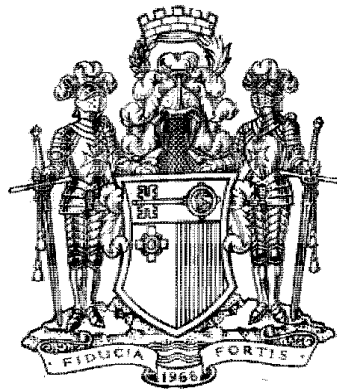


# Central Bank of Malta



## Quarterly Review

March 2000

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Note: The cut-off date for information published in the Economic Survey is March 6, 2000.  
For figures published in the Statistical Tables, the cut-off date is March 13, 2000.



# ECONOMIC SURVEY

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## 1. GENERAL OVERVIEW

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According to Central Bank estimates, the rate of growth of the Maltese economy stabilised at around 3% during the final quarter of 1999. Domestic demand was primarily directed towards imports, while the external deficit on trade in goods and services widened. The Central Bank's business perceptions survey and data on tourist arrivals both point to a slowdown in tourism activity, partly on account of the millennium factor. The survey also indicates slower export growth by the main manufacturing sub-sectors. Investment expenditure seems to have picked up during the quarter, and was met by imports of capital goods by Malta Shipbuilding (for the construction of the Gozo ferries) and by two major export-oriented firms. The Bank's business perceptions survey also indicates better prospects for the export-oriented manufacturing and tourism sectors over the next few months, though not for domestically-oriented industries facing the challenges posed by fiscal consolidation and the removal of protective levies.

Retail price inflation edged up by 0.4 percentage points to 2.1% during the quarter, mainly on account of the extension of Value Added Tax to fuel. But this and other indirect tax measures announced in the latest Budget that impacted on the RPI as from January 2000 are expected to give only a temporary upward nudge to inflation. In fact, as they will help to narrow the fiscal deficit, they should be deflationary in the longer term, provided they do not give rise to a price-wage spiral. Meanwhile, the unemployment rate dropped marginally to 5.3%, although the demand for labour remained virtually unchanged.

The current account of the balance of payments deteriorated somewhat compared with the fourth quarter of 1998, mainly on account of a continued rise in imports of motor vehicles. This was partly

offset by higher receipts from transportation services, as the domestic airline increased its market share of incoming passengers.

The monetary policy stance was conditioned by stable foreign interest rates, the relaxation of underlying inflationary and fiscal pressures, a healthy external reserves position and relatively subdued domestic demand. Thus, although the current account of the balance of payments remained in deficit, the Central Bank left its intervention rate unchanged during the quarter.

Tentative projections for 2000 indicate that GDP growth should at least equal 1999 levels and continue to be mainly export-driven. Manufacturing exports, tourism and new export service activities should expand, helped by the continuing recovery in Malta's main trading partner countries. Domestic demand is unlikely to contribute significantly to growth during the year, mainly on account of the short-term effects of the restructuring of the Maltese economy, including fiscal consolidation. This may to some extent be offset by the commencement of work on private-sector capital investment projects. On balance, however, the unemployment rate is expected to rise somewhat. At the same time, inflation is expected to remain stable, reflecting weak domestic demand pressures offset by increases in indirect taxes and, possibly, a rise in imported inflation.

In these circumstances, the Central Bank's monetary policy stance will continue to promote long-term macro-economic balance, particularly with respect to price stability and the sustainability of the balance of payments position. The Bank will also continue to monitor closely, and actively participate in, Malta's transition towards the EU *acquis communautaire*, particularly with regard to the further liberalisation and development of the financial sector and macroeconomic convergence.

## 2. THE INTERNATIONAL ENVIRONMENT

### The World Economy

During the fourth quarter of 1999, global economic activity proved to be stronger than expected. The US economy continued to expand robustly, while economic recovery in Euroland gathered further strength. Most emerging market economies in Asia continued to recover vigorously, while developments in Russia and Brazil also pointed to an incipient recovery. Against this background, world output growth was expected to rise to 3% in 1999 – from 2.5% in 1998.

Economic activity in the **advanced industrial countries** grew at a buoyant pace during the quarter, with these countries' combined GDP growth expected to rise to 2.8%, from 2.2% in 1998. Against this background, central banks in

North America and Western Europe tightened monetary policy in order to pre-empt inflationary pressures. In the US, strong consumer expenditure continued to be the main driving force behind growth, while both consumption expenditure and exports helped to consolidate economic recovery in Euroland. In contrast, Japan's recovery remained fragile, with deflationary pressures persisting mainly on account of weak private-sector demand and a sustained appreciation of the yen.

In the **developing countries**, overall GDP growth was expected to rise to 3.5% in 1999, mainly reflecting a substantial improvement in the performance of the Southeast Asian economies and the stabilisation of the Chinese economy in the later months of the year. In Southeast Asia, economic recovery was supported by a rise in domestic consumption, a pick up in exports, an upturn in private

**Table 2.1**

### INTERNATIONAL ECONOMIC INDICATORS

	Real GDP % Change			Inflation (Consumer Prices) % Change			Current Account Balance US\$ billions		
	1997	1998	1999 <sup>1</sup>	1997	1998	1999 <sup>1</sup>	1997	1998	1999 <sup>1</sup>
Canada	4.0	3.1	3.7 <sup>1</sup>	1.6	1.0	1.5	-10	-11	-2
United States	4.5	4.3	4.1	2.3	1.6	2.2	-144	-221	-338
Japan	1.4	-2.8	0.3	1.7	0.6	-0.4	95	121	120
France	2.0	3.4	2.9	1.2	0.8	0.5	38	40	34
Germany	1.5	2.2	1.5	1.9	0.9	0.4	-2	-4	-1
Italy	1.5	1.3	1.4	2.0	2.0	1.5	34	20	7
United Kingdom	3.5	2.2	1.9 <sup>1</sup>	3.1	3.4	2.3	10	0	-22
Advanced Countries	3.2	2.2	2.8 <sup>1</sup>	2.1	1.5	1.4	81	37	-77
Developing Countries	5.8	3.2	3.5 <sup>1</sup>	9.2	10.3	6.7	-62	-77	-56
Countries in Transition <sup>2</sup>	2.2	-0.2	0.8 <sup>1</sup>	28.2	20.9	39.3	-26	-25	-16

<sup>1</sup> Forecasts

<sup>2</sup> Includes countries of Central and Eastern Europe and the former USSR.

SOURCE: IMF, *World Economic Outlook*, September 1999  
OECD, *Economic Outlook*, December 1999

investment, restocking and government expenditure. In contrast, most Latin American countries, with the notable exception of Brazil, were going through severe recessions.

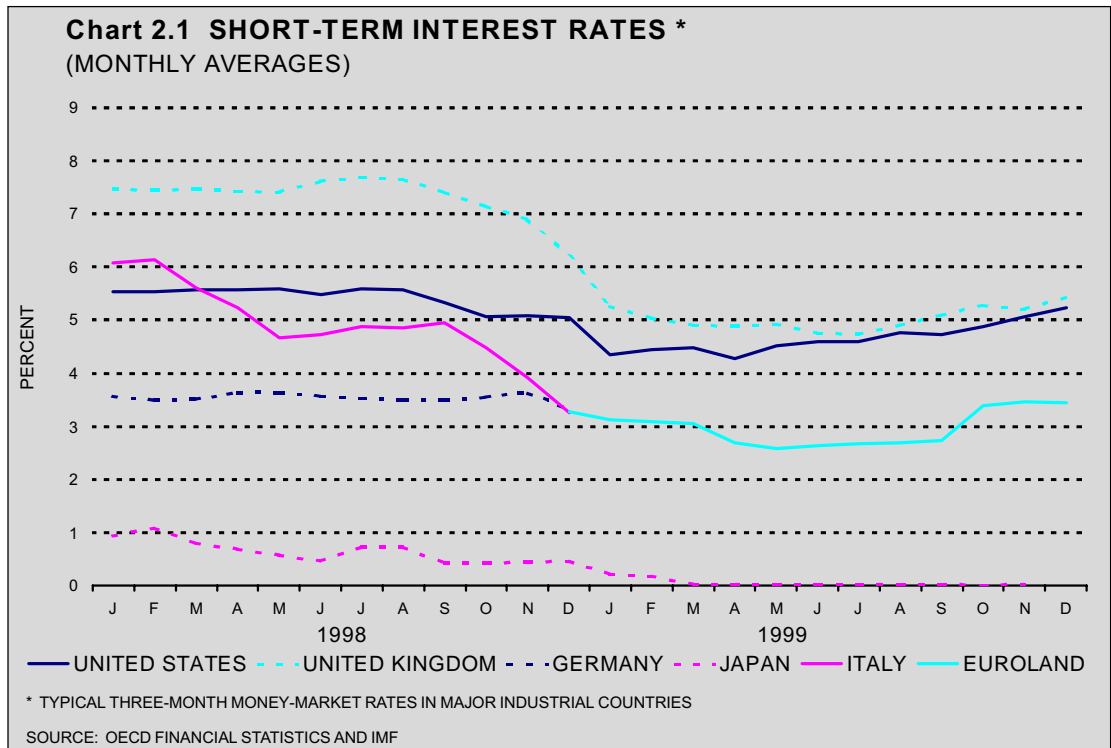
Meanwhile, the economies of the **countries in transition** registered an expansion in their GDP of 0.8%, as against a contraction of 0.2% recorded in the previous year. This occurred mainly on account of a rebound in Russian GDP, as export- and import-substituting industries benefited from a weaker rouble. Nevertheless, the Russian economy remained fragile, while the transition countries in Central and Eastern Europe were still suffering the effects of the Russian crisis.

### Economic and Monetary Developments in the Major Economies

The **United States** economy expanded at its fastest pace in nearly sixteen years during the quarter under review, with GDP growing at a 7.3%

annualised rate, compared with 5.7% in the previous quarter. This growth was generated by vigorous consumer spending, higher government expenditure and substantial inventory building in advance of the year 2000. Productivity, meaning the output per hour of workers outside the farm sector, grew at an annualised rate of 6.4% during the quarter, while productivity in the manufacturing sector rose by 10.3%. Labour-market conditions tightened further, with the jobless rate falling to a 30-year low of 4.1% in December. In spite of this, unit labour costs declined by 2.5%, after a 0.3% drop in the previous quarter. Although inflation remained relatively subdued the personal-consumption price index increased at a 2.5% rate in the fourth quarter, compared with 1.8% in the previous quarter. Moreover, strong consumer demand, coupled with volatile oil prices, brought about a notable deterioration in the US trade deficit, which hit a new record of \$96.22 billion.

**Chart 2.1 SHORT-TERM INTEREST RATES \***  
(MONTHLY AVERAGES)



Against this background of strong growth and tight labour markets, the Federal Reserve, on November 16, raised both the Federal funds rate and its discount rate by 25bps - to 5.5% and 5% respectively, as a pre-emptive measure against inflation. US money-market rates tended to rise but remained slightly below the Federal funds rate throughout the quarter.

Meanwhile, in **Euroland**, economic recovery continued to consolidate, with GDP growing by 3.1% on a year-on-year basis. This took place mainly on the back of a notable rise in consumption expenditure and exports. The performance of the euro-zone industrial sector continued to improve, with the three-month trend rate of industrial production rising by 1.1% compared with the previous quarter. The acceleration in economic activity, in turn, helped to reduce unemployment, which eased to 9.6% in December.

In **Germany**, GDP grew by 2.3%, year-on-year, in the fourth quarter, up from 1.5% in the previous quarter. Exports rose 12% year-on-year in December, confirming an export-led recovery, as the exporting sector benefited from the global economic upswing and the impact of a weak euro. Moreover, a stronger-than-expected fall in German unemployment in December indicated that economic recovery was beginning to have an effect on the labour market. In **France**, GDP grew by 3.2%, year-on-year, in the fourth quarter, up from 3.0% in the previous quarter, as strong consumer spending and external demand helped boost overall demand and cut unemployment. In fact, the French jobless rate fell to 10.6% in December, its lowest level in more than 2 years. The **Italian** economy also continued to exhibit signs of recovery during the quarter, with industrial orders and sales posting their highest rise in 20 months in November while the services sector continued to expand in December. Moreover, in the last month of 1999, Italian business confidence and orders expectations hit their highest level since May 1995 - mainly on the

back of an improvement in both export and domestic markets. Italy's unemployment rate thus eased slightly, to 11.1%, in November. On the negative side, higher import prices pushed Italian consumer-price inflation to 2.1%, year-on-year, in December, which was above the government's target.

Against a background of rising inflation expectations in the euro zone, the ECB, on November 4, raised its three leading interest rates by 50bps, respectively, in order to keep future inflation below its target ceiling of 2% a year. Consequently, the Bank's refinancing rate was raised to 3%. Meanwhile, money-market rates fluctuated narrowly, just above the ECB's refinancing rate, throughout the quarter.

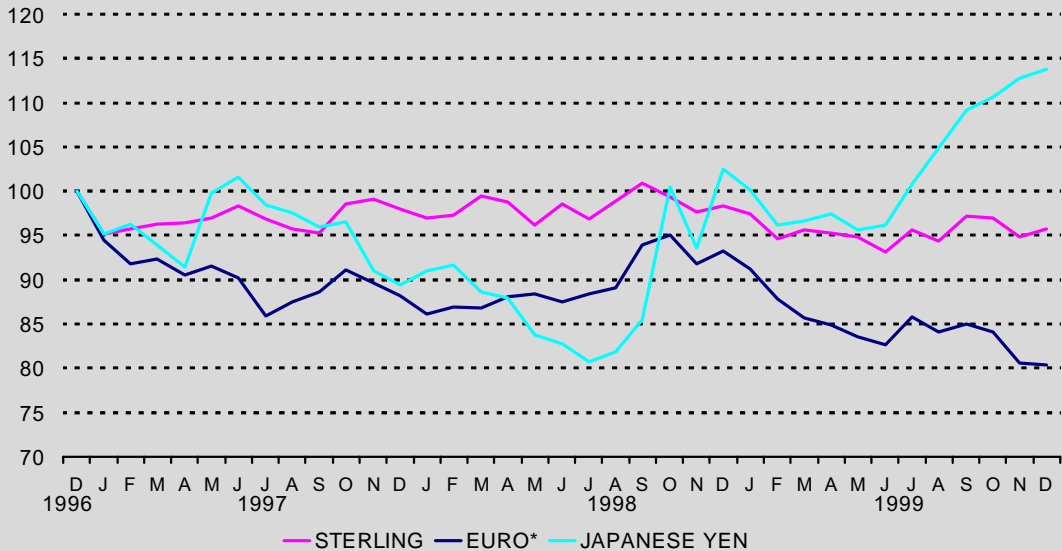
In the **United Kingdom**, GDP grew by 3%, year-on-year, in the fourth quarter. This occurred mainly on the back of the powerful services sector, as the manufacturing sector continued to trail behind. Consumer confidence remained high, supported by the boom in the property market. In fact, household expenditure rose by 4.5%, year-on-year, during the quarter - the highest annual rate of growth since the late 1980s. The British jobless rate fell to 4% in December - its lowest level in almost 20 years. In fact, the strong demand for labour, coupled with millennium-related bonus payments, pushed up wages, so that average earnings during the quarter rose a stronger-than-expected 5.5% compared to a year earlier. On the negative side, Britain's merchandise-trade deficit widened by nearly 30% to 26.3 billion pounds in 1999 - the largest shortfall on record, as imports rose while export volumes were curbed by the strong pound.

Although the inflation environment in the UK remained subdued, the Bank of England, on November 4, raised its repo rate by 25bps, to 5.5%, by way of a pre-emptive measure against inflation. Money-market rates fluctuated thinly about the repo rate throughout the quarter.



## Chart 2.2 EXCHANGE-RATE MOVEMENTS OF SELECTED CURRENCIES AGAINST THE US DOLLAR

(INDEX OF END-OF-MONTH RATES, END-1996 = 100)



\* ECU, UNTIL DECEMBER 1998; EURO FROM JANUARY 1999.

Meanwhile, the **Japanese** economy contracted for the second consecutive quarter during the last three months of 1999, with GDP falling by an annualised 5.5%. This was mainly due to weakness in personal consumption, hampered by a sharp drop in winter bonus payments, job insecurity and concerns over Y2K-related disruptions. A decline in public-works spending and a drop in net exports also contributed to the fall in Japan's GDP. In December, spending by Japanese households fell 4% from a year earlier while the jobless rate rose to 4.7%. Although two straight quarters of decline in GDP pointed to a technical recession, a moderate recovery trend in Japan remained in place. In fact, the decline in machinery orders by the private sector seemed to be bottoming out during the quarter, indicating a rise in capital spending.

Within a context of persisting deflationary pressures, the Bank of Japan kept its easy

monetary policy unchanged throughout the quarter. Japanese money-market rates, in turn, remained just above 0%.

### Foreign-Exchange Markets

The Japanese yen continued to rise against the other major currencies in the fourth quarter of 1999, supported by positive prospects for the Japanese economy. In contrast, the euro weakened considerably, undermined by scepticism about structural and political uncertainties in Euroland. The depreciation of the euro, in turn, spilled over onto the pound sterling, which suffered losses against both the US dollar and the yen.

The US dollar started the quarter on a weaker footing against the other major currencies, dragged down by a decline in US financial-asset prices and comments by Federal Reserve Chairman Greenspan indicating that US stocks

**Table 2.2**  
**AVERAGE EXCHANGE RATES OF THREE MAJOR CURRENCIES**  
**AGAINST THE US DOLLAR DURING DECEMBER QUARTER 1999**

	US\$ per EURO	US\$ per STG	Yen per US\$
Average for October	1.0717	1.6578	106.06
Average for November	1.0352	1.6235	104.82
Average for December	1.0114	1.6125	102.51
Average for the quarter	1.0394	1.6313	104.46
Closing rate on 30.12.99	1.0058	1.6193	102.09
Closing rate on 30.09.99	1.0638	1.6440	106.35
Lowest exchange rate during the quarter <sup>1</sup>	1.0003 (Dec. 03)	1.5978 (Dec. 01)	101.52 (Dec. 23)
Highest exchange rate during the quarter <sup>1</sup>	1.0893 (Oct. 18)	1.6763 (Oct. 22)	107.76 (Oct. 08)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 30.09.99 to closing rate on 30.12.99	-5.5	-1.5	4.0
<sup>1</sup> The low/high exchange rates are daily opening or closing rates of the relevant currencies.			

were overvalued. In particular, the dollar suffered substantial losses against the euro, which rose across the board on the back of robust euro-zone economic data and price-inflation warnings from top ECB officials. After some fluctuations, the dollar weakened further against the euro, with the euro/dollar rate reaching its highest value for the quarter on October 18. Subsequently, however, the dollar rebounded strongly against the euro, which was depressed by worse-than-expected business-confidence data in Euroland. Moreover, substantial euro-yen selling weakened the euro notably against the Japanese currency.

Against the yen, the dollar tended to fall in October, as the resilience of the Nikkei stock-exchange index, together with reports that the Japanese Government's next supplementary budget was likely to be on the upper end of expectations, encouraged investors to buy the yen. Against sterling, the dollar continued to fall through most of October, as the UK currency was supported by signals that overseas companies

were targeting large British businesses for potential take-over opportunities. Towards the end of October, however, the dollar rose against the pound, as the latter was dragged down by the euro's weakness.

In early November, the dollar tended to rise against the other major currencies, mainly on account of stronger US equity prices and benign labour-market data. Subsequently, however, the dollar fell across the board, following a higher-than-expected increase in US producer prices. Nevertheless, the dollar quickly rebounded, particularly against the euro and sterling, as weak retail sales data from Germany combined with figures showing strong growth in productivity in the US. Moreover, investors decided to liquidate long-euro positions before the Federal Reserve's monetary-policy meeting. After some fluctuations the dollar appreciated further, especially against the euro, mainly on account of the continued strength of US stocks. The euro also suffered from the markets' view that euro-zone

governments were being slow to tackle structural impediments to capital flows into Europe. Moreover, the perception that the ECB was following a ‘benign neglect’ policy on the euro, coupled with conflicting comments on market intervention by ECB officials, depressed the euro further, particularly against the yen.

The substantial fall in the euro/yen cross rate, in turn, tended to weaken the dollar heavily against the Japanese unit. Consequently, the Bank of Japan intervened repeatedly in the foreign-exchange markets, selling yen for dollars and probably also for euros, in order to smoothen disruptive currency-market fluctuations.

Against sterling, both the dollar and the yen rose significantly in November, as the pound was dragged down by the euro’s broad-based weakness. On its part, the pound registered notable gains against the euro mainly on the back of rumours of capital inflows into Britain in connection with merger and acquisition activity as well as renewed expectations of higher British interest rates.

In early December, the dollar strengthened further against the euro, hitting the highest level for the quarter on December 3 following German Chancellor Schroeder’s comment that Germany would unilaterally introduce a withholding tax if the EU could not reach agreement on the issue. After some fluctuations, the dollar rose again to near-parity with the euro, as the latter suffered from unhelpful comments by ECB top officials. The dollar also rose against the yen, which was depressed by economic uncertainty in Japan as well as by expectations that the Bank of Japan was about to intervene to curb yen strength. In contrast, the dollar fell against the pound, which was supported by expectations of an imminent rise in UK interest rates. After some fluctuations, the dollar rebounded across the board mainly on the back of retail-sales and consumer-price data that showed growth in the US remained strong with no signs of inflation.

After mid-December, however, the dollar fell against the other major currencies, particularly the yen, following news of another record US trade deficit in October and a strong rally in Japanese-share prices. Nevertheless, the dollar then rebounded across the board, gaining from safe-haven flows on account of concerns related to the year-2000 date changeover. Towards the end of the year, however, the dollar again lost ground against the yen, which was bolstered by the repatriation of year-end profits by Japanese companies. Moreover, both the dollar and the yen fell against the pound, which was supported by strong UK retail-sales data and growing expectations of higher interest rates. On its part, the pound strengthened considerably against the euro in the second half of December.

### Commodities

During the last quarter of 1999, the price of **gold** weakened by 4.1%, to end the year at US\$289.90 per ounce. In early October, the price of gold rose to near two-year highs of US\$340 per ounce as short-covering from Australia provided fresh momentum to the rally triggered by a joint statement on official gold holdings by 15 European central banks on September 26. After mid-October, however, gold prices started to soften mainly on account of easier short-term lease rates that made short selling more attractive. Towards the end of November and early December, gold slumped to a 10-week low of \$276 an ounce. This reflected market disappointment following the third gold auction conducted by the Bank of England, the announcement of plans to sell 300 tonnes of gold in the next 5 years by the Dutch central bank and news that Russia had released 80 tonnes of gold in November. After mid-December, however, the price of gold rose moderately, largely on the back of options-related buying ahead of the year end and uncertainty over the year-2000 date changeover.

The prices of **base metals** rose by 7.7% during the quarter, benefiting from the economic recovery in

Southeast Asia. The price of nickel recorded the strongest rise, largely because of a notable surge in demand from the stainless-steel industry, which started to boom again. Aluminium and copper prices went up further on the back of increased industrial activity, investment-fund holdings and company mergers. Tin prices were boosted by fears that China, the world's largest producer, was having difficulty exporting due to a shortage of export licences. Around mid-December, base-metal prices firmed further on the back of an influx of investment-fund buying before the year end. Thus, towards the end of the year, nickel reached its highest level for 3 years, aluminium hit a two-year peak, and copper touched its best price since April 1998. In contrast the price of lead fell on account of oversupplies caused by a surge in Chinese exports.

**Oil** prices rose by 5.9% during the quarter, ending the year at \$25.28 per barrel. In October, oil-price movements were particularly volatile as fears of a supply shortage in the peak winter-demand season competed with worries that leading oil producers might start to slacken compliance with OPEC's oil-supply restraints. In November, oil prices tended to rise, following an OPEC statement that members had agreed in principle to extend the duration of supply curbs beyond March 2000 while the International Energy Agency projected a record decline in stockpiles during the Northern hemisphere winter. On November 22, oil prices surged to a fresh nine-year high, with London Brent futures hitting \$25.90 a barrel, after Iraq suspended its oil exports

under the UN 'oil-for-food' programme. After some fluctuations, oil markets regained strength in view of signs of good OPEC compliance with supply cuts and renewed support among exporters for continued output restraint. Towards the end of December, oil prices climbed back toward nine-year highs as traders stocked up against winter shortages and possible millennium-bug supply disruptions.

**Food** prices rose by 2.2% during the fourth quarter of 1999. Coffee futures rose as the forecast for a record Brazilian crop was scaled back after unusually dry weather. Similarly, sugar futures went up, particularly in December, largely reflecting higher-than-expected imports by Russia. In contrast, the prices of wheat, corn and soyabeans continued to fall, mainly on account of abundant world-wide supplies.

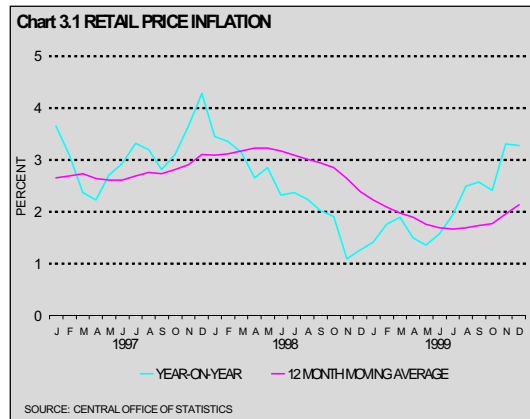
Meanwhile, the prices of **non-food agricultural commodities** went up by 4.2% during the quarter, mainly reflecting a rise in natural-rubber prices, which strengthened in spite of forecasts that the market was to remain oversupplied for at least another year. The price of rubber was pushed up by firmer demand from tyre makers, higher oil prices (which make synthetic rubber dearer), a seasonal fall in rubber supplies owing to heavy rains in Indonesia and speculative Japanese buying. In contrast, cotton prices remained depressed, as cotton faced tough competition from synthetics. Also negative for the market was the prospect of increased exports from China, the world's biggest cotton producer and consumer.

### 3. THE DOMESTIC ECONOMY

The Maltese economy continued to expand at a stable rate during the fourth quarter of 1999, mainly as a result of further export growth, as domestic demand remained subdued. For the year as a whole, the Central Bank has estimated real GDP growth at around 3%, though official estimates put it somewhat higher<sup>1</sup>. The unemployment rate, which had been rising gradually over the year, declined during the final quarter, largely because of a contraction in the labour supply. At the same time, inflation rose slightly, to a large extent due to the increases in indirect taxation introduced in the Budget.

#### Retail Prices

Retail price inflation rose to 2.1% during the last three months of 1999, after having stabilised at 1.7% during the September quarter. The declining trend in inflation in evidence since the beginning of 1998 thus appears to have been halted, as Chart 3.1 shows.



The rise in the headline rate of inflation was mainly the result of the extension of value-added tax to fuel and of the introduction of the vehicle roadworthiness test. In fact, as can be seen from Table 3.1, the main impetus to inflation during the quarter came from the transport and communications sub-index. The effects of other indirect tax measures announced in the Budget, such as the latest increase in the excise duty on cigarettes, were not reflected in the RPI during the

**Table 3.1**

#### INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

*Year-on-Year Percentage Changes*

	Dec. 1998	Sept. 1999	Dec. 1999
Food	-1.9	2.3	1.5
Beverages and Tobacco	5.7	9.0	8.9
Clothing and Footwear	4.7	0.9	-0.5
Housing	0.2	-0.1	0.5
Fuel, Light and Power	0.4	-0.1	0.1
Durable Household Goods	0.1	2.6	2.6
Transport and Communications	3.2	2.8	8.6
Personal Health and Care	3.5	2.9	2.9
Education, Entertainment and Recreation	2.2	0.3	1.2
Other Goods and Services	0.7	3.5	3.7
<b>All Items</b>	<b>1.3</b>	<b>2.6</b>	<b>3.3</b>

*SOURCE: Central Office of Statistics*

<sup>1</sup> An explanation of the Central Bank's methodology for estimating GDP growth and the major sources of the discrepancy between the Bank's estimates and the official estimates is given in the box below.

quarter, as the relevant indices had not yet been measured by the end of the year.

After allowing for these exceptional factors, underlying domestic inflation remained relatively stable. Nevertheless, it was still higher than that of Malta's main trading partners and competitors, reflecting domestic price pressures arising from the fiscal deficit and factor cost increases not matched by productivity growth.

Headline inflation is projected to continue to rise in the coming months, partly as a result of higher imported inflation and partly because of the price increases resulting from other budgetary measures that will impact on the RPI as from January 2000<sup>2</sup>. Any upward pressures on prices that may arise as work on major capital projects commences later in the year should, however, be dampened by further fiscal tightening.

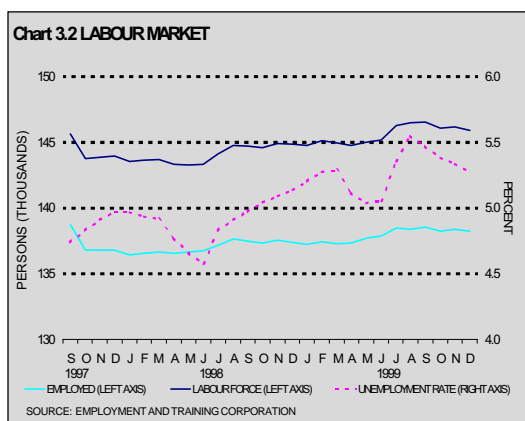
**Table 3.2**  
**LABOUR MARKET DEVELOPMENTS**

*Number of Persons*

	Dec. 1999	Quarterly Change	Annual Change
<b>Labour Supply</b>	<b>145,901</b>	<b>-624</b>	<b>1,077</b>
<b>Unemployed</b>	<b>7,695</b>	<b>-316</b>	<b>258</b>
<b>Unemployment Rate (%)</b>	<b>5.3</b>	<b>-0.2</b>	<b>0.1</b>
<b>Gainfully Occupied</b>	<b>138,206</b>	<b>-308</b>	<b>819</b>
of which:			
<b>Private Direct Production</b>	<b>37,074</b>	<b>99</b>	<b>-302</b>
including:-			
Agriculture & Fisheries	2,529	17	7
Quarrying, Construction & Oil Drilling	5,399	258	-57
Manufacturing	29,146	-176	-252
<b>Private Market Services</b>	<b>49,067</b>	<b>-97</b>	<b>3,663</b>
including:-			
Wholesale & Retail	15,471	99	243
Insurance & Real Estate	1,397	-7	60
Transport, Storage & Communications	6,203	280	509
Hotels & Catering Establishments	9,123	-272	470
Community & Business	9,740	-414	47
Others	7,133	217	2,334
<b>Public Sector</b>	<b>47,415</b>	<b>-276</b>	<b>-2,301</b>
including:-			
Government Departments	30,498	-75	-31
Armed Forces, R.S.C. & Airport Co.	1,599	-9	-23
Government-controlled Companies	7,184	-159	-2,158
Independent Statutory Bodies	8,134	-33	-89
<b>Temporarily Employed</b>	<b>4,650</b>	<b>-34</b>	<b>-241</b>

*SOURCE: Employment and Training Corporation*

<sup>2</sup> These include the rise in the price of bread, the imposition of VAT on telephony services and the reduction of rebates on electricity charges.



### The Labour Market

The unemployment rate fell to 5.3% during the last quarter of 1999, as Table 3.2 shows. This resulted from a drop of 625 persons in the labour supply, which was double the decline in the number of the gainfully occupied. The former was the counterpart of an increase in the number of persons employed solely on a part-time basis, while that in the number of the gainfully occupied reflected a contraction in public sector employment as employees reaching retirement

age were not replaced.

The private sector's demand for labour remained virtually unchanged between the third and fourth quarters of 1999. This was due to a decline in employment in services being offset by increased employment in private direct production. The former can in good part be attributed to seasonal factors associated with tourism, while underlying the rise in directly productive employment was an increase in jobs in manufacturing industry, which more than made up for a loss of jobs in construction. A reclassification of firms between the various sub-sectors, however, makes it difficult to discern the underlying sectoral trends during the quarter.

Labour market data appear to confirm the largely structural nature of the current rise in unemployment. In fact, as Table 3.3 shows, most of the unemployed are seeking manual work, for which few employment opportunities exist.

Part-time employment increased by around 160 during the review period, as Table 3.4 shows, with

**Table 3.3**

### JOB VACANCIES AND UNEMPLOYMENT BY SKILL CATEGORY AS AT DECEMBER 1999

*Number of Persons*

Skill	Vacancies	Unemployed	Unemployed per Vacancy
Professions <sup>1</sup>	107	372	3.5
Clerks	67	675	10.1
Skilled Workers <sup>2</sup>	120	1,968	16.4
Machine Operators	15	1,326	88.4
Elementary Occupations	23	3,354	145.8
<b>Total</b>	<b>332</b>	<b>7,695</b>	<b>23.2</b>

<sup>1</sup> Including Legislators, Senior Officials, Managers, Professionals, Technicians and Associate Professionals.

<sup>2</sup> Including Service Workers, Shop and Market Sales Workers, Skilled Agricultural, Fishery Workers, Craft and Related Trades Workers.

SOURCE: Employment and Training Corporation, Central Office of Statistics, Press adverts.

**Table 3.4**  
**PART-TIME EMPLOYMENT**

*Number of Persons*

	Dec. 1999	Change in Number of Persons	
		Previous Quarter	Year-Ago Period
Part-time Employees holding Full-time Jobs	16,123	-639	157
Part-time Employment as Primary Job	16,975	800	2,784
<b>Total Part-time Employment</b>	<b>33,098</b>	<b>161</b>	<b>2,941</b>

Note: Figures may not add up due to rounding.

SOURCE: *Employment and Training Corporation.*

the increase in the number of people holding only a part-time job offsetting a drop in the number of part-time employees who also held full-time jobs. The decline in the latter was mainly attributable to seasonal factors associated with tourism. On the other hand, the increase in the number of part-timers who did not hold also a full-time job reflected, in part, the growing participation of married women in the labour market. During the twelve months to December, part-time employment expanded by close to 3000, with most of the increase being accounted for by persons employed on a part-time basis only, more than half of whom were women.

**Tourism**

During the fourth quarter of 1999, tourist arrivals were marginally down on a year-on-year basis, bringing the growth in arrivals for the whole of 1999 down to less than half the previous year's growth rate. The main underlying causal factor was a fall in arrivals from the UK, which was in turn mainly due to increased competition from other Mediterranean destinations. During the quarter, however, arrivals were also adversely affected by the millennium factor - which may have induced many potential visitors either to remain at home or to seek more prestigious destinations. Nevertheless, foreign currency receipts attributed to tourism rose significantly

throughout 1999, although these may in part relate to past earnings that were being repatriated on account of exchange rate considerations.

Arrivals from the UK, traditionally Malta's main source market, continued to decline during the fourth quarter of 1999, as Table 3.5 shows. On a year-on-year basis, the number of British tourists contracted by 5.9%, in spite of the relative strength of both the British economy and the pound sterling. Although a better diversification of source markets has long been a policy goal, the extent of the shrinkage in the share of the UK market may indicate a loss of competitiveness. Meanwhile, penetration of Malta's second largest source market, Germany, also exhibited signs of a slowdown. On the other hand, gains were recorded in other, smaller markets, such as the Netherlands, Austria and the Scandinavian countries, though arrivals from Libya accounted for nearly a quarter of the increase in tourist arrivals during 1999.

Cruise passenger activity continued to expand rapidly, with arrivals rising by 24.3% on a year-on-year basis. At the same time, cruise passenger arrivals for the whole of 1999 were up by 30.4%. This traffic continued to be dominated by North American, German and UK tourists, who together



**Table 3.5****TOURIST ARRIVALS BY NATIONALITY**

Nationality	October - December 1999			January - December 1999		
	Arrivals	Annual Growth (%)	Share (%)	Arrivals	Annual Growth (%)	Share (%)
UK	87,140	-6.7	36.2	422,368	-5.9	34.8
Germany	49,521	2.0	20.6	212,428	4.5	17.5
Italy	14,056	5.4	5.8	92,726	2.4	7.6
Libya	12,327	45.9	5.2	44,968	19.9	3.8
Netherlands	11,391	-3.3	4.7	65,345	15.6	5.4
France	9,737	-22.5	4.1	73,264	1.0	6.0
Scandinavia <sup>1</sup>	9,224	38.0	3.8	46,365	30.9	3.8
Switzerland	5,796	-12.5	2.4	23,448	-5.4	1.9
Austria	5,326	-11.3	2.2	29,027	22.3	2.4
Belgium	4,376	7.2	1.8	28,349	12.7	2.3
Others	31,805	8.2	13.2	175,942	7.2	14.5
<b>Total</b>	<b>240,699</b>	<b>-0.1</b>	<b>100</b>	<b>1,214,230</b>	<b>2.7</b>	<b>100</b>

<sup>1</sup> Scandinavian countries include Denmark, Norway and Sweden.  
Note: Figures may not add up due to rounding.  
SOURCE: Central Office of Statistics.

made up nearly 70% of total cruise passenger arrivals in 1999. There thus appears to be a significant potential for growth in this area, justifying the planned construction of the new cruise liner passenger terminal.

Foreign currency flows received through the local banking system and attributable to the tourism

sector rose by 2.9% during the final quarter of 1999, and by 6.6% during the year as a whole. These increases outpaced those in the number of tourist arrivals, implying higher expenditure per capita. However, as explained previously, foreign currency receipts recorded by the banking system in 1999 may in part relate to earnings from earlier periods.

## NOTE ON THE CENTRAL BANK'S ESTIMATION OF GDP FOR 1999

### The Central Bank's methodology

In line with past practice, the latest Annual Report of the Central Bank of Malta provided an estimate of Gross Domestic Product (GDP) growth for 1999. This estimate had to be completed by February 2000 in order to meet the end-March publication date for the Report.

Developments in GDP, and particularly in its expenditure components, are of direct relevance to the formulation of monetary policy, whose ultimate objective is to achieve price stability. The maintenance of the exchange rate peg of the Maltese lira is a key element in achieving this objective, and this in turn necessitates a balanced pattern of growth that is sufficiently supported by export and investment activity. In contrast, excessive consumption demand could have a negative impact on prices and the balance of payments. It could lead to an erosion of the country's foreign reserves and, consequently, to an increase in domestic interest rates because monetary policy would have to be tightened in response to the deterioration in the external account.

The estimates of the various expenditure components of GDP are derived by means of the Central Bank's macroeconomic model that gauges the state of the economy on the basis of twenty-six exogenous variables, eighteen of which relate to Government policy, three to the international environment, and the remaining five to the supply side of the economy. In determining the values of the exogenous variables, and in calibrating their relationship with the rest of the economy, reference is also made to the following sources of data input:

- a. official data published up to the point in time at which the estimates are derived, including

GDP data for the first nine months of the year in question;

- b. other economic data obtained directly from the Central Office of Statistics ;
- c. the results of the business perceptions survey conducted by the Central Bank on a quarterly basis;
- d. information available regarding current economic policies; and
- e. other information on the state of the economy, obtained mainly from direct contacts with business and from press reports.

### The Central Bank's estimates for 1999

The Central Bank's estimates for 1999 show real GDP growth in the region of 2.5% - 3.0%, while the official estimate is of 4.6%. These compare with 1998 estimates, by the respective institutions, of 2.8% and 3.4%. The initial official estimate for 1998, and upon which the Bank's estimate was based, was 3.1%.

The main reasons behind the moderate slowdown in 1999 GDP growth implied by the Bank's estimates are:

- a. Domestic consumption, though growing at a higher rate than in 1998, remained subdued. Evidence of this emerged from the Bank's quarterly business perceptions surveys. In addition private consumption was increasingly directed towards imports (mainly of motor vehicles) rather than domestically-produced goods and services. Thus, it did not generate local value added. Moderate growth in domestic demand as a whole was also deemed to be more consistent with the tighter stance of fiscal policy.

- b. Government consumption growth was restrained consonantly with the tighter fiscal stance.
- c. Investment growth was also modest and mainly reflected higher imports of machinery, which are unlikely to have contributed much to the same year's GDP growth. Meanwhile, investment in construction, which has a substantial value added component, declined at a faster rate in 1999 than in 1998.
- d. Exports and imports of goods and services grew at the same rate as in 1998. Hence the growth rate of net imports was unchanged from the previous year's level.

Official data relating to GDP estimates based on factor incomes also point to a decelerating rate of economic growth. This measure of GDP shows the increase in wages and profits earned in the economy before account is taken of indirect taxes and subsidies on final selling prices. At current market prices, growth in GDP at factor cost is shown to have increased by 4.4% in 1999, compared with over 7% in 1998.

### **Major sources of the discrepancy between the Central Bank's estimates and the official estimates of GDP growth.**

One major source of the discrepancy between the Bank's estimates and the official estimates of real GDP growth is inventory investment. The official figures indicate that this is derived as a statistical discrepancy after GDP at market prices (based on a factor income approach) is estimated and the sum of the various expenditure components of GDP are deducted from it. The Bank, on the other hand, treats this as a residual term whose expected value is zero. The 1999 official estimates of GDP show a large positive figure for inventory investment, and this contributed around one-third of the reported 4.6% GDP growth.

Another important source of the discrepancy relates to private consumption expenditure. The official estimate puts growth in this item in 1999 at over 5% in real terms, around twice the 1998 growth rate. The Central Bank's estimate for private consumption growth is lower, as explained above.

## 4. THE BALANCE OF PAYMENTS

Provisional balance of payments data for the fourth quarter of 1999 show that the deficit on the current account widened, but net inflows on the

financial account<sup>3</sup>, which were boosted by the second instalment from the sale of Mid-Med Bank to the HSBC Group, rose considerably. For 1999 as a whole, however, the current account deficit was reduced by about a third, while net inflows on the financial account rose sharply.

