562.0	326.0	814.6	2,207.5	1,468.2	1,498.0
Debt securities	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
Trade credit and advances	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
Long-term	0.0	0.0	0.0	113.8	122.4	119.9
Special drawing rights (allocations)[4]	-	-	-	113.8	122.4	119.9
Currency and deposits	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
Loans	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
Other debt liabilities	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	32,729.9	35,578.8	30,030.5
Short-term	22,525.7	24,315.0	24,747.2	26,272.0	28,776.7	24,447.4
Currency and deposits	15,544.7	17,499.2	17,422.4	17,941.3	21,703.4	19,609.7
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans	6,865.8	6,687.6	7,027.2	7,899.3	6,655.2	4,770.7
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	115.2	128.2	297.6	431.4	418.1	67.0
Long-term	6,551.9	5,744.4	4,847.8	6,457.9	6,802.1	5,583.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	4.0	4.5	6.8	13.0	17.6	17.1
Loans	6,548.0	5,739.8	4,841.0	6,444.9	6,784.6	5,566.0
Trade credit and advances	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
Other Sectors[3]	18,267.1	18,969.4	19,897.9	21,480.9	22,034.7	22,259.7
Short-term	9,332.7	9,965.9	10,814.4	12,316.6	12,822.1	12,995.5
Currency and deposits	123.2	202.3	255.8	302.3	314.4	326.5
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans	901.1	1,061.5	690.1	548.8	518.6	490.5
Trade credit and advances	2,154.2	2,579.9	3,131.9	3,526.9	3,731.6	3,896.4
Other debt liabilities	6,154.2	6,122.3	6,736.5	7,938.6	8,257.5	8,282.2
Long-term	8,934.4	9,003.5	9,083.5	9,164.3	9,212.5	9,264.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	218.6	217.1	214.2	300.6	329.0	355.4
Loans	2,477.1	2,064.1	1,663.3	1,176.7	1,075.2	979.6
Trade credit and advances	6,238.6	6,722.4	7,206.0	7,687.0	7,808.3	7,929.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany Lending	30,002.0	31,998.7	34,235.6	35,997.5	36,585.2	37,239.3
Debt liabilities of direct investment enterprises to direct investors	21,054.4	23,045.7	25,251.8	26,986.8	27,663.3	28,234.4
Debt liabilities of direct investors to direct investment enterprises	8,947.6	8,953.0	8,983.8	9,010.6	8,921.9	9,005.0
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Gross External Debt Position	**78,329.2**	**81,946.3**	**85,195.7**	**93,117.6**	**96,396.3**	**91,718.6**
of which: Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**73,791.3**	**77,329.7**	**79,636.8**	**86,338.1**	**90,124.8**	**85,319.5**
Gross External Debt excluding debt liabilities of Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**4,537.9**	**4,616.6**	**5,558.9**	**6,779.5**	**6,271.5**	**6,399.1**

[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

[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) and are inclusive of Special Purpose Entities.

