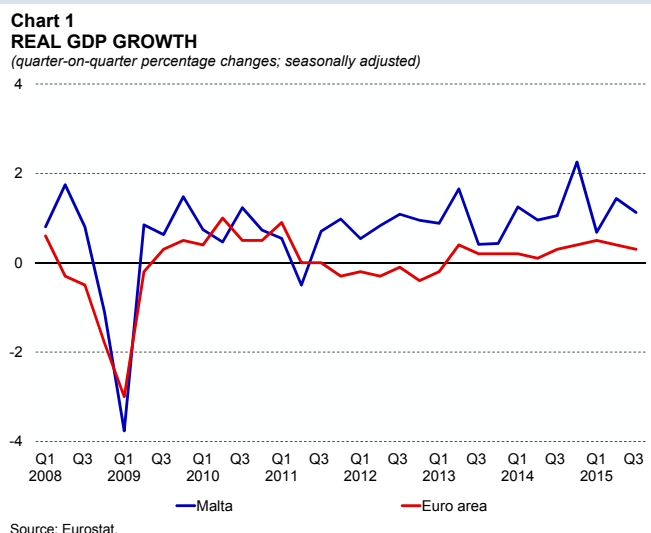


SUPPLEMENT TO THE QUARTERLY REVIEW 2015:3

Gross domestic product in the third quarter of 2015

Real GDP continues to grow strongly

On 7 December 2015, the National Statistics Office (NSO) published provisional gross domestic product (GDP) figures for the third quarter of 2015.¹ During this period the Maltese economy maintained a strong pace of expansion. Real GDP rose by 5.4%, following an upwardly revised growth rate of 5.8% in the second quarter.² Growth was driven by domestic demand.



Malta's GDP growth rate significantly exceeded the growth rate of the euro area as a whole. In seasonally adjusted terms, real GDP in Malta expanded at a quarterly rate of 1.1% during the third quarter of 2015, down from 1.4% in the previous quarter (see Chart 1). In contrast, in the euro area the quarterly growth rate stood at 0.3%, slightly down from 0.4% in the previous quarter.

Domestic demand remains the main driver of GDP growth

During the third quarter of 2015, activity was driven by domestic demand. The latter rose by 9.1% on a year earlier, contributing 7.5 percentage points to real GDP growth (see Table 1).

Domestic demand was driven by a rise in gross fixed capital formation. Private consumption and, to a lesser extent, changes in inventories also had a positive impact. In contrast, government consumption fell.

Gross fixed capital formation rose sharply for the second consecutive quarter. In the third quarter, it went up by 39.7% on a year earlier, following a 28.4% increase in the second quarter. The annual increase in investment in the third quarter mostly reflected higher spending on machinery and transport equipment. Spending on dwellings also increased. In contrast, non-residential investment declined, while the other components of investment, which include investment in software, were broadly stable. Overall, investment contributed 5.7 percentage points to real GDP growth.

¹ See NSO *News Release 224/2015*. These statistics are not commented on in the main text of the *Quarterly Review 2015:3*, as they became available after the *Review's* cut-off date.

² NSO *News Release 163/2015* had shown that real GDP had increased at an annual rate of 5.2% during the second quarter of 2015, as observed in the main text of this *Review*. These figures were revised in NSO *News Release 224/2015*. Therefore, figures for the second quarter of 2015 and for preceding quarters in the main text of the *Review* do not tally with the ones referred to in this Supplement.

Table 1
GROSS DOMESTIC PRODUCT ⁽¹⁾

	2014		2015		
	Q3	Q4	Q1	Q2	Q3
<i>Annual percentage changes</i>					
Private final consumption expenditure	3.0	3.5	5.6	2.5	5.1
Government final consumption expenditure	5.9	9.9	4.8	5.7	-5.4
Gross fixed capital formation	3.1	12.2	0.3	28.4	39.7
Domestic demand	2.3	9.1	4.6	6.0	9.1
Exports of goods & services	-2.7	1.6	-0.3	4.3	3.4
Imports of goods & services	-4.1	3.6	-0.6	4.4	5.3
Gross domestic product	3.4	5.8	5.2	5.8	5.4
<i>Percentage point contributions</i>					
Private final consumption expenditure	1.6	1.9	3.1	1.4	2.6
Government final consumption expenditure	1.0	1.9	1.0	1.2	-0.9
Gross fixed capital formation	0.4	2.2	0.1	4.8	5.7
Changes in inventories	-1.0	2.3	0.3	-1.7	0.1
Domestic demand	2.0	8.3	4.5	5.6	7.5
Exports of goods & services	-4.3	2.6	-0.7	6.4	5.0
Imports of goods & services	5.7	-5.2	1.3	-6.2	-7.1
Net exports	1.4	-2.6	0.6	0.2	-2.1
Gross domestic product	3.4	5.8	5.2	5.8	5.4

⁽¹⁾ Chain-linked volumes, reference year 2010.

Sources: NSO; Central Bank of Malta calculations.

Private consumption also went up on its year-ago level, sustained by continued growth in employee compensation. At 5.1%, the annual growth rate of private consumption broadly doubled over that recorded in the previous quarter, with the contribution to GDP growth reaching 2.6 percentage points.

In contrast, following several quarters of strong growth, government consumption declined by 5.4% on the third quarter of 2014, lowering GDP growth by 0.9 percentage point. In nominal terms, compensation of employees and, to a limited extent, intermediate consumption rose on their year-ago levels, boosting government consumption. However, receipts from sales of government services, which are netted against expenditure, rose even faster.

Net exports dampen growth

Exports rose by 3.4%, year-on-year, mainly as a result of higher exports of services, as goods exports increased a small increase. Meanwhile, reflecting strong growth in aggregate demand, imports increased by 5.3%. Imports of goods rose more strongly than imports of services, partly reflecting investment-related imports. With imports growing faster than exports, net exports declined, dampening real GDP growth by 2.1 percentage points.