**Table 4.1**  
**BALANCE OF INTERNATIONAL PAYMENTS<sup>1</sup>**

	<i>Ln millions</i>			
	October - December		January - December	
	1998	1999	1998	1999
<b>CURRENT ACCOUNT BALANCE</b>	<b>-60.2</b>	<b>-67.6</b>	<b>-75.8</b>	<b>-50.6</b>
<b>Merchandise Trade Balance</b>	<b>-72.6</b>	<b>-90.0</b>	<b>-241.3</b>	<b>-247.6</b>
Merchandise f.o.b. (including ship building and repairing)				
<b>Services Balance Net</b>	<b>29.3</b>	<b>38.2</b>	<b>165.7</b>	<b>176.3</b>
of which:				
Shipment	-20.0	-25.0	-72.1	-80.6
Other Transportation	11.7	21.4	55.1	60.0
Travel	42.5	42.0	179.7	190.9
Other Services				
of which:				
Official	-2.3	-3.1	-3.7	-9.8
Private	-2.5	2.8	6.7	15.8
<b>Goods and Services Balance</b>	<b>-43.3</b>	<b>-51.9</b>	<b>-75.6</b>	<b>-71.3</b>
<b>Investment Income (net)</b>	<b>-21.8</b>	<b>-20.6</b>	<b>-27.4</b>	<b>-2.3</b>
Dividends, reinvested earnings, interest, other				
of which:				
IBIs	0.4	-13.0	3.9	19.1
<b>Unrequited Transfers (net)</b>	<b>4.9</b>	<b>4.9</b>	<b>27.2</b>	<b>23.0</b>
Official	1.7	0.1	11.0	9.1
Private	3.2	4.9	16.2	14.0
<b>Capital and Financial Account</b>	<b>48.9</b>	<b>59.9</b>	<b>40.8</b>	<b>52.7</b>
Direct Investment	69.2	139.0	97.9	317.9
Portfolio Investment	-24.3	-17.9	-32.2	-227.3
Other Investment	27.6	-18.8	48.7	58.6
Reserves	-23.7	-42.5	-73.6	-96.5
<b>Errors and Omissions</b>	<b>11.3</b>	<b>7.7</b>	<b>35.1</b>	<b>-2.1</b>

Note: Figures may not add up due to rounding.

<sup>1</sup> Provisional Central Office of Statistics data, compiled on an accruals basis.

<sup>3</sup> Excluding movements in reserves.

The Maltese lira continued to strengthen against the euro and to lose ground against the US dollar, the pound sterling and, above all, the Japanese yen.

### The Current Account<sup>4</sup>

During the fourth quarter of 1999, the deficit on the current account stood at Lm67.6 million, up by 12.2% from the previous year's level. As can be seen from Table 4.1, this was mainly the result of a widening of the merchandise trade gap, which rose by a quarter to Lm90 million. The deterioration in the deficit on merchandise trade was, however, partly compensated for by an improvement in the services balance, the surplus on which rose by 30% to Lm38.2 million.

### Merchandise Trade

The widening of the merchandise trade gap during the quarter was due to the fact that the

growth in imports, at Lm53.4 million, was greater than that of exports, which were up by Lm36 million.

While the electronics industry was mainly responsible for the increase in domestic exports, the rise in the value of re-exports reflected higher oil prices. At the same time, all the main categories of imports contributed to the overall increase in Malta's import bill during the quarter, as Table 4.2 shows. Industrial supplies were up by Lm27.1 million, accounting for almost half the increase, though imports of fuel and lubricants were also sharply up, reflecting the hike in oil prices. Imports of consumer goods rose by Lm9.3 million, with around half of this amount being due to higher imports of durable goods, particularly motor vehicles, while a third consisted of food and beverages. Meanwhile, new investment undertaken by firms in the electronics and printing industries pushed imports of capital goods up by Lm6 million.

**Table 4.2**  
**MERCHANDISE TRADE**  
(based on Customs Data)

	October - December	
	1998	1999
<b>Imports</b>	<b>272.2</b>	<b>330.1</b>
<b>Industrial Supplies</b>	<b>157.7</b>	<b>184.8</b>
<b>Capital Goods and Others</b>	<b>41.8</b>	<b>47.7</b>
<b>Consumer Goods</b>	<b>65.6</b>	<b>74.9</b>
Food and Beverages	23.6	26.5
Durable Goods	28.1	32.5
Others	13.9	15.9
<b>Fuel and Lubricants</b>	<b>7.1</b>	<b>22.7</b>
<b>Exports</b>	<b>175.8</b>	<b>217.5</b>
Domestic	166.4	195.2
Re-Exports	9.4	22.3

SOURCE: Central Office of Statistics

### Services and Investment Income

The improvement in the services account was mainly the result of a substantial increase in net receipts from **other transportation** activities. This, in turn, was largely attributable to a rise in re-exports of fuel, which are classified under this account, though increased receipts from passenger carriage and charter income also contributed. There was also a substantial improvement in the **other private services** account, which swung from a deficit of Lm2.5 million in the fourth quarter of 1998 to a surplus of Lm2.8 million. This was mainly the result of lower outflows in respect of commissions and fees paid by international banking institutions, which were exceptionally high in 1998. In contrast, the positive balance on the **travel account** was marginally below the 1998 level, as growth in earnings from tourism was offset by higher outflows in respect of overseas travel by

<sup>4</sup> Compiled on an accruals basis.

residents of Malta. At the same time, net outflows in respect of **shipment** were up by almost Lm5 million, in line with the increase in merchandise imports.

A net outflow of Lm20.6 million was recorded on the **investment income** account during the quarter. Both inflows and outflows on this account were substantial, reflecting transactions undertaken by international banking institutions. Such transactions involve large – and growing – movements of capital, and consequently significant flows of interest income and payments, but have little lasting impact on the Maltese economy.

Meanwhile, the balance on **unrequited transfers** remained in surplus, at the previous year's level, as higher remittances from emigrants were offset by lower receipts of official grants.

### **The Financial Account**

During the quarter surveyed, the financial account (excluding movements in reserves) was in surplus by Lm102.3 million, up by Lm30 million from the surplus recorded in the fourth quarter of 1998. The second instalment in respect of the sale of Mid-Med Bank shares to the HSBC Group accounted for Lm35 million of this. The rest consisted in **direct investment** inflows, especially earnings retained by foreign-owned companies and trade credit outstanding. In contrast, **portfolio investment** by the non-monetary sectors recorded net outflows due to an increase in investment abroad by residents of Malta.

As a result of these developments, the **overall balance** of payments ended the fourth quarter of 1999 in surplus by Lm34.8 million. The official reserves, however, increased by Lm42.5 million, with the discrepancy being attributable to accounting adjustments and statistical errors and

omissions. For the year as a whole, the overall balance of payments was in surplus by Lm98.5 million<sup>5</sup>, while the reserves rose by Lm96.5 million.

### **Foreign Exchange Transactions between Residents and Non-Residents<sup>6</sup>**

During the fourth quarter, the overall deficit on transactions between residents and non-residents effected through the local banking system narrowed by almost Lm15 million compared with that recorded in the fourth quarter of 1998. This improvement was entirely attributable to higher capital inflows, as the shortfall on current transactions widened by Lm8.5 million.

### **Transactions of a Current Nature**

The widening of the deficit on current transactions was in part attributable to higher net outflows on merchandise trade, which, at Lm98.3 million, were up by Lm3.7 million from the 1998 level. Both export receipts and import payments were higher than in the previous year, but growth in import payments outweighed the rise in export receipts.

As regards the surplus on services, this improved by Lm3.0 million, thus partially offsetting the widening of the merchandise trade deficit. At the same time, the investment income balance showed a net outflow of Lm6.4 million, as against a net inflow of Lm2.4 million in the comparable quarter of 1998. As Table 4.3 indicates, however, this turnaround was entirely attributable to transactions undertaken by international banking institutions. Meanwhile, there were higher net inflows by way of unrequited transfers, up by Lm1.2 million from the previous year's level.

### **Transactions of a Capital Nature**

During the quarter, capital account transactions resulted in net inflows of Lm20.6 million

<sup>5</sup> According to the most recent provisional figures published by the COS.

<sup>6</sup> Between residents and non-residents, and on a cash settlement basis effected through the local banking system.

**Table 4.3**  
**FOREIGN EXCHANGE TRANSACTIONS<sup>1</sup>**

*Lm millions*

	4th Qtr.		Jan. - Dec.	
	1998	1999	1998	1999
<b>MERCHANDISE TRADE BALANCE</b>				
(including shipbuilding, freight and insurance)	<b>-94.5</b>	<b>-98.3</b>	<b>-339.0</b>	<b>-333.6</b>
<b>SERVICES (Net)</b>	<b>49.9</b>	<b>52.9</b>	<b>241.0</b>	<b>262.6</b>
of which:				
Transportation (other than freight and insurance)	17.9	16.7	75.0	80.0
Travel	34.5	33.8	146.0	155.5
Other Services	-2.5	2.4	20.0	27.1
<b>BALANCE ON GOODS AND SERVICES</b>	<b>-44.6</b>	<b>-45.4</b>	<b>-98.0</b>	<b>-71.0</b>
<b>INVESTMENT INCOME (Net)</b>	<b>2.4</b>	<b>-6.4</b>	<b>47.8</b>	<b>36.4</b>
of which international banking institutions	-1.2	-19.4	-18.5	-21.7
<b>BALANCE ON GOODS AND SERVICES &amp; INCOME</b>	<b>-42.2</b>	<b>-51.8</b>	<b>-50.2</b>	<b>-34.6</b>
<b>UNREQUITED TRANSFERS (Net)</b>	<b>4.7</b>	<b>5.9</b>	<b>27.6</b>	<b>27.3</b>
<b>CURRENT ACCOUNT BALANCE</b>	<b>-37.5</b>	<b>-45.9</b>	<b>-22.6</b>	<b>-7.3</b>
<b>NET CAPITAL FLOWS (NON-MONETARY SECTORS)</b>	<b>-2.6</b>	<b>20.6</b>	<b>20.5</b>	<b>74.8</b>
<b>OVERALL BALANCE</b>	<b>-40.1</b>	<b>-25.3</b>	<b>-2.1</b>	<b>67.5</b>

Note: Figures may not add up due to rounding.

<sup>1</sup> Provisional. Compiled from data based on transactions between residents and non-residents effected through the local banking system. The coverage is different from that of the Central Office of Statistics which records all transactions on an accrual basis and which would thus cover offsetting arrangements.

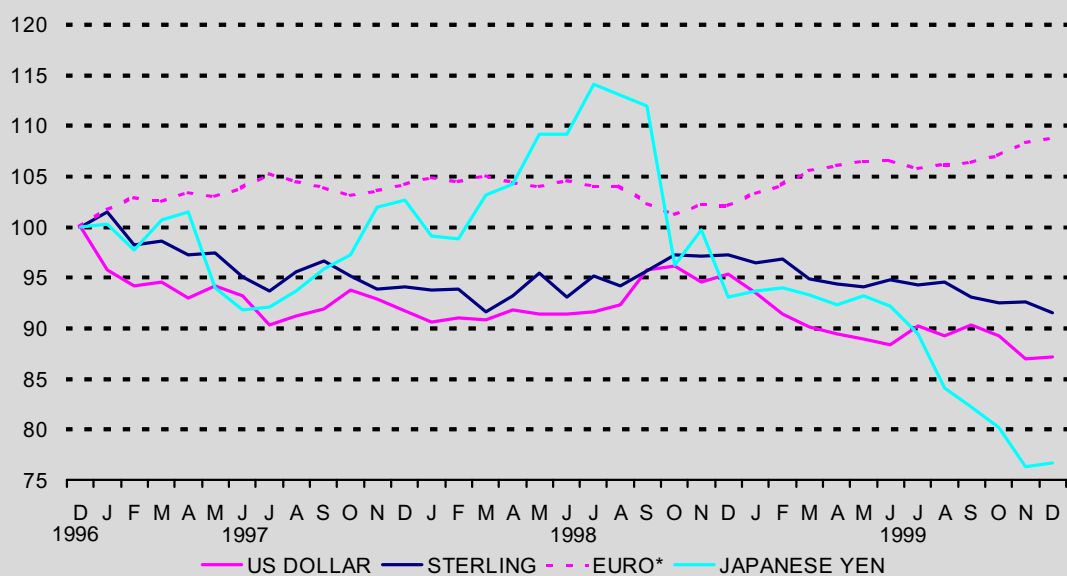
compared to net outflows of Lm2.7 million a year earlier. As mentioned earlier, the second payment by HSBC in respect of its purchase of Mid-Med Bank, which boosted capital inflows by around Lm35 million, was mainly responsible for the improved capital account performance during the quarter. In contrast, net inflows of portfolio investment were down by about Lm4.3 million, due to increased investment abroad by residents of Malta. At the same time, there were net outflows of Lm5.6 million by way of repatriation of direct investment as

a foreign investor sold his shareholding in a firm producing food products to its former local partners. Meanwhile, there were higher net outflows, of about Lm6 million, through loans and advances abroad, though this was attributable to the fact that several public sector entities had borrowed from abroad in the fourth quarter of 1998.

Thus, the overall net outflow of foreign currency through the local banks during the fourth quarter of 1999 amounted to Lm25.3 million.

### Chart 4.1 EXCHANGE-RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES

(INDEX OF END-OF-MONTH RATES, END-1996 = 100)



\* ECU, UNTIL DECEMBER 1998; EURO, FROM JANUARY 1999.

This resulted in a drop of Lm17.3 million in the net foreign assets of the banking system. The difference between the change in net foreign assets and the overall balance on transactions between residents and non-residents arises from various accounting adjustments.

#### Developments in Foreign Exchange Transactions on a year-to-date Basis<sup>7</sup>

On a year-to-date basis, the overall balance on current and capital transactions effected through the local banking system turned into a net inflow of Lm67.5 million in 1999, from a net outflow of Lm2.1 million a year earlier. Net outflows on current account transactions declined to Lm7.3 million, from Lm22.6 million a year earlier, while capital account transactions resulted in net inflows of nearly Lm75 million, compared to

Lm20.5 million in 1998. The receipts from the privatisation of Mid-Med Bank were the main factor behind this rise in net capital inflows.

#### The Maltese Lira

The developments in international foreign exchange markets outlined in an earlier chapter of this Review led to a substantial appreciation of the Maltese lira against the euro during the final quarter of 1999. As can be seen from Chart 4.1, this was accompanied by a depreciation against the other major currencies, particularly the Japanese yen.

The Maltese lira strengthened almost continuously against the euro during the quarter, reflecting the European currency's persistent decline against the other major currencies. Thus, from EUR2.3578 at the end of September, the euro/

<sup>7</sup> Between residents and non-residents, and on a cash settlement basis effected through the local banking system.



Lm rate had risen to EUR2.4114 by the end of December, for an appreciation over the quarter of 2.3%. Its average value was up by 5.6% compared to the same quarter of 1998, as Table 4.4 shows.

At the same time, following its temporary recovery during the September quarter, the Maltese lira continued to lose ground against the US dollar. Indeed, the Maltese lira depreciated by 3.4% in dollar terms during the three months to December, though these losses occurred mainly in October and November. The average value of the Maltese lira against the dollar during the quarter was down by 7.2% from its value in the fourth quarter of 1998.

The Maltese lira also lost further ground against sterling, ending the quarter 1.7% lower. On a year-on-year basis, the average value of the

Maltese lira in terms of the UK currency was down by 4.6% during the quarter.

As regards the yen/Lm rate, its decline, which had begun from around mid-1998 when the yen began to strengthen against the other major currencies, gathered further momentum during the final quarter of 1999. Indeed, the Maltese lira lost 6.8% of its value against the Japanese currency over the quarter - although, as the Chart shows, the slide was arrested in December. The average value of the yen/Lm rate during the quarter was down by almost 19% from its value in the corresponding quarter of 1998.

Chart 4.2 illustrates trends in Malta's external competitiveness in terms of the Nominal Effective Exchange Rate (NEER)<sup>8</sup> and the Real Effective Exchange Rate (REER)<sup>9</sup> indices for the Maltese lira

**Table 4.4**

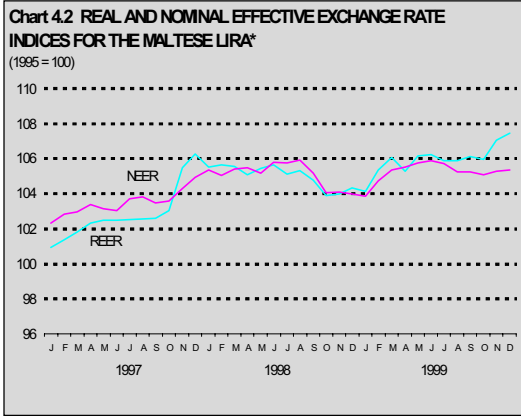
**EXCHANGE RATES OF THE MALTESE LIRA AGAINST SELECTED MAJOR CURRENCIES**

Period	EURO <sup>1</sup>	US\$	STG	YEN
Average for 4th Qtr. 1999	2.3796	2.4713	1.5150	258.2
Average for 4th Qtr. 1998	2.2524	2.6626	1.5888	318.2
% Change	5.6	-7.2	-4.6	-18.9
Closing Rate on 30.12.99	2.4114	2.4230	1.4983	247.6
Closing Rate on 30.09.99	2.3578	2.5095	1.5237	265.7
% Change	2.3	-3.4	-1.7	-6.8
High for 4th Qtr.	2.4114	2.5512	1.5293	272.5
	(Dec. 30)	(Oct. 15)	(Oct. 14)	(Oct. 13)
% Change from Average	1.3	3.2	0.9	5.5
Low for 4th Qtr.	2.3399	2.4107	1.4976	246.3
	(Oct. 15)	(Dec. 03)	(Dec. 30)	(Dec. 23)
% Change from Average	-1.7	-2.5	-1.2	-4.8

<sup>1</sup> EURO replaced the ECU as from January 1, 1999.

<sup>8</sup> The NEER index is based on a trade-weighted average of changes in the exchange rate of the lira against the currencies of Malta's major competitor countries, including its trading partners. A fall in the index represents a depreciation of the lira's average exchange rate, and vice-versa.

<sup>9</sup> The REER index is derived by adjusting the NEER index for relative movements in consumer prices. A fall in the index implies a gain in Malta's external competitiveness and vice-versa.



as computed by the Central Bank of Malta.

The NEER index of the Maltese lira, which had been easing for some months, changed course and began to move on an upward trend during

the quarter under review. Indeed, the level of the NEER at the end of the quarter was 0.1% higher than at the end of the September quarter. This rise mainly reflected the depreciation of the euro, which affected Malta's competitive position negatively, especially in tourism. On a year-on-year basis, the loss in competitiveness on account of exchange rate movements was of around 1.2%.

The REER index also moved on an upward trend during the quarter, as the Chart shows. Indeed, the rise of the REER index during the final quarter of 1999, 1.3%, was even more pronounced than that of the NEER index, reflecting the higher rate of domestic inflation – and hence the further loss of competitiveness - in the final two months of the year. The average level of the REER index for the quarter was 2.6% higher than in the corresponding quarter of 1998.

## 5. GOVERNMENT FINANCE

At the time of writing, final fiscal data for the fourth quarter of 1999 were not yet available. Consequently, government revenues and expenditures for this period were derived from the revised estimates relating to the whole of 1999<sup>10</sup> by netting out from the latter actual values corresponding to the first nine months.

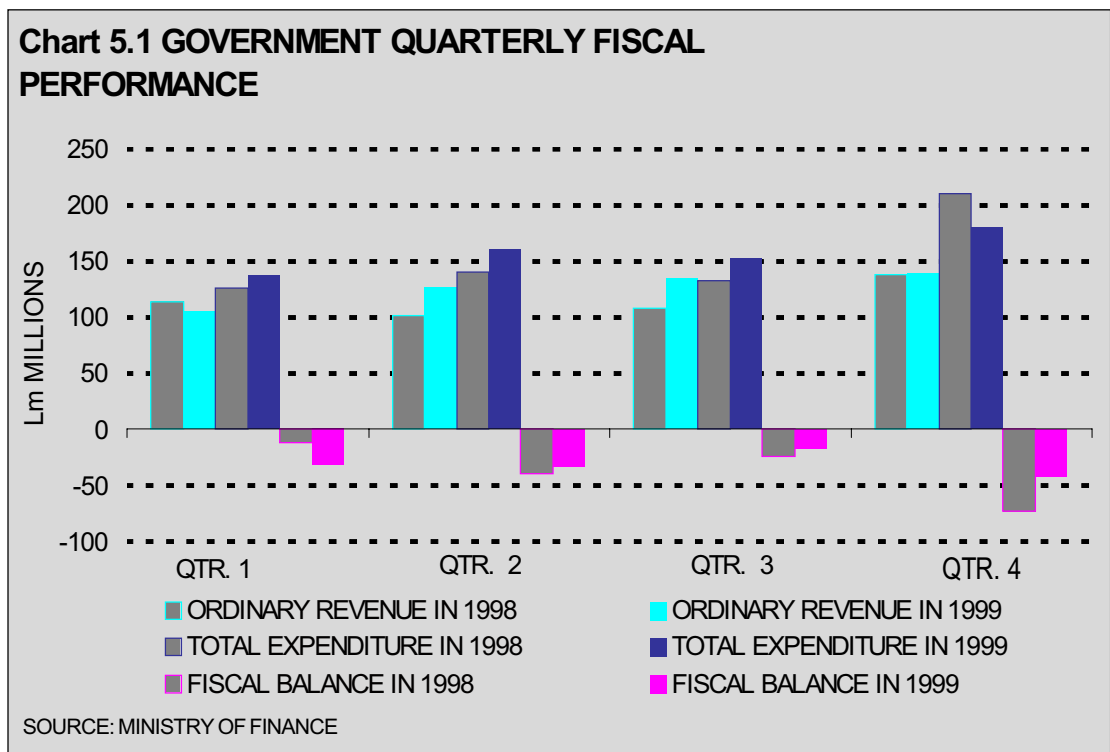
As a result of significantly higher ordinary revenues, which outpaced expenditure growth, the fiscal deficit in 1999 is expected to have narrowed to Lm124 million, from Lm150 million the previous year.<sup>11</sup> As Chart 5.1 shows, this improvement in government finances became apparent in the fourth quarter, a fact that was

mainly attributable to the different timing of the recording of certain expenditure items.

### Ordinary Revenue

Ordinary revenues for the fourth quarter were estimated at close to Lm139 million, marginally higher than in the previous year. As Table 5.1 shows, income tax generated Lm38 million, in line with the trend observed in the previous quarters. At the same time, as a result of the higher contribution rate, revenue from social security during 1999 is expected to have increased by Lm6 million, with half the increase being registered in the fourth quarter.

In the last three months of the year, customs and excise duties yielded some Lm14.5 million. At the



<sup>10</sup> Published by the Ministry of Finance in November 1999.

<sup>11</sup> A detailed analysis of the Government's fiscal performance during the year, is contained in the chapter on Government Finance in the Central Bank of Malta's "Annual Report 1999".

**Table 5.1****GOVERNMENT BUDGETARY OPERATIONS<sup>1</sup>***Lm millions*

	1998			1999		
	Q1 - Q3	Q4	Q1-Q4	Q1 - Q3	Q4	Q1-Q4
Income Tax	76.8	33.8	110.6	90.3	<b>37.7</b>	128.0
Social Security <sup>2</sup>	61.2	29.3	90.5	64.0	<b>32.6</b>	96.6
Customs and Excise Duties	35.4	17.3	52.7	40.9	<b>14.5</b>	55.4
Consumption Tax	52.4	20.2	72.6	63.6	<b>21.4</b>	85.0
Other Revenue <sup>3</sup>	95.1	36.8	131.9	107.3	<b>32.6</b>	139.9
<b>Ordinary Revenue</b>	<b>321.0</b>	<b>137.3</b>	<b>458.3</b>	<b>366.3</b>	<b>138.6</b>	<b>504.9</b>
Social Security <sup>2,4</sup>	141.2	50.5	191.7	149.5	<b>53.0</b>	202.5
Interest Payments	29.6	10.9	40.5	37.6	<b>12.6</b>	50.2
Other Expenditure	182.9	96.6	279.5	197.7	<b>75.3</b>	273.0
<b>Recurrent Expenditure</b>	<b>353.8</b>	<b>158.0</b>	<b>511.7</b>	<b>384.7</b>	<b>140.9</b>	<b>525.6</b>
Capital Expenditure	44.2	52.6	96.8	64.3	<b>39.5</b>	103.8
<b>Total Expenditure</b>	<b>398.0</b>	<b>210.6</b>	<b>608.5</b>	<b>449.0</b>	<b>180.4</b>	<b>629.4</b>
<b>CURRENT BALANCE<sup>5</sup></b>	<b>-32.8</b>	<b>-20.6</b>	<b>-53.4</b>	<b>-18.4</b>	<b>-2.3</b>	<b>-20.7</b>
<b>FISCAL BALANCE<sup>6</sup></b>	<b>-77.0</b>	<b>-73.2</b>	<b>-150.2</b>	<b>-82.7</b>	<b>-41.8</b>	<b>-124.5</b>

<sup>1</sup> Data for the fourth quarter of 1999 are derived from the revised estimates published by the Ministry of Finance.

<sup>2</sup> Government contributions to the social security account are excluded from both revenue and expenditure.

<sup>3</sup> Excluding revenue from sale of assets.

<sup>4</sup> Includes social security benefits, family and social welfare, care of the elderly and treasury pensions.

<sup>5</sup> Ordinary Revenue less Recurrent Expenditure.

<sup>6</sup> Ordinary Revenue less Total Expenditure.

Note: Figures may not add up due to rounding.

SOURCE: Ministry of Finance

same time, VAT, is thought to have generated more than Lm21 million, bringing the total revenue derived from this source during 1999 up to Lm85 million.

### Expenditure

Total expenditure in the fourth quarter of 1999 was estimated at Lm30.2 million less than in the same quarter of the previous year. This was because the bulk of capital expenditure in 1998 was recorded in the final quarter of the

year. Furthermore, transfers to the Water Services Corporation during the fourth quarter of 1999 were substantially below the year-ago level.

On the other hand, expenditure on social security benefits, at Lm53 million, followed closely the trend increases registered in the previous quarters. Similarly, interest payments were expected to be Lm1.7 million higher than in the same quarter of 1998, in line with the growing stock of debt.

**Table 5.2**  
**GOVERNMENT FINANCING OPERATIONS**

	1999 Q1 - Q3	1999 Q4	1999 Q1 - Q4
Local Loans	84.0	<b>0.0</b>	84.0
Grants	7.8	<b>2.3</b>	10.1
Sale of Assets	37.2	<b>33.8</b>	71.0
<b>FINANCING</b>	129.0	<b>36.1</b>	165.1
<b>FISCAL BALANCE</b>	-82.7	<b>-41.8</b>	-124.5
<i>Financing less</i>			
<i>Fiscal Balance</i> <sup>1</sup>	46.3	<b>-5.7</b>	40.6

<sup>1</sup> A negative figure indicates that Government utilized additional financing from issues of Treasury Bills, running down of deposits, or through financing from sinking funds.

SOURCE: Ministry of Finance

### Government Financing Operations

As indicated in Table 5.2, Government obtained Lm34 million by way of the second part-payment for the sale of Government's majority shareholding in Mid-Med Bank plc to the HSBC Group. The fiscal deficit during the December quarter was thus mainly financed by these privatisation proceeds, and there were no further issues of Malta Government Stocks.

## 6. MONETARY AND FINANCIAL DEVELOPMENTS

Broad money expanded at a slightly faster pace during the final quarter of 1999, when both currency in circulation and deposits with the banking system increased. Monetary growth was driven mainly by credit expansion, particularly private sector credit, as the net foreign assets of the banking system contracted during the quarter. At the same time, there were indications of a shift in depositors' behaviour, which may be related to the growth in collective investment schemes. In fact, deposits belonging to households fell slightly, while those belonging to the corporate sector expanded.

The Central Bank left official interest rates on hold during the quarter reviewed. Nevertheless, the effects of earlier interest rate cuts continued to have an impact on financial markets, with both

money market interest rates and government bond yields falling further. Strong demand for equities pushed share prices up sharply during the quarter.

### The Monetary Base

The monetary base, M0, is a measure of the Central Bank's monetary liabilities that consists of currency in issue and banks' deposits with the Bank, excluding term deposits. Growth in the monetary base entails an injection of liquidity into the economy that may stimulate credit expansion and, possibly, result in pressures on the external reserves.

During the quarter reviewed, M0 continued to expand, rising by Lm7.5 million, or 1.4%, with the annual growth rate accelerating by a full percentage point to 7.6% in December. As Table 6.1 shows, currency in issue accounted for all the increase in M0, adding Lm20.9 million during the

**Table 6.1**  
**THE MONETARY BASE AND ITS SOURCES**

	<i>Lm millions</i>		
	Sept. 1999	Dec. 1999	Change
Currency in Issue	397.6	418.5	20.9
Banks' Deposits	139.6	126.2	-13.4
<b>Monetary Base</b>	<b>537.2</b>	<b>544.7</b>	<b>7.5</b>
<b>Assets</b>			
Foreign Assets	695.5	740.3	44.8
Claims on Government	16.1	6.2	-10.0
Fixed and Other Assets	98.0	67.2	-30.9
<i>Less:</i>			
<b>Remaining Liabilities</b>			
Private Sector Deposits	1.1	4.6	3.5
SDR Allocations	6.2	6.4	0.2
Government Deposits	116.1	96.2	-19.9
Foreign Liabilities	0.0	0.0	0.0
Capital and Reserves	93.1	93.1	0.0
Other Liabilities	56.0	68.6	12.7

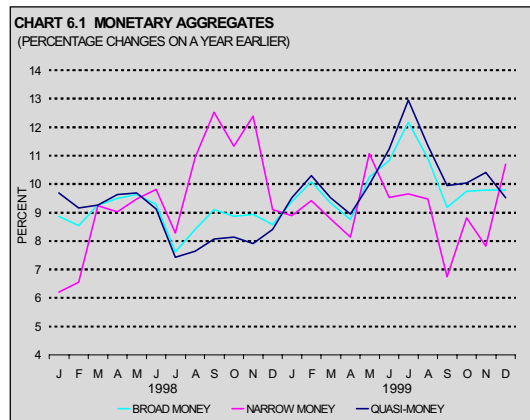
quarter and offsetting a Lm13.3 million drop in banks' deposits with the Central Bank.

Changes in the monetary base can be explained in terms of movements in the remaining items on the Central Bank's balance sheet. Thus, all else being equal, an increase in the Bank's assets raises M0, while an addition to the Bank's remaining liabilities causes it to contract. During the quarter under review, growth in the monetary base mainly reflected purchases of foreign exchange by the Central Bank, together with a drop in the Government's deposits with it. These two factors, which implied an injection of liquidity into the economy, were only partly neutralised by the Central Bank's open market operations.

### Monetary Aggregates

After having slowed down during the previous quarter, when tax payments fell due and the Government sold stocks on the primary market, **broad money**, M3, expanded at a slightly faster pace during the final quarter of 1999, adding Lm56.6 million, or 2.4%, to Lm2,440.4 million. Consequently, the annual rate of growth of broad money, which is illustrated in Chart 6.1, accelerated from 9.2% in September to 9.8% in December.

Meanwhile, there appears to have been a substantial shift in depositors' behaviour. In fact, during the December quarter, deposits belonging to households decreased, albeit slightly, for the first time in ten years. In contrast, those belonging to the corporate sector, which include non-bank financial institutions, expanded significantly. These movements, together with other evidence, suggest that collective investment schemes are becoming increasingly important in the domestic financial sector. In fact, these schemes offer attractive alternatives to bank deposits, a fact that may explain the drop in deposits belonging to households. Such schemes also place some of the funds they raise on deposit with banks, often for



short periods of time, which may have contributed to the rapid increase in corporate deposits during the quarter reviewed.

**Narrow money**, M1, which consists of currency in circulation and residents' demand deposits, grew rapidly during the quarter reviewed. As can be seen in Table 6.2, narrow money increased by Lm23.9 million, or 4.3%, during the quarter, compared with 0.5% during the previous quarter. Thus, the annual rate of growth of M1, which had fallen to 6.8% in September, recovered to 10.7% in December, as Chart 6.1 shows.

Both components of narrow money increased during the fourth quarter. Currency in circulation rose by Lm7.5 million, or 2%, with almost all the increase taking place in December, possibly because of concerns regarding the millennium changeover and the concentration of bank holidays towards the end of the year. Demand deposits also expanded considerably during the quarter, rising by Lm16.4 million, or 9.2%, with more than half the rise taking place in December. Vigorous growth in corporate sector demand deposits, which expanded by 11.5%, accounted for most of the increase.

**Quasi-money** accounted for most of the quarter's increase in broad money. As Table 6.2 shows, quasi-money, which is the sum of residents' savings and time deposits with the banking

**Table 6.2**  
**MONETARY AGGREGATES**

(Changes on the Previous Quarter)

	<i>Lm millions</i>									
	4th Qtr. 1998		1st Qtr. 1999		2nd Qtr. 1999		3rd Qtr. 1999		4th Qtr. 1999	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. NARROW MONEY</b>	<b>3.0</b>	<b>0.6</b>	<b>2.2</b>	<b>0.4</b>	<b>27.4</b>	<b>5.2</b>	<b>2.5</b>	<b>0.5</b>	<b>23.9</b>	<b>4.3</b>
Currency in Circulation	0.6	0.2	-2.5	-0.7	11.8	3.2	-1.8	-0.5	7.5	2.0
Demand Deposits	2.4	1.6	4.7	3.0	15.5	9.8	4.3	2.5	16.4	9.2
<b>2. QUASI-MONEY</b>	<b>36.3</b>	<b>2.2</b>	<b>53.9</b>	<b>3.2</b>	<b>55.4</b>	<b>3.2</b>	<b>19.7</b>	<b>1.1</b>	<b>32.7</b>	<b>1.8</b>
Savings Deposits	15.0	2.6	16.3	2.8	19.4	3.2	-1.5	-0.2	18.1	2.9
of which FCDs <sup>1</sup>	2.7	2.5	7.2	6.7	0.4	0.4	7.3	6.4	0.4	0.3
Time Deposits	21.3	2.0	37.6	3.4	36.0	3.1	21.2	1.8	14.6	1.2
of which FCDs <sup>1</sup>	0.2	0.3	-1.1	-1.5	-2.0	-2.7	3.6	4.9	-2.9	-3.8
<b>3. BROAD MONEY</b>	<b>39.3</b>	<b>1.8</b>	<b>56.1</b>	<b>2.5</b>	<b>82.8</b>	<b>3.6</b>	<b>22.3</b>	<b>0.9</b>	<b>56.6</b>	<b>2.4</b>

<sup>1</sup> i.e. Foreign Currency Deposits, including External Maltese Lira Deposits.

system, expanded by Lm32.7 million, or 1.8%, during the quarter. Despite this increase, the annual rate of growth of quasi-money continued to decelerate, as Chart 6.1 shows, dropping from 9.9% in September to 9.5% at the end of December.

Savings deposits, which had fallen slightly during the September quarter, recovered during the quarter reviewed, rising by Lm18.1 million, or 2.9%, as Table 6.2 shows. Most of the increase, however, took place because the banks credited annual interest to depositors' accounts in December. Although time deposits continued to expand, rising by Lm14.6 million, this was the smallest quarterly increase recorded since the early 1990s. The shift in depositor behaviour discussed earlier was evident: deposits belonging to households contracted by Lm15.8 million, while those belonging to private firms expanded by Lm36.4 million. As the Table also shows, foreign currency time deposits dropped by Lm2.9 million, with US dollar and Deutsche mark deposits belonging to public sector enterprises falling sharply.

### Determinants of Monetary Expansion

Monetary expansion during the quarter reviewed was driven mainly by growth in credit, particularly lending to the private sector, as the net foreign assets of the banking system contracted, despite capital inflows, thereby dampening monetary growth. Other items (net), which consist of the net non-monetary liabilities of the banking system, dropped sharply during the quarter, partly contributing to monetary growth and partly offsetting changes in the other two determinants.

Although **domestic credit** continued to expand during the quarter, rising by Lm18.3 million, or 0.9%, as Table 6.3 shows, to Lm1,991 million, this was the smallest quarterly increase recorded during the year and, as a result, the annual rate of growth dropped from 11.3% in September to 9.6% in December.

The deceleration in domestic credit growth reflected a fall - for the second quarter in a row - in **net claims on Government**, which contracted by Lm4 million, or 1.1%. The decrease took place entirely in November, when a second instalment in



respect of the sale of Mid-Med Bank shares was received, boosting Government deposits with the Central Bank. The Government drew down these deposits during the rest of the quarter to repay maturing Treasury bills. As a result, the annual rate of growth of net claims on Government dropped sharply, to 0.6% in December, as Chart 6.2 shows.

In contrast, **claims on the private and parastatal sectors** continued to expand, rising by Lm22.3 million, as Table 6.3 shows. As a result, the annual rate of growth of such claims, which had slowed down during the previous quarter, picked up, to 11.9% in December. Loans and advances

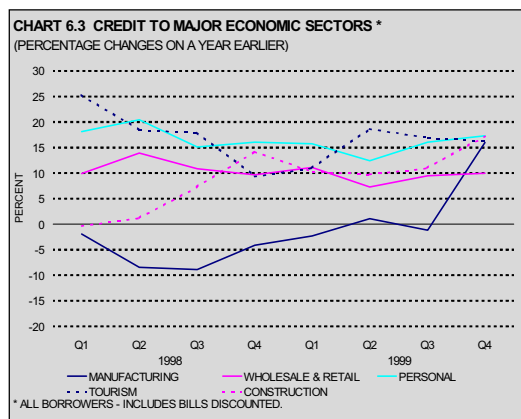
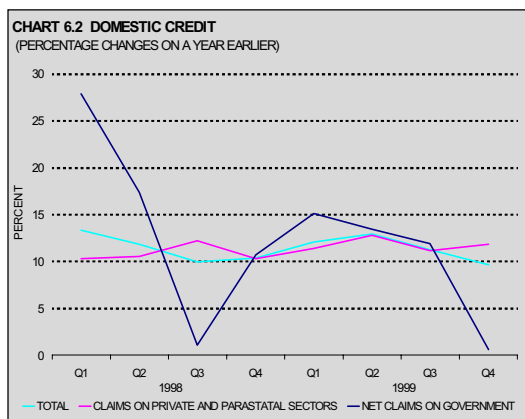
(including discounted bills) accounted for all the increase in these claims, and thus in domestic credit, during the quarter reviewed, rising by Lm26.6 million, or 1.7%. This partly reflected higher credit demand, possibly stimulated by lower bank lending rates. However, it may also have reflected delays in loan repayments, as the increase in bank provisions, discussed in the next Chapter, suggests. Since lending to public sector enterprises contracted by Lm8.7 million, the entire credit growth resulted from higher credit to the private sector.

Personal credit accounted for most of this expansion, with the Lm16.7 million rise being

**Table 6.3**  
**DETERMINANTS OF MONETARY GROWTH**  
(Changes on the Previous Quarter)

	<i>Lm millions</i>									
	1998		1999		1999		1999		1999	
	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Amount	%	Amount	%	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>BROAD MONEY</b>	<b>39.3</b>	<b>1.8</b>	<b>56.1</b>	<b>2.5</b>	<b>82.8</b>	<b>3.6</b>	<b>22.3</b>	<b>0.9</b>	<b>56.6</b>	<b>2.4</b>
<b>1. DOMESTIC CREDIT</b>	<b>43.3</b>	<b>2.4</b>	<b>94.2</b>	<b>5.2</b>	<b>30.8</b>	<b>1.6</b>	<b>31.9</b>	<b>1.6</b>	<b>18.3</b>	<b>0.9</b>
a) Net Claims on Govt.	32.6	10.1	25.5	7.2	1.9	0.5	-21.4	-5.6	-4.0	-1.1
Gross Claims on Govt.	38.4	10.2	21.6	5.2	37.4	8.6	16.2	3.4	-22.0	-4.5
Central Bank	-2.5	-9.4	-16.2	-66.8	-1.1	-13.1	9.1	129.5	-10.0	-61.8
Banks	40.9	11.7	37.8	9.7	38.5	9.0	7.1	1.5	-12.1	-2.5
less										
Government Deposits <sup>1</sup>	5.8	10.7	-3.9	-6.6	35.5	63.3	37.5	41.0	-18.1	-14.0
Central Bank	4.2	9.5	-2.9	-6.0	35.6	78.6	35.2	43.5	-19.9	-17.2
Banks	1.7	16.2	-1.1	-8.9	-0.1	-0.9	2.3	21.7	1.9	14.4
b) Claims on Private and Parastatal Sectors	10.8	0.7	68.7	4.7	28.9	1.9	53.2	3.4	22.3	1.4
<b>2. NET FOREIGN ASSETS</b>	<b>-22.3</b>	<b>-2.5</b>	<b>-10.7</b>	<b>-1.2</b>	<b>57.9</b>	<b>6.8</b>	<b>42.4</b>	<b>4.7</b>	<b>-17.3</b>	<b>-1.8</b>
Monetary Authorities	23.7	3.8	-2.8	-0.4	48.6	7.6	9.8	1.4	44.8	6.4
Banks	-46.0	-17.0	-7.9	-3.5	9.4	4.3	32.7	14.5	-62.1	-24.0
less										
<b>3. OTHER ITEMS (NET)</b>	<b>-18.2</b>	<b>-3.8</b>	<b>27.3</b>	<b>6.0</b>	<b>6.0</b>	<b>1.2</b>	<b>52.0</b>	<b>10.6</b>	<b>-55.6</b>	<b>-10.2</b>

<sup>1</sup> Includes Sinking Fund and other Treasury Clearance Fund investments which are generally not readily available for liquidity purposes.



almost evenly split between housing finance and other credit. Lending to the construction industry, however, was also up strongly, for the second consecutive quarter, rising by Lm5.7 million as Table 6.4 shows, while loans and advances to the tourism industry increased by Lm3.8 million. Credit to the “other services” sector and to “all other” borrowers, which are not shown in the Table, also rose, expanding by Lm4.7 million and Lm3.3 million, respectively. In contrast, lending to the energy and water utilities and to the transport, storage and communications sector dropped, as credit to public enterprises in these two sectors decreased by Lm6.3 million. Credit to manufacturing industry and to the wholesale and retail trades remained broadly stable.