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
General Government	294.8	246.4	259.3	201.4	223.8	180.8
Short-term	177.2	153.7	154.1	20.1	13.2	9.1
Currency and deposits	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3
Debt securities	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
Trade credit and advances	177.4	153.8	154.3	20.3	13.4	9.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	117.6	92.8	105.1	181.3	210.6	171.7
Special drawing rights (allocations)[4]	-	-	-	0.0	0.0	0.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	106.6	116.9	162.9	202.1	231.1	199.7
Loans	23.9	11.3	0.3	-10.3	-10.3	-18.1
Trade credit and advances	-12.7	-11.0	-9.7	-8.5	-8.2	-7.9
Other debt liabilities	-0.3	-24.5	-48.4	-2.0	-2.0	-2.0
Central Bank of Malta	-1,806.8	-2,274.5	-1,858.7	-869.8	-1,659.7	-1,654.7
Short-term	255.4	100.7	522.1	2,065.0	1,416.2	1,412.1
Currency and deposits	255.4	100.7	522.1	2,065.7	1,416.2	1,412.5
Debt securities	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
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	-0.7	0.0	-0.4
Long-term	-2,062.2	-2,375.2	-2,380.8	-2,934.8	-3,075.8	-3,066.8
Special drawing rights (allocations)[4]	-	-	-	13.0	14.0	13.7
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-2,045.8	-2,359.5	-2,365.2	-2,931.8	-3,073.9	-3,064.6
Loans	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
Other debt liabilities	-16.3	-15.8	-15.6	-16.0	-15.9	-15.9
Deposit-taking corporations, except the Central Bank of Malta[2]	-8,388.6	-9,451.3	-6,775.4	-6,852.5	-6,476.2	-5,292.9
Short-term	13,046.0	14,210.7	13,037.1	16,539.0	23,477.9	21,036.8
Currency and deposits	6,523.1	7,618.7	5,214.3	7,396.6	35,137.2	29,939.6
Debt securities	-2.0	-0.1	-20.2	-79.1	-80.3	-80.2
Loans	6,458.6	6,555.8	7,632.8	8,846.7	-11,933.2	-8,821.9
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	66.4	36.3	210.1	374.8	354.2	-0.7
Long-term	-21,434.6	-23,661.9	-19,812.5	-23,391.5	-29,954.2	-26,329.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-13,568.9	-16,079.8	-15,497.2	-21,571.6	-21,016.0	-18,256.2
Loans	-7,865.7	-7,582.1	-4,315.3	-1,819.8	-8,938.2	-8,073.5
Trade credit and advances	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
Other Sectors[3]	-3,712.2	-6,287.2	-7,487.4	-9,313.1	-9,908.9	-9,890.3
Short-term	1,565.8	947.3	1,480.0	2,308.2	2,510.2	2,279.1
Currency and deposits	-5,923.8	-6,887.1	-7,152.5	-7,388.6	-7,546.9	-7,864.8
Debt securities	-120.7	-126.4	-147.0	-169.6	-164.8	-191.0
Loans	850.6	998.7	635.9	498.7	471.2	439.7
Trade credit and advances	871.8	1,155.6	1,755.1	2,088.6	2,200.4	2,328.8
Other debt liabilities	5,887.8	5,806.5	6,388.5	7,279.1	7,550.3	7,566.5
Long-term	-5,278.0	-7,234.5	-8,967.3	-11,621.3	-12,419.1	-12,169.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-2,631.3	-3,236.2	-2,579.9	-3,777.9	-4,025.2	-3,410.7
Loans	-1,660.0	-1,933.4	-3,242.4	-3,458.2	-3,580.5	-3,701.2
Trade credit and advances	4,931.0	5,195.3	5,457.8	5,560.3	5,467.7	5,559.4
Other debt liabilities	-5,917.7	-7,260.3	-8,602.9	-9,945.5	-10,281.1	-10,616.8
Direct Investment: Intercompany Lending	-20,291.3	-16,576.9	-12,425.4	-8,970.7	-7,988.7	-7,032.9
Debt liabilities of direct investment enterprises to direct investors	-12,717.1	-12,967.8	-12,921.9	-13,475.9	-13,408.5	-13,462.1
Debt liabilities of direct investors to direct investment enterprises	-7,574.2	-3,609.2	496.6	4,505.3	5,419.8	6,429.1
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Net External Debt	**-33,904.1**	**-34,343.4**	**-28,287.6**	**-25,804.7**	**-25,809.7**	**-23,690.0**
of which: Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**-32,962.8**	**-32,975.2**	**-27,774.0**	**-25,775.6**	**-25,180.3**	**-24,265.9**
Net External Debt excluding debt liabilities of Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**-941.3**	**-1,368.3**	**-513.6**	**-29.1**	**-629.4**	**575.9**

[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) and are inclusive of Special Purpose Entities.