The general pick-up in lending was reflected in an acceleration in the annual growth rates of credit to all the major borrowing categories, except tourism, as can be seen in Chart 6.3. Thus, the annual rates of growth of personal credit and credit to construction both rose to 17.3% in December, while the rate of growth of credit to the wholesale and retail trades picked up, to 10%. Although lending to manufacturing industry also accelerated during the quarter, the annual growth rate remained modest, at less than 1%.

Following vigorous growth during the previous two quarters, the **net foreign assets** of the banking system declined during the quarter reviewed, despite capital inflows, as the deficit on

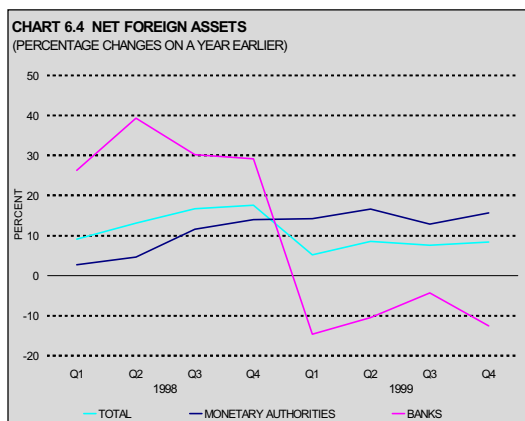
**Table 6.4**

**CREDIT TO SELECTED CATEGORIES OF BORROWER<sup>1</sup>**

*Lm millions*

	3rd Qtr.	1999		
		Amount	4th Qtr. Change	%
Personal	325.9	342.6	16.7	5.1
Manufacturing	205.6	205.0	-0.6	-0.3
Wholesale and Retail	275.5	275.7	0.2	0.1
Tourism	218.1	222.0	3.8	1.8
Construction	91.2	96.9	5.7	6.3

<sup>1</sup> Including Bills Discounted.



the current account of the balance of payments widened. Net foreign assets dropped by Lm17.3 million, or 1.8%, to Lm936.5 million. Nevertheless, since this was a smaller drop than that recorded during the final quarter of 1998, the annual rate of growth of the banking system's net foreign assets rose to 8.4% in December.

As Table 6.3 shows, the net foreign assets of the monetary authorities, that is, the Central Bank's external reserves, expanded by Lm44.8 million, or 6.4%, during the quarter, with the annual growth rate rising to 15.7%. The external reserves increased considerably in October, as a result of purchases of foreign exchange from the rest of the banking system, and in November, when the second payment in respect of the privatisation of Mid-Med Bank was received. But they fell in December, mainly because of net sales to the banking system.

Following two consecutive quarterly increases, the net foreign assets of the rest of the banking system fell sharply during the quarter under review, dropping by Lm62.1 million, or 24%. Consequently, their (negative) annual growth rate continued to fall, as Chart 6.4 indicates, reaching -12.5% in December. The net foreign assets of the domestic banks contracted by Lm40.7

million as a result of sales of foreign exchange to the Central Bank and to their customers<sup>12</sup>. At the same time, the net foreign assets of the international banks, which had risen by Lm18.3 million during the previous quarter, dropped by Lm21.4 million, mainly because of an increase in the foreign liabilities of one institution. The latter had no impact on monetary aggregates, but was reflected in a drop in other items (net).

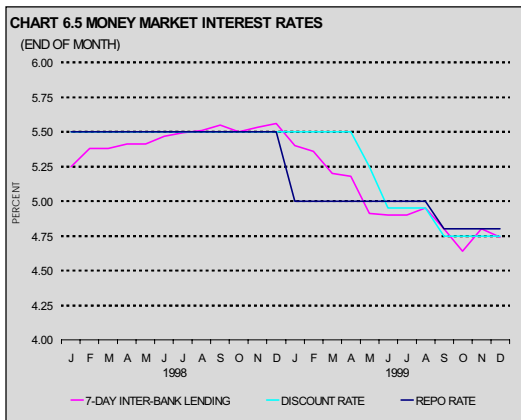
**Other items (net)** is the difference between the banking system's non-monetary liabilities, including capital, reserves, provisions and accrued interest payable, and other assets, including premises, equipment and accrued interest receivable. During the quarter reviewed, other items (net) dropped by Lm55.6 million, or 10.2%, as Table 6.3 shows, reversing the increase recorded during the previous quarter. A large part of the change in other items net was the result of a seasonal rise in interest receivable and a drop in interest payable. The latter had a direct positive impact on monetary growth.

### The Money Market

After having reduced both the discount rate and the central intervention rate by 20 basis points to 4.75% in September, the Central Bank left official interest rates unchanged during the quarter reviewed. Nevertheless, the effects of the latest cut in rates were felt during the quarter, with short-term interest rates continuing to fall, as Chart 6.5 shows.

In contrast with the September quarter, when the Government issued stocks on the primary market, the banking system was highly liquid for most of the quarter reviewed. Therefore, whereas in the previous quarter the Central Bank had injected Lm71.8 million into the system through repos and had absorbed Lm53.3 million through term deposit

<sup>12</sup> For the purposes of this analysis, the net foreign assets of Bank of Valletta International and HSBC Overseas Bank (Malta) are included with those of the domestic banks and are removed from those of the international banks.



auctions, the conduct of its **open market operations** during the December quarter resulted in a temporary absorption of liquidity. Indeed, the Bank injected Lm10 million through repos but absorbed Lm185.1 million via auctions of term deposits.

Excess liquidity in the banking system partly reflected the Government's decision to reduce the amount of **Treasury bills** outstanding during the quarter reviewed. Rather than issue bills, the Government ran down deposits with the Central Bank and used the receipts from the privatisation of Mid-Med Bank to cover its borrowing requirement. Consequently, the amount of Treasury bills issued on the primary market continued to fall, dropping to Lm50.3 million during the quarter. The banks continued to subscribe to most of the bills issued, buying 66% of the total, with Malta Government Sinking Funds taking up almost all the remainder. The reduction in official interest rates in September was transmitted to the Treasury bill market during the quarter reviewed. Thus, the primary market yield on 91-day bills dropped from 5.13% in August to 4.95% in October, when such bills were last auctioned.

As primary market issues decreased, trading in the secondary Treasury bill market slowed down sharply during the last quarter of 1999. In contrast with the previous quarter, when the

Central Bank had bought Lm28 million and sold Lm25.2 million worth of bills, it made purchases and sales worth just Lm1.2 million and Lm0.6 million, respectively, during the quarter reviewed. The value of deals that did not involve the Central Bank also dropped, by Lm18.4 million to Lm12.1 million.

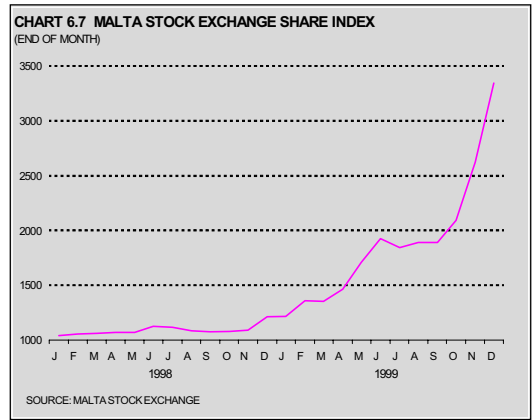
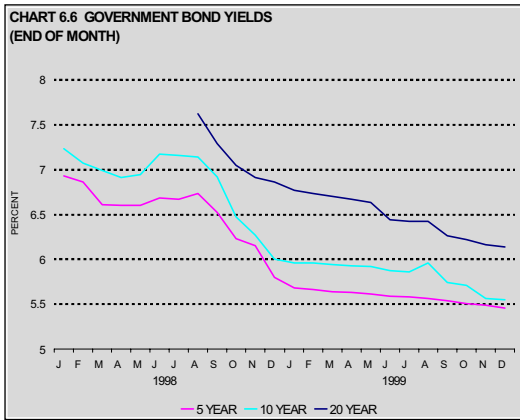
Possibly as a result of lower activity in the Treasury bill market, trading in the **inter-bank market** expanded considerably during the quarter, rising by Lm135.1 million to Lm347.8 million. Most inter-bank deals were struck with a term to maturity of 7 days or less. The interest rate charged on seven-day inter-bank loans fell from 4.8% in September to 4.74% three months later.

### The Capital Market

In October, Corinthia Finance plc, a subsidiary of a hotel chain, issued Lm10 million worth of ten-year bonds on the primary market with a coupon rate of 6.7%. There were no other issues of long-term debt or equities on the primary market during the quarter.

The decline in Government bond yields persisted during the quarter reviewed, mirroring lower money market interest rates and driven by strong demand for Government paper. Thus, the yield on ten-year **Government stocks** fell further, by almost 20 basis points, to 5.55%, as can be seen in Chart 6.6. Other Government bond yields also decreased, albeit to a lesser extent. Turnover in the secondary market for Government stocks rose again, from Lm12.5 million during the third quarter to Lm17.9 million during the quarter reviewed. The value of deals that did not involve the Central Bank more than doubled, rising to Lm11.2 million. Trading in the three stocks that were issued on the primary market during the previous quarter accounted for more than half the total turnover.

Investor interest in the newly-listed Corinthia



Finance plc Bonds boosted activity in the market for **corporate bonds**. The value of such bonds, including preference shares, traded on the Stock Exchange rose from Lm0.2 million during the previous quarter to Lm1.3 million during the quarter reviewed.

Following a lull during the third quarter, **equity** trading increased sharply during the quarter reviewed, with the value of shares traded

rising to Lm30.2 million, from Lm8 million during the previous quarter, and with trading in Maltacom shares accounting for almost half the total turnover. The strong demand for equities boosted prices considerably. As a result, the Malta Stock Exchange share index, which had fallen during the September quarter, climbed steeply, as Chart 6.7 shows, rising by 73.2% to 3278.49 in December.

## 7. THE BANKING SYSTEM

During the fourth quarter of 1999 the aggregate balance sheet of the deposit money banks continued to grow, whereas those of the international banks operating from Malta and other domestic banking institutions both recorded some contraction.

The performance of the deposit money banks improved somewhat during the quarter, as some profits were recorded - in contrast with the marginal loss reported in the third quarter. Meanwhile, the banks' capital adequacy and liquidity ratios, though marginally lower, remained well above the statutory requirements.

### Deposit Money Banks' Balance Sheet

The aggregate balance sheet of the deposit

money banks expanded by 2% during the quarter under review. Although this increase was smaller than that recorded during the third quarter, the annual rate of growth rose further, to 13.1%. This balance sheet expansion was mainly funded through an increase in residents' deposits.

### Liabilities

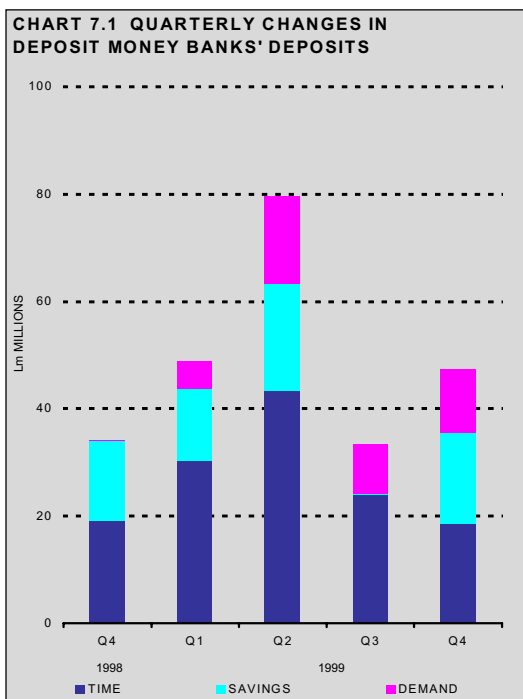
**Residents' deposits** increased by Lm47 million, or 2.4%, during the quarter. As Chart 7.1 shows, this was a larger amount than that recorded in the previous quarter and was attributable to the rise in savings deposits, which outweighed the decelerating growth in time deposits.

Time deposits added Lm18.5 million to stand at Lm1,218 million at the end of the year, as a Lm36.4 million increase in corporate sector deposits was partly offset by a Lm15.8 million drop in personal time deposits. This suggests that savers may

**Table 7.1**  
**DEPOSIT MONEY BANKS' BALANCE SHEET**

*Lm millions*

	1998			1999		
	Sep	Dec	Mar	Jun	Sep	Dec
<b>ASSETS</b>						
Cash and Deposits with CBM	136.6	140.2	137.7	135.6	164.1	<b>169.9</b>
Foreign Assets	614.1	575.1	581.8	595.6	620.9	<b>615.1</b>
Loans and Advances	1,311.7	1,324.6	1,380.8	1,390.0	1,437.6	<b>1,464.4</b>
Local Investments	428.9	477.9	519.4	581.9	590.0	<b>574.2</b>
Fixed and Other Assets	123.4	128.9	116.1	141.1	120.8	<b>168.5</b>
<b>LIABILITIES</b>						
Capital and Reserves	107.0	115.3	116.0	116.0	116.0	<b>126.8</b>
Foreign Liabilities	283.6	305.5	330.2	322.1	342.8	<b>356.4</b>
Other Domestic Liabilities	428.4	395.9	410.7	447.7	483.0	<b>469.9</b>
Deposits	1,795.7	1,829.9	1,878.7	1,958.3	1,991.6	<b>2,039.0</b>
Time	1,082.9	1,102.0	1,132.2	1,175.4	1,199.4	<b>1,217.9</b>
Savings	566.9	581.9	595.4	615.5	615.6	<b>632.7</b>
Demand	145.8	146.0	151.1	167.4	176.6	<b>188.5</b>
<b>AGGREGATE BALANCE SHEET</b>	<b>2,614.7</b>	<b>2,646.6</b>	<b>2,735.7</b>	<b>2,844.2</b>	<b>2,933.3</b>	<b>2,992.1</b>



have switched to alternative, and potentially more rewarding financial investments. The entire time deposit growth was accounted for by deposits with a maturity of one year, as the under one-year category and those with a maturity of two years and over remained practically unchanged.

Meanwhile, savings deposits increased by Lm17 million after the negligible growth observed in the third quarter. In the latter instance, growth may have been adversely affected by the issue of Government stocks on the primary market, whereas in the fourth quarter growth was boosted by the crediting of interest to savings accounts. At the same time, demand deposits put on Lm12 million, or 6.7%, thus remaining the fastest growing deposit-category.

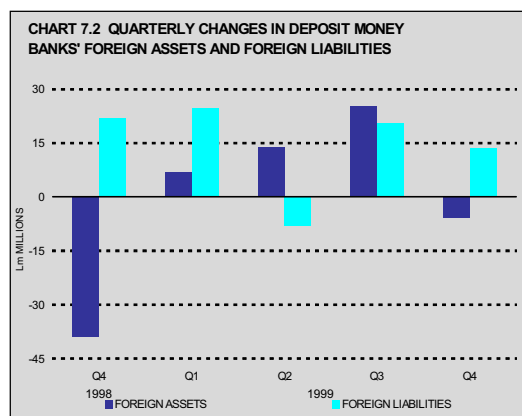
As Chart 7.2 shows, the deposit money banks' **foreign liabilities** increased again during the quarter under review, albeit at a slower pace than that registered in the third quarter. As at year-end, the banks' foreign liabilities stood at Lm356

million, equivalent to 12% of their total liabilities. During the quarter the deposit money banks added Lm43 million in foreign repos to their liabilities, though these were in part offset by a drop in balances due to other banks abroad.

The deposit money banks' **other domestic liabilities** dropped from Lm483 million to Lm470 million during the quarter, as decreases in certain items outweighed increases in others within this category. Deposits by subsidiaries with their parent banks and other inter-bank deposits rose, as did provision balances. Moreover, an increase in revaluation reserves was also recorded. On the other hand, accrued interest payable fell as a result of the payment of interest on savings deposits mentioned above. In addition, no further domestic repo agreements were undertaken when those outstanding matured. Moreover, following the end of their financial year, some banks transferred funds to capital and reserves in the form of retained earnings. As a result, the deposit money banks' **capital and reserves** rose from Lm116 million to Lm127 million during the quarter.

### Assets

**Loans and advances**, which represent the largest asset item on the deposit money banks' balance sheet, rose by Lm27 million to Lm1,464 million during the quarter under review. Personal loans accounted for around half of this increase, while



loans and advances to the building industry and to hotels and restaurants were also up, by Lm6 million and Lm5 million, respectively.

Meanwhile, the deposit money banks reduced their **foreign asset portfolio** by Lm6 million to Lm615 million. Overall, claims on other banks abroad increased, though money at call with such banks was reduced. The deposit money banks also held fewer foreign investments, as purchases of foreign Government securities were outweighed by disposals of other foreign securities. At the same time, the banks also reduced their **local investments** from Lm590 million to Lm574 million, as larger holdings of long-term domestic securities were offset by a reduction in holdings of Treasury bills.

As at year-end the banks' **fixed and other assets** amounted to Lm168.5 million, having risen by Lm47.8 million during the fourth quarter. Around half of this increase reflected the build-up of interest receivable on the banks' loan portfolio, though claims on other banks contributed another Lm17 million. Meanwhile, **reserves** stood at Lm170 million at the end of the year, as cash in the banks' tills and deposits with the Central Bank went up by Lm5.8 million during the quarter.

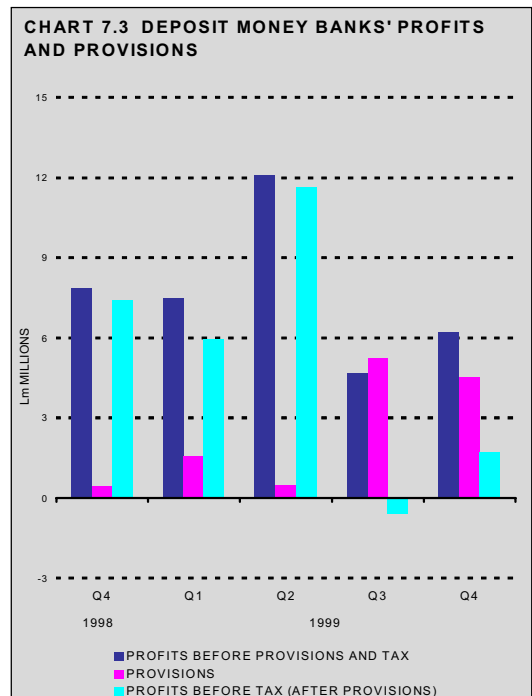
### Deposit Money Banks' Profitability, Capital Adequacy and Liquidity

In the fourth quarter of 1999, the deposit money banks reported **aggregate profits before tax** of Lm1.7 million. This was in contrast with the marginal loss reported in the previous quarter. The improvement was entirely attributable to a rise in non-interest income and lower provision charges. However, as Chart 7.3 indicates, profitability remained generally subdued following the hike in provision charges in the last six months of the year. The latter reflected a revised assessment of asset quality in the banks' loan portfolio.

Banks derive their revenues from both interest and

non-interest sources. As Table 7.2 shows, interest income earned on the deposit money banks' asset portfolio and interest payable on their liabilities increased by almost equal amounts to Lm43.3 million and Lm30.6 million, respectively during the quarter under review. As a result, **net interest income** remained practically unchanged from the previous quarter's level. In contrast, **non-interest income** rose by Lm2.8 million to Lm6.8 million. This was mainly attributable to higher gains from foreign exchange dealing and trading investments. On the other hand, **operating costs** rose to Lm13.3 million during the fourth quarter, up by Lm1.4 million. Meanwhile, **provision charges** amounted to Lm4.5 million, Lm0.7 million less than in the third quarter.

As in previous years, the deposit money banks continued to maintain healthy capital adequacy and liquidity ratios. The banks' **capital adequacy ratio** compares the value of the banks' own funds to a measure of their risk-weighted assets and off balance sheet items. In spite of falling slightly, to





**Table 7.2**  
**DEPOSIT MONEY BANKS' INCOME STATEMENT**

	1998			1999		
	Qtr. 3	Qtr. 4	Qtr.1 - Qtr.4	Qtr. 3	Qtr. 4	Qtr.1 - Qtr.4
Interest Income	43.5	42.7	164.5	42.8	<b>43.3</b>	170.5
Interest Expenses	28.7	28.8	111.0	30.2	<b>30.6</b>	118.5
<b>Net Interest Income</b>	14.8	14.0	53.5	12.6	<b>12.7</b>	52.0
Fees and Commissions	2.3	1.9	7.7	2.9	<b>2.5</b>	9.7
Foreign Exchange Gains	2.0	1.6	8.0	1.7	<b>2.4</b>	7.5
Other Non-Interest Income <sup>1</sup>	0.9	1.0	2.4	-0.6	<b>1.8</b>	9.6
<b>Total Non-Interest Income</b>	5.1	4.4	18.1	4.0	<b>6.8</b>	27.0
<b>GROSS INCOME</b>	19.9	18.4	71.6	16.6	<b>19.5</b>	79.0
Wages	6.5	6.3	24.6	7.9	<b>7.8</b>	28.7
Rent, Dep'n and similar exp.	2.0	1.9	7.4	1.8	<b>2.2</b>	8.1
Other	2.1	2.5	10.0	2.2	<b>3.3</b>	11.7
<b>Operating Expenses</b>	10.7	10.6	42.0	12.0	<b>13.3</b>	48.6
<b>Provisions</b>	2.4	0.4	4.2	5.2	<b>4.5</b>	11.8
<b>PROFITS BEFORE TAX</b>	6.9	7.4	25.4	-0.6	<b>1.7</b>	18.6
<b>(% of Gross Income)</b>	%	%	%	%	%	%
Net Interest Income	74.4	76.0	74.7	76.1	<b>65.3</b>	65.8
Non-Interest income	25.6	24.0	25.3	23.9	<b>34.7</b>	34.2
Wages	32.7	34.0	34.4	47.9	<b>40.1</b>	36.4
Operating Expenses	53.8	57.5	58.6	72.1	<b>68.3</b>	61.6
Provisions	12.1	2.3	5.9	31.4	<b>23.1</b>	14.9

<sup>1</sup> In the third quarter of 1999, losses from trading investments yielded a negative figure.

11.5%, this ratio remained comfortably above the statutory requirement of 8%. Similarly, the banks' **liquidity ratio**, which compares the value of liquid assets in their portfolio to their net short-term liabilities, slipped from 48.1% to 45.3%, but remained well above the statutory requirement of 30%.

### International Banks

Locally based international banks are licensed under Maltese law to conduct banking business

almost exclusively with non-residents. In contrast with the previous quarters, the aggregate balance sheet of these banks contracted during the fourth quarter of 1999. This mainly reflected a reduction in the asset portfolio of two banks, which outweighed increases in other international banks' balance sheets. During the quarter, a new institution, Iktisat Bank, began reporting.

As Table 7.3 indicates, **foreign liabilities** remained the major source of funds for the international banks, accounting for 90% of their

**Table 7.3****INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET***Lm millions*

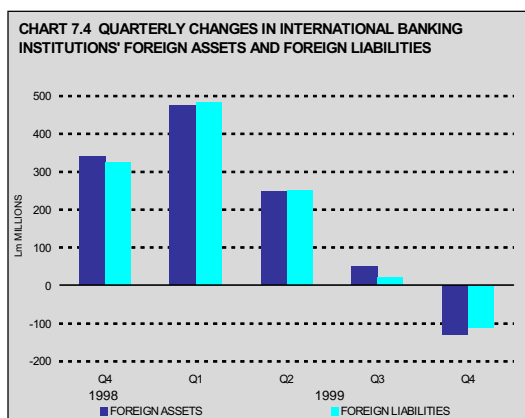
	1998		1999			
	Sep	Dec	Mar	Jun	Sep	Dec
<b>ASSETS</b>						
Cash and Money at call	1.1	1.2	1.5	1.6	2.1	<b>1.9</b>
Foreign Assets	1,314.1	1,652.7	2,127.5	2,374.9	2,423.2	<b>2,293.6</b>
Loans to Residents	4.6	1.0	1.3	2.0	4.5	<b>6.1</b>
Local Investments	244.4	231.3	232.0	246.0	235.5	<b>260.5</b>
Other Assets	5.5	5.7	18.2	22.9	35.6	<b>16.9</b>
<b>LIABILITIES</b>						
Capital and Reserves	156.8	161.9	172.9	175.0	179.9	<b>188.7</b>
Foreign Liabilities	1,366.7	1,690.8	2,172.8	2,421.7	2,441.3	<b>2,329.6</b>
Other Liabilities	26.7	17.4	14.5	30.7	61.3	<b>39.3</b>
Resident Deposits	19.5	21.9	20.2	20.1	18.5	<b>21.3</b>
<b>AGGREGATE BALANCE SHEET</b>	<b>1,569.7</b>	<b>1,892.0</b>	<b>2,380.4</b>	<b>2,647.5</b>	<b>2,701.0</b>	<b>2,578.9</b>

total liabilities at the end of 1999. However, as Chart 7.4 shows, these liabilities were down by more than Lm100 million in the fourth quarter of the year, since a drop in balances due to other banks abroad outweighed an increase in non-resident deposits.

During the quarter under review, the international banks' **capital and reserves** rose from Lm180 million to Lm189 million. Meanwhile, **resident**

**deposits** - which make up only a minimal proportion of total liabilities – rose from Lm18.5 million to Lm21.3 million. On the other hand, **other liabilities** dropped by Lm22 million, to Lm39.3 million, reflecting losses by one institution from foreign exchange dealings and higher provision charges.

In line with the nature of their business, most of the funds raised by the international banking institutions continued to be re-invested abroad. However, their **foreign assets** dropped by Lm129.6 million during the quarter under review, as one institution reduced its foreign security holdings substantially. On the other hand, **local investments** increased by Lm25 million, as two banks held higher deposits with their parent banks in Malta. **Loans to residents**, which constitute a minimal proportion of the international banks' total assets, increased from Lm4.5 million to Lm6.1 million, but **other assets** dropped from Lm36 million to Lm17 million, reflecting a lower provision balance for unrealised future earnings by one institution.



### Other Banking Institutions

This category of institutions includes one that specialises in housing finance and three other financial institutions, two of which mainly focus on investment banking services. Three of these institutions are subsidiaries of local deposit money banks. The aggregate balance sheet of these institutions continued to shrink, by a further 1%, during the quarter under review.

As at year-end, the other banking institutions' **borrowings from banks** remained stable, at Lm60 million. On the other hand, **residents' deposits** with these institutions dropped from Lm8.5 million to Lm5.7 million, reflecting reductions in both the savings and time deposit categories. Meanwhile, the institutions' **capital and reserves** declined from Lm23.1 million to Lm20.6 million. This

followed a change in policy by one institution regarding the retention of part of its profits in a special reserve fund, as a result of which these funds are now being classified as "other liabilities".

**Claims on the private and parastatal sectors** - which account for about four-fifths of the other banking institutions' total assets – dropped from Lm140.7 million to Lm139.2 million during the quarter. Claims on Government were also marginally down, to Lm4.6 million. Similarly, **foreign assets** were slightly lower, at Lm6.5 million. On the other hand, **other assets** increased to Lm7.6 million, up by Lm0.8 million, mainly reflecting the build-up of interest receivable on the other banking institutions' asset portfolio.

# THE CENTRAL BANK'S BUSINESS PERCEPTIONS SURVEY: RESULTS FOR THE FIRST QUARTER OF 2000

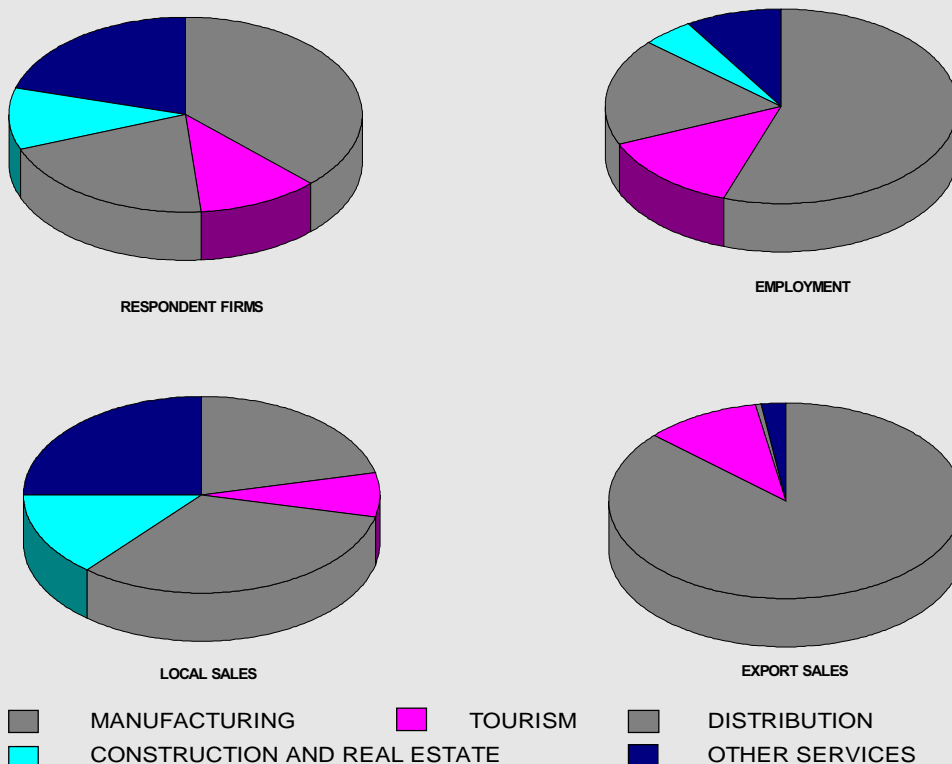
## Introduction

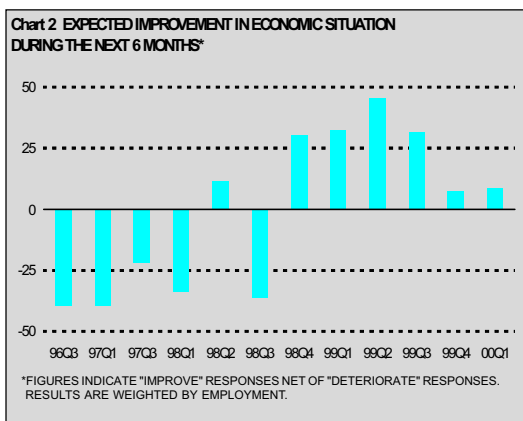
The latest business perceptions survey carried out by the Central Bank indicates that the overall level of business optimism for the first half of 2000 remained stable, propped up by the improved prospects in the tourism distribution and construction sectors. The last quarter of 1999, however, saw a slowdown in tourism activity. At the same time, domestic business conditions remained slack, as an expected recovery in

demand failed to materialise. Short-term expectations point towards a further easing of activity in the domestically-oriented sectors affected by the removal of levies and in tourism, though manufacturing exports should continue to grow, albeit at a slower rate.

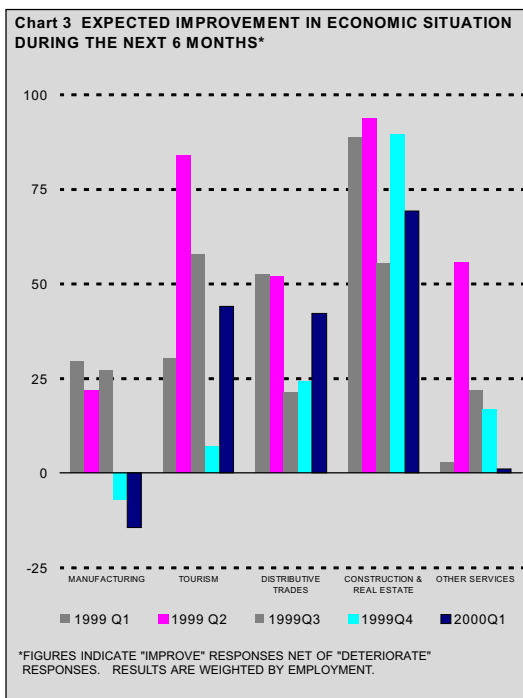
The survey, undertaken during January and February 2000, covered a sample of 136 firms, accounting for nearly 20% of private sector

**Chart 1 CHARACTERISTICS OF THE SAMPLE**





employment and with an overall turnover of Lm419.5 million. As in previous surveys, the sample was biased towards larger firms (only 50% of the firms surveyed employed less than 50 workers) in order to be more indicative of general macroeconomic trends. Furthermore, the same set of firms was retained, as far as possible, so as to enable comparisons with the results of previous surveys to be made. The distribution of the



respondent firms by sector of economic activity, and the latter's relative share of employment, local sales and exports, are illustrated in Chart 1. The response of each firm has been weighted on the basis of its level of employment, local turnover and export sales, so as to reflect its relative importance within its sector and the Maltese economy.

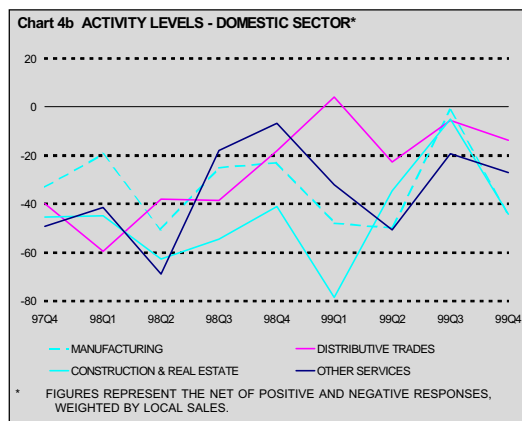
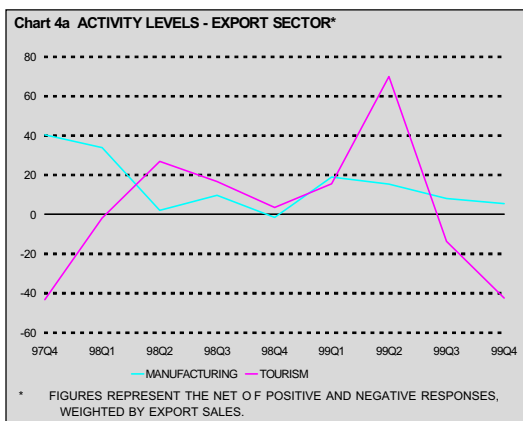
### Business Optimism and Medium Term Expectations

The survey measures optimism by the extent that respondents expect an improvement rather than a worsening of the economic situation over the coming six months. This balance is then weighted by the number of persons employed in the sampled firms, in order to arrive to an overall indicator. As can be seen from Chart 2, the net balance of favourable responses during the first quarter of 2000 remained virtually unchanged from the previous quarter's level.

Chart 3, however, shows that this stability in overall optimism masks considerable sectoral differences. During the first quarter of 2000, optimism in the tourism and in the distributive trades rebounded, but operators in manufacturing, construction and other services sectors were less optimistic than in the previous quarter.

The renewed optimism in the tourism sector may be a response to a number of Government initiatives aimed at boosting tourism from the UK. This was reflected in an increase in advance bookings for the summer months. The gradual improvement in the outlook of the distributive sector may be the result of expectations that the prolonged period of weak domestic demand has bottomed out. It also reflects the responses of motor vehicle importers that continue to face strong demand that is quite out of line with the experience of the rest of the sector.

The deterioration in business sentiment within the construction sector reflected the sector's



disappointment that work on a number of planned infrastructural projects had not yet commenced. The manufacturing sector, particularly domestically-oriented firms, expressed concern about the removal of protective levies and about the uncertainty associated with industrial restructuring. The outlook of the main exporting sub-sectors, however, appears to be more positive.

Survey respondents also expect a rise in the unemployment rate over the medium term. This expectation probably reflects their perception of the current state of domestic demand and the impact that industrial restructuring may have on the demand for labour. At the same time, they are projecting a faster rise in prices over the next six months, probably sensing upward pressures due to higher inflation abroad and the indirect taxation measures announced in the last budget.

**Activity Levels – Fourth Quarter 1999**

The latest survey results indicate that during the fourth quarter of 1999 most sectors were operating below their normal activity levels. This was partly due to seasonal factors which were compounded by one off-events associated with the millennium. Business in the tourism sector and in all sectors catering for the domestic market tended to deteriorate, as can be seen from Charts 4a and 4b. Only export-oriented firms in the

manufacturing sector reported above normal activity rates, and this mainly reflected an improvement in the performance of the food and beverages sub-sector.

A marginal deterioration in the overall activity level of the manufacturing export industry was mainly attributable to the machinery and other equipment sub-sector, which had been operating substantially above normal levels during the third quarter of 1999. On the other hand, export activity in the food and beverages sector was considerably above normal levels during the final quarter of the year, as successful restructuring enabled some domestic firms to break into export markets. Most other manufacturing sub-sectors, particularly those producing furniture and chemicals, were operating below normal levels. The slowdown in tourism activity reflected the continued drop in arrivals from the UK, which was itself partly due to one-off factors associated with the millennium, as explained elsewhere in this Quarterly Review.

According to the survey, activity in domestically-oriented firms – especially in the construction and manufacturing sectors - contracted during the last quarter of 1999. In the case of manufacturing industry, the sub-sectors affected by the removal of protective levies, namely the food and beverages and the chemicals sub-sectors, appear

**Table 1**  
**THE MANUFACTURING SECTOR**

**a. Export activity<sup>1</sup>**

%

	1998Q4	1999Q1	1999Q2	1999Q3	1999Q4		2000Q1
					Expected <sup>3</sup>	Outcome <sup>4</sup>	Expected <sup>4</sup>
Change in Employment	-1.2	-1.1	0.8	1.1	-0.1	-0.7	0.9
Change in Profitability	1.3	-0.4	1.8	0.6	1.3	0.8	-0.9
Change in Sales	0.2	0.7	2.5	-0.7	1.4	1.3	0.2

**b. Domestic Sales<sup>2</sup>**

%

	1998Q4	1999Q1	1999Q2	1999Q3	1999Q4		2000Q1
					Expected <sup>3</sup>	Outcome <sup>4</sup>	Expected <sup>4</sup>
Change in Employment	-1.1	-0.7	-0.3	-2.0	-0.5	-0.9	0.9
Change in Profitability	0.2	1.5	1.1	0.0	-2.1	1.1	-1.6
Change in Sales	1.1	0.2	0.9	-0.5	0.0	0.1	-0.9

<sup>1</sup> Figures are weighted by export sales.

<sup>2</sup> Figures are weighted by local sales.

<sup>3</sup> As reported in the 1999Q4 survey.

<sup>4</sup> As reported in the 2000Q1 survey.

to have cut back significantly on their activity levels. Activity also remained depressed in the machinery, furniture and paper and printing sub-sectors. Similarly, the performance of domestically-oriented service activities was generally weaker during the quarter. Only the insurance and financial services industries reported a significant recovery, although they still continued to operate below normal activity levels.

**Sectoral Performance and Short-Term Expectations**

This section examines more closely the performance of each sector by looking at developments in sector-specific employment, profitability and turnover. Projections of performance for the fourth quarter of 1999 made by each sector in the previous survey are compared with the actual out-turn. The respondents' expectations for the first quarter of 2000 are also outlined.

**Manufacturing**

Activity in the manufacturing export sector during the fourth quarter of 1999 was broadly in line with the projections made in the previous survey. As expected, sales and profits increased, but employment dropped to a larger extent than expected, mainly reflecting job losses due to restructuring in the food and beverages, furniture and paper and printing sub-sectors. These losses should, however, be partly reversed in the next quarter, when respondents expect to increase employment, although some sub-sectors, especially furniture and paper and printing, will continue to shed jobs. Domestically-oriented manufacturing firms reduced their labour force by more than they had expected during the final quarter of last year. On the other hand, their sales increased slightly, instead of remaining stable. As a result, the sector's profitability improved, contrary to expectations. Nevertheless, respondents from this sector expect that a drop in sales, together with a rise in employment, will

**Table 2**  
**THE TOURISM SECTOR<sup>1</sup>**

	1998Q4	1999Q1	1999Q2	1999Q3	1999Q4		2000Q1	%
					Expected <sup>2</sup>	Outcome <sup>3</sup>	Expected <sup>3</sup>	
Change in Employment	0.9	1.0	1.1	1.2	-0.9	-0.4	-0.1	
Change in Profitability	0.4	2.2	2.8	2.6	-1.8	-1.6	-0.6	
Change in Sales	0.5	2.9	5.4	2.7	-2.0	-0.9	-3.1	

<sup>1</sup> Figures are weighted by export sales, as the export activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.

<sup>2</sup> As reported in the 1999Q4 survey.

<sup>3</sup> As reported in the 2000Q1 survey.

depress profits in the first quarter of 2000.

### Tourism

Survey respondents had expected the downturn in the tourism industry during the last quarter of 1999 to be even more severe than the actual out-turn. In fact, sales and employment dropped by less than half the predicted rates, although profits did contract by the expected margin. This was in line with the drop in tourist arrivals reported during the quarter. Nevertheless, as Table 2 shows, operators are continuing to expect a deterioration in activity levels in the short term, with turnover, employment and profits projected

to drop in the first three months of 2000. However, the tourism sector is more optimistic about its prospects for the medium term.

### Distributive Trades

The actual out-turn for activity in the distributive sector during the final quarter of 1999 fell short of expectations. The sector's levels of profitability and employment declined, reflecting slower growth in sales and a rise in stocks. Employment is nevertheless expected to recover during the first quarter of 1999, in part denting profits. However, the expected increase in employment and the sector's continued overall optimism indicate that

**Table 3**  
**THE DISTRIBUTIVE TRADE SECTOR**

	1998Q4	1999Q1	1999Q2	1999Q3	1999Q4		2000Q1	%
					Expected <sup>2</sup>	Outcome <sup>3</sup>	Expected <sup>3</sup>	
Change in Employment	-0.1	-0.4	0.3	0.6	0.5	-0.7	1.2	
Change in Profitability	0.1	-2.0	-1.3	-0.1	0.3	-0.4	-0.4	
Change in Sales	2.2	1.0	1.0	2.3	1.8	0.5	0.3	
Change in selling prices	-0.2	1.1	-0.3	-1.2	0.2	0.7	1.0	
Change in stocks	1.6	1.5	3.2	0.9	0.5	1.3	0.1	

<sup>1</sup> Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.

<sup>2</sup> As reported in the 1999Q4 survey.

<sup>3</sup> As reported in the 2000Q1 survey.



**Table 4****THE CONSTRUCTION AND REAL ESTATE SECTOR<sup>1</sup>**

%

	1998Q4	1999Q1	1999Q2	1999Q3	1999Q4		2000Q1
					Expected <sup>2</sup>	Outcome <sup>3</sup>	Expected <sup>3</sup>
Change in Employment	0.3	-0.9	0.5	0.5	0.9	0.0	1.5
Change in Profitability	0.2	-1.4	-0.1	-0.2	0.3	-0.3	-0.1
Change in Sales	-0.9	0.2	0.6	1.0	2.5	0.6	1.1
Change in selling prices	0.3	-0.2	-0.4	-0.1	-0.2	0.3	0.1

<sup>1</sup> Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.

<sup>2</sup> As reported in the 1999Q4 survey.

<sup>3</sup> As reported in the 2000Q1 survey.

respondent firms are convinced that domestic demand will to some extent recover in the near future.

**Construction and Real Estate**

The profitability of the construction and real estate sector continued to decline during the fourth quarter of 1999, mainly reflecting a slower-than-expected rise in sales. Employment remained stable, instead of growing as had been projected. Nevertheless firms in the sector still seem confident that business will pick up, expecting sales to grow at a faster pace in the coming three months. Respondents also expect employment in the sector to rise, possibly affecting profit margins

in the short term.

**Other Services**

During the fourth quarter of 1999, the performance of firms in the services sector remained positive, even though employment fell marginally. The sector's turnover and selling prices matched original expectations closely, although profitability did not rise as quickly as expected. Optimism about short-term prospects remains strong in this sector, with firms expecting levels of employment, sales, and profitability to expand significantly. Moreover, selling prices are expected to rise at a faster pace, as can be seen from Table 5.

**TABLE 5: THE OTHER SERVICES SECTOR<sup>1</sup>**

%

	1998Q4	1999Q1	1999Q2	1999Q3	1999Q4		2000Q1
					Expected <sup>2</sup>	Outcome <sup>3</sup>	Expected <sup>3</sup>
Change in Employment	1.1	0.3	1.0	1.3	1.0	-0.2	1.2
Change in Profitability	0.9	1.2	0.7	1.4	2.1	0.9	2.1
Change in Sales	-0.3	0.7	0.7	1.5	1.9	1.7	2.9
Change in Selling Prices	-0.4	0.4	0.8	0.2	0.5	0.5	1.5

<sup>1</sup> Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.

<sup>2</sup> As reported in the 1999Q4 survey.

<sup>3</sup> As reported in the 2000Q1 survey.

## Conclusion

The results of this survey indicate that export activity, particularly tourism, slowed down during the final quarter of 1999, whereas the expected turnaround in domestic demand failed to materialise. However, the majority of respondents, with the notable exception of domestically oriented manufacturing firms that are being exposed to more foreign competition, remained convinced that in the medium term activity would recover. The distributive trades and the construction sector are particularly confident that business will improve in the coming six months and thus expect to increase employment levels and selling prices.

In the exporting manufacturing industry, especially the machinery sub-sector, operators are expecting a slowdown in turnover and a drop in profits in the coming three months, although activity remains above normal levels. Similarly,

the tourism industry is expecting lower levels during the first quarter of 2000, although things are expected to improve in the following months.

Taken together, these responses seem to indicate that economic growth may decelerate marginally in the short term, reflecting a slower expansion in exports. Furthermore, domestic demand could remain subdued, partly as a result of recent fiscal measures. In fact, the majority of respondents concur with the view that unemployment will rise in the medium term. However, the eventual commencement of planned investment projects and the expected pickup in tourism during the summer months should help to reverse this trend. At the same time, respondents also indicated that the rate of inflation could accelerate over the next six months, probably sensing upward pressures on prices from higher imported inflation and rising fuel prices.

# THE PRIVATE AND PUBLIC SAVING GAPS IN MALTA AND THEIR IMPACT ON THE CURRENT ACCOUNT

by Aaron George Grech<sup>1</sup>

## Abstract

*Any difference that arises between the level of domestic saving and investment is reflected in the nation's current account position. Both domestic saving and investment can be sub-divided into private and public sector components, and gaps between these two variables can be easily computed. This paper analyses the relationship between the private and public saving gaps in Malta during the 1970-1997 period and then proceeds to discern their respective impact on the current account position. In particular, it finds that the deterioration in the current account in the 1990's was the result of higher government net borrowing, and that there was no statistically significant relationship between the private and public saving gap during the period. Given that in the coming decades economic restructuring and the ageing of the population will probably lead to higher investment and a drop in saving, the article concludes that public finances must be strengthened significantly if a further deterioration in the country's external imbalance is to be prevented.*

## Introduction

The current account of the balance of payments is 'both a broad reflection of the stance of macroeconomic policies and a source of information about the behaviour of economic agents' (Knight & Scacciavillani, 1998). In particular, the current account reflects the investment and saving patterns of the different sectors of the economy, including the fiscal policy adopted by the government. In turn, investment and saving decisions reflect an economy's output and consumption performance over time.

In an open economy the levels of domestic saving and investment during any period may not be, and usually are not, equal to each other. Any difference arising between these two variables is reflected in the current account of the balance of payments<sup>2</sup>. Hence a country can invest more than it saves by increasing its external borrowing and/

or depleting its foreign assets. Investment can also be higher than saving if the nation is receiving private or official capital transfers from abroad. Nonetheless, in order for the country to avoid debt accumulation, the current account position must be sustainable. A consistent large negative saving gap<sup>3</sup> would thus necessitate a re-adjustment of economic policies, including changes in the exchange rate.

The cause of a saving gap also has important implications. If the cause of a negative saving gap is a decline in saving, the country would be incurring a current account deficit in order to finance more consumption. Such a situation of credit-financed consumption cannot be sustained indefinitely. The country will eventually have to make a consumption sacrifice far greater than the original additional consumption undertaken, as foreign lenders

<sup>1</sup> Aaron George Grech is a Research Officer in the Economics Department of the Central Bank of Malta. He would like to thank Gordon Cordina and Alexander F. Demarco for their useful comments and suggestions. Any errors, as well as the opinions expressed in the article, are the author's sole responsibility.

<sup>2</sup> This macroeconomic identity is portrayed in Table 21 of the National Accounts of Malta as:  
 $\text{Saving} + \text{Depreciation} - (\text{Current Account} - \text{International Transfers}) = \text{Gross Fixed Capital Formation} + \text{Change in Inventory Levels}$

<sup>3</sup> Throughout this article, a positive 'saving gap' is defined as saving being higher than investment, whereas a negative gap indicates that saving is lower than investment.

will demand a higher return on their saving. A current account deficit can be self-propagating, as foreign borrowing would increase investment income outflows. On the other hand, if a negative saving gap is incurred as a consequence of higher investment, the concurrent external deficit will be more sustainable because foreign borrowing would be generating an increase in productive capacity. However, a large and widening current account deficit may, irrespective of its origins, lead investors to lose confidence in a country and to redirect their funds elsewhere.

### Private and Public Saving Gaps

Another interesting aspect of this debate is the division of total saving<sup>4</sup> and investment between the public and the private sectors. This article follows the definitions of the private and public saving gaps as outlined in Malta's National Accounts (i.e. those found in Table 18 of the National Accounts: 'Capital Account of the Private Sector', and Table 20: 'Capital Account of the Government Sector')<sup>5</sup>. In Table 18, private gross investment<sup>6</sup> is shown to be financed out of net saving originating from households and corporations, capital transfers from abroad to the private sector, and capital transfers given to the private sector by government. On the other hand, government's capital expenditure is financed out of its saving<sup>7</sup>, taxes imposed on capital and official foreign grants. In this exercise, the state's transfers to the private sector are treated as government dissaving rather than public investment<sup>8</sup>.

Thus:

$$PS = NPS + PD + PFT + GT - TC \quad [1]$$

where *PS* is total private gross saving, *NPS* is net saving by private and corporate sector, *PD* is the provision for depreciation on private sector capital formation, *PFT* are capital transfers from abroad received by the private sector, *GT* are capital transfers from government<sup>9</sup>, and *TC* are taxes on capital.

Furthermore,

$$GS = NGS + TC + OFT + GD - GT \quad [2]$$

where *GS* is total government gross saving, *NGS* is net saving by the state, *OFT* are official transfers from abroad, and *GD* is the provision for depreciation with respect to public sector capital.

On the other hand,

$$PI = PFC + PIC \quad [3]$$

$$GI = GFC + GIC \quad [4]$$

where *PI* and *GI* denote total private and public investment respectively, *PFC* and *GFC* stand for the gross capital formation of the private sector and government (including state enterprises) respectively, while *PIC* and *GIC* are the inventory changes attributable to private and public capital formation.

The saving gap can thus be broken down into a

<sup>4</sup> Throughout this article 'total saving' denotes that part of the gross national disposable income (GNDY) which is not consumed. The GNDY is the sum of the gross domestic product, net investment income from abroad and net current unrequited transfers.

<sup>5</sup> In these tables the saving gaps are denoted as 'net lending'.

<sup>6</sup> Private gross investment includes depreciation attributable to private capital.

<sup>7</sup> Government saving is defined as the surplus of government revenue over recurrent expenditure.

<sup>8</sup> The government deficit reported in the National Accounts is not the same one reported in the annual budget speech, in that the latter is based on a cash methodology which records payments and receipts when they are made or received by government ministries. The National Accounts on the other hand record receipts and expenditures when they are invoiced.

<sup>9</sup> Mainly subventions to the Malta Drydocks, tour operators, and small and medium enterprises.

private sector gap (*PSG*) and a public sector gap (*GSG*). Hence the National Accounts identity can be re-defined as:

$$PSG = PS - PI \quad [5]$$

$$GSG = GS - GI \quad [6]$$

$$CA = PSG + GSG \quad [7]$$

where *CA* is the Current Account Balance.

This re-definition shows that the current account may be influenced by both the government's fiscal policy and by the saving and investment decisions of the private sector. The private saving gap has two channels of influence on the current account. First, a lower amount of saving, i.e. an increase in consumption, is likely to lead to higher imports of consumer goods. Second, a higher level of private investment usually implies an increase in imports of capital goods. The same can be said with respect to the public saving gap. A decline in the state's primary fiscal balance may be caused either by higher spending or by lower taxes. Government spending can affect the current account either through higher imports by the state itself, or, if it is due to higher wages paid to state employees or higher transfer payments, through an increase in imports by the recipients of these outlays. Similarly, lower taxes increase disposable income and therefore lead to higher imports, especially in view of the Maltese economy's high marginal propensity to import<sup>10</sup>. It should be noted that public investment also contains a significant import content.

The private and the public sector saving gaps may also be inter-linked. There are, in fact, three economic theories that indicate that the saving and investment decisions of the private and the

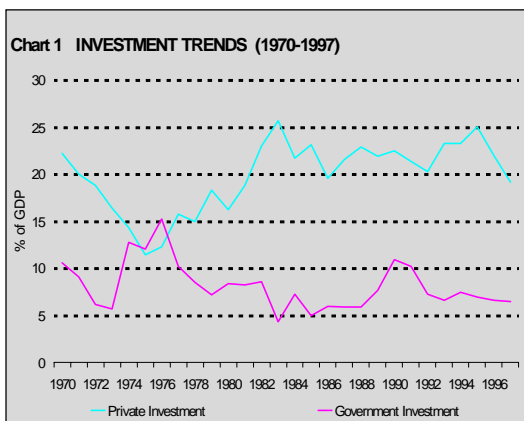
public sector are interdependent. First, according to the Ricardian equivalence hypothesis developed by Barro, if the public does not perceive government bonds as net wealth, then whenever there is an increase in the fiscal deficit, households increase their saving in the anticipation of a future rise in taxes<sup>11</sup>. The crowding-out hypothesis also implies a negative relation between the private saving gap and the public saving gap, in that a fiscal deficit, especially when the economy is operating at or over full capacity, brings about a fall in private investment and a rise in private saving. In the standard theory, this reaction is brought about by the rise in the interest rate induced by the issuing of new government stock. An inverse relation between the private and public saving gaps would also arise if the fiscal authorities were consciously to use budgetary operations to sterilise any change in the private saving gap in order to prevent capital inflows or outflows. If this were the case, then, if ever a disequilibrium were to arise between private saving and private investment, government would intervene to fill the gap in order to prevent capital inflows or external borrowing.

### **Saving and Investment in the Maltese Public and Private sectors**

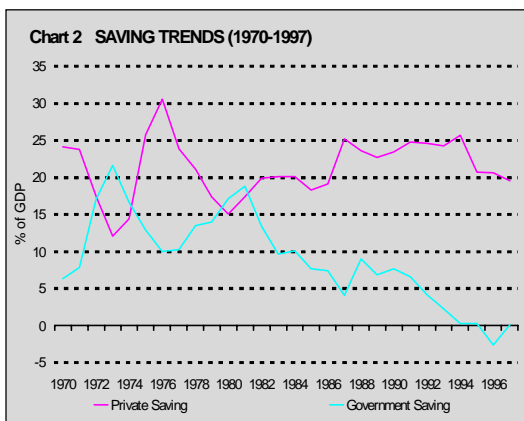
As can be seen in Chart 1, during the 1970-1997 period both public and private investment clearly exhibited cyclical behaviour. Due to the small size of Malta's economy, large one-off investments, such as the purchase of aircraft by the national airline, increase the randomness of investment figures. Underlying investment is also affected by the cyclical nature of the construction industry and by the investment decisions made by the foreign parent companies of local manufacturing firms. Private investment as a percentage of GDP

<sup>10</sup> This would be even more the case if the lower tax revenue were to result from a cut in indirect taxes on imports, as was the case when VAT was introduced in 1995.

<sup>11</sup> If there is Ricardian-equivalence type behaviour, a rise in private investment has a larger effect on the current account than an equivalent increase in the fiscal deficit (Masson & Knight, 1986). This occurs because part of the effect of the larger fiscal deficit is offset by higher private saving. No such reaction occurs when private investment rises.



was nearly always higher than public investment throughout these years, with the largest difference occurring in the early 1980's. In fact, during most of the 1980's public investment was quite low. This contrasted with the mid 1970's when public investment overtook that undertaken by the private sector (reaching 15.2% of GDP in 1976) as a result of increased construction expenditure by the state. During the late 1980's and the 1990's, public investment increased once again, as government embarked on a number of major infrastructural projects. However, public investment never returned, in relative terms, to its



1970's level. On the other hand, private investment during the 1980's and the 1990's was always higher than in the 1970's, although in the last two years of the period under review there were considerable falls in its level, reflecting lower investment in machinery.

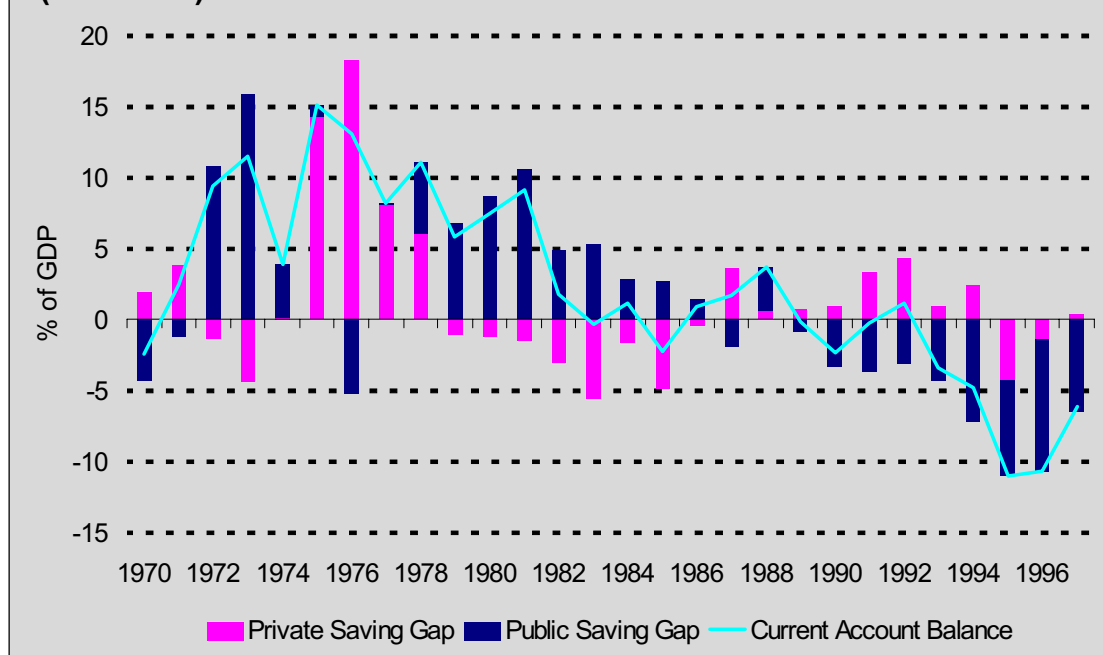
As with investment, there were wide fluctuations in the levels of both public and private saving during the period surveyed<sup>12</sup>. Between the 1970's and the early 1980's, government saving was quite high, mainly as a result of large official grants from abroad. In fact, during most of these years, the Maltese government was receiving a considerable annual rent payment for the use of the military base from the British government. These rent payments stopped in 1979, but were replaced in the 1980's by official grants from Italy and other countries. Thus, in 1980 and 1981 the public sector saved more than the private sector. This trend was subsequently reversed, and in recent years the public sector has been dissaving. On its part, private saving also exhibited a downward trend in the late 1990's. Whereas personal income growth slowed in nominal terms, from 9.1% in 1994 to just 5.2% in 1997, and taxes on income in the same period rose from 14.1% to 15.4% of total personal income, growth in consumption expenditure only slowed down in 1997.

Chart 3 shows how the private and public saving gaps developed over time. As can be seen in the Chart, the sum of these two gaps is equal to the current account position, which was in surplus between 1971 and 1982. In the first half of 1970's, this occurred in spite of government primary deficits and high levels of private investment. These were mostly financed out of capital transfers from abroad, which were quite high in those years, amounting to just over 17% of GDP in 1973<sup>13</sup>. The current account surpluses

<sup>12</sup> Interestingly though, the non-consumed fraction of GDP was rather more stable than 'total saving' as defined in this article. This reflects the extremely random nature of net investment income and net current transfers from abroad during the period.

<sup>13</sup> By 1997 these official transfers had fallen to 1.6% of GDP.

**Chart 3: DECOMPOSITION OF CURRENT ACCOUNT POSITION (1970-1997)**



recorded between 1975 and 1978 were the result of large positive private saving gaps, which in turn reflected a hike in household saving. Household disposable income, in fact, grew by 50.9% during these years, due to a substantial rise in wages and in social security benefits. Corporate saving also expanded considerably, from Lm6.8 million in 1974 to Lm19.5 million in 1978, as a result of higher profits. Thereafter, between 1978 and 1982, the cause of the current account surplus was the considerable positive public saving gap which developed due to an improvement in government's primary fiscal balance and the decrease in public capital expenditure.

To counter the effects of the repeated revaluations of the Maltese lira during this period, government enforced strict quantitative controls on imports. Moreover, since government also

wanted to maintain low interest rates and, at the same time, prevent capital flight, severe restrictions on capital flows were introduced. Hence Malta 'became an unusual case of fiscal conservatism coexisting with financial repression and rigid controls on capital movement and trade' (Findlay & Wellisz, 1993). While import controls constrained the level of consumption, capital controls prevented Maltese saving from being invested abroad. In this way, the current account surpluses recorded during these years did not result in the Maltese private sector increasing its holdings of foreign assets, but rather boosted the level of the official reserves<sup>14</sup>.

Between 1983 and 1992, the current account position alternated between slight deficits and small surpluses. However, if one were to exclude

<sup>14</sup> In fact, the external reserves held by the Central Bank of Malta rose from Lm74.4 million in 1971 to Lm456.8 million in 1982.

capital transfers from abroad<sup>15</sup>, the current account would have been persistently in deficit after 1981. It appears that the main cause of this deficit was the steadily deteriorating public saving gap, which fell from 10.5% of GDP in 1981 to -9.3% of GDP in 1996. By contrast, the private saving gap appears to have narrowed during this period, rising from -5.6% of GDP in 1983 to 0.4% of GDP in 1997. The largest current account deficit was recorded in 1995, and amounted to 11% of GDP. This was the consequence of a sharp widening of the private saving gap in that year, due to an extraordinary drop in the private saving ratio that was accompanied by a large increase in private investment. Another large deficit, equivalent to 10.7% of GDP, was recorded in 1996 and reflected the large increase in the fiscal deficit registered in that year.

At first glance, this empirical evidence seems to invalidate the hypothesis that the private and public saving gaps are inversely related in Malta, as indicated in the three theories outlined previously. The validity of the Ricardian equivalence hypothesis is questioned in view of

the widespread tax evasion and a common perception that government can run deficits for a long time. In fact, during recent years when the fiscal deficit grew at an unprecedented pace, the level of household saving has actually fallen. The relevance of the crowding-out hypothesis also appears to be limited since interest rates in Malta were fixed for most of the period under review. Furthermore a substantial part of the investment carried out in Malta was made by foreign firms, and thus was not financed from domestic sources. Finally, since there were stringent controls on capital flows during most of the period, government had no reason to sterilise private saving gaps. A more thorough empirical analysis of these issues follows.

### **The Public Saving Gap as the Main Cause of the Maltese Current Account Position**

The current account has been defined as the sum of the public and private saving gaps. Thus, if the current account position is stable over time, movements in these two components must be cancelling out (Centeno, 1995). For example, when there is a continued rise in the public saving gap, the private gap must fall by the same magnitude over time if the current account position is not to deviate from its long-term position. This long-term position should either be a sufficiently low average deficit or a surplus if the country is not to accumulate ever-increasing external debt, a situation that would in the end lead it to either continuously devalue its currency or default on its external obligations.

However, econometric tests (shown in Table 1) indicate that Malta's external accounts did not exhibit stationary behaviour between 1970 and 1997. This implies that the current account as a percentage of GDP was not stable over the period. In fact, the Dickey-Fuller test showed that this variable was trend stationary throughout these years. That is, it fluctuated around a negatively

**Table 1**  
**TESTS FOR STATIONARITY**

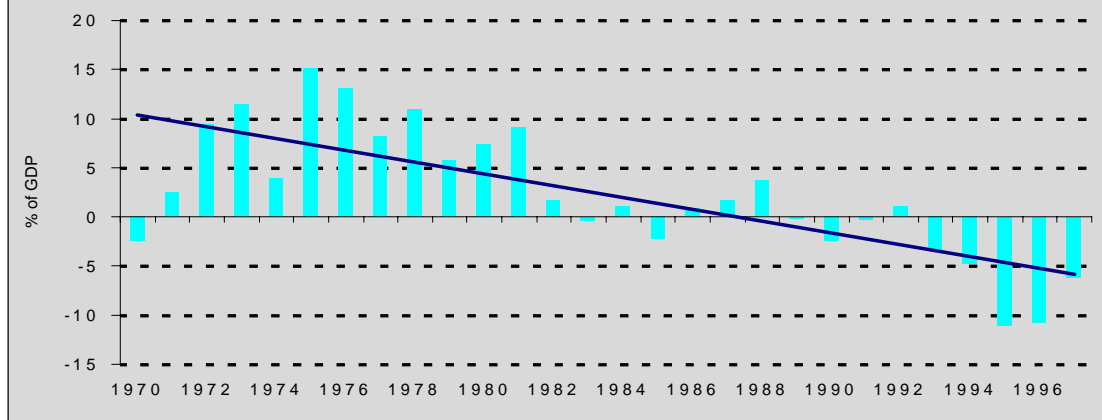
Variables (as % of GDP)	Integration Order
<i>PSG</i>	Stationary (-3.06)
<i>GSG</i>	Non-Stationary (-2.31)
<i>CA</i>	Non-Stationary (-1.06)

Note: The ADF test critical value for 26 observations at the 95% confidence level is -2.98.

<sup>15</sup> As recommended in the fifth edition of the IMF's Balance of Payments Manual published in 1993.



**Chart 4 CURRENT ACCOUNT BALANCE (1970-1997)**



sloped linear trend. The current account position was deteriorating by 0.6 percentage points of GDP every year.

This finding is quite important, since stationarity is a necessary (although not a sufficient) condition for avoiding sustainability problems in external accounts. The existence of such a negative trend in Malta's balance of payments implies that during the period studied the Maltese economy exhibited unsustainable consumption and investment patterns, since movements in the public and private saving gaps did not cancel out each other. Thus, it provides statistical evidence for the conclusions reached by Demarco (1999), where, utilising a sustainability indicator developed by the author, the Maltese current account position was deemed to have been unsustainable since 1993. Furthermore, the non-stationary current account position indicates that there was no stable long-term negative relationship between the private and the public saving gaps between 1970 and 1997, as implied by the three economic theories delineated earlier in this article.

Table 1 shows that while the private saving gap exhibited stationary behaviour during the 27 years covered by this article, the public saving gap was non-stationary. Thus if we re-define the national

accounts identity as:

$$PSG = CA - GSG$$

[8]

we have an identity which shows that the residual between two non-stationary variables is itself stationary. This implies that there exists a long run causal relationship between the current account and the government saving gap. The stability of *PSG* over time may thus be the result of the government saving gap causing offsetting reactions in the current account of the balance of payments. The nature of this relationship is investigated further by means of regression analysis.

According to economic theory, a relationship between economic variables is governed by an equilibrium condition. This implies that at any time there is a state where this relationship will be retained if there are no external forces acting against it. When external factors, such as economic shocks or policy changes, disturb this equilibrium condition, there are forces that will automatically try to reinstate the equilibrium state. Hence, movements of economic variables are of two general types – either the variable is moving towards its long-term equilibrium state, or it is reacting to a short-term shock that moves it away

from its equilibrium path. The error-correction mechanism is an econometric specification that captures these two different causes of movements.

For example, consider:

$$\Delta CA_t = \alpha_1 \Delta GSG_t + \alpha_2 (CA_{t-1} - \alpha_3 GSG_{t-1})$$

This equation indicates that if the current account is related to the government saving gap, part of its movement at time  $t$  is due to the change in the government saving gap during the same period. The sensitivity of this change is given by the coefficient  $\alpha_1$ . The remaining unexplained part of the current account movement is due to the fact that at time  $t-1$  the variable was not at its long-term equilibrium state, namely  $\alpha_3 GSG_{t-1}$ . This implies that at time  $t$ , forces will act on the variable to eliminate part of the previous period's disequilibrium. This adjustment (denoted as  $\alpha_2$ ) can take any value between 0 and -1, with 0 implying no movement to long term equilibrium and -1 meaning full adjustment. An invalid value for the adjustment term implies that there is no equilibrium relationship between the two variables.

Utilising error-correction equations, with the private saving gap standing for the long-term condition<sup>16</sup>, two equations are estimated to test for the direction of causality between the other

two variables:

$$\Delta CA_t = \alpha_0 \Delta GSG_t + \alpha_1 PSG_{t-1} \quad [9]$$

$$\Delta GSG_t = \alpha_2 \Delta CA_t + \alpha_3 PSG_{t-1} \quad [10]$$

Equation [9] presumes an equilibrium relationship between the current account and the government saving gap, which would imply that part of the private saving gap will be reversed by changes in the current account position in the following year. On the other hand, equation [10] presumes a reverse causal relationship, that is, the current account position affects the public saving gap. The validity of these two competing hypotheses is established from the regression results shown in Table 2.

These results indicate that the current account reacts to changes in the government saving gap, whereas there seems to be no long-term causality from the current account to the government saving gap, since the long-run adjustment coefficient of equation [10] is not between 0 and -1. In fact, it appears that in the short-term, whenever the government saving gap increases by 1 percentage point, the current account surplus as a percentage of GDP rises by 0.6 percentage points. Furthermore, the long-term adjustment term indicates that one fourth of the recorded private saving gap is reversed by movements in the current account position in the following year.

**Table 2**

**REGRESSION RESULTS<sup>17</sup>**

Equation [9]	Equation [10]
$\Delta CA_t = 0.601 \Delta GSG_t - 0.268 PSG_{t-1}$	$\Delta GSG_t = 0.779 \Delta CA_t + 0.338 PSG_{t-1}$
(3.03)                      (-2.50)	(4.60)                      (2.86)
R <sup>2</sup> = 0.608                      F-test = 18.64	R <sup>2</sup> = 0.523                      F-test = 13.15
DW-statistic = 2.31	DW-statistic = 2.45

<sup>16</sup> Note that, since  $PSG = CA - GSG$ , then  $PSG_{t-1} = CA_{t-1} - GSG_{t-1}$

<sup>17</sup> In both equations, the 1975 observations were eliminated since they were deemed to be outliers.

Thus a rise in the private saving gap brings about a future widening of the current account deficit, and vice versa<sup>18</sup>.

Given that the private saving gap was relatively stable throughout the period studied, the growing imbalance between government revenue and expenditure inevitably led to a deterioration in the current account position. The regression results once again provide corroborating statistical evidence for the conclusions of Demarco (1999), where it was argued that '*fiscal policy was following an unsustainable path, and that the fiscal deficit became increasingly unsustainable after 1994*'. Moreover, these results illustrate the relative inefficacy of fiscal policy in Malta as a tool to generate economic expansion. In fact, a full 60% of the change in the fiscal stance seeps out of the domestic economy through a higher external current account deficit as early as the following year.

Knight and Masson (1986) argue that a fiscal shock, if not totally offset by an increase in private saving due to Ricardian equivalence behaviour by private agents, necessarily makes the economy rely more on foreign saving. This implies that there must be higher inflows on the capital account, since the current account is pushed into a deficit. This deterioration of the current account will occur via an appreciation of the real exchange rate, either through a rise in the nominal exchange rate or through a higher rate of inflation than in trading partner and competitor countries. This implies that the fiscal behaviour of government may be responsible for both the increase in the current account deficit and the loss of Malta's external competitiveness since 1994<sup>19</sup>.

## Expected Trends in Saving and Investment

The preceding analysis of the relationship between saving, investment and the current account has considerable implications for the future development of the Maltese economy. In the coming decades, Malta will have to face two main structural challenges: the challenge of economic restructuring and the challenge of an ageing population. These two developments will have a significant impact on the level of saving and investment in Malta.

Economic restructuring has to take place in response to the challenges posed by globalisation and the need to correct present macro-economic imbalances. This restructuring process will require higher levels of investment. However, private sector saving may not rise in line with investment requirements because of a number of negative short-term factors that may affect the household and corporate sector during the period of restructuring.

At the same time, Malta's population will be ageing rapidly. Demographic projections indicate that the support ratio, i.e. the number of working-age persons per retired citizen, will fall from 3.7 in 2000 to just 2.3 in 2020. During these two decades, the section of the population aged between 15 and 59 will drop on average by 0.15 % every year. The decline in Malta's labour supply may lead to labour shortages in some sectors and thus create a need to introduce more capital intensive forms of production. Once again this situation calls for more investment. However, there may be no expansion in available domestic funds. If anything, economic theory suggests that household saving will be adversely affected

<sup>18</sup> This might indicate that Maltese households aim at saving or investing a constant amount of their income. When there are temporary shocks that affect these two variables, in the following year consumption is increased or decreased to restore the long-term constant ratios. This could be an indication of liquidity constraints.

<sup>19</sup> This decline in external competitiveness is clearly reflected in the NEER and REER indices compiled by the Central Bank of Malta. The NEER index which captures changes in the exchange rate of the lira against the currencies of Malta's main competitors, in fact, rose from 99.63 in the first quarter of 1994 to 104.25 in the last quarter of 1997. The REER index, which adjusts the NEER index for relative movements in consumer prices, rose from 94.94 to 104.9 during the same period. A rise in these indices signifies a decrease in Malta's external competitiveness and vice-versa.

by the ageing process<sup>20</sup>. Moreover, if public pensions are not reformed, this demographic shock will also boost government spending, thereby further reducing gross national saving.

These developments imply that Malta will have to incur a sustained large current account deficit, thus increasing its dependence on foreign direct investment or on borrowing from abroad. This dependence problem will not arise if the gross national saving rate increases. Since both household and corporate saving will probably be contracting in the near future, the needed expansion in gross national saving can only result from an improvement in government finances.

### Conclusion

The current account position is a very important indicator of economic activity, as it reflects the saving and investment decisions of households, firms and government. A country cannot persist in running a deficit on its current account, particularly if this reflects higher levels of consumption. On the other hand, if the main cause of an external imbalance is rising investment, the situation may be more sustainable, as long as this investment contributes to productive capacity.

Malta's current account has been in deficit since the early eighties, if foreign grants are excluded from the compilation. The regression analysis carried out in this article indicates that the main cause of these recurrent deficits was the continued deterioration in government finances during this period. On the other hand, the gap between the private sector's saving and investment was broadly more stable during the period covered by this analysis. If Malta's external accounts are to be brought to a more

sustainable position, especially in view of a potential decline in private saving and the necessity of undertaking higher investment, the fiscal deficit must be curbed significantly.

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<sup>20</sup> According to the life cycle hypothesis, rational individuals try to maintain a constant level of consumption throughout their lives. Given that they earn an income only during their working life, this implies that they dissave when they are young and when they retire from the labour force. A higher proportion of elderly brought about by ageing, therefore implies a lower amount of saving.

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## NEWS NOTES

### Liberalisation of Interest Rates

On April 12 the Central Bank of Malta amended Notice No 1 on Interest Rates to remove the provision relating to the maximum rate of interest that banks could charge on loans and advances for the purchase of one residential unit for the occupier's own use. With this amendment, the last remaining control on interest rates was abolished, so that rates will now be determined solely by market conditions.

### Appointment of Director

On February 24, the Prime Minister re-appointed Mr Alfred Lupi FCCA, MIA, CPAA, BSc (Econ) to serve as director of the Central Bank of Malta for a period of one year with effect from 21 January 2000.

### New Credit Institution Licensed

On March 24, the Central Bank of Malta, as the Competent Authority under the Banking Act 1994, issued a licence to Finansbank (Malta) Limited. The bank, which is a subsidiary of Finans International Holding NV, a wholly owned subsidiary of Finans Bank AS, a bank incorporated in Turkey, will undertake banking business from Malta in foreign currency with non-residents.

### EU – Malta Relations

- On February 15 the European Union opened formal membership talks with Malta and five other applicant countries.
- On February 17 the Government presented to the constituted bodies and the social partners a draft national plan for the adoption of the *acquis communautaire* (NPAA) for their consideration. The plan highlights the Government's priorities for the short and the medium term.

- On March 5 - 6, the EU Commission President Mr Romano Prodi visited Malta and addressed the Maltese Parliament. Mr Prodi was accompanied by the EU Enlargement Commissioner Mr Gunter Verheugen.
- On March 8 the EU Commission made its proposals for negotiations with the new applicant nations. The Commission suggested that all six new applicants should start talks in the areas related to small and medium-sized enterprises, science and research, education and training, external relations and common foreign and security policy. In addition it was suggested that Malta should start negotiations on industry policy, telecommunications and cultural policy.
- On March 15, COREPER, the committee of permanent representatives of the 15 EU Member States, approved the European Commission recommendations for Malta to start negotiations on eight chapters of the *acquis communautaire*.
- On March 28, the negotiations on these first eight chapters were opened during the first technical meeting negotiations between the Maltese delegation and the delegations from the 15 member states of the European Union.

### Bond Issues

On February 21, Bank of Valletta p.l.c offered for subscription to the general public Lm10,000,000 worth of 6.15% Subordinated Bonds maturing on March 15, 2010. Subscriptions were opened to the public on February 28 and closed the next day as the bonds were heavily oversubscribed. In view of this, the bank exercised its right to increase the offer to Lm20,000,000. The bank has applied to the Council of the Malta Stock Exchange for the bonds to be listed on the Exchange.

On April 14, Valletta Investment Bank Ltd concluded the private placement of a Lm2 million 7.25% Bond issued by Island Hotels Group. The issue, which is redeemable on April 30, 2008, has been placed with Valletta Fund Management Limited. The proceeds of the issue are to be used for new investment in the group's core hospitality and catering business operations.

#### **Malta Stock Exchange Bye-Laws Amended**

On March 10, the Council of the Malta Stock Exchange amended its bye-laws with regard to dealings made by directors and employees in possession of price sensitive information in the listed securities of their companies. The changes were made within the context of the review, undertaken by the Malta Stock Exchange, of market practices and compliance with internationally accepted regulatory standards.

#### **Listings on the Malta Stock Exchange**

On April 3, Wignacourt Malta Fund, a sub-Fund of Wignacourt Funds Sicav plc, was granted a primary listing by the Malta Stock Exchange and was admitted to the Official List of the Exchange with effect from April 4.

On April 10, subsequent to the rights issue, an additional 763,833 Ordinary Shares of 50 cents nominal value in Lombard Bank (Malta) plc were admitted to the Official List of the Malta Stock Exchange with effect from April 11.

#### **Malta Stock Exchange Approves Procedures Relating to the Filing of Complaints by Customers**

On April 6, the Council of the Malta Stock Exchange approved procedures relating to the filing of complaints by customers who believe they have been subject to unfair or improper business conduct by brokers or financial intermediaries. Such complaints are to be filed in writing on the appropriate forms. A customer services office within the Exchange's compliance department has been set up in this regard.

#### **Italian Financial Aid to Malta**

On March 29, Italy and Malta signed an agreement providing for the granting of over Lm5 million in Italian financial aid to Malta. This is to be made available under the Fourth Italo-Maltese Protocol on Financial, Economic and Technical Assistance, which covers the years 1996 - 2000.

# FINANCIAL POLICY CALENDAR

*This calendar lists policy measures in the monetary, fiscal and exchange rate fields.*

**1997**

## **13 January : Measures introduced in the Budget for 1997**

The Budget for 1997 includes a number of policy measures. These are:

- 1) **Wages:** A weekly wage increase of Lm1.50 is to be awarded from the beginning to the year to compensate for the rise in the cost of living during the year to September 1996. Another statutory increase of 25 cents per week is to be effective as from April.
- 2) **Social Benefits:** Cost of living wage increases are to be reflected in proportionate increases in pensions and other benefits, in accordance with the Social Security Act. As from October 1, British Services pensioners are to receive their pension in full.
- 3) **Indirect Taxation:** A Lm4 levy on every travel ticket is introduced. Prices of cigarettes are raised. Duty on petrol and diesel is also increased, while subsidies on kerosene, as well as those on water used in the bottling industry, are reduced. Postal rates, and registration and license fees on imported private cars and marine pleasure craft are also increased. Value Added Tax on pre-booked tourist accommodation and catering packages is replaced by an alternative tax at five per cent.
- 4) **Low-interest loans for small businesses:** Industrial legislation is to be amended so as to enable the Government, through the Malta Development Corporation, to offer loans at subsidised rates to companies which invest less than Lm100,000. Previously, this subsidy was available only to companies investing more than this amount.

## **23 May : Amendments to Financial Laws Enacted**

Parliament enacts the Financial Laws (Amendment) Act, that amends the Income Tax Act, the Malta Treasury Bills Act, the Central Bank of Malta Act, the Malta Stock Exchange Act and the Controlled Companies (Procedure for Liquidation) Act 1995. *Inter alia*, the amendments eliminate anomalies in the computation of withholding taxes on investment income and facilitate the development of the Treasury bill market. The amendments to the Central Bank of Malta Act enable the Central Bank to enter into repurchase and reverse repurchase agreements with a wide range of institutions. Furthermore, as a result of these amendments, the deposit money banks' reserve deposits with the Central Bank no longer need to be held in a separate account. These amendments are to come into force on June 5. Amendments to the Treasury Bills Act, allow for the issue of bills in smaller denominations than previously, to encourage private investors to participate in the Treasury bill market.

## **June 10 : Legislation on Excise Taxes on Imports, Products and Services Enacted**

Parliament enacts the Customs and Excise Act 1997, which provides for the imposition of excise duties on imports, products and services. The act establishes a general excise tax of 15% on imports, as well as an excise tax on the sale of products and on the provision of services of 5%. This package of indirect taxes, which is to replace the value added tax (VAT) system, is scheduled to come into force on July 1.

## **July 18 : Auditor General and National Audit Office Act Passed**

Parliament enacts amendments to the Constitution of Malta providing for the Offices of Auditor General and Deputy Auditor General. On the same date, the Auditor General and National Audit Office Act is also



passed. This legislation is aimed at improving control over the use of public funds by establishing the office of an independent Auditor General backed up by a National Audit Office. Whereas the former Director of Audit was an officer of the government reporting to the Minister of Finance, the Auditor General is an officer of the House of Representatives and reports to Parliament. The Auditor General is appointed by the President acting in accordance with a resolution of the House of Representatives supported by the votes of not less than two-thirds of all members of the House. The Auditor General, who is to be appointed for a five-year term, is expected to report annually on Government accounts and those of public sector bodies. This legislation is to come into force on July 25.

#### **August 5 : *Small Enterprises (Loan Guarantee) Act Passed***

Parliament enacts the Small Enterprises (Loan Guarantee) Act. The Act is designed to assist small enterprises through the provision of loan guarantees by the Malta Development Corporation in cases where conventional finance is unavailable due to lack of adequate security. Each assisted loan is subject to a limit of Lm21,000, with the Corporation guaranteeing up to 70% of the total outstanding loan balance due.