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	5,639.1	(1,713.6)
2014[2]			
Jan.	347.6	456.4	(108.8)
Feb.	281.5	416.0	(134.6)
Mar.	345.0	477.6	(132.6)
Apr.	327.9	456.7	(128.8)
May	355.5	484.3	(128.7)
June	286.6	644.1	(357.5)
July	323.5	623.5	(300.0)
Aug.	264.7	557.9	(293.2)
Sep.	337.1	617.5	(280.4)
Oct.	341.8	662.8	(321.0)
Nov.	290.0	530.6	(240.6)
Dec.	235.7	467.2	(231.5)
2015[2]			
Jan.	303.6	413.3	(109.7)
Feb.	242.5	623.4	(380.9)
Mar.	300.1	526.4	(226.3)
Apr.	351.8	461.5	(109.7)
May	247.8	660.3	(412.5)
June	319.2	581.1	(261.9)
July	353.6	579.0	(225.4)
Aug.	268.6	441.8	(173.2)
Sep.	295.2	444.7	(149.5)

[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.

Table 3.7 Direction of trade – exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	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	1,104.2	767.4	164.1	1,701.4	3,737.0
2015[2]												
July	22.3	29.1	10.5	14.5	76.4	11.7	12.9	101.0	44.6	14.9	193.1	353.6
Aug.	19.8	20.3	6.5	7.3	53.8	11.4	12.1	77.3	42.1	11.2	138.1	268.6
Sep.	31.0	24.5	12.0	7.7	75.3	9.5	11.0	95.7	44.2	12.8	142.5	295.2

[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):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	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	321.3	1,410.3	621.8	2,639.0	309.3	296.2	3,244.5	827.6	187.9	1,379.1	5,639.1
2014[2]	224.8	323.6	1,173.3	789.3	2,510.9	390.3	319.9	3,221.1	733.6	610.2	1,829.6	6,394.6
2015[2]												
July	15.9	36.1	118.1	78.6	248.7	46.3	19.1	314.1	68.6	65.1	131.1	579.0
Aug.	11.6	21.5	134.9	57.0	225.0	25.1	21.3	271.3	64.1	13.9	92.5	441.8
Sep.	25.8	33.3	105.0	42.1	206.2	27.0	36.2	269.3	76.5	18.9	79.9	444.7

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.
[2] Provisional.
Source: NSO.

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	4,023.5	1,344.5	1,204.9	124.4	6,697.3	10,989.8	10,800.7	189.1	6,886.4	6,662.7
2012	4,115.4	1,447.5	1,278.1	50.7	6,891.8	11,834.9	11,497.6	337.3	7,229.2	6,912.3
2013	4,246.7	1,479.4	1,303.6	62.5	7,092.2	11,939.2	11,375.0	564.3	7,656.5	7,270.1
2014	4,366.2	1,614.8	1,445.5	31.1	7,457.6	11,977.7	11,329.3	648.5	8,106.1	7,896.9
2014										
Q1	1,042.0	385.0	380.4	19.9	1,827.3	2,818.9	2,767.1	51.8	1,879.1	1,810.7
Q2	1,082.9	411.3	328.4	8.5	1,831.1	2,993.5	2,813.9	179.6	2,010.6	1,995.5
Q3	1,117.8	395.7	323.4	-34.7	1,802.1	3,197.5	2,871.3	326.2	2,128.3	2,080.3
Q4	1,123.6	422.8	413.4	37.5	1,997.2	2,967.8	2,877.0	90.9	2,088.0	2,010.5
2015										
Q1	1,102.5	411.4	400.7	23.9	1,938.5	2,880.1	2,803.4	76.7	2,015.2	1,975.3
Q2	1,122.5	441.5	446.1	-25.4	1,984.8	3,197.1	3,009.3	187.8	2,172.6	2,126.0
Q3	1,195.0	381.1	482.6	-31.2	2,027.5	3,376.9	3,104.7	272.1	2,299.6	2,258.0

[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	3,927.7	1,335.5	1,152.7	6,415.9	10,342.2	10,152.0	6,732.8
2012	3,920.7	1,419.4	1,168.4	6,508.5	11,038.4	10,674.9	6,930.2
2013	4,000.1	1,422.7	1,166.4	6,589.3	11,125.6	10,589.9	7,205.4
2014	4,113.8	1,533.1	1,255.4	6,902.3	11,120.5	10,577.8	7,497.3
2014							
Q1	977.0	364.5	334.2	1,675.8	2,685.3	2,706.0	1,678.9
Q2	1,016.6	392.8	286.8	1,696.2	2,689.4	2,580.7	1,816.8
Q3	1,062.9	373.9	280.0	1,716.8	3,005.8	2,653.0	2,047.1
Q4	1,057.3	401.9	354.4	1,813.6	2,740.0	2,638.0	1,954.4
2015							
Q1	1,031.8	382.0	335.2	1,749.0	2,676.2	2,690.3	1,765.7
Q2	1,042.1	415.3	368.3	1,825.7	2,805.3	2,694.6	1,921.8
Q3	1,116.8	353.8	391.1	1,861.8	3,108.5	2,794.6	2,158.5

[1] Provisional.