#### **November 5 : *Measures Introduced in the Budget for 1998***

The Minister of Finance, in presenting the Budget Estimates for 1998 to Parliament, announces a number of policy measures. These include:-

- 1) **Wages:** A weekly wage increase of Lm1.50 is to be given to compensate for the rise in the cost of living during the year to September 1997.
- 2) **Social Benefits:** The cost of living wage increase is to be reflected in proportionate increases in pensions and other benefits in accordance with the Social Security Act. In addition, British Services pensions, the allowance for disabled children and other benefits for the disabled are to be improved.
- 3) **Social Security Contributions:** Employers' social security contributions are to be lowered by 25% if they offer employment to persons aged 40 and over who are registering for work.
- 4) **Indirect Taxation:** An excise duty on wine is to be introduced, and those on kerosene, spirits and cigarettes are to be raised. A new tariff for sewage services is to be introduced, while the rates on water, electricity and gas are to rise. Registration and licence fees on imported cars, as well as the passenger service charge on trips abroad, are to be increased. A token fee for prescriptions for free medicines is to be introduced. Duties on general insurance premiums are to be raised.
- 5) **Privatisation:** Telemalta Corporation and the Malta International Airport Authority are to be converted into companies and partially privatised. Forty per cent of the Government's holding in each of these enterprises is to be sold, with 20% of the proceeds going towards a fund that would provide for restructuring and modernisation within new social and industrial programmes.
- 6) **University Stipends:** Students who entered university after October 1997 are to be eligible to receive an Lm100 monthly allowance, of which Lm50 will be by way of a grant and Lm50 by way of a loan. During the students' study period, the interest cost on the loan is to be borne by the Government. The loan and interest accrued are to be repaid within 10 years after the end of the study period – except by students from low-income families and those achieving excellent results.
- 7) **Tax on Bank Profits:** Commercial banks are to be charged a one-off 15% tax on pre-tax profits for their current financial year.
- 8) **Fees of Office:** Fees and reimbursement costs for services provided by Government, including motor vehicle and driving licences, berthing fees and certificates issued, are to be reviewed upwards.

9) **Capital Assets Declaration:** The capital assets declaration which taxpayers used to be required to include with their income tax returns is to be re-introduced.

**November 27 : Central Bank Adjusts Repo Rate Structure**

The Central Bank of Malta carries out a technical adjustment to the interest rate structure in the repo market. The money market interest rate band, determined by the Bank's Monetary Policy Council, is narrowed from 5.10% - 5.60% to 5.20% - 5.50%. This technical adjustment is designed to narrow the spread between the Bank's repo and reverse repo rates with a view to gradually aligning all domestic money market interest rates around one official intervention rate, which will be the benchmark money market interest rate.

**December 23: Central Bank Issues Capital Adequacy Directive**

The Central Bank, as the Competent Authority in terms of the Banking Act, 1994 issues a new banking directive entitled *Capital Adequacy of Credit Institutions Authorised under the Banking Act 1994 (BD/08)*. The directive enhances the existing regulatory framework governing capital adequacy by obliging banks to provide capital against market risk. The directive, which becomes effective immediately, is to be implemented in stages. Thus, the first capital allocations required under it are those to cover foreign exchange risk. In connection with the introduction of the new directive, the Central Bank amends the Large Exposures Directive (BD/02) and the Own Funds Directive (BD/03).

**1998**

**February 2: Central Bank Raises Intervention Rates**

The Monetary Policy Council of the Central Bank raises its reverse repo rate band from 5.20% - 5.30% to 5.30% - 5.40%. This decision reflects the Bank's tightening monetary policy stance. In addition, as a result of this decision, the repo market rate band is narrowed from 5.20% - 5.50% to 5.30% - 5.50%. This is in line with the Bank's aim of gradually aligning all domestic money market interest rates around one intervention rate.

**April 28: Minister Issues Representative Offices Regulations**

The Minister of Finance and Commerce, after consultation with the Competent Authority, issues the Representative Offices (Requirements and Activities) Regulations, 1998. The regulations define the range of activities that representative offices of non-Maltese banks may carry out in Malta. The regulations come into force as from May 12.

**April 30: Central Bank Institutes Central Intervention Rate**

The Monetary Policy Council of the Central Bank of Malta institutes a central intervention rate of 5.45% with a band of five basis points on either side. This decision completes a technical adjustment, begun in November 1997, aimed at narrowing the spread between the Central Bank's injection rate and its absorption rate.

**May 18: Malta Stock Exchange Starts Trading Daily**

The Malta Stock Exchange starts trading on a daily basis. The Minister of Finance and Commerce says that the catalyst for daily trading was the partial privatisation of Maltacom plc and Malta International Airport plc.

### **June 26: Parliament Enacts Commercial Banks (Special Tax) Act**

Parliament enacts the Commercial Banks (Special Tax) Act, 1998. This imposes a fifteen per cent tax on bank profits accrued during 1997. The Act applies to credit institutions licensed under the Banking Act, 1994, except those licensed to deal only in currencies other than the Maltese lira. Lohombus Bank Limited, a mortgage bank, is also excluded. As regards branches of foreign banks, the tax is to be paid on profits attributable to the operations of the branch or branches conducted in Malta only.

### **November 25 : Measures Introduced in the 1999 Budget**

The Minister of Finance, in presenting the Estimates for 1999 to Parliament, announces a number of policy measures. These include:-

- 1) **Wages:** A weekly wage increase of Lm1.75 is to be given to compensate for the rise in the cost of living during the year to September 1998. An additional one-off increase of Lm13 is to be given in March.
- 2) **Social Benefits:** The wage increase is to be reflected in proportionate increases in pensions and other benefits in accordance with the Social Security Act. In addition, the children's allowance for families having more than five children is to be improved. Single parents and widows are to be considered as married persons for income tax purposes.
- 3) **Social Security Contributions:** Employees' social security contributions are to increase from 8.33% to 9% of the basic pay as from January 1, 1999, and to 10% as from January 1, 2000.
- 4) **Indirect taxation:** The excise duty on cigarettes and petrol is to increase, while that on kerosene is to decrease.
- 5) **Value Added Tax:** Value Added Tax, at the rate of 15%, is to replace Customs and Excise Duty Tax as from January 1, 1999. Hotel accommodation, excluding inclusive package tours, is to be taxed at 5%.
- 6) **Privatisation:** An agency or division under the Ministry of Finance is to be set up to draft a long-term privatisation programme.
- 7) **Exchange control:** A company registered or a person domiciled in Malta will be allowed to invest up to Lm300,000 in existing business or new business abroad. Investment allowances for individuals and non-financial companies will be raised from Lm5,000 per year to Lm8,000. Local exporters will be allowed to leave their receipts in foreign currency accounts for a period of six months

### **December 28 : Central Bank Announces Changes to Maltese Lira Basket**

The Central Bank announces that the composition of the Maltese lira basket will be revised from January 4, 1999 to take into account the introduction of the euro. At the same time, the Bank emphasises that the review of the basket will not involve any change in the value of the currency.

The revision of the basket will entail the following changes:

1. The euro will be allocated the previous weight of the ECU component except for the sterling weight within the ECU.
2. The sterling weight within the ECU will be added to the sterling weight in the Maltese lira basket.
3. The weight of the US dollar will remain unchanged.

As a result, the three component currencies will have the following weights: euro 56.8% ; sterling 21.6% ; US dollar 21.6%. These weights will serve as the basis for the establishment of the portions of the currency components to be announced on January 4, 1999.

#### **December 29 : Value Added Tax Re-introduced**

Parliament enacts the Value Added Tax Act, 1998, re-introducing value added tax with effect from January 1, 1999. The rate of tax on the supply of products and on the provision of services is set at 15%, while that on the supply of tourist accommodation is set at 5%. The Act also establishes thresholds below which small businesses are given the option to stay out of the VAT system and the related system of refunds.

### **1999**

#### **January 4 : Currency Portions of Maltese Lira Basket Announced**

The Monetary Authorities announce the currency portions that are to make up the Maltese lira basket based on the weights that were allocated to the euro, the pound sterling and the US dollar as announced on December 28, 1998. The weights and portions of the three currencies are established as follows:

	Weight	Portion
Euro	56.8%	1.2793
Pound Sterling	21.6%	0.3462
US dollar	21.6%	0.5777

#### **January 21: Central Bank Lowers Intervention Rate**

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate by ten basis points to 5.35%.

#### **March 29: Central Bank Lowers Intervention Rate Again**

The Monetary Policy Council of the Central Bank lowers the Bank's central intervention rate by a further forty basis points to 4.95%.

In announcing the reductions in its intervention rate, the Bank says that its Monetary Policy Council had noted that the difference between official interest rates in Malta and those abroad had widened, as interest rates overseas had fallen. The Council had also noted that domestic demand remained subdued, inflation had declined, and pressures on the external reserves had eased. Nevertheless, the Bank says, the Council was still concerned about the level of the Government's borrowing requirement and emphasised the need for continued fiscal discipline. The Central Bank also says that it will continue to pursue a monetary policy based on maintaining a fixed exchange rate for the Maltese lira and that it stood ready to adjust official interest rates as necessary.

#### **March 29 : Interest Rate Ceiling on Foreign Currency Lending Lifted**

The Central Bank amends Central Bank of Malta Notice Number 1 on interest rates. By means of this amendment, all restrictions on interest rates on loans and advances denominated in foreign currency by credit and financial institutions are lifted.

**May 6 : Central Bank lowers Discount Rate**

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's discount rate by 25 basis points from 5.5% to 5.25%. The Bank's central intervention rate is left unchanged at 4.95%. In announcing the reduction in the discount rate, the Bank notes that official interest rates overseas, particularly in Malta's trading partner countries, had continued to fall, that domestic economic activity remained generally subdued, inflation had continued to fall, and the external reserves had remained stable. Nevertheless, the Bank also says that the Council remained concerned about the level of the Government's borrowing requirement, that it would continue to pursue a monetary policy based on maintaining a fixed exchange rate for the Maltese lira, and that it stood ready to adjust official interest rates as necessary.

**May 7 : Parliament authorizes Government to borrow Lm100 Million**

Parliament enacts Act III of 1999 which authorises the Government to raise, by way of loans from local sources, a sum not exceeding Lm100 million to meet both the deficit incurred in the Consolidated Fund in 1998 and the deficit which is expected to be incurred during 1999.

**May 7 : Obligation to create Sinking Funds in connection with Local Borrowing abolished**

Parliament enacts Act IV of 1999. This removes the obligation on Government to create sinking funds in connection with new local borrowing. The obligation to create sinking funds in connection with overseas borrowing is, however, retained.

**May 29 : Minister of Finance amends Malta Stock Exchange Regulations**

The Minister of Finance, through Legal Notice 91, amends Article 3 of the Statute of the Malta Stock Exchange. This amendment makes it possible for a stockbroker nominated by the Central Bank to execute transactions on behalf of the Government in quoted securities of companies or other entities owned wholly, or in part, by the Government, subject to certain conditions specified in the Malta Stock Exchange Act itself.

**June 24 : Central Bank Lowers Discount Rate Again**

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's discount rate by 30 basis points from 5.25% to 4.95%. This is the second time that the Central Bank lowers its discount rate this year. The adjustment sets the discount rate equal to the Bank's central intervention rate. The Central Bank also announces that, in future, any change in its intervention rate would automatically be matched by a similar change in the discount rate.

**August 2 : Central Bank Lowers Minimum Deposit Rate on Savings Accounts**

The Central Bank of Malta, in terms of Section 38 of the Central Bank of Malta Act, lowers the minimum rate of interest that credit institutions may pay on deposits denominated in Maltese lira, other than current accounts, from 3 % per annum to 2.5 % per annum.

**September 7 : Penalties for Offences Against Banking Act Regulations Published**

The Minister of Finance, through Legal Notice 155 of 1999, publishes the Penalties for Offences Regulations 1999. These regulations specify the penalties, including fines and imprisonment terms, to be

imposed on persons found guilty of having contravened specific provisions of the Banking Act. They also empower the Competent Authority to impose administrative penalties on persons who fail to comply with other provisions of the Banking Act. Such persons may appeal to the Tribunal for Financial Services against any decision imposing upon them an administrative penalty.

### **September 23 : *Central Bank Lowers Intervention Rate and Discount Rate***

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate and its discount rate by 20 basis points from 4.95% to 4.75%. All the other official interest rates quoted by the Central Bank go down by 20 basis points. In announcing the reduction in rates the Bank comments on the weakness of domestic demand, the decline in inflation and the absence of pressure on the external reserves. The Bank also notes some improvement in Government finances but registers its continuing concern about the level of the Government's borrowing requirement.

### **November 1 : *Central Bank Removes Limits on Bank Deposit/Foreign Currency Interest Rates***

The Central Bank of Malta abolishes the minimum rate of interest that banks were obliged to pay on savings deposits, previously established in terms of section 38 of the Central Bank of Malta Act. As a result, credit institutions are allowed freely to determine the rate of interest payable on deposits made with them, not only in Maltese liri but in any currency. The Bank also removes the remaining limit on interest rates that banks are permitted to charge on loans in foreign currency.

### **October 19 : *General Financial Regulations Amended***

The Minister of Finance, through Legal Notice 173 amends regulation 59 of the General Financial Regulations 1966. Through this amendment, which comes into effect immediately, the validity period of all cheques drawn by the Government is extended from two months to six in line with normal banking practice.

### **November 15 : *Malta Ratifies European Convention on Money Laundering***

Malta ratifies the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. The convention was signed on November 5, 1998 and is to enter into force on March 1, 2000.

### **November 9 : *Malta Stock Exchange Introduces Alternative Companies List***

The Malta Stock Exchange announces the introduction of the Alternative Companies Listing. The rules applicable to the new listing are designed to give companies which do not have all the necessary qualifications to seek a listing on the current market, including non-Maltese companies, access to equity or loan capital, regardless of their size or past performance.

### **November 22 : *Measures Introduced in The Budget for the year 2000***

The Minister of Finance, in presenting the Budget Estimates for the year 2000 to Parliament, announces a number of policy measures. These include:

- 1) **Wages:** A weekly increase of Lm1 to compensate for the rise in the cost of living during the year to September 1999. An additional one-off increase of Lm10 per person to be given in January to

compensate for the removal of the subsidy on local bread.

- 2) **Social security contributions:** As from January 1, 2000, employees' social security contributions are to go up from 9% to 10% of their basic pay, while the different income bands previously used to calculate the contribution rate of the self-employed are to be abolished. The rate of contribution on all income earned by the self-employed is to be 15%.
- 3) **Direct taxation:** Income tax bands are to be revised, while guidelines are to be issued by the Commissioner of Inland on the taxation of fringe benefits. A tax compliance unit is to be set up within the Department of Inland Revenue.
- 4) **Indirect Taxation:** Excise duty on cigarettes goes up, while locally processed alcoholic beverages are no longer to be exempt from the payment of such duties. At the same time, the duty on transfers of immovable property is to be reduced, while the duties payable on the allocation of shares and on medical insurance cover are to be abolished altogether.
- 5) **Value Added Tax:** Value Added Tax, at the rate of 15%, is introduced on petrol and diesel with immediate effect, and on telephony with effect from January 1. Telephone consumer tariffs, however, are set to rise by five per cent.
- 6) **Exchange control:** A number of measures are to be introduced to further liberalise exchange control and speed up the relative bureaucratic and administrative procedures. Current restrictions on the amount that companies registered or domiciled in Malta are allowed to invest in businesses abroad are to be abolished, while the overseas investment allowances for individuals and non-financial companies is to be raised from Lm8,000 to Lm15,000. Export-oriented companies in the services sector will be allowed to leave their receipts in foreign currency accounts for up to six months, while retailers will be allowed to maintain foreign currency and time deposit accounts up to a limit of Lm2,500. Insurance companies will be allowed to invest funds abroad freely, subject to control by the Malta Financial Services Centre.

### **December 31: *Ways and Means Facility abolished***

The Minister of Finance, through Legal Notice 224 of 1999, establishes January 1, 2000 as the date on which the provisions of Section 15 of the Central Bank of Malta (Amendment) Act 1994 are to come into force. This effectively brings to an end the Government's borrowing facility with the Central Bank of Malta, known as the Ways and Means Facility.

### **December 31 : *Delegation of Exchange Control Authority to MFSC***

The Minister of Finance, through Legal Notice 225 of 1999, appoints the Malta Financial Services Centre (MFSC) as an authorised dealer for the purposes of Sections 17, 18 and 32 of the Exchange Control Act with effect from January 1, 2000. Through this legal notice, the responsibility for approving and vetting applications for the registration of companies with non-resident participation is transferred from the Central Bank of Malta to the Malta Financial Services Centre under delegated authority.

**2000**

**March 10 : *Malta Stock Exchange Bye-Laws Amended***

The Council of the Malta Stock Exchange amends its bye-laws with regard to dealings made by directors and employees in possession of price sensitive information in the listed securities of their companies. The changes are made within the context of the review, undertaken by the Malta Stock Exchange, of market practices and compliance with internationally accepted regulatory standards.

**March 29 : *Italian Financial Aid to Malta***

Italy and Malta sign an agreement providing for the granting of over Lm5 million in Italian financial aid to Malta. This is to be made available under the Fourth Italo-Maltese Protocol on Financial, Economic and Technical Assistance, which covers the years 1996 - 2000.

**April 12 : *Central Bank Abolishes Last Remaining Control on Interest Rates***

The Central Bank of Malta amends Notice No 1 on Interest Rates to remove the provision relating to the maximum rate of interest that banks could charge on loans and advances for the purchase of one residential unit for the occupier's own use. With this amendment, the last remaining control on interest rates is abolished, so that rates will now be determined solely by market conditions.



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# STATISTICAL TABLES

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## THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-December 1999, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Lira - Exchange rates: Lm1 = US\$2.4294 Lm1 = EURO2.4030	
CLIMATE	Average temperature (1991-1998): December - February June - August	13.3° C 25.9° C
	Average annual rainfall (1990 - 1998)	622.4mm
POPULATION	Total (Sept 1999)	380,000
	Males	188,600
	Females	191,400
	Average annual growth rate (1990 - 1998)	0.8%
	Density per km <sup>2</sup>	1,200
	Life expectancy at birth - Males (Dec 1998)	74.4
	- Females (Dec 1998)	80.1
	Crude birth rate, per 1000 inhabitants (Sept 1999)	8.2
	Crude mortality rate, per 1000 inhabitants (Sept 1999)	6.2
GDP GROWTH	At current market prices (1999)	6.2%
GDP PER CAPITA	At current market prices (1999)	US\$9,530
OTHER DOMESTIC	Ratio of Gross Government Debt to GDP (Dec 1999)	58.1%
	Ratio of Government Deficit to GDP (Dec 1999) <sup>1</sup>	8.6%
	Retail Price Inflation	2.13%
	Ratio of Exports of Goods and Services to GDP	91.9%
	Ratio of Current Account Deficit to GDP	3.5%
	Gainfully Occupied	138,206
	Unemployment Rate	5.3%
EDUCATION	Number of schools (Dec 1998)	340
	Number of teachers (Dec 1998)	7,700
	Number of pupils/students (Dec 1998)	99,100
LIVING STANDARDS	Doctors (per 1000 inhabitants)	3.2
	Telephone Lines (per 1000 inhabitants)	522
	TV licences (per 1000 inhabitants)	559
	Motor vehicle licences (per 1000 inhabitants)	596

<sup>1</sup> Data for 1999 are revised estimates.

SOURCE: Central Bank of Malta; Central Office of Statistics; Ministry of Finance

**List of banking institutions submitting financial information to the Central Bank of Malta for statistical reporting purposes, as at December 1999:**

**Deposit Money Banks**

APS Bank Ltd.  
Bank of Valletta plc  
HSBC Bank Malta plc  
HSBC Bank plc - Malta Branch  
Lombard Bank Malta plc

**Other Banking Institutions**

Britannia Financial Services Ltd.  
HSBC Finance (Malta) Ltd  
HSBC Home Loans (Malta) Bank Ltd  
Valletta Investment Bank Ltd.

**International Banking Institutions**

Bank of Valletta International Ltd.  
Demirbank T.A.S.  
Disbank Malta Ltd.  
Ege Giyim Sanayicileri Bankasi A.S.  
Erste Bank (Malta) Ltd.  
First International Merchant Bank Ltd.  
HSBC Overseas Bank (Malta) Ltd  
Iktisat Bankasi A.S.  
Investkredit International Bank Ltd.  
Izola Bank Ltd.  
Raiffeisen Malta Bank plc  
Tekstil Bankasi A.S.  
Turkiye Garanti Bankasi A.S.  
Volksbank Malta Ltd.

**List of banking institutions that used to submit financial information to the Central Bank of Malta for statistical purposes, up to the year stated.**

Investment Bank of Malta Ltd. (up to December 1982)  
Singer and Friedlander (Malta) Ltd. (up to December 1982)  
Government Savings Bank (up to November 1984)  
Melita Bank International Ltd. (up to September 1994)  
Investment Finance Bank Ltd. (up to August 1995)

## **PART 1: MONEY AND BANKING**

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## **GENERAL METHODOLOGICAL NOTES ON THE COMPILATION OF MONEY AND BANKING STATISTICS**

**TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES**  
**CENTRAL BANK OF MALTA<sup>1</sup>**  
*Liabilities*

*Lm thousands*

End of Period	Currency Notes and Coin Issued	IMF Related Liabilities	Deposits				Capital and Reserves	Other Liabilities
			Banks <sup>2</sup>	Government	Other	Total		
1985	279,018	7,916	121,948	23,701	35,161	180,810	2,500	77,088
1986	282,993	7,099	121,416	8,292	35,525	165,223	2,500	95,514
1987	308,115	7,472	105,595	8,480	45,720	159,795	3,500	113,808
1988	322,096	9,209	96,981	29,923	33,608	160,512	3,500	106,380
1989	327,881	10,624	77,739	6,054	32,383	116,176	3,500	136,239
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	155,743
1993	364,013	24,620	67,173	2,437	37,349	106,959	4,500	163,740
1994	379,082	24,213	179,625	1,725	52,384	233,734	41,000	178,292
1995	367,444	22,553	80,026	20,194	21,502	121,722	41,000	187,134
1996	380,246	20,159	72,027	22,785	10,516	105,328	41,000	177,233
1997	384,655	20,079	100,511	24,503	10,941	135,955	41,000	135,780
<b>1998</b>								
Jan.	374,009	20,079	106,065	15,244	23,497	144,806	41,000	128,000
Feb.	373,830	20,079	102,650	14,623	12,162	129,435	41,000	124,734
Mar.	376,610	20,079	104,234	10,926	11,039	126,199	41,000	123,573
Apr.	381,033	20,079	100,281	17,545	14,062	131,888	41,000	122,743
May	379,304	20,039	107,628	9,366	11,314	128,308	41,000	131,258
June	382,534	20,039	118,464	14,394	6,575	139,433	41,000	129,548
July	382,515	20,039	103,878	38,632	38,700	181,210	41,000	123,848
Aug.	384,111	20,039	106,722	28,492	39,084	174,298	41,000	124,589
Sept.	387,600	20,039	116,366	23,158	32,753	172,277	41,000	125,640
Oct.	384,978	20,039	101,022	29,975	17,641	148,638	41,000	132,631
Nov.	381,776	20,039	102,335	31,659	18,244	152,238	41,000	137,038
Dec.	390,911	19,014	115,195	48,188	13,367	176,751	93,050	35,265
<b>1999</b>								
Jan.	381,437	19,014	107,394	58,667	13,572	179,633	93,050	37,044
Feb.	381,418	19,014	116,073	63,226	14,627	193,926	93,050	33,695
Mar.	387,984	19,014	115,900	45,300	13,142	174,342	93,050	30,468
Apr.	388,645	19,014	114,919	61,586	10,897	187,402	93,050	31,066
May	393,179	19,014	121,093	44,430	12,190	177,713	93,050	36,431
June	398,989	19,014	114,939	80,909	10,840	206,687	93,050	36,937
July	397,655	19,014	124,117	70,419	11,370	205,907	93,050	41,466
Aug.	397,917	19,014	156,106	84,825	6,161	247,092	93,050	31,486
Sept.	397,594	19,014	139,573	116,113	7,313	262,999	93,050	36,975
Oct	395,372	19,014	122,388	85,958	9,317	217,663	93,050	67,816
Nov.	396,629	19,014	147,301	104,221	9,646	261,168	93,050	43,120
Dec.	418,485	19,014	126,224	96,188	10,998	233,410	93,050	49,630

<sup>1</sup> Reclassification of data from December 1998 reflect changes in the presentation of the Central Bank of Malta's financial statements.

<sup>2</sup> Including Deposit Money Banks, Other Banking Institutions and International Banking Institutions.

**TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES**  
**CENTRAL BANK OF MALTA<sup>1</sup>**  
*Assets*

*Lm thousands*

End of Period	External Reserves				IMF Currency Subscription	Malta Government Securities and Advances	Fixed and Other Assets	Total Assets/ Total Liabilities
	Gold & Other Precious Metals	IMF Related Assets <sup>2</sup>	Convertible Currencies <sup>3</sup>	Total				
1985	58,601	32,217	352,031	442,849	7,208	252	97,023	547,332
1986	61,498	34,079	364,929	460,506	5,763	296	86,774	553,339
1987	62,402	34,399	382,367	479,168	6,156	4,121	103,245	592,690
1988	59,531	35,168	396,440	491,139	8,100	1,853	100,605	601,697
1989	27,050	34,004	403,172	464,226	9,523	2,876	117,795	594,420
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	80,134	559,376
1992	9,101	30,061	435,856	475,018	21,720	62,305	88,687	647,730
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
<b>1998</b>								
Jan.	1,381	38,912	496,866	537,159	18,988	55,170	96,577	707,894
Feb.	1,341	39,236	501,038	541,615	18,988	35,786	92,689	689,078
Mar.	1,369	39,236	497,990	538,595	18,988	36,210	93,668	687,461
Apr.	1,395	39,244	505,785	546,424	18,987	42,488	88,844	696,743
May	1,263	39,559	508,640	549,462	18,947	35,594	95,906	699,909
June	1,356	39,563	527,528	568,447	18,947	31,629	93,531	712,554
July	1,356	39,563	536,102	577,021	18,947	42,180	110,464	748,612
Aug.	1,499	39,891	536,167	577,557	18,947	39,852	107,681	744,037
Sept.	1,545	39,891	560,191	601,627	18,947	26,841	99,142	746,556
Oct.	1,529	39,894	560,171	601,593	18,944	20,219	86,529	727,286
Nov.	1,287	40,207	552,896	594,390	18,944	30,331	88,425	732,091
Dec.	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
<b>1999</b>								
Jan.	687	40,429	607,197	648,313	19,086	14,163	28,616	710,179
Feb.	708	40,723	601,767	643,198	32,853	15,706	29,346	721,102
Mar.	700	32,635	603,855	637,189	32,853	8,081	26,735	704,857
Apr.	724	33,378	617,741	651,843	32,852	7,927	26,555	719,177
May	598	33,662	617,811	652,070	33,490	6,205	27,621	719,387
June	670	33,756	651,330	685,755	33,490	7,026	28,406	754,677
July	511	33,783	655,530	689,824	33,490	6,188	27,589	757,092
Aug.	628	34,372	658,210	693,210	33,490	15,678	46,179	788,558
Sept.	711	34,443	660,353	695,507	33,490	16,123	64,511	809,632
Oct.	721	34,727	685,074	720,522	33,490	9,124	29,779	792,915
Nov.	700	35,558	706,631	742,890	33,490	6,142	30,459	812,981
Dec.	737	35,517	704,049	740,303	34,955	6,153	32,178	813,589

<sup>1</sup> Reclassification of data from December 1998 reflect changes in Central Bank of Malta accounting policy.

<sup>2</sup> Include IMF Reserve Position and holdings of SDRs.

<sup>3</sup> Valued according to the prevailing accounting policies as explained each year in the Notes to the Accounts in the Central Bank of Malta Annual Report.

**TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES  
DEPOSIT MONEY BANKS**

*Liabilities*

*Lm thousands*

End of period	Deposits <sup>1</sup>				Foreign Liabilities <sup>2</sup>	Capital and Reserves	Other Liabilities <sup>2</sup>
	Demand	Savings	Time	Total			
1985	35,479	108,092	233,402	376,973	17,829	14,438	27,074
1986	36,658	123,750	253,982	414,390	18,153	14,451	27,284
1987	39,014	141,234	274,943	455,191	23,861	15,314	34,594
1988	38,632	170,129	303,843	512,604	34,275	15,488	40,822
1989	42,042	197,848	358,776	598,666	41,871	18,143	50,039
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
<b>1998</b>							
Jan.	108,813	566,136	1,002,792	1,677,741	227,953	112,839	342,069
Feb.	106,753	560,772	1,014,757	1,682,282	234,878	112,839	355,520
Mar.	117,991	559,466	1,032,563	1,710,020	242,922	111,952	352,803
Apr.	125,090	567,964	1,043,162	1,736,216	270,235	107,413	360,107
May	117,738	567,402	1,048,030	1,733,170	288,324	107,413	363,804
June	133,206	567,239	1,050,061	1,750,506	301,330	107,560	384,476
July	132,277	551,851	1,060,322	1,744,450	288,471	107,559	410,385
Aug.	142,566	563,395	1,071,015	1,776,976	267,030	107,559	408,284
Sept.	145,836	566,902	1,082,922	1,795,660	283,638	107,039	428,388
Oct.	137,578	566,099	1,082,871	1,786,548	305,956	115,391	388,905
Nov.	149,238	566,161	1,090,538	1,805,937	308,458	115,390	390,009
Dec.	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
<b>1999</b>							
Jan.	139,241	588,241	1,112,910	1,840,392	320,684	116,537	397,953
Feb.	142,255	588,984	1,133,477	1,864,716	341,033	116,037	393,631
Mar.	151,143	595,396	1,132,209	1,878,748	330,233	116,038	410,698
Apr.	155,904	600,538	1,144,757	1,901,199	333,207	116,038	418,969
May	158,760	616,288	1,151,305	1,926,353	346,722	116,038	463,262
June	167,375	615,510	1,175,437	1,958,322	322,142	116,038	447,717
July	165,240	626,683	1,186,612	1,978,535	310,439	116,038	451,128
Aug.	186,361	620,362	1,196,491	2,003,214	316,323	116,038	448,560
Sept.	176,570	615,635	1,199,391	1,991,597	342,760	116,038	482,953
Oct.	177,589	622,238	1,194,747	1,994,574	360,777	126,829	457,693
Nov.	180,388	619,806	1,214,111	2,014,305	375,900	126,564	496,997
Dec.	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904

<sup>1</sup> Includes Malta Government and private sector deposits but excludes deposits belonging to non-residents (these are classified as foreign liabilities). Demand deposits are netted of uncleared effects drawn on local banks (i.e. items in process of collection)

<sup>2</sup> As from September 1992, the bulk of foreign liabilities belonging to a Deposit Money Bank were transferred to its offshore bank subsidiary.



**TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES  
DEPOSIT MONEY BANKS**

*Assets*

*Lm thousands*

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets/ Total Liabilities
1985	127,181	66,672	206,617	25,610	10,234	436,314
1986	127,549	73,337	238,191	25,972	9,229	474,278
1987	113,208	81,041	266,542	51,101	17,068	528,960
1988	103,605	102,386	302,242	77,784	17,172	603,189
1989	86,401	143,194	368,305	87,049	23,770	708,719
1990	58,349	197,787	458,246	100,284	32,334	847,000
1991	62,790	246,499	480,495	147,050	26,847	963,681
1992	93,816	330,111	539,405	147,048	32,488	1,142,868
1993	83,250	378,598	627,635	212,779	35,457	1,337,719
1994	194,501	417,411	707,355	210,540	46,545	1,576,352
1995	100,638	557,355	938,406	234,379	49,960	1,880,738
1996	96,777	588,571	1,079,552	263,194	114,236	2,142,330
1997	125,183	534,756	1,205,349	365,333	120,979	2,351,600
<b>1998</b>						
Jan.	122,377	536,074	1,203,157	372,012	126,982	2,360,602
Feb.	119,536	547,632	1,202,215	380,887	135,249	2,385,519
Mar.	126,378	558,459	1,246,189	387,119	99,552	2,417,697
Apr.	128,344	584,836	1,249,844	400,200	110,747	2,473,971
May	126,283	606,375	1,241,112	405,120	113,821	2,492,711
June	139,113	621,923	1,246,908	408,728	127,200	2,543,872
July	117,271	628,598	1,251,695	416,597	136,704	2,550,865
Aug.	122,011	601,983	1,265,180	417,028	153,647	2,559,849
Sept.	136,587	614,115	1,311,737	428,856	123,435	2,614,725
Oct.	125,709	597,180	1,315,806	444,127	113,983	2,596,800
Nov.	131,193	595,509	1,319,204	454,790	119,103	2,619,794
Dec.	140,172	575,077	1,324,629	477,853	128,861	2,646,592
<b>1999</b>						
Jan.	131,573	590,502	1,315,984	502,703	134,804	2,675,566
Feb.	131,404	603,986	1,323,648	511,447	144,932	2,715,417
Mar.	137,672	581,764	1,380,828	519,365	116,088	2,735,717
Apr.	136,871	581,534	1,390,205	541,971	118,832	2,769,413
May	137,220	628,469	1,385,577	572,589	128,520	2,852,375
June	135,616	595,614	1,390,000	581,878	141,111	2,844,219
July	143,186	594,067	1,385,244	585,580	148,063	2,856,140
Aug.	171,737	607,959	1,374,469	578,855	151,116	2,884,136
Sept.	164,088	620,920	1,437,598	589,968	120,775	2,933,348
Oct.	169,530	627,642	1,432,473	569,908	140,319	2,939,873
Nov.	163,587	633,802	1,440,936	573,994	201,447	3,013,766
Dec.	169,909	615,109	1,464,365	574,198	168,529	2,992,110

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES  
OTHER BANKING INSTITUTIONS**

*Liabilities*

*Lm thousands*

End of Period	Deposits <sup>1</sup>			Foreign Liabilities	Credits from Deposit Money Banks <sup>2</sup>	Capital and Reserves	Other Items (Net) <sup>2</sup>
	Savings	Time	Total				
1985	3,165	3,120	6,285	10,723	44,853	8,172	6,829
1986	3,528	3,234	6,762	5,819	50,262	8,561	7,148
1987	3,665	3,663	7,328	20,546	59,015	9,539	7,173
1988	3,863	4,329	8,192	50,299	67,389	10,252	7,719
1989	3,394	3,721	7,115	66,408	75,955	10,638	7,584
1990	3,658	5,442	9,100	81,587	86,998	13,814	9,210
1991	-	-	-	83,435	62,167	17,252	73,468
1992	-	-	-	177,208	88,928	18,457	75,128
1993	-	-	-	198,215	106,321	19,840	72,762
1994	-	-	-	134,841	121,845	20,751	65,956
1995	-	-	-	-	72,429	15,184	63,585
1996	-	-	-	-	75,616	16,205	64,121
1997	-	-	-	-	67,904	21,414	63,322
<b>1998</b>							
Jan.	-	-	-	-	67,202	21,494	64,117
Feb.	-	-	-	-	66,941	21,494	64,382
Mar.	-	-	-	-	67,921	21,516	67,108
Apr.	-	-	-	-	69,078	21,001	65,911
May	-	-	-	-	68,433	21,001	66,082
June	-	-	-	-	68,338	20,964	66,053
July	-	-	-	-	71,831	20,964	66,100
Aug.	-	-	-	-	74,435	20,964	65,834
Sept.	-	-	-	-	75,318	21,260	68,312
Oct.	-	-	-	-	74,763	22,846	67,425
Nov.	-	-	-	-	73,121	22,846	68,993
Dec.	-	-	-	-	74,600	22,846	68,329
<b>1999</b>							
Jan.	-	-	-	-	62,757	23,136	75,924
Feb.	-	-	-	-	61,852	23,136	76,970
Mar.	-	-	-	-	61,249	23,136	81,108
Apr.	-	-	-	-	60,303	23,136	72,273
May	-	-	-	-	59,071	23,136	73,314
June	-	-	-	-	59,412	23,136	72,210
July	-	-	-	-	56,318	23,136	73,400
Aug.	-	-	-	-	58,541	23,136	70,266
Sept.	-	-	-	-	60,232	23,136	72,757
Oct.	-	-	-	198	60,002	23,136	71,714
Nov.	-	-	-	198	59,077	23,136	72,091
Dec.	-	-	-	198	60,392	20,568	72,540

<sup>1</sup> Excludes deposits belonging to non-residents. The latter are classified as foreign liabilities. As from January 1991, deposits belonging to residents have been classified under "Other Items (Net)".

<sup>2</sup> In April 1991, a local financial institution issued Lm60 million worth of bonds, with the proceeds being utilised to repay credits previously received from Deposit Money Banks. These securities have been classified under "Other Items (Net)".

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES  
OTHER BANKING INSTITUTIONS**

*Assets*

*Lm thousands*

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Claims on				Total Assets/ Total Liabilities
			Government	Deposit Money Banks <sup>1</sup>	Private and Parastatal Sectors	Total	
1985	4,272	22,212	664	221	49,493	50,378	76,862
1986	4,748	18,811	654	213	54,126	54,993	78,552
1987	4,178	34,576	1,366	241	63,240	64,847	103,601
1988	1,734	60,385	3,418	732	77,582	81,732	143,851
1989	632	74,106	3,288	1,013	88,661	92,962	167,700
1990	642	89,771	5,055	702	104,539	110,296	200,709
1991	7	98,099	-	6	138,210	138,216	236,322
1992	7	116,452	-	79,259	164,003	243,262	359,721
1993	7	118,603	-	96,772	181,756	278,528	397,138
1994	1	5,072	-	134,834	203,486	338,320	343,393
1995	140	3,876	142	-	147,040	147,182	151,198
1996	65	3,297	142	3,009	149,429	152,580	155,942
1997	94	7,047	842	2,487	142,170	145,499	152,640
<b>1998</b>							
Jan.	94	7,047	1,205	2,552	141,915	145,672	152,813
Feb.	113	7,068	1,105	2,739	141,792	145,636	152,817
Mar.	148	6,848	1,105	2,569	145,875	149,549	156,545
Apr.	162	6,854	1,105	2,813	145,056	148,974	155,990
May	195	6,876	1,652	2,407	144,386	148,445	155,516
June	226	6,735	1,205	2,856	144,333	148,394	155,355
July	236	6,754	5,281	2,112	144,512	151,905	158,895
Aug.	252	6,783	6,881	2,142	145,175	154,198	161,233
Sept.	261	7,035	5,777	2,172	149,645	157,594	164,890
Oct.	265	7,031	5,767	2,162	149,809	157,738	165,034
Nov.	274	6,940	5,767	2,308	149,671	157,746	164,960
Dec.	321	7,030	5,794	2,317	150,313	158,424	165,775
<b>1999</b>							
Jan.	430	7,028	5,767	2,355	146,237	154,359	161,817
Feb.	525	7,047	5,787	2,419	146,180	154,386	161,958
Mar.	597	6,818	5,804	2,535	149,739	158,078	165,493
Apr.	670	6,836	5,900	2,341	139,965	148,206	155,712
May	563	6,859	5,802	2,354	139,943	148,099	155,521
June	427	6,727	5,803	2,661	139,140	147,604	154,758
July	410	6,816	4,507	2,803	138,318	145,628	152,854
Aug.	415	6,775	4,505	2,985	137,263	144,753	151,943
Sept.	420	6,772	5,235	3,042	140,656	148,933	156,125
Oct.	397	6,721	5,035	2,882	140,015	147,932	155,050
Nov.	413	6,565	4,555	3,013	139,956	147,524	154,502
Dec.	368	6,545	4,555	3,013	139,217	146,785	153,698

<sup>1</sup> From September 1992 up to December 1994, includes deposits of offshore subsidiaries of the Deposit Money Banks held with their parent institutions.

**TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES  
INTERNATIONAL BANKING INSTITUTIONS**

*Liabilities*

*Lm thousands*

End of Period	Resident Deposits				Foreign Liabilities	Capital and Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
<b>1998</b>								
Jan.	2,005	5,802	6,841	14,648	953,586	142,622	12,465	1,123,321
Feb.	2,240	6,021	7,203	15,464	1,037,241	142,254	9,197	1,204,156
Mar.	1,887	6,161	7,357	15,405	1,053,462	142,551	9,908	1,221,326
Apr.	1,883	5,932	7,045	14,860	1,115,217	145,965	10,912	1,286,954
May	2,170	6,297	6,303	14,770	1,135,008	146,868	12,922	1,309,568
June	1,887	6,455	6,536	14,878	1,246,302	148,366	18,686	1,428,232
July	2,233	6,557	6,227	15,017	1,335,377	149,289	20,453	1,520,136
Aug.	1,678	6,521	6,514	14,713	1,396,364	155,462	22,394	1,588,933
Sept.	3,127	6,056	10,285	19,468	1,366,738	156,822	26,679	1,569,706
Oct.	3,259	6,172	10,471	19,902	1,474,398	162,244	25,545	1,682,090
Nov.	3,475	7,296	10,522	21,293	1,542,293	161,256	22,704	1,747,545
Dec.	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
<b>1999</b>								
Jan.	3,336	8,312	11,451	23,099	1,857,887	169,668	9,062	2,059,716
Feb.	3,490	8,887	7,776	20,153	1,963,418	168,464	7,357	2,159,392
Mar.	2,729	8,618	8,806	20,153	2,172,812	172,940	14,524	2,380,429
Apr.	3,200	9,984	8,061	21,245	2,278,923	173,295	13,211	2,486,673
May	3,233	9,506	7,093	19,832	2,191,874	171,885	27,115	2,410,706
June	4,053	8,764	7,254	20,071	2,421,691	174,972	30,727	2,647,461
July	2,356	9,773	7,109	19,238	2,388,079	173,516	44,919	2,625,752
Aug.	1,615	8,307	6,598	16,520	2,462,994	173,356	55,561	2,708,432
Sept.	3,217	8,482	6,822	18,521	2,441,337	179,915	61,259	2,701,032
Oct.	3,258	9,791	7,518	20,566	2,411,863	189,748	56,409	2,678,587
Nov.	3,603	9,504	7,200	20,307	2,351,000	189,157	40,863	2,601,326
Dec.	4,027	10,203	7,093	21,323	2,329,618	188,740	39,250	2,578,931

**TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES  
INTERNATIONAL BANKING INSTITUTIONS**

*Assets*

*Lm thousands*

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets
1995	712	241,121	157	161,931	3,825	407,746
1996	937	462,902	37	200,098	4,405	668,379
1997	867	817,949	598	217,221	5,249	1,041,884
<b>1998</b>						
Jan.	1,141	898,171	798	218,734	4,477	1,123,321
Feb.	1,176	975,227	1,133	221,526	5,094	1,204,156
Mar.	1,011	991,464	1,137	222,306	5,408	1,221,326
Apr.	989	1,055,462	938	225,030	4,535	1,286,954
May	1,026	1,076,507	986	225,158	5,891	1,309,568
June	754	1,189,222	976	231,512	5,768	1,428,232
July	1,162	1,272,903	851	240,950	4,270	1,520,136
Aug.	1,252	1,339,629	3,241	239,263	5,548	1,588,933
Sept.	1,080	1,314,094	4,600	244,400	5,532	1,569,706
Oct.	1,058	1,444,773	1,069	230,013	5,178	1,682,090
Nov.	1,147	1,513,899	931	225,865	5,703	1,747,545
Dec.	1,236	1,652,699	996	231,290	5,729	1,891,950
<b>1999</b>						
Jan.	1,206	1,817,268	1,180	235,186	4,876	2,059,716
Feb.	1,211	1,924,453	1,469	226,998	5,261	2,159,392
Mar.	1,468	2,127,489	1,253	231,985	18,235	2,380,429
Apr.	1,735	2,236,889	1,294	235,637	11,118	2,486,673
May	1,755	2,146,475	1,573	241,012	19,893	2,410,706
June	1,574	2,374,948	1,959	246,043	22,939	2,647,461
July	1,741	2,355,802	1,931	246,786	19,492	2,625,752
Aug.	1,916	2,437,607	1,697	237,474	29,738	2,708,432
Sept.	2,118	2,423,200	4,539	235,536	35,640	2,701,032
Oct.	2,135	2,392,778	6,269	243,979	33,425	2,678,587
Nov.	2,018	2,332,304	6,438	249,741	10,825	2,601,326
Dec.	1,892	2,293,592	6,135	260,458	16,853	2,578,931

**TABLE 1.5 MONETARY SURVEY<sup>1</sup>**
*Lm thousands*

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money <sup>5</sup> [MI]	Quasi-Money <sup>6</sup>	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government <sup>2</sup>	Claims on Private & Parastatal Sectors <sup>3</sup>	Total	Monetary Authorities	DMBs & IBIs <sup>4</sup>	Total				
1985	-18,018	212,809	194,791	485,945	48,843	534,788	316,565	353,063	59,951	729,579
1986	-3,025	244,689	241,664	493,865	55,184	549,049	318,456	385,663	86,594	790,713
1987	23,395	276,418	299,813	505,969	57,180	563,149	350,404	421,506	91,052	862,962
1988	24,841	311,231	336,072	515,671	68,111	583,782	362,193	478,115	79,546	919,854
1989	54,976	376,120	431,096	492,054	101,323	593,377	367,957	559,678	96,838	1,024,473
1990	86,123	470,848	556,971	456,727	131,675	588,402	384,453	648,123	112,797	1,145,373
1991	119,535	548,041	667,576	439,857	154,388	594,245	406,690	726,031	129,100	1,249,763
1992	121,591	608,202	729,793	492,220	260,418	752,638	408,552	830,008	243,871	1,482,431
1993	137,329	697,769	835,098	549,490	267,609	817,099	425,064	941,503	285,630	1,652,197
1994	150,632	782,019	932,651	690,434	316,907	1,007,341	463,547	1,106,721	369,724	1,939,992
1995	179,754	1,024,801	1,204,555	580,700	228,369	809,069	436,760	1,253,054	323,810	2,013,624
1996	238,942	1,146,429	1,385,371	554,119	196,713	750,832	454,089	1,413,169	268,945	2,136,203
1997	320,627	1,276,804	1,597,431	561,668	166,502	728,170	479,899	1,565,848	279,854	2,325,601
<b>1998</b>										
Jan.	319,076	1,275,799	1,594,875	556,417	241,210	797,627	472,832	1,573,063	346,607	2,392,502
Feb.	321,127	1,276,155	1,597,282	561,087	242,836	803,923	472,134	1,580,053	349,018	2,401,205
Mar.	330,389	1,321,459	1,651,848	558,119	246,307	804,426	483,481	1,597,938	374,855	2,456,274
Apr.	340,404	1,324,683	1,665,087	562,905	237,999	800,904	493,360	1,616,077	356,554	2,465,991
May	348,203	1,317,623	1,665,826	572,353	241,920	814,273	488,378	1,620,408	371,313	2,480,099
June	336,705	1,328,927	1,665,632	587,927	245,341	833,268	505,084	1,621,374	372,442	2,498,900
July	300,928	1,337,714	1,638,642	595,225	257,148	852,373	502,246	1,616,758	372,011	2,491,015
Aug.	313,090	1,351,795	1,664,885	594,024	263,751	857,775	514,969	1,639,625	368,066	2,522,660
Sept.	317,666	1,400,594	1,718,661	616,300	263,053	879,353	520,653	1,658,045	419,316	2,598,014
Oct.	341,397	1,395,087	1,736,484	616,070	242,223	858,294	514,076	1,656,861	423,841	2,594,778
Nov.	352,349	1,405,275	1,757,624	609,416	241,469	850,885	522,777	1,666,018	419,715	2,608,510
Dec.	350,202	1,417,559	1,767,761	639,991	217,114	857,105	523,628	1,693,146	408,092	2,624,866
<b>1999</b>										
Jan.	356,489	1,407,704	1,764,194	648,332	219,188	867,520	514,924	1,711,743	405,046	2,631,714
Feb.	361,975	1,415,756	1,777,733	643,217	223,109	866,326	516,617	1,729,950	397,491	2,644,058
Mar.	375,707	1,477,760	1,853,467	637,208	209,401	846,609	525,867	1,736,430	437,778	2,700,076
Apr.	387,384	1,481,187	1,868,570	651,862	189,916	841,778	533,448	1,754,249	422,651	2,710,348
May	399,026	1,511,647	1,910,673	652,089	224,722	876,811	542,445	1,775,435	469,605	2,787,484
June	377,623	1,511,636	1,889,259	685,774	218,872	904,646	553,260	1,798,029	442,616	2,793,905
July	388,653	1,507,486	1,896,139	689,843	237,583	927,427	550,780	1,819,862	452,923	2,823,565
Aug.	378,199	1,496,050	1,874,248	693,229	254,735	947,964	563,731	1,821,901	436,581	2,822,213
Sept.	356,840	1,562,933	1,919,773	695,526	251,475	947,001	555,807	1,819,501	491,465	2,866,774
Oct.	357,342	1,559,900	1,917,242	720,541	237,741	958,282	559,453	1,821,528	494,542	2,875,524
Nov.	348,660	1,562,000	1,910,660	742,909	200,154	943,062	563,610	1,839,037	451,075	2,853,722
Dec.	353,539	1,586,815	1,940,354	740,322	189,807	930,129	579,749	1,854,927	435,807	2,870,483

<sup>1</sup> Includes Monetary Authorities, Deposit Money Banks and International Banking Institutions.

<sup>2</sup> Consists of Malta Government Securities held by banks and bank advances to Government - netted of Government deposits.

<sup>3</sup> These claims include Deposit Money Bank domestic loans and overdrafts to private and parastatal bodies, investments in local non-Government securities, inland bills of exchange and promissory notes, and exclude interbank transactions.

<sup>4</sup> International Banking Institutions are included as from January 1995. As from September 1992, foreign assets of DMBs and IBI's are netted of foreign interest due and not received. Foreign liabilities are netted of foreign interest and expenses accrued

<sup>5</sup> Excludes Malta Government deposits, balances belonging to non-residents as well as uncleared effects drawn on DMBs.

<sup>6</sup> Excludes Malta Government deposits and balances belonging to non-residents.

**TABLE 1.6 BANKING SURVEY<sup>1</sup>**
*Lm thousands*

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money [M]	Quasi-Money	Other Items (Net)	Total Assets/Liabilities
	Net Claims on Government	Claims on Private & Parastatal Sectors	Total	Monetary Authorities	All Banking Institutions <sup>2</sup>	Total				
1985	-17,354	217,574	200,220	485,945	60,332	546,277	316,558	359,348	70,590	746,497
1986	-2,371	248,831	246,460	493,865	68,176	562,041	318,450	392,425	97,626	808,501
1987	24,761	283,310	308,071	505,969	71,210	577,179	350,392	428,834	106,024	885,250
1988	28,259	325,539	353,798	515,671	78,197	593,868	362,185	486,307	99,174	947,666
1989	58,264	390,212	448,476	492,054	109,022	601,076	367,951	566,793	114,808	1,049,552
1990	91,177	486,841	578,018	456,727	139,860	596,587	384,438	657,223	132,944	1,174,605
1991	119,535	576,846	696,381	439,857	169,052	608,909	406,689	726,245	145,634	1,278,568
1992	121,591	638,078	759,669	492,220	198,759	690,979	408,551	830,231	211,866	1,450,648
1993	137,329	720,680	858,009	549,490	187,664	737,154	425,063	941,658	228,442	1,595,163
1994	150,632	816,586	967,218	690,434	187,106	877,540	463,547	1,106,721	274,490	1,844,758
1995	179,896	1,044,865	1,224,761	580,700	232,230	812,930	436,760	1,254,635	346,296	2,037,691
1996	239,084	1,190,485	1,429,569	554,119	199,999	754,118	454,089	1,414,215	315,383	2,183,687
1997	321,469	1,323,259	1,644,728	561,668	173,541	735,209	479,899	1,567,091	332,947	2,379,937
<b>1998</b>										
Jan.	320,281	1,322,696	1,642,977	556,417	248,246	804,663	472,832	1,575,212	399,596	2,447,640
Feb.	322,232	1,323,579	1,645,811	561,087	249,891	810,978	472,134	1,582,431	402,224	2,456,789
Mar.	331,494	1,372,244	1,703,738	558,119	253,155	811,274	483,481	1,600,446	431,085	2,515,012
Apr.	341,509	1,375,571	1,717,080	562,905	244,850	807,755	493,360	1,619,640	411,835	2,524,835
May	349,855	1,368,402	1,718,257	572,353	248,791	821,144	488,378	1,624,266	426,757	2,539,401
June	337,910	1,380,308	1,718,218	587,927	251,947	839,874	505,084	1,625,734	427,274	2,558,092
July	306,209	1,386,538	1,692,747	595,225	263,892	859,117	502,246	1,621,244	428,374	2,551,864
Aug.	319,971	1,397,295	1,717,266	594,024	270,522	864,546	514,969	1,644,316	423,234	2,582,517
Sept.	323,443	1,449,060	1,772,503	616,300	270,088	886,388	520,653	1,662,645	475,594	2,658,892
Oct.	347,164	1,442,071	1,789,235	616,070	249,252	865,323	514,076	1,661,827	478,655	2,654,558
Nov.	358,116	1,445,443	1,803,559	609,416	248,404	857,820	522,777	1,672,547	466,056	2,661,380
Dec.	355,996	1,459,815	1,815,811	639,991	224,137	864,128	523,628	1,698,959	457,352	2,679,939
<b>1999</b>										
Jan.	362,256	1,453,216	1,815,472	648,332	226,207	874,539	514,924	1,725,230	449,856	2,690,011
Feb.	367,762	1,461,464	1,829,227	643,217	230,144	873,361	516,617	1,745,200	440,770	2,702,587
Mar.	381,511	1,528,467	1,909,978	637,208	216,219	853,427	525,867	1,752,841	484,696	2,763,405
Apr.	393,284	1,531,208	1,924,491	651,862	196,750	848,612	533,448	1,764,575	475,080	2,773,103
May	404,828	1,555,903	1,960,731	652,089	231,577	883,666	542,445	1,786,514	515,439	2,844,397
June	383,426	1,557,364	1,940,790	685,774	225,593	911,367	553,260	1,808,234	490,663	2,852,157
July	393,160	1,554,176	1,947,336	689,843	244,391	934,235	550,780	1,831,170	499,620	2,881,570
Aug.	382,704	1,542,211	1,924,914	693,229	261,501	954,730	563,731	1,831,002	484,912	2,879,645
Sept.	362,075	1,610,603	1,972,678	695,526	258,247	953,773	555,807	1,827,983	542,661	2,926,451
Oct.	362,377	1,607,470	1,969,847	720,541	244,262	964,803	559,419	1,828,827	546,403	2,934,650
Nov.	353,215	1,610,735	1,963,950	742,909	206,517	949,425	563,610	1,846,624	503,141	2,913,375
Dec.	358,094	1,632,866	1,990,960	740,322	196,149	936,471	579,722	1,860,653	487,056	2,927,431

<sup>1</sup> The Banking Survey extends the coverage of the Monetary Survey to the Other Banking Institutions operating in Malta. All interbank transactions are excluded.

<sup>2</sup> As from September 1992, foreign assets of All Banking Institutions are netted of foreign interest due and not received. Foreign liabilities are netted of foreign interest and expenses accrued and unpaid.

**TABLE 1.7 NARROW MONEY AND QUASI-MONEY<sup>1</sup>**
*Lm thousands*

End of Period	Narrow Money [M1]			Currency in Circulation as % of Broad Money	Quasi-Money			Broad Money [M3]
	Currency in Circulation	Demand Deposits	Total		Savings Deposits	Time Deposits	Total	
1985	273,337	43,221	316,558	40.4	122,888	236,460	359,348	675,906
1986	273,779	44,671	318,450	38.5	135,209	257,216	392,425	710,875
1987	300,225	50,167	350,392	38.5	150,228	278,606	428,834	779,226
1988	314,299	47,886	362,185	37.0	178,138	308,169	486,307	848,492
1989	319,405	48,546	367,951	34.2	205,298	361,495	566,793	934,744
1990	330,305	54,133	384,438	31.7	260,691	396,532	657,223	1,041,661
1991	344,342	62,347	406,689	30.4	310,302	415,943	726,245	1,132,934
1992	337,635	70,916	408,551	27.3	367,108	463,123	830,231	1,238,782
1993	353,258	71,805	425,063	25.8	415,292	526,366	941,658	1,366,721
1994	365,910	97,637	463,547	23.3	462,441	644,280	1,106,721	1,570,268
1995	351,779	84,981	436,760	20.8	510,842	743,793	1,254,635	1,691,395
1996	362,068	92,021	454,089	19.4	537,269	876,946	1,414,215	1,868,304
1997	363,765	116,134	479,899	17.8	574,125	992,966	1,567,091	2,046,990
<b>1998</b>								
Jan.	358,648	114,184	472,832	17.5	567,096	1,008,116	1,575,212	2,048,044
Feb.	359,263	112,871	472,134	17.5	562,007	1,020,424	1,582,431	2,054,565
Mar.	360,341	123,140	483,481	17.3	561,962	1,038,484	1,600,446	2,083,927
Apr.	362,648	130,712	493,360	17.2	571,696	1,047,944	1,619,640	2,113,000
May	365,453	122,925	488,378	17.3	570,856	1,053,410	1,624,266	2,112,644
June	366,614	138,470	505,084	17.2	569,985	1,055,749	1,625,734	2,130,818
July	364,331	137,915	502,246	17.2	555,511	1,065,733	1,621,244	2,123,490
Aug.	367,268	147,700	514,969	17.0	567,527	1,076,789	1,644,316	2,159,285
Sept.	368,920	151,733	520,653	16.9	570,143	1,092,502	1,662,645	2,183,298
Oct.	369,463	144,613	514,076	17.0	569,241	1,092,586	1,661,827	2,175,903
Nov.	366,231	156,546	522,777	16.7	572,198	1,100,349	1,672,547	2,195,324
Dec.	369,493	154,135	523,628	16.6	585,131	1,113,828	1,698,959	2,222,587
<b>1999</b>								
Jan.	366,801	148,123	514,924	16.4	592,908	1,132,322	1,725,230	2,240,154
Feb.	364,414	152,203	516,617	16.1	594,300	1,150,900	1,745,200	2,261,817
Mar.	367,039	158,829	525,867	16.1	601,396	1,151,445	1,752,841	2,278,708
Apr.	371,739	161,709	533,448	16.2	607,321	1,157,254	1,764,575	2,298,023
May	376,464	165,981	542,445	16.2	623,006	1,163,508	1,786,514	2,328,958
June	378,885	174,375	553,260	16.0	620,802	1,187,432	1,808,234	2,361,494
July	380,023	170,757	550,780	16.0	632,095	1,199,075	1,831,170	2,381,950
Aug.	377,572	186,159	563,731	15.8	624,856	1,206,146	1,831,002	2,394,733
Sept.	377,115	178,692	555,807	15.8	619,346	1,208,637	1,827,983	2,383,791
Oct.	378,008	181,412	559,419	15.8	627,625	1,201,202	1,828,827	2,388,247
Nov.	378,013	185,597	563,610	15.7	625,583	1,221,041	1,846,624	2,410,234
Dec.	384,593	195,130	579,722	15.8	637,402	1,223,251	1,860,653	2,440,375

<sup>1</sup> Based on the Banking Survey. Includes private and parastatal deposits with the Monetary Authorities and All Banking Institutions. Excludes Malta Government deposits, balances belonging to non-residents as well as uncleared effects drawn on Deposit Money Banks.



**TABLE 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS<sup>1</sup>**  
*Analysis by Ownership and Type*

*Lm thousands*

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal <sup>2</sup>	Corporate/ Business	Government	Public Sector <sup>3</sup>	Maltese Lira Deposits	Foreign Currency Deposits <sup>4</sup>			
1985	326,832	43,676	182	15,809	380,592	5,907	386,499	12,321	398,820
1986	359,609	44,258	132	19,872	416,695	7,176	423,871	14,261	438,132
1987	396,878	50,148	294	18,207	454,139	11,388	465,527	17,892	483,419
1988	452,890	56,578	139	17,326	512,009	14,924	526,933	26,326	553,259
1989	523,196	71,826	1,225	18,037	579,360	34,924	614,284	37,505	651,789
1990	609,524	81,398	2,158	14,847	642,867	65,060	707,927	60,241	768,163
1991	681,830	84,192	1,815	14,722	702,698	79,861	782,559	78,584	861,143
1992	766,751	107,243	2,029	15,519	793,705	97,837	891,542	118,074	1,009,616
1993	877,873	109,876	2,704	20,254	904,531	106,176	1,010,707	139,558	1,150,265
1994	1,029,646	136,222	2,211	23,963	1,069,068	122,974	1,192,042	170,199	1,362,241
1995	1,170,640	151,510	6,744	24,214	1,196,977	156,131	1,353,108	236,180	1,589,288
1996	1,322,162	160,545	8,952	26,691	1,345,124	173,226	1,518,350	363,449	1,881,799
1997	1,466,011	190,603	10,000	30,148	1,513,978	182,784	1,696,762	578,884	2,275,646
<b>1998</b>									
Jan.	1,483,847	189,913	10,369	24,044	1,526,827	181,347	1,708,174	611,832	2,320,006
Feb.	1,495,597	188,490	9,808	23,043	1,538,127	178,811	1,716,938	649,515	2,366,453
Mar.	1,503,680	200,041	9,282	25,857	1,558,370	180,490	1,738,860	667,280	2,406,140
Apr.	1,517,027	206,503	9,894	29,628	1,580,740	182,275	1,763,015	734,795	2,497,810
May	1,526,395	202,503	9,533	29,450	1,592,894	174,987	1,767,881	747,677	2,515,558
June	1,534,552	204,044	10,483	30,286	1,605,627	173,737	1,779,364	831,572	2,610,936
July	1,541,627	198,671	9,719	25,966	1,602,139	173,844	1,775,983	895,979	2,671,962
Aug.	1,559,648	209,361	9,506	26,158	1,621,427	183,246	1,804,673	921,801	2,726,474
Sept.	1,567,859	218,282	10,186	34,171	1,640,620	189,878	1,830,498	921,957	2,752,454
Oct.	1,579,099	204,710	10,318	33,244	1,639,885	187,486	1,827,371	1,026,871	2,854,241
Nov.	1,590,470	205,567	10,012	35,537	1,649,978	191,608	1,841,586	1,057,780	2,899,366
Dec.	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
<b>1999</b>									
Jan.	1,628,622	215,422	11,192	39,537	1,697,168	197,605	1,894,773	1,071,477	2,966,250
Feb.	1,637,496	212,490	11,338	53,193	1,710,282	204,235	1,914,517	1,090,086	3,004,602
Mar.	1,654,016	214,279	10,780	47,302	1,728,172	198,205	1,926,377	1,091,879	3,018,256
Apr.	1,664,432	227,311	11,262	45,494	1,752,975	195,524	1,948,499	1,173,797	3,122,296
May	1,673,248	232,271	10,828	49,414	1,764,576	201,284	1,965,860	1,142,038	3,107,898
June	1,690,872	258,450	10,681	38,518	1,800,671	197,850	1,998,521	1,110,825	3,109,345
July	1,704,364	260,611	12,370	46,699	1,819,792	204,252	2,024,044	1,180,068	3,204,112
Aug.	1,697,125	278,826	11,612	52,305	1,833,096	206,773	2,039,868	1,194,919	3,234,787
Sept.	1,708,713	266,803	13,001	40,781	1,819,857	209,441	2,029,298	1,087,081	3,116,379
Oct.	1,699,068	289,822	15,196	33,390	1,826,017	211,458	2,037,476	1,035,753	3,073,229
Nov.	1,700,365	301,959	13,226	35,572	1,849,598	201,524	2,051,122	1,117,943	3,169,065
Dec.	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,675	3,225,577

<sup>1</sup> Includes Deposit Money Banks, Other Banking Institutions and International Banking Institutions.

<sup>2</sup> Includes Bearer Deposits as from January 1985.

<sup>3</sup> Public sector companies are entities that are subject to control by Government, control being defined as the ability to determine general corporate policy.

<sup>4</sup> Including External Maltese Lira deposits.

**TABLE 1.9 CURRENCY IN CIRCULATION**

*Ln thousands*

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System <sup>2</sup>	Currency in Circulation
	Notes <sup>1</sup>	Coin	Total		
1985	273,302	5,716	279,018	5,681	273,337
1986	277,483	5,510	282,993	9,214	273,779
1987	301,576	6,539	308,115	7,890	300,225
1988	314,771	7,325	322,096	7,797	314,299
1989	319,856	8,025	327,881	8,476	319,405
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
<b>1998</b>					
Jan.	359,317	14,692	374,009	15,361	358,648
Feb.	359,324	14,506	373,830	14,567	359,263
Mar.	362,062	14,548	376,610	16,269	360,341
Apr.	366,242	14,791	381,033	18,385	362,648
May	364,443	14,861	379,304	13,851	365,453
June	367,546	14,988	382,534	15,920	366,614
July	367,243	15,272	382,515	18,184	364,331
Aug.	368,639	15,472	384,111	16,843	367,268
Sept.	372,009	15,592	387,600	18,680	368,920
Oct.	369,437	15,541	384,978	15,515	369,463
Nov.	366,281	15,494	381,776	15,545	366,231
Dec.	375,209	15,702	390,911	21,418	369,493
<b>1999</b>					
Jan.	365,866	15,571	381,437	14,636	366,801
Feb.	365,933	15,484	381,418	17,003	364,414
Mar.	372,406	15,578	387,984	20,946	367,039
Apr.	373,046	15,599	388,645	16,906	371,739
May	377,519	15,660	393,179	16,715	376,464
June	383,117	15,872	398,989	20,104	378,885
July	381,513	16,143	397,655	17,632	380,023
Aug.	381,644	16,273	397,917	20,345	377,572
Sept.	381,294	16,300	397,594	20,479	377,115
Oct.	379,103	16,269	395,372	17,365	378,008
Nov.	380,420	16,209	396,629	18,616	378,013
Dec.	401,999	16,486	418,485	33,893	384,593

<sup>1</sup> As from December 1998, the Notes figure in the CBM balance sheet, which is also shown in this table includes demonetised notes. As a result it differs from the Notes figure in Table 1.10.

<sup>2</sup> For the purpose of this classification, the banking system includes All Banking Institutions.

**TABLE 1.10 DENOMINATIONS OF MALTESE CURRENCY  
ISSUED AND OUTSTANDING**

*Lm thousands*

End of Period	Total Notes & Coins <sup>1</sup>	Currency Notes					
		Lm20	Lm10	Lm5	Lm2	Lm1	Total
1985	279,018	-	210,276	57,581	-	5,445	273,302
1986	282,993	74,798	162,286	34,470	2,952	2,977	277,483
1987	308,115	114,701	152,639	29,308	3,716	1,212	301,576
1988	322,096	128,777	153,006	28,210	3,882	896	314,771
1989	327,881	137,386	150,490	26,885	4,304	791	319,856
1990	339,519	143,772	154,214	27,325	4,681	723	330,715
1991	354,513	147,013	165,736	26,666	4,833	685	344,933
1992	350,611	112,591	195,027	26,772	5,092	662	340,144
1993	364,013	118,509	202,241	26,036	5,170	634	352,590
1994	379,082	122,770	211,079	26,965	5,816	-	366,630
1995	367,444	121,395	201,474	25,510	5,730	-	354,109
1996	380,246	123,243	210,985	26,211	5,859	-	366,298
1997	384,655	118,144	219,736	25,853	6,099	-	369,832
<b>1998</b>							
Jan.	374,009	114,901	214,091	24,315	6,010	-	359,317
Feb.	373,830	113,992	215,037	24,277	6,019	-	359,325
Mar.	376,610	113,328	217,944	24,721	6,068	-	362,061
Apr.	381,033	112,824	221,724	25,441	6,252	-	366,241
May	379,304	112,167	220,694	25,295	6,288	-	364,444
June	382,534	112,125	225,018	24,606	5,798	-	367,547
July	382,515	111,807	225,134	24,402	5,900	-	367,243
Aug.	384,111	111,026	227,058	24,637	5,919	-	368,640
Sept.	387,600	111,187	230,042	24,852	5,928	-	372,009
Oct.	384,978	110,773	228,813	23,993	5,859	-	369,437
Nov.	381,776	109,822	227,284	23,447	5,729	-	366,282
Dec.	390,911	109,720	234,117	24,174	5,793	-	373,804
<b>1999</b>							
Jan.	381,437	108,654	227,455	22,641	5,724	0	364,474
Feb.	381,418	108,231	227,526	23,092	5,751	0	364,600
Mar.	387,984	108,684	232,396	24,095	5,880	0	371,055
Apr.	388,645	108,656	233,148	23,933	5,995	0	371,732
May	393,179	109,455	236,147	24,518	6,097	0	376,217
June	398,989	109,616	240,839	25,200	6,172	0	381,827
July	397,655	109,453	240,515	25,360	6,184	0	381,512
Aug.	397,917	109,056	240,756	25,535	6,298	0	381,645
Sept.	397,594	108,413	241,598	25,046	6,238	0	381,295
Oct.	395,372	108,038	240,361	24,527	6,177	0	379,103
Nov.	396,629	107,722	242,553	24,051	6,094	0	380,420
Dec.	418,485	108,626	259,366	27,738	6,270	0	402,000

<sup>1</sup> The denominations of coins consist of Lml, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.

**TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY<sup>1</sup>**
*Lm thousands*

End of Period	Liquid Assets						Ratios (%)		
	Actual		Required		Excess		Liquidity		Advances <sup>2</sup> to Deposits
	Total	Local	Total	Local	Total	Local	Total	Local	
1985	200,510	144,626	97,081	47,038	103,429	97,588	51.6	38.4	55.2
1986	201,345	141,686	107,051	51,769	94,294	89,917	47.0	34.2	57.7
1987	225,614	157,957	118,843	57,020	107,121	100,937	47.6	34.6	58.8
1988	221,189	135,030	135,127	64,286	86,061	70,745	40.9	26.3	59.1
1989	277,356	154,873	158,873	74,765	118,618	80,108	43.7	25.9	61.7
1990	274,941	107,264	150,767	55,554	124,174	51,710	36.5	15.5	66.6
1991	287,661	132,913	171,073	62,197	116,588	70,716	33.6	17.1	62.8
1992	367,586	148,126	199,401	76,726	168,185	71,400	36.9	15.4	60.8
1993	364,351	183,054	240,800	88,897	123,551	94,157	30.3	16.5	62.6
1994	503,859	259,348	279,955	105,060	223,904	154,288	36.0	19.7	60.0

Period	Liquid Assets			Net Short-term Liabilities <sup>3</sup>	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to Deposits <sup>2</sup>
1995	396,803	307,172	89,631	1,023,907	38.8	70.3
1996	498,944	346,358	152,586	1,154,527	43.2	72.0
1997	526,117	362,841	163,276	1,209,469	43.5	71.0
<b>1998</b>						
Jan.	527,432	352,111	175,321	1,173,702	44.9	70.5
Feb.	541,388	354,823	186,565	1,182,744	45.8	70.3
Mar.	545,116	354,323	190,794	1,181,075	46.2	71.7
Apr.	540,780	362,840	177,941	1,209,465	44.7	70.8
May	546,773	359,918	186,855	1,199,727	45.6	70.3
June	549,555	365,908	183,647	1,219,692	45.1	69.6
July	541,776	359,172	182,604	1,197,239	45.3	70.1
Aug.	552,825	354,774	198,051	1,182,579	46.7	71.2
Sept.	574,520	361,695	212,825	1,205,649	47.7	73.1
Oct.	571,095	361,695	209,400	1,205,649	47.7	73.7
Nov.	586,660	380,844	205,816	1,269,480	46.2	73.0
Dec.	596,848	381,630	215,218	1,272,101	46.9	72.4
<b>1999</b>						
Jan.	587,932	391,140	196,792	1,303,801	45.1	71.5
Feb.	626,471	385,787	240,684	1,285,958	48.7	71.0
Mar.	635,938	387,540	248,398	1,291,801	49.2	73.5
Apr.	640,718	392,554	248,164	1,308,514	49.0	73.1
May	611,526	399,070	212,456	1,330,234	46.0	71.9
June	649,401	410,992	238,409	1,369,974	47.4	71.0
July	650,573	401,308	249,265	1,337,694	48.6	70.0
Aug.	686,408	407,686	278,722	1,358,954	50.5	68.6
Sept.	650,079	405,400	244,679	1,351,334	48.1	72.2
Oct.	712,994	430,876	282,118	1,436,252	49.6	71.8
Nov.	644,689	454,070	190,619	1,513,568	42.6	71.5
Dec.	694,529	459,454	235,075	1,531,512	45.3	71.8

<sup>1</sup> Up to September 1990, Deposit Money Banks were required to hold an amount equivalent to 25% of their total deposit liabilities in the form of specified liquid assets. In October 1990, the required minimum total liquidity ratio was reduced to 20%. Consequently, the required minimum local liquidity ratio was reduced from 12.5% to 8% of local deposit liabilities. As from 15 November 1994, Banking Directive No. 5 established a minimum of 30% liquid asset ratio, net of deductions.

<sup>2</sup> Includes also inland and foreign bills of exchange and promissory notes. Local uncleared effects are deducted from deposits.

<sup>3</sup> These consist of all short-term liabilities to banks and customers net of loans received under repurchase agreements against liquid assets, deposits pledged as security and 50% of items in course of collection.

**TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS**

*Lm thousands*

End of Period	Cash and Deposits <sup>1</sup>		Other Specified Assets Maturing within 5 Years <sup>2</sup>		Total	
	Local	Foreign	Local	Foreign	Local	Foreign
1985	127,142	36,110	17,484	19,774	144,626	55,884
1986	127,513	48,770	14,174	10,888	141,687	59,658
1987	115,665	59,259	42,292	8,398	157,957	67,657
1988	107,175	77,756	27,855	8,403	135,030	86,159
1989	87,364	112,220	67,508	10,263	154,872	122,483
1990	23,083	151,992	84,181	15,685	107,264	167,677
1991	24,153	122,743	108,760	32,005	132,913	154,748
1992	43,019	155,983	105,107	63,477	148,126	219,460
1993	26,353	71,611	156,701	109,686	183,054	181,297
1994	131,837	97,075	127,511	147,436	259,348	244,511

Period	Cash and Deposits with CBM <sup>3</sup>	Treasury Bills	Inter-Bank Deposits	Marketable Debt Securities <sup>4</sup>	Total Liquid Assets
1995	21,565	30,142	61,887	283,209	396,803
1996	20,264	67,173	70,741	340,766	498,944
1997	26,359	26,791	55,462	417,505	526,117
<b>1998</b>					
Jan.	19,051	30,771	41,054	436,556	527,432
Feb.	22,302	32,725	40,395	445,966	541,388
Mar.	26,808	35,766	52,780	429,762	545,116
Apr.	31,015	48,773	30,031	430,961	540,780
May	24,275	49,703	46,289	426,506	546,773
June	31,945	42,066	59,199	416,345	549,555
July	32,397	18,947	58,060	432,372	541,776
Aug.	23,754	9,243	77,608	442,220	552,825
Sept.	27,116	9,284	75,522	462,598	574,520
Oct.	25,742	19,487	39,108	486,758	571,095
Nov.	32,814	26,291	52,911	474,644	586,660
Dec.	31,064	33,110	47,280	485,394	596,848
<b>1999</b>					
Jan.	25,587	61,589	47,787	452,969	587,932
Feb.	23,213	70,958	52,266	480,034	626,471
Mar.	25,309	72,982	57,751	479,896	635,938
Apr.	25,328	91,611	52,430	471,349	640,718
May	17,867	93,252	65,442	434,965	611,526
June	18,602	113,432	59,118	458,249	649,401
July	24,328	118,065	46,656	461,524	650,573
Aug.	47,682	101,204	78,977	458,545	686,408
Sept.	36,833	83,690	39,983	489,573	650,079
Oct.	37,371	77,255	86,243	512,125	712,994
Nov.	13,071	75,201	44,818	511,599	644,689
Dec.	50,995	75,929	67,768	499,837	694,529

<sup>1</sup> Includes cash in hand, working balances with Central Bank of Malta, money at call, net balances, savings and time deposits with other banks and other foreign investments.

<sup>2</sup> Includes Treasury bills and other Government securities maturing within five years, and eligible bills of exchange and promissory notes, netted off refinancing by the Central Bank of Malta.

<sup>3</sup> Excludes balances held as reserve deposits.

<sup>4</sup> Includes securities issued or guaranteed by governments, supranational institutions or other institutions, discounted on the basis of credit risk and remaining term to maturity.

**TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES  
OUTSTANDING BY MAIN SECTOR**

*Lm thousands*

End of Period	Public Utilities	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1985	13,780	44,757	851	43,712	8,225	18,336	40,997
1986	12,124	50,013	1,834	55,466	11,042	20,504	46,019
1987	7,745	56,348	2,505	69,899	14,808	25,647	48,087
1988	21	63,286	3,456	84,839	16,084	28,770	57,021
1989	12,036	74,653	4,087	96,958	16,412	33,911	66,620
1990	33,726	84,481	4,484	112,838	22,341	34,841	76,991
1991	42,597	59,455	5,872	115,657	24,802	28,557	84,520
1992	29,388	84,178	5,097	125,512	27,682	28,524	95,364

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
<b>1998</b>								
Jan.	96,565	69,579	45,038	10,782	203,495	72,578	155,327	221,376
Feb.	96,874	69,117	44,754	10,589	201,594	73,543	156,549	221,027
Mar.	96,375	69,368	45,110	11,087	208,149	76,611	163,498	234,287
Apr.	98,534	69,990	44,188	10,836	203,611	75,879	164,182	237,931
May	95,651	67,940	43,627	10,695	196,294	76,440	165,110	235,647
June	100,217	68,181	42,972	10,647	194,530	76,904	158,068	240,692
July	97,162	67,417	45,708	10,799	188,466	76,209	160,552	235,574
Aug.	115,946	65,864	47,328	10,698	187,626	76,702	158,836	232,373
Sept.	114,423	76,269	48,246	11,122	199,317	81,546	165,707	244,741
Oct.	118,587	68,951	59,286	11,257	191,497	80,636	168,001	243,008
Nov.	120,066	66,936	59,855	11,510	190,424	81,308	167,574	243,711
Dec.	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
<b>1999</b>								
Jan.	106,391	77,796	50,745	10,723	195,748	82,057	171,629	242,178
Feb.	106,231	81,658	50,492	9,879	193,649	82,229	175,156	243,250
Mar.	108,733	82,764	49,052	10,028	203,219	84,648	185,743	259,513
Apr.	108,382	82,405	46,383	9,933	200,469	84,901	185,278	260,861
May	110,044	80,820	45,707	10,069	198,162	84,281	187,405	256,064
June	108,145	83,460	43,432	9,905	196,933	84,610	191,455	257,370
July	106,247	82,713	41,648	9,988	194,743	84,250	192,472	257,848
Aug.	103,448	82,093	41,122	10,103	190,530	85,776	192,645	255,442
Sept.	110,512	82,887	43,005	10,219	196,973	90,667	199,456	267,289
Oct.	107,948	80,041	42,465	10,224	194,969	90,592	201,675	266,376
Nov.	109,516	74,952	41,241	10,161	196,002	95,653	199,732	265,093
Dec.	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183

**TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES  
OUTSTANDING BY MAIN SECTOR (Continued)**

*Lm thousands*

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Total	
	House <sup>1</sup> Purchases	Consumer Durable Goods	Other	Total					
1985	4,321	1,220	5,688	11,229	23,496	205,383	1,098	206,481	
1986	4,835	1,973	6,105	12,913	25,917	235,832	502	236,334	
1987	5,414	2,078	5,875	13,367	24,678	263,084	302	263,386	
1988	6,804	1,628	7,323	15,755	28,369	297,601	162	297,763	
1989	9,015	1,315	11,792	22,122	35,975	362,774	507	363,281	
1990	13,448	1,827	14,470	29,745	53,836	453,283	2,547	455,830	
1991	12,626	2,296	28,086	43,008	67,727	472,195	8,116	480,311	
1992	15,374	3,577	34,917	53,868	79,704	529,317	9,850	539,167	
End of Period	Personal				Other <sup>2</sup> Services	All Other	Total Local Lending	Foreign Lending	Total
	House <sup>1</sup> Purchases	Consumer Durable Goods	Other	Total					
1993	16,055	3,539	38,791	58,385	16,612	62,787	626,677	5,925	632,602
1994	35,531	8,977	19,547	64,055	22,331	56,093	705,874	6,344	712,218
1995	46,424	22,882	21,951	91,256	36,670	82,438	935,659	13,546	949,205
1996	60,553	32,934	29,163	122,650	46,113	95,315	1,077,636	13,970	1,091,606
1997	78,443	35,966	25,988	140,397	54,456	113,555	1,187,172	14,340	1,201,512
<b>1998</b>									
Jan.	79,511	35,713	26,667	141,891	53,832	112,952	1,183,415	15,916	1,199,331
Feb.	80,473	35,423	28,034	143,930	52,255	112,262	1,182,494	14,867	1,197,361
Mar.	83,371	36,678	28,801	148,850	54,604	117,548	1,225,487	14,820	1,240,307
Apr.	84,240	36,072	30,583	150,895	54,402	118,362	1,228,810	14,410	1,243,220
May	85,513	37,564	30,128	153,205	55,610	118,341	1,218,560	14,449	1,233,009
June	85,715	42,672	26,117	154,504	56,151	115,567	1,218,433	13,929	1,232,362
July	86,918	42,151	31,175	160,244	58,798	122,334	1,223,263	13,889	1,237,152
Aug.	87,228	41,700	31,820	160,748	58,953	122,006	1,237,080	14,305	1,251,385
Sept.	89,562	42,743	22,540	154,845	64,660	121,427	1,282,303	13,816	1,296,119
Oct.	89,961	44,205	26,681	160,847	61,246	121,042	1,284,358	13,159	1,297,517
Nov.	90,875	44,415	26,764	162,054	60,685	123,230	1,287,353	13,370	1,300,723
Dec.	91,733	44,627	26,324	162,684	60,829	125,524	1,292,314	5,205	1,297,519
<b>1999</b>									
Jan.	96,747	46,577	26,456	163,258	60,575	122,897	1,283,997	5,020	1,289,017
Feb.	107,302	47,858	27,030	164,079	60,550	123,981	1,291,154	5,158	1,296,312
Mar.	96,747	46,577	26,456	169,780	64,530	128,265	1,346,275	5,481	1,351,756
Apr.	105,040	55,074	18,996	179,110	72,666	121,580	1,351,968	5,164	1,357,132
May	106,907	53,015	21,107	181,029	65,888	129,748	1,349,217	5,203	1,354,420
June	107,302	47,858	27,030	182,190	67,043	128,936	1,353,479	5,406	1,358,885
July	108,210	48,070	28,548	184,828	67,152	126,401	1,348,290	6,659	1,354,949
Aug.	109,257	48,082	28,910	186,249	67,523	122,542	1,337,473	7,489	1,344,962
Sept.	112,919	49,116	32,112	194,147	75,243	129,485	1,399,883	7,913	1,407,796
Oct.	118,701	55,163	28,114	201,978	73,268	124,633	1,394,169	7,753	1,401,922
Nov.	119,400	49,804	36,397	205,601	77,995	126,662	1,402,608	6,788	1,409,396
Dec.	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707

<sup>1</sup> Includes also lending for the construction, modernisation or extension of dwellings.

<sup>2</sup> Includes professional, repair and maintenance services.

**TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR**

*Lm thousands*

End of Period	Public Utilities	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1985	-	-	60	12,226	32	1,360	-
1986	-	-	138	10,881	15	3,424	390
1987	-	-	130	11,087	6	7,910	532
1988	-	-	157	12,055	-	10,722	545
1989	-	-	479	12,071	-	12,796	660
1990	-	-	471	14,102	-	14,797	1,595
1991	6,533	-	202	17,949	776	21,897	3,023
1992	13,539	-	182	20,418	1,428	27,114	3,520

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	-	23,534	-	302	23,590	-	33,816	5,723
1994	6,599	29,739	-	436	21,171	-	38,364	7,754
1995	-	17,213	-	379	9,629	539	25,040	2,622
1996	-	16,698	-	360	8,759	687	24,102	2,718
1997	-	9,496	-	463	8,088	612	20,385	2,526
<b>1998</b>								
Jan.	-	9,496	-	460	8,064	612	20,352	2,531
Feb.	-	9,526	-	460	8,043	607	20,275	2,506
Mar.	-	9,828	-	472	8,238	593	20,496	2,524
Apr.	-	9,181	-	470	8,196	591	20,318	2,499
May	-	9,187	-	466	7,536	592	20,126	2,500
June	-	9,159	-	466	7,508	573	19,343	2,528
July	-	8,713	-	466	7,488	573	19,632	2,491
Aug.	-	8,713	-	463	7,468	571	20,529	2,538
Sept.	-	8,346	-	479	7,615	556	20,291	2,581
Oct.	-	8,269	-	479	7,539	538	20,239	2,518
Nov.	-	8,220	-	476	7,516	536	20,185	2,464
Dec.	-	8,220	-	476	7,484	515	20,195	2,396
<b>1999</b>								
Jan.	-	8,220	-	454	7,470	512	17,720	2,293
Feb.	-	8,220	-	444	7,461	512	17,701	2,223
Mar.	-	7,699	-	457	6,974	473	18,125	2,243
Apr.	-	7,067	-	456	6,956	467	17,393	2,220
May	-	7,067	-	434	6,940	465	17,303	2,195
June	-	4,906	-	452	6,914	450	18,862	2,127
July	-	4,906	-	452	6,888	437	17,900	2,066
Aug.	-	4,906	-	449	6,769	419	17,768	2,048
Sept.	-	5,007	-	464	6,916	483	17,689	2,003
Oct.	-	4,440	-	464	6,889	471	16,835	1,998
Nov.	-	4,410	-	460	6,822	438	16,758	1,965
Dec.	-	4,409	-	460	6,803	373	16,655	1,945



**TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR (Continued)**

*Lm thousands*

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Grand Total	
	House <sup>1</sup> Purchases	Consumer Durable Goods	Other	Total					
1985	33,371	-	514	33,885	1,538	49,101	7,315	56,416	
1986	37,212	59	104	37,375	1,334	53,557	13,861	67,418	
1987	41,074	52	120	41,246	1,764	62,675	25,795	88,470	
1988	47,549	42	165	47,756	4,590	75,825	50,378	126,203	
1989	55,425	27	180	55,632	6,016	87,654	56,768	144,422	
1990	63,880	22	133	64,035	7,978	102,978	70,152	173,130	
1991	71,801	16	139	71,956	15,026	137,362	81,114	218,476	
1992	78,913	11	168	79,092	17,542	162,835	87,187	250,022	
End of Period	Personal				Other <sup>2</sup> Services	All Other	Total Local Lending	Foreign Lending <sup>3</sup>	Grand Total
	House <sup>1</sup> Purchases	Consumer Durable Goods	Other	Total					
1993	82,830	16	120	82,966	2,712	7,063	179,706	79,287	258,993
1994	84,500	16	68	84,584	4,822	7,957	201,426	5,040	206,466
1995	86,135	38	72	86,245	1,841	3,272	146,780	86,619	233,399
1996	90,613	62	142	90,817	1,924	2,810	148,875	245,450	394,325
1997	95,247	52	130	95,429	1,987	2,505	141,491	447,503	588,994
<b>1998</b>									
Jan.	95,190	48	128	95,360	1,969	2,500	141,344	455,375	596,719
Feb.	95,059	51	121	95,231	1,961	2,494	141,103	468,994	610,097
Mar.	98,105	51	116	98,272	1,983	2,552	144,958	481,797	626,755
Apr.	98,397	52	118	98,567	1,962	2,354	144,138	487,004	631,142
May	98,643	51	111	98,805	1,921	2,329	143,462	497,107	640,569
June	98,727	59	128	98,895	1,858	2,489	142,819	515,606	658,425
July	99,141	64	102	99,307	1,838	2,451	142,959	544,852	687,811
Aug.	99,035	66	101	99,202	1,823	2,359	143,666	585,367	729,033
Sept.	102,317	69	96	102,482	1,843	2,433	146,626	613,162	759,788
Oct.	102,867	72	95	103,034	1,800	2,330	146,746	625,640	772,386
Nov.	102,964	76	88	103,128	1,778	2,306	146,609	632,520	779,129
Dec.	103,321	77	88	103,486	1,741	2,610	147,123	606,667	753,790
<b>1999</b>									
Jan.	626	0	240	103,602	1,723	2,562	144,556	608,327	752,883
Feb.	604	0	221	103,716	1,709	2,470	144,456	619,956	764,412
Mar.	107,407	73	143	107,623	1,727	2,505	147,826	639,900	787,726
Apr.	99,223	69	142	99,434	1,707	2,442	138,142	607,678	745,820
May	99,359	83	135	99,577	1,646	2,338	137,965	647,665	785,630
June	99,449	84	134	99,667	1,605	2,313	137,296	693,143	830,439
July	99,939	82	133	100,154	1,584	2,281	136,668	705,593	842,261
Aug.	99,382	78	132	99,592	1,560	2,248	135,759	672,965	808,724
Sept.	102,502	80	134	102,716	1,578	2,285	139,141	723,328	862,469
Oct.	103,124	80	182	103,332	1,556	2,252	138,237	691,523	829,760
Nov.	103,280	84	193	103,557	1,520	2,291	138,221	773,989	912,210
Dec.	103,070	92	190	103,352	1,504	1,987	137,488	815,394	952,882

<sup>1</sup> Includes also lending for the construction, modernisation or extension of dwellings.

<sup>2</sup> Includes professional, repair and maintenance services.

<sup>3</sup> As from January 1995, includes lending by International Banking Institutions.

**TABLE 1.15 LOANS AND ADVANCES OUTSTANDING  
TO THE PRIVATE AND PUBLIC SECTORS BY CATEGORY<sup>1</sup>**

*Lm thousands*

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1993	443	29,924	4,522	41,884	5,767	106	97,063	10,966
1994	454	38,744	3,751	50,572	7,422	66	103,901	12,122
1995	779	80,039	14,808	57,403	8,790	149	120,933	13,975
1996	808	86,053	15,512	64,830	11,615	217	131,073	17,599
1997	928	97,177	17,045	61,622	11,030	188	131,061	21,707
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
<b>1999</b>								
Mar.	944	107,789	32,809	57,654	10,326	159	137,559	24,709
June	1,089	107,056	32,843	55,523	10,199	158	133,764	25,682
Sept.	1,002	109,510	35,813	52,082	10,682	-	133,176	23,547
Dec.	910	107,996	33,107	47,279	10,765	-	134,461	22,999

End of Period	Shipbuilding and Shiprepair	Building and Construction		Hotel, Restaurant and Tourist Trades		Wholesale and Retail Trades	
	Private /Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1993	64,579	26,519	1,552	62,931	1,173	117,249	2,284
1994	66,500	41,367	1,960	75,076	1,360	141,719	3,488
1995	63,536	62,494	3,534	103,211	1,071	183,703	729
1996	64,113	71,200	3,077	131,948	2,425	210,967	52
1997	60,460	69,231	2,974	171,964	2,525	226,681	6
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
<b>1999</b>							
Mar.	48,763	82,255	2,866	201,528	2,340	261,735	21
June	45,425	82,336	2,724	207,979	2,338	259,485	12
Sept.	48,251	88,388	2,762	215,289	1,856	269,283	9
Dec.	46,909	94,189	2,666	218,053	2,830	269,119	9

End of Period	Personal	Other Services		All Other		Total Local Lending		
		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Total
1993	141,351	14,774	4,550	62,064	7,786	534,579	162,908	697,487
1994	148,639	22,042	5,111	58,248	5,802	603,138	185,205	788,343
1995	177,501	28,370	10,141	79,318	6,392	783,019	234,014	1,017,033
1996	213,467	37,851	10,186	93,483	4,642	921,650	249,505	1,171,155
1997	235,826	47,722	8,721	111,191	5,467	1,026,212	257,314	1,283,526
1998	266,170	54,748	7,822	124,727	3,735	1,139,090	243,266	1,382,356
<b>1999</b>								
Mar.	277,403	57,185	9,072	127,448	3,729	1,192,812	253,490	1,446,302
June	281,857	59,677	8,971	128,654	3,522	1,201,202	248,100	1,449,302
Sept.	296,862	67,383	9,437	128,990	3,424	1,250,305	247,450	1,497,755
Dec.	313,625	72,137	9,313	134,194	2,225	1,285,944	238,723	1,524,667

<sup>1</sup> Loans and advances extended by Deposit Money Banks, Other Banking Institutions and International Banking Institutions. Public sector companies comprise entities that are subject to control by Government, control being defined as the ability to determine general corporate policy. Includes interest in suspense.

**TABLE 1.16 DEPOSIT MONEY BANK LOANS AND ADVANCES  
CLASSIFIED BY SIZE AND INTEREST RATES<sup>1</sup>**

*Lm thousands*

End of Period		Size of Loans and Advances <sup>2</sup>						Total
		Up to 1,000	Over 1,000 to 5,000	Over 5,000 to 10,000	Over 10,000 to 25,000	Over 25,000 to 100,000	Over 100,000	
1985	Amount	2,517	11,443	7,664	13,465	29,065	142,327	206,481
	Interest Rate	7.94	7.80	7.92	7.99	7.97	7.26	7.47
1986	Amount	3,530	13,069	8,543	16,205	36,356	158,631	236,334
	Interest Rate	7.89	7.66	7.69	7.77	7.72	7.11	7.31
1987	Amount	3,462	14,241	10,353	17,465	38,646	179,219	263,386
	Interest Rate	7.84	7.47	7.28	7.75	7.71	7.09	7.26
1988	Amount	3,104	15,404	12,635	19,917	41,978	204,725	297,763
	Interest Rate	7.76	7.43	7.10	7.62	7.58	7.01	7.16
1989	Amount	3,179	17,083	15,359	25,286	51,780	250,574	363,281
	Interest Rate	7.61	7.33	7.13	7.59	7.60	6.96	7.13
1990	Amount	3,762	20,082	19,600	30,904	61,942	319,540	455,830
	Interest Rate	7.56	7.48	6.85	7.66	7.64	6.78	7.00

End of Period		Size of Loans and Advances <sup>2</sup>				Total
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.62	7.46	6.66	7.09
1992	Amount	56,552	125,587	99,836	257,192	539,167
	Interest Rate	7.24	7.71	7.55	6.62	7.11
1993	Amount	62,835	134,049	117,056	318,662	632,602
	Interest Rate	7.49	7.92	7.79	6.53	7.15
1994	Amount	75,537	156,107	133,338	347,239	712,218
	Interest Rate	7.60	7.99	7.90	6.61	7.26
1995	Amount	97,779	213,428	210,382	427,616	949,205
	Interest Rate	7.89	8.06	7.96	6.89	7.49
1996	Amount	109,058	249,572	237,482	495,517	1,091,606
	Interest Rate	8.03	8.35	8.34	7.13	7.76
1997	Amount	99,412	279,695	254,113	568,291	1,201,512
	Interest Rate	7.95	8.40	8.47	7.32	7.87
<b>1998</b>						
Mar.	Amount	102,746	297,238	288,129	552,195	1,240,307
	Interest Rate	8.00	8.40	8.53	7.40	7.95
June	Amount	106,958	304,479	273,605	547,323	1,232,362
	Interest Rate	8.01	8.41	8.49	7.38	7.94
Sept.	Amount	108,752	319,840	292,505	575,027	1,296,119
	Interest Rate	8.01	8.40	8.50	7.27	7.89
Dec.	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
<b>1999</b>						
Mar.	Amount	112,735	335,110	307,145	596,770	1,351,756
	Interest Rate	8.02	8.35	8.48	7.42	7.94
June	Amount	129,976	350,659	322,025	556,229	1,358,885
	Interest Rate	7.41	7.78	7.78	6.79	7.34
Sept.	Amount	135,757	359,476	314,725	597,840	1,407,796
	Interest Rate	7.41	7.71	7.84	6.68	7.27
Dec.	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest Rate	7.33	7.62	7.66	6.55	7.16

<sup>1</sup> For the purpose of this classification, these include loans and advances extended to residents and non-residents in domestic and foreign currencies. Interest rates are weighted averages of each size group.

<sup>2</sup> Figures quoted in headings are actual figures, while those in the rest of the table are in Lm thousands as indicated.

**TABLE 1.17 OTHER BANKING INSTITUTION LOANS AND ADVANCES CLASSIFIED BY SIZE AND INTEREST RATES<sup>1</sup>**

*Lm thousands*

End of Period	Size of Loans and Advances <sup>2</sup>						Total
	Up to 1,000	Over 1,000 to 5,000	Over 5,000 to 10,000	Over 10,000 to 25,000	Over 25,000 to 100,000	Over 100,000	
1985 Amount	311	16,917	12,409	5,602	2,342	18,836	56,417
1985 Interest Rate	7.45	7.18	7.76	8.00	8.11	7.66	7.59
1986 Amount	306	18,228	14,223	7,026	2,185	25,450	67,418
1986 Interest Rate	7.26	6.99	7.38	7.58	7.70	7.42	7.32
1987 Amount	640	22,799	13,847	6,953	2,948	41,283	88,470
1987 Interest Rate	7.33	7.09	7.39	7.61	8.45	7.11	7.24
1988 Amount	745	25,256	16,841	8,717	4,547	70,097	126,203
1988 Interest Rate	6.96	6.84	7.02	7.24	7.71	8.22	7.69
1989 Amount	856	27,366	20,821	10,589	4,347	80,443	144,422
1989 Interest Rate	6.96	6.83	7.03	7.34	7.68	8.95	8.11
1990 Amount	946	29,024	25,601	12,113	5,736	99,710	173,130
1990 Interest Rate	6.94	6.85	7.04	7.30	7.70	9.00	8.18

End of Period	Size of Loans and Advances <sup>2</sup>				Total
	Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	
1991 Amount	61,280	21,205	25,115	110,876	218,476
1991 Interest Rate	6.94	7.50	7.80	8.33	7.80
1992 Amount	67,581	25,883	25,648	130,910	250,022
1992 Interest Rate	6.96	7.57	7.68	7.53	7.39
1993 Amount	71,826	26,920	27,975	132,272	258,993
1993 Interest Rate	7.01	7.79	7.32	6.06	6.64
1994 Amount	72,419	26,430	23,598	84,019	206,466
1994 Interest Rate	7.01	7.83	7.99	7.27	7.33
1995 Amount	71,733	23,374	11,961	40,410	147,478
1995 Interest Rate	7.02	7.77	8.01	7.01	7.22
1996 Amount	72,239	27,013	11,213	38,914	149,379
1996 Interest Rate	7.01	7.83	8.14	7.01	7.24
1997 Amount	72,449	30,590	10,607	28,214	141,860
1997 Interest Rate	7.02	7.79	8.10	7.09	7.28
<b>1998</b>					
Mar. Amount	72,893	33,076	10,130	29,225	145,324
Mar. Interest Rate	7.02	7.77	8.20	7.11	7.29
June Amount	72,914	33,169	10,710	26,355	143,148
June Interest Rate	7.03	7.74	8.15	7.07	7.28
Sept. Amount	73,550	35,999	10,563	26,838	146,950
Sept. Interest Rate	7.03	7.71	8.22	7.15	7.30
Dec. Amount	73,437	37,087	11,131	25,775	147,430
Dec. Interest Rate	7.03	7.72	8.10	7.15	7.31
<b>1999</b>					
Mar. Amount	74,423	39,581	11,173	22,950	148,127
Mar. Interest Rate	7.03	7.65	8.19	7.11	7.30
June Amount	68,217	37,406	10,429	21,513	137,565
June Interest Rate	6.37	6.91	7.45	6.55	6.63
Sept. Amount	68,702	39,920	10,049	20,721	139,392
Sept. Interest Rate	6.40	6.90	7.43	6.43	6.62
Dec. Amount	67,983	41,112	8,824	19,818	137,738
Dec. Interest Rate	6.40	6.86	7.59	6.51	6.63

<sup>1</sup> For the purpose of this classification, these include loans and advances extended to residents and non-residents in domestic and foreign currencies. Interest rates are weighted averages of each size group.

<sup>2</sup> Figures quoted in headings are actual figures, while those in the rest of the table are in Lm thousands as indicated.

**TABLE 1.18 SELECTED INTEREST RATES IN MALTA<sup>1</sup>**  
**(Percent per annum)**

	1994	1995	1996	1997	1998	1999			
						Mar.	June	Sept.	Dec.
<b>Central Bank</b>									
Discount Rate	5.50	5.50	5.50	5.50	5.50	5.50	4.95	4.75	4.75
Central Intervention Rate <sup>2</sup>	-	-	-	-	5.45	4.95	4.95	4.75	4.75
Injection Rate	-	-	-	-	5.50	5.00	5.00	4.80	4.80
Absorption Rate	-	-	-	-	5.40	4.90	4.90	4.70	4.70
Repurchase Agreements									
7 day Reverse Repo	-	4.94	5.01	5.22	5.43	4.95	4.91	4.74	4.70
7 day Repo	-	5.50	5.40	5.50	5.50	5.00	5.00	4.80	4.80
Standby (Collateralised) Loan Facility <sup>3</sup>	5.75	6.00	6.00	6.00	6.00	6.00	5.50	5.30	5.30
Overnight Deposit Facility <sup>4</sup>	2.50	2.50	-	-	-	-	-	1.80	1.80
Reserve Requirements	2.50	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70
<b>Interbank Market Offered Rates</b>									
1 week	-	-	-	5.26	5.56	5.20	4.90	4.80	4.74
1 month	-	-	-	5.38	5.70	5.85	5.03	4.95	4.75
3 month	-	-	-	5.51	5.95	5.75	5.27	5.27	5.27
<b>Deposit Money Banks<sup>5</sup></b>									
Average Weighted Deposit Rate	3.95	4.00	4.24	4.39	4.42	4.53	4.51	4.48	4.32
Current	0.15	0.16	0.42	1.37	1.49	1.55	1.55	1.53	1.11
Savings	3.00	3.00	3.01	3.02	3.04	3.04	3.04	3.04	2.81
Time	5.00	5.01	5.29	5.35	5.35	5.55	5.54	5.49	5.43
Average Weighted Lending Rate	7.26	7.49	7.93	8.04	8.08	8.08	7.58	7.52	7.28
<b>Government Securities</b>									
Treasury Bills									
1 month	-	-	5.00	5.19	5.43	5.36	5.05	5.05	5.05
3 month	-	4.94	5.01	5.25	5.49	5.38	5.13	5.13	4.95
6 month	-	5.16	5.29	5.31	5.48	5.42	5.19	5.14	4.97
1 year	-	5.34	5.36	5.40	5.49	5.49	5.29	5.29	5.12
Government Stocks <sup>6</sup>									
1 year	-	-	5.12	5.30	5.58	5.51	5.78	5.06	4.86
5 year	5.79	6.60	6.65	6.82	5.80	5.64	5.59	5.54	5.46
10 year	6.65	7.08	7.23	7.26	6.00	5.94	5.87	5.74	5.55
15 year	-	-	7.49	7.62	6.47	6.34	6.21	6.19	6.03
20 year	-	-	-	-	6.86	6.70	6.44	6.26	6.14

<sup>1</sup> End of period rates.

<sup>2</sup> Instituted on 30 April 1998 with a maximum injection ceiling and an absorption floor of +5 and -5 basis points respectively. As from June 1999, any change in the central intervention rate is automatically matched by a similar change in the discount rate.

<sup>3</sup> Offered in terms of Section 15(i)k of the CBM Act.

<sup>4</sup> As from 15 July 1996, the Central Bank ceased paying interest on overnight call account balances. An overnight deposit facility was re-introduced on 9 September 1999.

<sup>5</sup> Rates on resident Maltese lira deposits and loans extended to residents in local currency.

<sup>6</sup> Gross redemption yields on indicative stocks. Periods specified refer to remaining term to maturity.

**TABLE 1.19 NET CHANGES IN SELECTED LIQUID ASSET HOLDINGS OF THE NON-BANK PUBLIC<sup>1</sup>**

*Lm thousands*

End of Period	Currency in Circulation	Deposits				Net Investments Abroad <sup>2</sup>	Total Non-Bank
		Demand	Savings	Time	Total		
1985	-10,347	5,722	18,608	27,444	51,774	-422	41,005
1986	442	1,450	12,321	20,756	34,527	-200	34,769
1987	26,446	5,496	15,019	21,390	41,905	-136	68,215
1988	14,074	-2,287	27,910	29,563	55,192	42	69,308
1989	5,106	660	27,160	53,326	81,146	-166	86,086
1990	10,900	5,587	55,393	35,037	96,017	-215	106,702
1991	14,037	8,214	49,611	19,411	77,236	-7,399	83,875
1992	-6,707	8,569	56,806	47,180	112,555	-9,500	96,348
1993	15,623	889	48,184	63,243	112,316	-8,737	119,202
1994	12,652	25,832	47,149	117,914	190,895	-16,969	186,578
1995	-14,141	-12,040	48,370	99,511	135,841	-14,069	107,631
1996	10,289	7,040	26,427	133,153	166,620	-13,087	163,822
1997	1,697	24,113	36,856	116,020	176,989	-14,603	164,083
1998	5,728	38,001	11,006	120,862	169,869	-10,553	165,044
<b>1998</b>							
Jan.	-5,117	-1,950	-7,029	15,150	6,171	-927	127
Feb.	615	-1,313	-5,089	12,308	5,906	-610	5,911
Mar.	1,078	10,269	-45	18,060	28,284	-1,095	28,267
Apr.	2,307	7,572	9,734	9,460	26,766	-1,130	27,943
May	2,805	-7,787	-840	5,466	-3,161	-779	-1,135
June	1,161	15,545	-871	2,339	17,013	-1,085	17,089
July	-2,283	-555	-14,474	9,984	-5,045	-1,074	-8,402
Aug.	2,937	9,786	12,016	11,056	32,858	-817	34,978
Sept.	1,653	4,033	2,616	15,713	22,362	-752	23,262
Oct.	543	-7,120	-902	84	-7,938	-856	-8,251
Nov.	-3,232	11,933	2,957	7,763	22,653	-748	18,673
Dec.	3,262	-2,411	12,933	13,479	24,001	-680	26,584
<b>1999</b>							
Jan.	-2,692	-6,012	7,777	18,494	20,259	-1,179	16,388
Feb.	-2,387	4,080	1,392	18,578	24,050	-642	21,021
Mar.	2,624	6,626	7,096	545	14,267	-859	16,032
Apr.	4,701	2,880	5,925	5,809	14,614	-1,614	17,700
May	4,725	4,272	15,685	6,254	26,211	-1,190	29,745
June	2,421	8,394	-2,204	23,924	30,114	-1,841	30,694
July	1,137	-3,617	11,293	11,643	19,319	-2,108	18,349
Aug.	-2,451	15,402	-7,239	7,071	15,234	-1,650	11,133
Sept.	-457	-7,467	-5,510	2,491	-10,486	-729	-11,672
Oct.	892	2,719	8,279	-7,435	3,564	-1,444	3,012
Nov.	6	4,185	-2,042	19,839	21,982	-564	21,423
Dec.	6,579	9,533	11,819	2,209	23,562	-715	29,426

<sup>1</sup> Based on the Banking Survey (Table 1.6). Annual figures are changes from year to year, monthly figures represent changes from month to month.

<sup>2</sup> Includes only funds channelled through Deposit Money Banks.

**TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE**
*Lm thousands*

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary <sup>1</sup>	Grants	Total	Ordinary <sup>1</sup>	Capital <sup>2</sup>	Total		Local Loans	Foreign Loans	Total	
1985	216,848	248	217,096	187,086	40,560	227,646	-10,550	-	3,453	3,453	-7,097
1986	224,388	289	224,677	195,655	44,809	240,464	-15,787	-	1,175	1,175	-14,612
1987	221,055	2	221,057	208,739	54,881	263,620	-42,564	-	103	103	-42,461
1988	254,489	14,256	268,745	223,540	50,464	274,004	-5,259	46,885	-6,885	40,000	34,741
1989	277,348	8,131	285,479	244,425	76,321	320,745	-35,266	5,200	1,043	6,243	-29,023
1990	329,890	7,678	337,568	273,415	108,276	381,690	-44,122	34,200	13,841	48,041	3,919
1991	355,932	16,374	372,306	301,909	115,493	417,403	-45,097	30,375	9,110	39,485	-5,612
1992	341,766	16,392	358,158	330,014	58,017	388,032	-29,874	36,000	878	36,878	7,004
1993	388,179	8,428	396,607	368,624	59,673	428,297	-31,690	28,800	2,902	31,702	12
1994	416,068	12,853	428,921	410,365	62,340	472,705	-43,784	28,700	11,305	40,005	-3,779
1995	482,834	4,517	487,351	452,478	70,344	522,823	-35,472	32,500	655	33,155	-2,317
1996	447,470	20,805	468,275	505,195	73,527	578,722	-110,447	70,178	3,044	73,222	-37,225
1997 <sup>3</sup>	504,415	9,809	514,224	538,276	103,392	641,668	-127,444	167,463	3,095	170,558	43,114
1998	539,070	10,043	549,113	569,150	96,846	665,997	-116,884	110,000	-	110,000	-6,884
<b>1998</b>											
Jan.	37,315	-	37,315	41,698	3,123	44,821	-7,506	-	-	-	-7,506
Feb.	42,378	130	42,508	40,708	3,774	44,482	-1,974	-	-	-	-1,974
Mar.	43,522	2	43,524	43,107	5,023	48,130	-4,606	-	-	-	-4,606
Apr.	39,613	5,105	44,718	48,609	4,120	52,730	-8,012	-	-	-	-8,012
May	37,098	-	37,098	46,535	6,823	53,358	-16,260	-	-	-	-16,260
June	65,994	-	65,994	42,071	3,932	46,003	19,991	-	-	-	19,991
July	50,249	-	50,249	53,477	6,017	59,494	-9,245	110,000	-	110,000	100,755
Aug.	34,932	567	35,499	38,876	6,558	45,434	-9,935	-	-	-	-9,935
Sept.	38,000	2,250	40,250	42,415	4,908	47,323	-7,073	-	-	-	-7,073
Oct.	44,182	-	44,182	60,442	20,183	80,625	-36,443	-	-	-	-36,443
Nov.	43,902	84	43,986	48,256	10,712	58,968	-14,982	-	-	-	-14,982
Dec.	61,885	1,905	63,790	62,956	21,673	84,629	-20,839	-	-	-	-20,839
<b>1999</b>											
Jan.	37,406	-	37,406	44,773	4,440	49,214	-11,808	-	-	-	-11,808
Feb.	40,734	-	40,734	42,574	5,865	48,439	-7,705	-	-	-	-7,705
Mar.	36,512	-	36,512	43,444	5,697	49,142	-12,630	-	-	-	-12,630
Apr.	59,889	-	59,889	56,019	7,551	63,570	-3,681	-	-	-	-3,681
May	42,457	6,410	48,867	44,073	11,198	55,270	-6,403	-	-	-	-6,403
June	63,880	-	63,880	48,027	6,589	54,616	9,264	-	-	-	9,264
July	44,508	-	44,508	63,543	6,274	69,817	-25,309	-	-	-	-25,309
Aug.	60,964	1,465	62,429	44,266	11,067	55,333	7,096	-	-	-	7,096
Sept.	52,088	-	52,088	41,448	5,617	47,065	5,023	54,530	-	54,530	59,553
Oct.	51,606	25	51,631	49,104	7,798	56,902	-5,271	-	-	-	-5,271
Nov.	43,331	-	43,331	42,899	10,571	53,470	-10,139	-	-	-	-10,139

<sup>1</sup> Includes the Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987). As from 1992, Ordinary Revenue excludes the contribution by the Public Authorities/Corporations to their own capital programme; including privatisation receipts and sinking funds of converted loans.

<sup>2</sup> As from 1992, excludes capital expenditure incurred by the Public Authorities/Corporations.

<sup>3</sup> A loan to the Malta Drydocks Corporation amounting to Lm24.6 million is included under capital expenditure.

SOURCE: *The Treasury*

**TABLE 2.2 GOVERNMENT REVENUE  
BY MAJOR SOURCES**

*Lm thousands*

Period	Tax Revenue						Non-Tax Revenue <sup>3</sup>	Ordinary Revenue <sup>4</sup>	Foreign Grants	Total Revenue
	Income Tax	National Insurance <sup>1</sup> Contributions	V.A.T. & C.E.T.	Licences, Taxes & Fines <sup>2</sup>	Customs & Excise	Total				
1985	44,553	52,024	-	9,789	39,607	145,973	70,875	216,848	248	217,096
1986	43,590	52,280	-	10,777	43,891	150,538	73,850	224,388	289	224,677
1987	42,998	53,491	-	11,663	46,868	155,020	66,035	221,055	2	221,057
1988	46,740	57,938	-	14,302	54,679	173,659	80,830	254,489	14,256	268,745
1989	51,128	58,388	-	17,662	61,273	188,451	88,897	277,348	8,131	285,479
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
<b>1998</b>										
Jan.	7,693	5,690	6,787	2,632	1,897	24,699	12,616	37,315	-	37,315
Feb.	5,263	7,932	4,980	5,512	5,414	29,101	13,277	42,378	130	42,508
Mar.	6,779	12,873	7,249	4,551	4,013	35,465	8,057	43,522	2	43,524
Apr.	9,482	11,143	5,479	4,821	4,493	35,418	4,195	39,613	5,105	44,718
May	9,216	11,723	5,124	5,714	3,154	34,931	2,167	37,098	-	37,098
June	8,249	10,472	6,228	4,198	3,971	33,118	32,876	65,994	-	65,994
July	10,769	10,843	5,476	6,273	6,893	40,254	9,995	50,249	-	50,249
Aug.	10,295	11,137	4,808	4,872	2,347	33,459	1,473	34,932	567	35,499
Sept.	9,031	11,956	6,305	4,473	3,251	35,016	2,984	38,000	2,250	40,250
Oct.	9,137	10,435	7,175	6,276	3,390	36,413	7,769	44,182	-	44,182
Nov.	8,592	12,706	6,114	5,905	6,487	39,804	4,098	43,902	84	43,986
Dec.	16,055	18,746	6,903	5,451	7,388	54,543	7,342	61,885	1,905	63,790
<b>1999</b>										
Jan.	5,496	6,029	6,186	4,186	3,807	25,704	11,702	37,406	0	37,406
Feb.	5,904	8,670	5,142	5,144	3,978	28,838	11,896	40,734	0	40,734
Mar.	7,505	11,059	8,107	6,171	1,496	34,338	2,174	36,512	0	36,512
Apr.	11,053	13,512	6,618	6,496	7,083	44,762	15,127	59,889	0	59,889
May	8,870	12,704	7,001	6,311	4,338	39,224	3,233	42,457	6,410	48,867
June	6,819	10,772	7,090	4,820	4,600	34,101	29,779	63,880	0	63,880
July	8,431	11,822	9,029	6,212	6,325	41,819	2,689	44,508	0	44,508
Aug.	16,372	11,131	7,188	6,004	3,463	44,158	16,806	60,964	1,465	62,429
Sept.	19,875	13,326	7,262	4,461	5,831	50,755	1,333	52,088	0	52,088
Oct.	15,348	11,300	7,686	6,708	3,433	44,475	7,131	51,606	25	51,631
Nov.	9,447	12,840	7,200	5,923	4,759	40,169	3,162	43,331	0	43,331

<sup>1</sup> Includes Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987).

<sup>2</sup> Includes revenues from death and donation duties up to December 1994.

<sup>3</sup> Includes mainly Central Bank of Malta profits, privatisation receipts, sinking funds of converted loans and other miscellaneous receipts.

<sup>4</sup> As from 1992, excludes the contribution by the Public Corporations/Authorities towards their own capital programme.

SOURCE: *The Treasury*



**TABLE 2.3 GOVERNMENT CAPITAL EXPENDITURE  
BY TYPE OF INVESTMENT<sup>1</sup>**

Period	Productive	Infrastructure	Social	Total
1985	20,329	17,181	3,050	40,560
1986	18,855	18,830	7,124	44,809
1987	24,860	19,909	10,112	54,881
1988	25,734	15,478	9,252	50,464
1989	41,672	20,645	14,004	76,321
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997 <sup>2</sup>	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
<b>1998</b>				
Jan.	1,600	335	1,188	3,123
Feb.	1,584	1,741	449	3,774
Mar.	1,375	2,697	951	5,023
Apr.	866	1,271	1,983	4,120
May	3,566	2,185	1,071	6,823
June	951	2,043	938	3,932
July	1,678	3,060	1,280	6,017
Aug.	1,522	3,373	1,663	6,558
Sept.	2,352	1,383	1,173	4,908
Oct.	13,335	3,593	3,255	20,183
Nov.	4,837	3,309	2,566	10,712
Dec.	11,735	5,139	4,799	21,673
<b>1999</b>				
Jan.	3,268	670	502	4,440
Feb.	4,014	1,156	695	5,865
Mar.	2,541	1,980	1,176	5,697
Apr.	3,888	2,348	1,315	7,551
May	4,531	5,616	1,052	11,198
June	3,248	1,942	1,399	6,589
July	3,346	1,091	1,838	6,274
Aug.	8,078	1,643	1,346	11,067
Sept.	2,740	1,511	1,366	5,617
Oct.	5,605	-1,819	4,013	7,798
Nov.	3,276	3,846	3,449	10,571

<sup>1</sup> As from 1992, excludes capital expenditure incurred by Public Corporations/Authorities.

<sup>2</sup> Including a loan to Malta Drydocks amounting to Lm24.6m.

SOURCE: *The Treasury*

**TABLE 3.1 TREASURY BILLS ISSUED AND OUTSTANDING<sup>1</sup>***Lm thousands*

End of Period	Amount Maturing During Period	Amount Issued and Taken up by			Amount Outstanding <sup>4</sup> and held by		
		Banking System <sup>2</sup>	Non-Bank <sup>3</sup> Public	Total	Banking System <sup>2</sup>	Non-Bank <sup>3</sup> Public	Total
1987	-	28,427	1,173	29,600	28,405	1,195	29,600
1988	74,600	57,897	2,103	60,000	14,640	360	15,000
1989	17,000	20,915	1,085	22,000	19,675	325	20,000
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
<b>1998</b>							
Jan.	29,953	4,000	17,172	21,172	54,925	26,274	81,199
Feb.	9,588	1,500	10,463	11,963	44,365	39,209	83,574
Mar.	29,789	5,500	32,706	38,206	52,935	39,056	91,991
Apr.	27,798	2,500	43,772	46,272	74,667	35,798	110,465
May	5,546	3,800	11,238	15,038	73,911	46,046	119,957
June	33,192	-	19,200	19,200	60,416	45,549	105,965
July	55,938	16,000	1,304	17,304	14,443	52,888	67,331
Aug.	10,002	-	871	871	14,283	43,917	58,200
Sept.	14,819	-	1,088	1,088	12,353	32,116	44,469
Oct.	18,375	3,000	18,657	21,657	22,185	25,566	47,751
Nov.	10,065	2,000	26,487	28,487	41,245	24,928	66,173
Dec.	10,718	6,000	22,258	28,258	52,432	31,281	83,713
<b>1999</b>							
Jan.	15,661	11,000	10,541	21,541	71,379	18,214	89,593
Feb.	26,357	9,800	19,342	29,142	78,958	13,420	92,378
Mar.	34,789	22,250	31,239	53,489	76,881	34,197	111,078
Apr.	36,419	33,250	16,751	50,001	97,769	26,891	124,660
May	39,529	23,800	23,603	47,403	99,326	33,208	132,534
June	45,539	38,300	1,130	39,430	120,292	6,133	126,425
July	38,160	27,500	22,647	50,147	120,994	17,418	138,412
Aug.	27,487	3,000	19,447	22,447	116,138	17,234	133,372
Sept.	31,118	-	-	-	97,808	4,446	102,254
Oct.	45,428	15,200	7,102	22,302	74,457	4,671	79,128
Nov.	23,647	18,000	10,019	28,019	77,453	6,047	83,500
Dec.	180	-	-	-	77,832	5,488	83,320

<sup>1</sup> Amounts are at nominal prices.<sup>2</sup> Including Central Bank of Malta and All Banking Institutions.<sup>3</sup> Including the Malta Government Sinking Fund.<sup>4</sup> On 1 December 1987, the House of Representatives raised the maximum amount of permissible outstanding bills from Lm2.5 million to Lm30 million. On 10 January 1995, the House of Representatives approved a motion empowering the Government to increase the issue of Treasury Bills from Lm30 million to Lm100 million. On 16 December 1996, the maximum amount of outstanding bills was raised from Lm100 million to Lm200 million.

**TABLE 3.2 MALTA GOVERNMENT STOCKS**  
**(Outstanding as at end - December 1999)**

*Lm thousands*

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Dates of Interest	Held By			Amount
					Banking System	Non-Bank Public	Govt. Sinking Fund	
6.75 % LDRS	2000	1990	100	01 June - 1 Dec.	8,315	1,685	-	10,000
7.25 % MGS	2000 (II)	1992	100	3 Apr. - 3 Oct.	205	795	-	1,000
6.50 % MGS	2000 (III)	1995	100	10 June - 10 Dec.	8,134	1,866	-	10,000
6.50 % MGS	2000 (IV)	1995	100	30 Mar. - 30 Sept.	9,283	1,217	-	10,500
6.75 % MGS	2000 (V)	1996	100	28 Mar. - 28 Sept.	25,786	4,214	-	30,000
6.65 % MGS	2000 (VI)	1997	100	24 May - 24 Nov.	14,342	3,158	-	17,500
7.00 % LDRS	2000/1	1991	102	13 Apr. - 13 Oct.	616	384	-	1,000
7.00 % LDRS	2000/1 (II)	1991	102	11 May - 11 Nov.	743	257	-	1,000
7.00 % LDRS	2000/1 (III)	1991	102	15 June - 15 Dec.	639	361	-	1,000
7.00 % LDRS	2000/1 (IV)	2	1991	17 Aug. - 17 Feb.	855	645	-	1,500
7.00 % LDRS	2000/1 (V)	2	1991	21 Mar. - 21 Sept.	1,347	653	-	2,000
7.00 % LDRS	2000/1 (VI)	2	1991	19 Oct. - 19 Apr.	514	486	-	1,000
3.00 % LDRS	2001	1	1991	15 June - 15 Dec.	299	201	-	500
3.00 % LDRS	2001 (II)	1	1991	17 Aug. - 17 Feb.	387	113	-	500
3.00 % LDRS	2001 (III)	1	1991	21 Mar. - 21 Sept.	848	152	-	1,000
3.00 % LDRS	2001 (IV)	1	1991	19 Oct. - 19 Apr.	617	83	-	700
6.15 % MGS	2001 (V)	1998	100	19 May - 19 Nov.	21,383	1,217	-	22,600
6.50 % MGS	2001	1994	100	15 July - 15 Jan.	1,371	629	-	2,000
6.50 % MGS	2001 (II)	1994	100	19 May - 19 Nov.	6,237	3,763	-	10,000
6.75 % MGS	2001 (III)	1995	100	28 Apr. - 1 Aug.	4,594	4,406	-	9,000
6.75 % MGS	2001 (IV)	1996	100	20 Jan. - 20 July	4,800	2,700	-	7,500
7.75 % MGS	2002	1992	100	3 Apr. - 3 Oct.	3,170	17,030	-	20,200
6.90 % MGS	2002 (II)	1995	100	10 Jun. - 10 Dec.	4,511	5,489	-	10,000
6.90 % MGS	2002 (III)	1995	100	30 Mar. - 30 Sept.	7,556	4,944	-	12,500
6.90 % MGS	2002 (IV)	1997	100	30 Mar. - 30 Sept.	18,776	4,974	-	23,750
7.00 % MGS	2003	3	1993	18 Feb. - 18 Aug.	9,852	18,215	-	28,067
7.00 % MGS	2003 (II)	1993	100	3 Jul. - 3 Jan.	3,372	17,461	-	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	7,998	10,702	-	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	21,622	4,230	-	25,852
7.25 % MGS	2005	1997	100	10 Jun. - 10 Dec.	16,093	7,407	-	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	13,619	2,881	-	16,500
5.60 % MGS	2005 (II) B	1999	100	1 Feb. - 1 Aug.	6,733	8,267	-	15,000
7.00 % MGS	2006	1994	100	19 May - 19 Nov.	704	9,296	-	10,000
7.00 % MGS	2006 (IV)	1996	100	20 Jan. - 20 July	-	167	-	167
7.25 % MGS	2006 (II)	1995	100	28 Apr. - 1 Aug.	4,339	14,911	-	19,250
7.25 % MGS	2006 (III)	1996	100	20 Jan. - 20 July	6,306	8,694	-	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	13,093	11,657	-	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,643	1,357	-	10,000
7.20 % MGS	2008	1998	100	28 Feb. - 15 July	7,369	2,631	-	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	17,351	12,649	-	30,000
7.00 % MGS	2009	1999	100	1 Mar. - 1 Sept.	-	65	-	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	12,626	12,374	-	25,000
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	14,239	761	-	15,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	6,659	8,341	-	15,000
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	16,086	18,414	-	34,500
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	15,105	19,145	-	34,250
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	33,572	36,428	-	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	11,049	32,951	-	44,000
<b>Total</b>					<b>391,758</b>	<b>320,426</b>	<b>-</b>	<b>712,183</b>

<sup>1</sup> Interest thereon exempted from income tax.

<sup>2</sup> The first Lm50 interest thereon exempted from income tax.

<sup>3</sup> Exempted from duty on documents, bearing a rate of interest revisable every two years to maintain it at 1% lower than the normal maximum lending rate allowed by law, subject to a minimum of 7%. The stock is redeemable at a premium of 10% over the normal value, between January 1 and December 31, 2003.

SOURCE: Malta Stock Exchange.

**TABLE 3.3 MALTA GOVERNMENT STOCKS  
BY REMAINING TERM TO MATURITY<sup>1</sup>**

*Lm thousands*

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	Over 16 yrs	Total
1985	5,500	21,885	-	-	-	27,385
1986	3,000	24,385	-	-	-	27,385
1987	6,885	18,500	2,000	-	-	27,385
1988	7,500	59,885	-	-	-	67,385
1989	1,000	71,585	-	-	-	72,585
1990	3,500	93,285	10,000	-	-	106,785
1991	5,500	106,285	25,400	-	-	137,185
1992	1,000	125,285	41,400	-	-	167,685
1993	49,885	84,367	90,300	-	-	224,552
1994	37,900	95,352	110,000	10,000	-	253,252
1995	7,000	158,651	120,300	-	-	285,951
1996	15,800	213,302	112,017	15,000	-	356,119
1997	48,452	279,800	111,367	83,750	-	523,369
1998	46,750	255,650	177,219	83,750	70,000	633,369
1999	79,000	221,202	199,232	98,750	114,000	712,184

<sup>1</sup> Refers to the maximum redemption period.