[2] Consumption by households and NPISH.

[3] Chain-linking components of GDP may not add up to the aggregate series mainly because chain-linked volumes are calculated by separately extrapolating both totals and their sub-components. Moreover, results could prove to be erratic when chain-linking for variables with a potentially changing sign. Thus, variables that are regularly susceptible to this phenomenon are not compiled by the NSO.

[4] Not inclusive of changes in inventories due to the issue highlighted in footnote 3 regarding chain-linked components.

Sources: NSO; Eurostat.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
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	212.2	709.6	454.7	152.5	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
July	13.6	10.2	33.0	30.8	87.5	55.8	27.4	170.7	36.0	206.6
Aug.	20.3	15.9	51.2	36.7	124.1	65.7	26.0	215.7	30.8	246.5
Sep.	10.4	14.4	29.0	26.9	80.7	60.0	21.8	162.4	30.1	192.6

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

Source: NSO.

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
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	104.1	49.7	153.8	98.7	48.2	146.9	5.4	5.2	1.5	2.9	6.9	4.5
2011	104.6	52.0	156.6	99.4	50.7	150.1	5.1	4.9	1.4	2.7	6.5	4.2
2012	105.4	54.3	159.8	100.1	52.8	152.9	5.3	5.0	1.5	2.8	6.8	4.3
2013[3]	107.3	57.5	164.8	101.7	55.8	157.5	5.6	5.2	1.8	3.1	7.4	4.5
2014[3]	109.8	60.7	170.5	104.5	59.0	163.5	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.	109.3	59.8	169.1	103.7	58.1	161.8	5.6	5.1	1.7	2.9	7.3	4.3
May	109.4	60.0	169.4	104.0	58.3	162.3	5.4	5.0	1.7	2.8	7.1	4.2
June	109.9	60.7	170.6	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	59.6	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.	110.4	61.5	171.9	105.4	59.9	165.3	5.0	4.5	1.6	2.6	6.6	3.8
Oct.	110.6	61.7	172.4	105.6	60.1	165.8	5.0	4.5	1.6	2.6	6.6	3.8
Nov.	110.6	61.8	172.4	105.7	60.2	165.9	4.9	4.5	1.6	2.5	6.5	3.8
Dec.	110.3	61.7	172.1	105.5	60.2	165.8	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
Apr.	111.4	63.0	174.4	107.2	61.6	168.8	4.2	3.7	1.4	2.2	5.6	3.2
May	111.3	63.2	174.4	107.3	61.8	169.1	4.0	3.6	1.4	2.2	5.3	3.1

[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.

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	118.7	74.1	192.8	111.6	70.1	181.6	7.1	6.0	4.0	5.5	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
Q2	118.9	76.5	195.5	112.3	72.5	184.9	6.6	5.5	4.0	5.2	10.6	5.4

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: 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
Q3	194.9	203.6	199.3	208.0	211.0

[1] As the statistical methodologies underpinning the total and the components are different, the change in the components does not necessarily reflect the change in the total.
[2] Consists of town houses, houses of character and villas.
Source: Central Bank of Malta estimates.

Table 4.6 Development permits for commercial, social and other purposes[1]

Period	Commercial and social								Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking	Total		
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 (%)
1946	100.00	-
1947	104.90	4.90
1948	113.90	8.58
1949	109.70	-3.69
1950	116.90	6.56
1951	130.10	11.29
1952	140.30	7.84
1953	139.10	-0.86
1954	141.20	1.51
1955	138.80	-1.70
1956	142.00	2.31
1957	145.70	2.61
1958	148.30	1.78
1959	151.10	1.89
1960	158.80	5.10
1961	164.84	3.80
1962	165.16	0.19
1963	168.18	1.83
1964	172.00	2.27
1965	174.70	1.57
1966	175.65	0.54
1967	176.76	0.63
1968	180.42	2.07
1969	184.71	2.38
1970	191.55	3.70
1971	196.00	2.32
1972	202.52	3.33
1973	218.26	7.77
1974	234.16	7.28
1975	254.77	8.80
1976	256.20	0.56
1977	281.84	10.01
1978	295.14	4.72
1979	316.21	7.14
1980	366.06	15.76

Year	Index	Inflation rate (%)
(continued)		
1981	408.16	11.50
1982	431.83	5.80
1983	428.06	-0.87
1984	426.18	-0.44
1985	425.17	-0.24
1986	433.67	2.00
1987	435.47	0.42
1988	439.62	0.95
1989	443.39	0.86
1990	456.61	2.98
1991	468.21	2.54
1992	475.89	1.64
1993	495.59	4.14
1994	516.06	4.13
1995	536.61	3.98
1996	549.95	2.49
1997[2]	567.95	3.27
1998	580.61	2.23
1999	593.00	2.13
2000	607.07	2.37
2001	624.85	2.93
2002	638.54	2.19
2003	646.84	1.30
2004	664.88	2.79
2005	684.88	3.01
2006	703.88	2.77
2007	712.68	1.25
2008	743.05	4.26
2009	758.58	2.09
2010	770.07	1.51
2011	791.02	2.72
2012	810.16	2.42
2013	821.34	1.38
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
Aug.	109.5	0.8	2.3	3.1	3.2	0.5	-12.2	0.0	-0.5	1.1	2.3	1.9
Sep.	109.9	0.9	2.6	3.1	2.6	0.5	-10.8	0.4	-0.7	1.2	2.3	2.0
Oct.	110.4	1.0	2.8	3.1	2.2	0.6	-9.4	0.7	-0.9	1.2	2.4	2.1

[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
Aug.	125.7	0.9	1.6	4.6	3.2	-5.1	0.1	1.0	-0.6	-0.8	1.5	6.4	2.0	2.3
Sep.	124.7	1.0	1.9	4.6	2.7	-4.4	0.5	1.1	-0.9	-0.7	1.6	6.4	1.9	2.4
Oct.	123.9	1.0	2.1	4.5	2.3	-3.6	0.8	1.2	-1.1	-0.8	1.8	6.5	1.9	2.5

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 June 2014, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2013/33 of 24 September 2013 concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the European System of National and Regional Accounts (ESA 2010). 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 2013/33. 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/2013/33 (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 2013/33 (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/Deposit-taking corporations

  (2) Other financial corporations
    i. Non-MMF Investment Funds
    ii. Other financial intermediaries and financial auxiliaries
    iii. Captive Financial Institutions and money lenders

(b) Insurance corporations and pension funds

(c) General government
    i. Central government
    ii. Other General Government

(d) Non-financial corporations
    i. Public non-financial corporations
    ii. Private non-financial corporations

(e) Households and non-profit institutions serving households (NPISH).

Entities that are considered to be non-residents are classified in the "external sector" or the "rest of the world". As noted above, in many statistical tables, and starting with data for 2008, they are split into other euro area residents and non-residents of the euro area (and may be further subclassified by sector according to their primary activity).

(a) Financial corporations

The financial corporations sector comprises the monetary financial institutions (MFIs) sector and the rest of the financial corporations sector, the latter known as the other financial corporations (OFIs) sector:

(1) Monetary financial institutions (MFIs) consist of:

i. The central bank, which is the national financial institution that exercises control over key aspects of the financial system conducts financial market operations, and holds the international reserves of the country. The Central Bank of Malta is part of the Eurosystem, which comprises the ECB and the NCBs of the member countries of the euro area.

ii. Other monetary financial institutions (OMFIs) also referred to as Deposit-taking corporations 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 2013/33 (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 2013/33 (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/2014/30 (as amended) of 8 July 2014 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 2010 (ESA 2010). 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 (BPM06) and in accordance with Guideline ECB/2011/23 and ECB/2013/25 (as amended). 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.