**TABLE 3.4 GOVERNMENT EXTERNAL DEBT  
BY TYPE OF CREDITOR**

*Lm thousands*

Period	Official Bilateral Entities <sup>1</sup>	Official Multilateral Organisations <sup>2</sup>	Private Commercial Banks <sup>3</sup>	Total
1985	39,472	3,052	-	42,524
1986	32,630	2,809	-	35,439
1987	27,319	2,522	-	29,841
1988	26,057	2,081	-	28,138
1989	23,978	2,911	-	26,889
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
<b>1999<sup>4</sup></b>				
Mar.	27,115	15,252	4,146	46,513
June	26,436	14,916	4,146	46,513
Sept.	25,464	14,864	3,637	43,965
Dec.	25,517	14,984	3,904	44,405

<sup>1</sup> Bilateral loans are loans from government's and their agencies (including central banks), and loans from autonomous bodies.

<sup>2</sup> Multilateral organisations include the World Bank, regional development banks, and other multilateral and inter-governmental agencies.

<sup>3</sup> Commercial bank loans from private banks or financial institutions.

<sup>4</sup> Provisional.

SOURCE: *The Treasury*.

**TABLE 3.5 GOVERNMENT EXTERNAL DEBT  
BY CURRENCY**

*Lm thousands*

Period	FFr	Stg	DM	Yen	EURO <sup>1</sup>	US\$	Lit	Others	Total
1985	488	7,830	5,519	-	2,654	10,897	38	15,098	42,524
1986	449	4,741	5,781	-	2,533	8,842	-	13,092	35,438
1987	401	4,365	5,672	-	2,368	6,858	-	10,176	29,840
1988	329	4,293	5,060	-	2,049	6,702	-	9,704	28,137
1989	300	3,616	5,092	-	2,901	6,152	-	8,829	26,890
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
<b>1999</b> <sup>2</sup>									
Mar.	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
June	-	-	2,524	4,146	9,932	6,241	20,808	1,847	45,498
Sept.	-	-	2,351	3,637	9,880	6,211	20,376	1,510	43,965
Dec.	-	-	2,036	3,904	9,549	6,947	19,890	2,079	44,405

<sup>1</sup> Euro replaced ECU as from January 1, 1999.

<sup>2</sup> Provisional

SOURCE: *The Treasury*.

**TABLE 3.6 GOVERNMENT EXTERNAL DEBT  
BY REMAINING TERM TO MATURITY**

*Lm thousands*

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1985	38	1,573	10,972	14,865	10,806	4,270	42,524
1986	0	1,694	8,736	10,684	10,306	4,019	35,438
1987	151	1,105	11,453	7,242	6,170	3,720	29,841
1988	176	1,950	13,436	3,799	5,060	3,716	28,137
1989	23	1,459	12,710	3,699	5,092	3,906	26,889
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	0	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
<b>1999</b> <sup>1</sup>							
Mar.	-	6,402	21,426	14,440	2,801	1,443	46,513
June	-	6,074	20,835	14,368	2,801	1,421	45,498
Sept.	-	5,206	20,416	14,206	2,737	1,399	43,965
Dec.	-	6,014	20,999	13,354	2,692	1,346	44,405

<sup>1</sup> Provisional.

SOURCE: *The Treasury*  
*Ministry of Finance*.

**TABLE 4.1 NET FOREIGN ASSETS OF THE BANKING SYSTEM <sup>1</sup>**

*Lm thousands*

Period	Monetary Authorities							Total (A+B)
	Central Bank of Malta				Government & Parastatal Companies <sup>2</sup>			
	Gold and Other Precious Metals	Convertible Currencies	IMF Related Assets <sup>3</sup>	Total (A)	Foreign Currency Deposits <sup>5</sup>	Other Official Funds <sup>4,5</sup>	Total (B)	
1990	12,979	380,527	33,618	427,124	15,874	1,765	17,639	444,763
1991	6,437	366,822	37,175	410,434	4,459	11,992	16,451	426,885
1992	9,101	435,857	30,061	475,019	4,874	12,337	17,211	492,230
1993	10,216	490,358	32,827	533,401	4,347	11,747	16,094	549,495
1994	7,314	577,501	32,829	617,644	61,672	11,118	72,790	690,434
1995	3,596	471,090	34,007	508,693	60,844	11,163	72,007	580,700
1996	3,646	468,523	36,408	508,577	34,739	10,803	45,542	554,119
1997	1,311	501,379	38,912	541,602	9,086	10,980	20,066	561,668
<b>1998</b>								
Jan.	1,381	496,866	38,912	537,159	7,769	11,489	19,258	556,417
Feb.	1,341	501,038	39,236	541,615	8,142	11,330	19,472	561,087
Mar.	1,369	497,990	39,236	538,595	7,650	11,874	19,524	558,119
Apr.	1,395	505,785	39,243	546,423	4,956	11,526	16,482	562,905
May	1,263	508,640	39,559	549,462	11,110	11,781	22,891	572,353
June	1,356	527,528	39,563	568,447	8,032	11,448	19,480	587,927
July	1,356	536,102	39,563	577,021	6,703	11,501	18,204	595,225
Aug.	1,499	536,167	39,891	577,557	5,071	11,396	16,467	594,024
Sept.	1,545	560,191	39,891	601,627	3,559	11,114	14,674	616,300
Oct.	1,529	560,171	39,893	601,593	2,947	11,530	14,477	616,070
Nov.	1,287	552,896	40,206	594,390	3,326	11,701	15,027	609,416
Dec.	688	598,874	40,429	639,991	-	-	-	639,991
<b>1999</b>								
Jan.	687	607,216	40,429	648,332	-	-	-	648,332
Feb.	708	601,786	40,723	643,217	-	-	-	643,217
Mar.	700	603,874	32,635	637,208	-	-	-	637,208
Apr.	724	617,760	33,378	651,862	-	-	-	651,862
May	598	617,830	33,662	652,089	-	-	-	652,089
June	670	651,349	33,756	685,774	-	-	-	685,774
July	511	655,549	33,783	689,843	-	-	-	689,843
Aug.	628	658,229	34,372	693,229	-	-	-	693,229
Sept.	711	660,372	34,443	695,526	-	-	-	695,526
Oct.	721	685,093	34,727	720,541	-	-	-	720,541
Nov.	700	706,650	35,558	742,909	-	-	-	742,909
Dec.	737	704,068	35,517	740,322	-	-	-	740,322

<sup>1</sup> On cash accounting basis.

<sup>2</sup> Customers' Foreign Currency Deposits and Sinking Funds are held with the Central Bank, while Other Official Funds are held with the Treasury.

<sup>3</sup> Include IMF Reserve Position and Holdings of SDRs.

<sup>4</sup> Including Government Sinking Funds.

<sup>5</sup> Following changes in Central bank accounting policies, as from December 1998, foreign currency deposits and other official funds belonging to Government and parastatal companies are being included under the "Convertible Currencies" heading.

**TABLE 4.1 NET FOREIGN ASSETS OF THE BANKING SYSTEM <sup>1</sup>**

(Continued)

Lm thousands

Period	Deposit Money Banks <sup>2</sup> & Other Banking Institutions			Total (A+B+C)	International Banking Institutions <sup>2</sup>			Grand Total (A+B+C+ D)
	Assets	Liabilities	Net (C)		Assets	Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	554,059	339,032	215,027	795,727	233,535	216,332	17,203	812,930
1996	585,607	407,831	177,776	731,895	453,720	431,497	22,223	754,118
1997	532,762	410,258	122,504	684,172	804,388	753,351	51,037	735,209
<b>1998</b>								
Jan.	533,761	411,795	121,966	678,383	879,604	753,324	126,280	804,663
Feb.	545,522	420,754	124,768	685,855	957,938	832,815	125,123	810,978
Mar.	555,916	430,680	125,236	683,355	974,881	846,962	127,919	811,274
Apr.	580,461	459,429	121,032	683,937	1,036,195	912,377	123,818	807,755
May	601,184	476,678	124,506	696,859	1,056,372	932,087	124,285	821,144
June	614,398	494,719	119,679	707,606	1,170,876	1,038,608	132,268	839,874
July	622,721	490,378	132,343	727,568	1,248,000	1,116,451	131,549	859,117
Aug.	598,422	469,159	129,263	723,287	1,315,158	1,173,899	141,259	864,546
Sept.	615,165	496,776	118,389	734,689	1,286,749	1,135,050	151,699	886,388
Oct.	613,245	513,170	100,075	716,145	1,399,354	1,250,176	149,177	865,323
Nov.	616,420	512,672	103,748	713,164	1,461,900	1,317,244	144,656	857,820
Dec.	596,369	514,407	81,962	721,953	1,606,314	1,464,139	142,175	864,128
<b>1999</b>								
Jan.	611,995	531,019	80,976	729,308	1,765,350	1,620,119	145,231	874,539
Feb.	639,804	555,839	83,965	727,182	1,854,224	1,708,045	146,179	873,361
Mar.	617,730	550,882	66,848	704,056	2,050,512	1,901,141	149,371	853,427
Apr.	614,929	553,849	61,080	712,942	2,157,362	2,021,693	135,670	848,612
May	663,192	575,066	88,126	740,215	2,051,003	1,907,552	143,451	883,666
June	630,996	558,451	72,545	758,319	2,286,056	2,133,008	153,048	911,367
July	626,166	543,509	82,657	772,500	2,266,158	2,104,424	161,734	934,235
Aug.	641,277	543,961	97,316	790,545	2,332,226	2,168,041	164,185	954,730
Sept.	660,375	573,525	86,850	782,376	2,304,576	2,133,179	171,397	953,773
Oct.	661,669	594,036	67,634	788,175	2,278,456	2,101,828	176,628	964,803
Nov.	668,041	612,114	55,927	798,836	2,210,225	2,059,635	150,590	949,425
Dec.	647,620	601,424	46,196	786,518	2,160,651	2,010,698	149,953	936,471

<sup>1</sup> On cash accounting basis.

<sup>2</sup> For the purposes of this table only, the amounts of Mid-Med Bank (Overseas) Ltd. and Bank of Valletta International Ltd., i.e. the offshore subsidiaries of Mid-Med Bank plc and Bank of Valletta plc respectively, are being classified as Deposit Money Banks and not with the International Banking Institutions, as shown in other tables.

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**

*End of Period Rates*

End of Period	Stg	DM	US\$	Euro <sup>2</sup>	Lit	FFr	NLG	Bfr	Yen	Sfr
1985	1.6378	5.7980	2.3593	2.6544	3955.37	17.789	6.532	118.673	472.76	4.896
1986	1.8341	5.2555	2.7090	2.5322	3661.89	17.405	5.935	109.511	432.97	4.393
1987	1.7151	5.0784	3.2081	2.4652	3753.48	17.240	5.714	106.365	390.83	4.113
1988	1.6775	5.3756	3.0107	2.5858	3954.55	18.344	6.070	112.871	378.90	4.555
1989	1.8539	5.0392	2.9686	2.5005	3771.61	17.233	5.694	105.831	426.81	4.589
1990	1.7335	5.0006	3.3249	2.4349	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	2.4448	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	2.2136	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	2.2678	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	2.2083	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	2.1586	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	2.2173	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	2.3101	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	2.2640	4382.63	14.870	4.990	91.360	300.71	3.645
1999	1.4983	4.7163	2.4230	2.4114	4669.13	15.818	5.314	97.276	247.64	3.870
<b>1999</b>										
July 2	1.5446	4.6465	2.4337	2.3757	4600.07	15.584	5.235	95.837	294.43	3.816
9	1.5595	4.6401	2.4193	2.3725	4593.74	15.562	5.228	95.705	295.52	3.811
16	1.5479	4.6490	2.4258	2.3770	4602.49	15.592	5.238	95.888	292.75	3.817
23	1.5600	4.5988	2.4688	2.3513	4552.78	15.424	5.182	94.852	297.17	3.776
30	1.5442	4.5873	2.5077	2.3454	4541.40	15.385	5.169	94.615	288.83	3.747
Aug. 6	1.5553	4.5720	2.5102	2.3376	4526.31	15.334	5.152	94.300	287.90	3.745
13	1.5511	4.5841	2.5010	2.3438	4538.30	15.375	5.165	94.550	287.36	3.756
20	1.5455	4.5883	2.5044	2.3460	4542.42	15.389	5.170	94.636	279.23	3.748
27	1.5518	4.6126	2.4640	2.3584	4566.48	15.470	5.197	95.137	273.52	3.777
Sept. 3	1.5534	4.5799	2.5029	2.3417	4534.08	15.360	5.160	94.462	275.05	3.740
10	1.5260	4.6300	2.4823	2.3673	4583.68	15.528	5.217	95.496	270.93	3.795
17	1.5252	4.6431	2.4674	2.3740	4596.68	15.572	5.232	95.767	263.11	3.810
24	1.5128	4.6431	2.4872	2.3740	4596.65	15.572	5.232	95.766	260.27	3.799
Oct 1	1.5287	4.5930	2.5252	2.3484	4547.11	15.404	5.175	94.734	265.59	3.748
8	1.5209	4.6104	2.5153	2.3573	4564.34	15.463	5.195	95.093	270.39	3.760
15	1.5262	4.5765	2.5512	2.3399	4530.77	15.349	5.157	94.393	269.45	3.712
22	1.5131	4.6090	2.5302	2.3565	4562.87	15.458	5.193	95.062	267.28	3.764
29	1.5154	4.6436	2.4824	2.3742	4597.13	15.574	5.232	95.776	258.92	3.804
Nov 5	1.5234	4.6422	2.4714	2.3735	4595.75	15.569	5.231	95.747	261.03	3.831
12	1.5206	4.6586	2.4559	2.3819	4611.99	15.624	5.249	96.085	258.01	3.827
19	1.5181	4.6644	2.4528	2.3849	4617.74	15.644	5.256	96.205	260.82	3.820
26	1.5125	4.6917	2.4294	2.3988	4644.74	15.735	5.286	96.768	252.04	3.842
Dec 3	1.5070	4.7137	2.4125	2.4101	4666.61	15.809	5.311	97.223	246.91	3.846
10	1.5002	4.7043	2.4340	2.4053	4657.22	15.777	5.301	97.028	249.91	3.844
17	1.5095	4.6926	2.4329	2.3993	4645.67	15.738	5.287	96.787	251.27	3.844
24	1.5041	4.6948	2.4388	2.4004	4647.84	15.746	5.290	96.832	250.50	3.858

<sup>1</sup> Closing Central Bank midpoint rate. The Maltese lira's exchange rate is determined on the basis of a basket of currencies which currently includes the Euro, the US dollar and the pound sterling.

<sup>2</sup> The Euro replaced the ECU as from January 1, 1999.



**TABLE 4.3 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**

*Averages for the Period*

Period	Stg	DM	US\$	Euro <sup>2</sup>	Lit	FFr	NLG	Bfr	Yen	Sfr
1985	1.6580	6.2643	2.1385	2.8057	3750.50	19.121	7.066	126.340	507.67	5.225
1986	1.7374	5.5167	2.5482	2.5969	3788.76	17.609	6.221	113.492	427.88	4.535
1987	1.7696	5.2001	2.8981	2.5107	3750.50	17.391	5.859	108.044	419.37	4.313
1988	1.6987	5.3029	3.0251	2.5565	3928.82	17.989	5.968	111.002	387.38	4.417
1989	1.7528	5.3898	2.8712	2.6048	3932.95	18.288	6.080	112.939	395.63	4.688
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
<b>1999</b>										
Jan.	1.5958	4.4284	2.6345	2.2693	4393.90	14.886	5.001	91.542	297.98	3.643
Feb.	1.5814	4.4945	2.5749	2.2980	4449.59	15.074	5.064	92.702	300.48	3.673
Mar.	1.5619	4.5481	2.5317	2.3254	4502.57	15.254	5.125	93.806	303.11	3.708
Apr.	1.5556	4.5759	2.5049	2.3396	4530.10	15.347	5.156	94.379	299.64	3.747
May	1.5462	4.5933	2.4971	2.3485	4547.33	15.405	5.175	94.738	304.52	3.764
June	1.5408	4.6298	2.4597	2.3672	4583.47	15.528	5.217	95.491	297.07	3.775
July	1.5547	4.6234	2.4472	2.3639	4577.16	15.506	5.209	95.360	292.67	3.792
Aug.	1.5507	4.5927	2.4909	2.3482	4546.75	15.403	5.175	94.726	282.32	3.758
Sept.	1.5294	4.6256	2.4829	2.3650	4579.29	15.513	5.212	95.404	265.80	3.788
Oct	1.5212	4.6053	2.5217	2.3547	4559.25	15.446	5.189	94.987	267.37	3.754
Nov	1.5176	4.6569	2.4629	2.3810	4610.34	15.619	5.247	96.051	258.04	3.822
Dec	1.5063	4.7000	2.4294	2.4030	4652.95	15.763	5.296	96.939	249.08	3.847

<sup>1</sup> Calculated on the arithmetic mean of the daily opening and closing Central Bank midpoint rates. From 1985 to 1987 annual averages for ECU/Lm are crossrates compiled from data issued by the IMF.

<sup>2</sup> The Euro replaced the ECU as from January 1, 1999.

**TABLE 4.4 MALTA'S FOREIGN TRADE**

*Lm thousands*

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1985	169,244	17,856	187,100	354,138	-167,038
1986	180,317	14,351	194,668	348,113	-153,445
1987	190,706	17,883	208,589	392,876	-184,287
1988	217,147	18,774	235,921	447,432	-211,511
1989	273,607	20,798	294,405	515,809	-221,404
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,650	-362,710
1996	569,900	54,250	624,150	1,007,800	-383,650
1997 <sup>1</sup>	563,950	64,980	628,930	984,230	-355,300
1998 <sup>1</sup>	664,816	47,169	711,985	1,034,920	-322,935
1999 <sup>1</sup>	712,436	78,700	791,136	1,136,233	-345,097
<b>1998<sup>1</sup></b>					
Jan.	47,469	3,347	50,816	72,485	-21,669
Feb.	51,147	4,340	55,487	76,879	-21,392
Mar.	58,751	3,427	62,178	83,437	-21,259
Apr.	50,169	5,155	55,324	90,082	-34,758
May	61,219	2,797	64,016	94,967	-30,951
June	65,807	4,198	70,005	86,903	-16,898
July	60,390	4,015	64,405	95,908	-31,503
Aug.	48,130	6,338	54,468	76,558	-22,090
Sept.	55,364	4,239	59,603	85,503	-25,900
Oct.	53,888	3,596	57,484	95,277	-37,793
Nov.	62,002	3,555	65,557	92,644	-27,087
Dec.	50,480	2,162	52,642	84,278	-31,636
<b>1999<sup>1</sup></b>					
Jan.	57,862	3,885	61,747	80,991	-19,243
Feb.	52,532	10,664	63,196	77,721	-14,526
Mar.	59,381	4,725	64,106	93,077	-28,971
Apr.	60,765	5,270	66,035	96,717	-30,682
May	62,810	4,801	67,611	96,835	-29,224
June	56,572	6,577	63,149	88,326	-25,177
July	54,937	8,565	63,502	94,479	-30,977
Aug.	55,839	6,761	62,600	84,606	-22,006
Sept.	56,430	5,223	61,653	91,843	-30,190
Oct.	66,792	7,471	74,263	113,316	-39,053
Nov.	65,198	7,334	72,532	109,076	-36,544
Dec.	63,319	7,424	70,743	109,247	-38,504

<sup>1</sup> Provisional.

Note: Figures may not add up due to rounding.

**TABLE 4.5 DIRECTION OF TRADE - TOTAL EXPORTS**

*Lm thousands*

Period	United Kingdom	Italy	Germany <sup>1</sup>	France	Other EU	Libya	United States	Others	Total
1985	29,940	17,691	57,291	5,069	14,513	11,948	11,884	38,763	187,099
1986	26,554	20,986	61,916	6,652	13,494	9,729	14,872	40,465	194,668
1987	28,354	30,045	64,492	4,772	13,638	18,494	16,080	32,714	208,589
1988	31,022	41,132	63,918	9,869	14,492	14,585	26,304	34,599	235,921
1989	31,489	89,333	66,087	15,616	15,886	15,917	16,430	43,648	294,406
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,946
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997 <sup>2</sup>	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,913
1998 <sup>2</sup>	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
1999 <sup>2</sup>	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,141
<b>1998<sup>2</sup></b>									
Jan.	4,631	2,188	6,830	10,455	4,454	1,845	9,614	10,799	50,816
Feb.	4,227	4,253	7,047	10,273	3,855	880	10,680	14,272	55,487
Mar.	4,536	2,488	7,639	11,663	4,508	2,973	12,024	16,347	62,178
Apr.	5,495	2,873	7,713	10,756	3,830	743	8,774	15,140	55,324
May	4,440	3,369	6,288	12,122	5,905	1,781	11,140	18,971	64,016
June	5,133	3,363	10,838	13,841	4,773	2,014	11,406	18,637	70,005
July	5,093	2,850	9,604	14,287	5,120	2,223	9,350	15,878	64,405
Aug.	5,411	2,286	5,752	10,713	2,823	1,443	12,131	13,909	54,468
Sept.	3,660	2,550	5,573	14,952	3,175	1,644	11,411	16,638	59,603
Oct.	3,920	2,634	8,247	11,661	3,910	1,060	11,332	14,720	57,484
Nov.	5,239	3,477	8,767	13,432	4,474	2,173	11,507	16,488	65,557
Dec.	2,841	2,057	5,428	13,295	2,675	603	9,839	15,904	52,642
<b>1999<sup>2</sup></b>									
Jan.	6,213	2,949	7,709	11,834	4,302	2,885	11,092	14,763	61,747
Feb.	3,927	2,686	8,071	13,402	4,938	1,315	15,743	13,113	63,195
Mar.	5,412	2,782	8,319	13,499	4,500	1,668	10,954	16,972	64,106
Apr.	6,297	3,599	9,318	10,895	4,669	1,229	13,924	16,105	66,036
May	6,246	3,854	8,154	10,276	4,487	1,210	14,763	18,622	67,612
June	4,522	4,943	7,117	9,180	4,508	1,286	15,187	16,406	63,149
July	5,444	3,000	7,919	8,254	5,088	2,019	16,392	15,387	63,503
Aug.	6,630	2,697	8,353	9,081	3,013	1,153	13,546	18,127	62,600
Sept.	4,329	2,332	8,204	9,274	3,749	1,744	13,548	18,474	61,654
Oct.	7,280	3,345	10,758	8,617	5,198	2,179	15,235	21,651	74,263
Nov.	9,421	3,798	8,809	9,197	1,837	1,000	13,383	25,087	72,532
Dec.	7,481	2,873	6,659	6,879	4,055	2,506	14,854	25,437	70,744

<sup>1</sup> Figures prior to 1990 are for West Germany only.

<sup>2</sup> Provisional.

Note: Figures may not add up due to rounding.

**TABLE 4.6 DIRECTION OF TRADE - IMPORTS**

*Lm thousands*

Period	United Kingdom	Italy	Netherlands	France	Germany <sup>1</sup>	Other EU	United States	Others	Total
1985	65,746	81,846	10,663	14,509	63,100	22,132	20,314	75,828	354,138
1986	61,306	81,153	10,962	14,746	65,832	18,035	18,156	77,923	348,113
1987	67,589	74,482	12,562	13,602	68,231	21,982	42,131	92,297	392,876
1988	79,917	99,675	12,882	22,157	66,173	20,558	42,707	103,363	447,432
1989	82,304	155,780	14,723	28,596	66,446	35,433	20,184	112,343	515,809
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997 <sup>2</sup>	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998 <sup>2</sup>	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999 <sup>2</sup>	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,234
<b>1998<sup>2</sup></b>									
Jan.	9,151	11,243	2,071	15,369	6,825	5,501	5,381	16,944	72,485
Feb.	10,297	14,426	2,099	11,315	8,537	6,476	7,836	15,893	76,879
Mar.	11,119	16,632	2,687	12,254	8,405	6,434	6,580	19,326	83,437
Apr.	11,412	17,555	2,244	13,372	9,363	6,097	10,499	19,540	90,082
May	11,884	19,942	2,212	17,175	10,153	5,724	7,309	20,568	94,967
June	9,699	19,229	1,681	16,449	9,192	6,330	8,076	16,247	86,903
July	11,006	18,030	2,131	16,205	11,388	6,160	8,520	22,468	95,908
Aug.	9,337	13,240	1,929	13,922	7,694	5,026	7,356	18,054	76,558
Sept.	12,116	17,366	1,770	14,289	9,299	5,665	6,697	18,301	85,503
Oct.	12,023	18,496	2,042	17,529	9,088	6,318	10,686	19,095	95,277
Nov.	12,203	18,066	2,165	17,181	9,599	5,891	7,690	19,849	92,644
Dec.	7,969	15,158	2,455	19,280	8,748	5,738	5,290	19,640	84,278
<b>1999<sup>2</sup></b>									
Jan.	7,972	14,389	1,827	16,418	7,316	4,603	9,291	19,174	80,990
Feb.	8,373	13,615	1,853	15,115	8,443	5,711	5,867	18,744	77,721
Mar.	11,233	15,560	2,199	16,694	10,126	6,204	7,140	23,922	93,078
Apr.	11,923	16,209	1,906	17,446	10,177	6,796	9,121	23,139	96,717
May	11,173	15,162	1,645	18,078	8,794	7,224	7,037	27,722	96,835
June	8,900	16,367	1,950	14,686	10,740	5,864	6,699	23,120	88,326
July	10,645	15,293	2,428	18,105	10,866	6,573	7,451	23,118	94,479
Aug.	10,787	12,406	2,089	15,199	8,763	5,240	8,164	21,958	84,606
Sept.	9,604	15,696	1,986	16,562	9,572	4,904	8,903	24,616	91,843
Oct.	11,792	20,505	2,891	22,831	9,729	6,916	9,066	29,586	113,316
Nov.	11,407	16,682	2,609	22,583	10,143	6,860	9,447	29,345	109,076
Dec.	9,927	17,989	2,314	23,304	8,900	6,280	7,778	32,755	109,247

<sup>1</sup> Figures prior to 1990 are for West Germany only.

<sup>2</sup> Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

**TABLE 4.7 DOMESTIC EXPORTS BY COMMODITY SECTIONS**

*Lm thousands*

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1985	6,202	5,410	1,603	616	21	1,953	17,953	33,371	101,990	125	169,244
1986	4,561	4,864	1,247	16	3	2,404	20,210	45,021	101,868	121	180,317
1987	4,208	4,569	1,541	20	1	2,911	23,099	54,949	99,322	86	190,706
1988	4,967	2,661	2,015	2	12	2,532	24,960	83,646	96,228	124	217,147
1989	5,077	2,091	2,560	8	8	3,022	28,033	137,137	95,529	142	273,607
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,723
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997 <sup>1</sup>	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,932
1998 <sup>1</sup>	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999 <sup>1</sup>	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,441
<b>1998<sup>1</sup></b>											
Jan.	398	124	34	-	-	734	4,087	30,470	11,621	1	47,469
Feb.	524	142	217	-	-	1,348	3,850	32,396	12,646	25	51,147
Mar.	910	157	70	-	-	1,128	4,319	39,952	12,208	6	58,751
Apr.	859	153	114	-	-	1,082	3,571	33,910	10,458	23	50,169
May	1,979	252	156	-	-	1,624	4,566	39,937	12,612	92	61,219
June	809	102	263	-	2	1,218	4,509	42,914	15,969	20	65,807
July	1,403	244	149	-	-	1,306	4,302	39,238	13,622	124	60,390
Aug.	1,549	253	176	-	-	581	2,485	33,401	9,666	19	48,130
Sept.	1,418	172	45	-	-	1,128	3,683	40,460	8,339	118	55,364
Oct.	1,909	213	127	8	-	1,430	4,347	33,703	12,120	32	53,888
Nov.	1,102	127	133	1	-	998	5,427	40,166	13,971	77	62,002
Dec.	621	199	39	-	-	665	3,091	38,346	7,508	13	50,480
<b>1999<sup>1</sup></b>											
Jan.	686	46	208	-	-	1,237	4,829	37,134	13,645	77	57,862
Feb.	453	93	63	-	-	1,458	3,248	35,445	11,413	358	52,531
Mar.	797	188	26	-	-	1,168	4,288	39,998	12,824	93	59,382
Apr.	1,062	119	132	-	-	1,312	5,322	38,414	14,344	59	60,766
May	2,428	263	73	-	-	1,010	3,852	42,017	13,081	87	62,811
June	876	189	160	-	-	1,012	4,394	39,562	10,336	43	56,572
July	827	102	56	-	-	1,127	3,865	35,857	13,044	60	54,938
Aug.	2,728	294	23	-	-	918	3,586	35,369	12,848	74	55,840
Sept.	1,615	199	92	-	-	1,205	3,365	38,110	11,822	21	56,430
Oct.	1,900	227	256	-	-	1,574	5,338	41,603	15,807	86	66,792
Nov.	1,205	199	157	-	-	1,201	4,632	44,816	12,912	75	65,198
Dec.	910	157	200	-	-	996	3,343	47,147	10,543	22	63,319

<sup>1</sup> Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

**TABLE 4.8 IMPORTS BY COMMODITY SECTIONS**

*Ln thousands*

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1985	45,515	9,029	6,715	42,468	2,722	25,675	99,045	85,291	32,452	5,227	354,139
1986	39,027	9,857	6,858	20,953	1,418	27,908	101,589	96,466	38,540	5,497	348,113
1987	41,781	8,667	7,515	25,065	1,533	30,817	100,904	128,181	38,306	10,107	392,876
1988	46,779	8,736	8,817	20,346	1,620	34,705	104,787	166,198	45,423	10,021	447,432
1989	53,383	7,766	7,748	32,607	1,623	36,041	114,386	208,388	47,100	6,764	515,806
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,509
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997 <sup>1</sup>	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998 <sup>1</sup>	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
1999 <sup>1</sup>	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,239
<b>1998<sup>1</sup></b>											
Jan.	8,049	843	1,393	3,418	311	6,158	10,042	35,762	5,969	540	72,485
Feb.	9,181	1,059	1,074	3,290	191	6,270	10,951	35,777	8,275	811	76,879
Mar.	7,373	1,192	1,110	2,732	273	6,736	12,552	40,366	10,461	642	83,437
Apr.	7,777	1,226	1,355	4,132	122	7,549	13,370	43,115	10,762	674	90,082
May.	8,003	980	1,256	3,853	264	6,844	13,201	49,740	9,945	881	94,967
June	7,690	1,416	1,464	4,902	374	6,494	12,973	42,197	8,556	837	86,903
July	7,705	1,558	1,132	2,408	136	8,149	13,131	50,777	10,223	689	95,908
Aug.	6,630	1,807	880	1,898	119	5,868	9,472	40,625	8,710	549	76,558
Sept.	7,827	1,580	787	5,451	239	6,420	10,413	41,866	10,112	808	85,503
Oct.	9,928	1,106	1,190	2,741	187	6,935	13,255	47,225	11,973	737	95,277
Nov.	9,181	1,957	1,319	1,816	444	6,546	12,201	47,700	10,382	1,098	92,644
Dec.	7,355	817	1,518	2,640	129	6,163	11,690	45,091	8,002	873	84,278
<b>1999<sup>1</sup></b>											
Jan.	7,447	877	746	5,518	171	6,327	9,559	43,591	6,034	720	80,991
Feb.	6,468	875	1,228	3,005	173	6,507	11,416	38,877	8,506	667	77,721
Mar.	8,861	924	1,100	3,594	201	7,198	12,876	45,434	12,005	887	93,078
Apr.	8,306	1,346	1,245	4,120	336	6,804	12,934	49,291	11,743	592	96,717
May.	7,700	1,747	1,004	3,187	143	6,705	13,495	53,007	9,215	633	96,836
June	7,587	1,672	1,050	4,719	176	6,859	12,000	45,273	8,301	690	88,327
July	6,920	1,879	1,346	3,520	211	7,942	13,843	50,158	7,981	677	94,479
Aug.	9,369	1,228	961	2,725	317	6,669	9,680	43,751	9,317	588	84,606
Sept.	7,743	1,414	1,221	5,267	113	6,330	9,911	47,534	11,482	829	91,844
Oct.	10,072	1,628	1,028	10,797	163	7,216	11,365	58,394	12,076	576	113,316
Nov.	10,302	1,729	1,320	2,794	171	7,232	12,371	59,747	12,831	579	109,076
Dec.	8,641	2,683	938	9,479	170	6,642	11,238	59,091	9,384	979	109,248

<sup>1</sup> Provisional

Note: Figures may not add up due to rounding.

**TABLE 5.1 GROSS NATIONAL PRODUCT**  
*By Category of Expenditure at Current Market Prices*

*Lm thousands*

Period	Consumers' Expenditure <sup>1</sup>	Government Consumption Expenditure <sup>2</sup>	Gross Fixed Capital Formation <sup>3</sup>	Inventory Changes <sup>4</sup>	Exports of Goods & Services	Total Final Expenditure	Less Imports of Goods & Services	Gross Domestic Product	Net Investment Income from Abroad <sup>5</sup>	Gross National Product
1985	333,239	84,309	125,871	7,883	345,155	896,457	420,475	475,982	38,785	514,767
1986	343,369	89,508	122,327	8,179	370,228	933,611	421,742	511,869	28,056	539,925
1987	351,187	98,249	153,453	-2,377	429,593	1,030,105	480,934	549,171	30,661	579,832
1988	387,567	105,185	166,405	8,150	480,024	1,147,331	540,880	606,451	28,343	634,794
1989	425,515	119,613	188,437	9,903	543,463	1,286,931	616,792	670,139	35,763	705,902
1990	460,845	129,153	232,611	12,668	626,415	1,461,692	726,947	734,745	55,017	789,762
1991	494,504	147,055	239,144	15,556	701,865	1,598,124	791,249	806,875	49,663	856,538
1992	531,350	164,335	240,874	145	804,056	1,740,760	866,010	874,750	41,695	916,445
1993	561,498	188,862	276,804	3,708	896,325	1,927,197	987,163	940,034	35,481	975,515
1994	608,288	209,519	305,388	9,957	994,410	2,127,562	1,099,028	1,028,534	19,331	1,047,865
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999 <sup>6</sup>	907,980	270,207	329,086	10,781	1,329,745	2,847,799	1,401,061	1,446,738	-2,332	1,444,406
1999 <sup>6</sup>										
Mar.	207,460	65,723	69,448	19,121	282,036	643,788	306,805	336,983	14,563	351,546
June	234,367	70,001	88,042	-8,271	334,539	718,678	349,324	369,354	-4,487	364,867
Sept.	231,642	65,462	79,465	-25,823	366,168	716,914	346,061	370,853	8,208	379,061
Dec.	234,511	69,021	92,131	25,754	347,002	768,419	398,871	369,548	-20,616	348,932

<sup>1</sup> Expenditure on consumption of goods and services by persons and non-profit making bodies.

<sup>2</sup> Excludes transfer payments (social security benefits, subsidies and grants) and capital expenditure.

<sup>3</sup> Expenditure on fixed capital assets by the Government as well as the private and parastatal sectors.

<sup>4</sup> Increase in the quantity of stocks and work in progress held by the Government and trading enterprises. This is obtained as a residual and therefore contains the error term.

<sup>5</sup> Income from foreign investments held by private individuals and corporations, the Government and the banking sector, less interest payments by local banks to non-resident deposit holders, dividends payable to non-resident shareholders, as well as undistributed profits of non-resident owned companies.

<sup>6</sup> Provisional.

SOURCE: Central Office of Statistics

**TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY**

Period	United Kingdom	Italy	North Africa <sup>1</sup>	Germany <sup>2</sup>	Scandinavian Countries <sup>3</sup>	United States	All Others	Total
1985	256,468	43,810	49,603	56,998	19,990	6,836	84,159	517,864
1986	329,390	36,475	28,484	59,711	23,177	5,199	91,753	574,189
1987	446,686	43,551	48,014	70,228	22,484	7,099	107,881	745,943
1988	476,578	50,678	40,669	77,644	22,533	8,734	107,010	783,846
1989	492,899	53,223	34,111	91,717	23,273	9,831	123,257	828,311
1990	450,002	64,039	38,881	130,203	29,444	9,934	149,273	871,776
1991	458,523	64,008	50,094	136,452	17,891	8,809	159,259	895,036
1992	525,629	76,045	43,882	153,531	21,851	9,302	172,142	1,002,382
1993	520,778	85,671	53,465	176,077	21,276	10,314	195,632	1,063,213
1994	530,385	98,746	45,337	200,281	29,920	11,973	259,581	1,176,223
1995	461,159	97,384	43,534	187,761	32,979	10,945	282,209	1,115,971
1996	398,899	89,439	56,958	184,110	33,338	11,969	279,075	1,053,788
1997	436,899	90,190	45,702	193,020	33,576	14,924	296,850	1,111,161
1998	448,763	90,558	44,508	203,199	35,414	17,641	342,157	1,182,240
<b>1998</b>								
Jan.	16,891	2,818	1,623	6,312	1,291	1,202	8,057	38,194
Feb.	25,907	2,789	2,858	10,078	990	1,174	12,012	55,808
Mar.	34,494	4,259	2,479	16,454	1,507	1,511	17,842	78,546
Apr.	35,225	9,462	1,930	22,351	3,202	1,565	35,378	109,113
May	43,548	6,174	3,543	22,006	3,161	1,619	35,591	115,642
June	45,163	7,297	4,030	16,261	5,053	1,876	33,695	113,375
July	50,318	11,871	6,248	19,836	5,275	1,674	49,825	145,047
Aug.	52,171	25,286	6,116	20,482	3,661	1,534	49,393	158,643
Sept.	51,695	7,271	5,599	20,846	4,591	1,451	35,467	126,920
Oct.	42,290	4,046	4,159	23,983	3,614	1,705	31,509	111,306
Nov.	30,289	3,046	3,301	14,674	1,947	1,149	17,004	71,410
Dec.	20,772	6,239	2,622	9,916	1,122	1,181	16,384	58,236
<b>1999</b>								
Jan.	17,937	2,976	2,319	8,000	1,321	1,031	11,107	44,691
Feb.	24,585	3,480	2,778	11,266	1,215	1,145	14,738	59,207
Mar.	36,038	4,772	3,109	20,105	2,666	1,810	23,137	91,637
Apr.	35,356	6,957	3,202	20,332	4,196	1,456	33,387	104,886
May	36,944	5,819	4,272	24,217	4,783	2,064	38,820	116,919
June	43,043	6,974	4,860	18,613	7,283	2,026	35,341	118,230
July	45,561	13,910	5,995	19,567	6,652	2,066	55,726	149,477
Aug.	50,956	25,612	6,759	19,260	3,871	1,253	51,458	159,169
Sept.	44,808	8,170	5,040	21,549	5,154	1,519	43,075	129,315
Oct.	38,374	5,492	5,306	25,523	5,492	1,882	33,308	115,377
Nov.	30,452	3,299	4,849	14,279	2,515	1,366	16,630	73,390
Dec.	18,314	5,265	4,048	9,719	1,217	940	12,429	51,932

<sup>1</sup> North African countries include Algeria, Egypt, Libya, Morocco and Tunisia.

<sup>2</sup> Figures prior to 1990 are for West German tourists only.

<sup>3</sup> Scandinavian countries include Denmark, Norway and Sweden.

SOURCE: Central Office of Statistics



**TABLE 5.3 LABOUR MARKET**

End of Period	Labour Supply			Gainfully Occupied			Unemployment <sup>1</sup>					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent <sup>2</sup>	Amount	Percent <sup>3</sup>	Amount	Percent
1985	92,835	29,850	122,685	85,058	27,689	112,747	7,777	8.4	2,161	7.2	9,938	8.1
1986	93,404	30,204	123,608	86,785	28,324	115,109	6,619	7.1	1,880	6.2	8,499	6.9
1987	95,764	31,787	127,551	91,133	30,788	121,921	4,631	4.8	999	3.1	5,630	4.4
1988	97,633	32,493	130,126	93,475	31,498	124,973	4,158	4.3	995	3.1	5,153	4.0
1989	98,040	32,916	130,956	93,980	32,155	126,135	4,060	4.1	761	2.3	4,821	3.7
1990	98,655	33,628	132,283	94,331	32,865	127,196	4,324	4.4	763	2.3	5,087	3.8
1991	100,039	35,218	135,257	96,029	34,309	130,338	4,010	4.0	909	2.6	4,919	3.6
1992	101,470	35,687	137,157	96,982	34,627	131,609	4,488	4.4	1,060	3.0	5,548	4.0
1993	102,086	36,348	138,434	96,813	35,446	132,259	5,273	5.2	902	2.5	6,175	4.5
1994	100,424	35,677	136,101	95,593	34,923	130,516	4,831	4.8	754	2.1	5,585	4.1
1995	103,211	36,868	140,079	98,778	36,054	134,832	4,433	4.3	814	2.2	5,247	3.7
1996	104,058	38,332	142,390	98,878	37,267	136,145	5,180	5.0	1,065	2.8	6,245	4.4
1997	104,747	39,190	143,937	98,700	38,088	136,788	6,047	5.8	1,102	2.8	7,149	5.0
<b>1998</b>												
Jan.	104,500	39,041	143,541	98,416	37,990	136,406	6,084	5.8	1,051	2.7	7,135	5.0
Feb.	104,549	39,091	143,640	98,472	38,079	136,551	6,077	5.8	1,021	2.6	7,089	4.9
Mar.	104,444	39,258	143,702	98,348	38,287	136,635	6,096	5.8	971	2.5	7,067	4.9
Apr.	104,183	39,155	143,338	98,248	38,254	136,502	5,935	5.7	901	2.3	6,836	4.8
May	104,121	39,166	143,287	98,309	38,301	136,610	5,812	5.6	865	2.2	6,677	4.7
June	104,058	39,247	143,305	98,350	38,397	136,747	5,708	5.5	850	2.2	6,558	4.6
July	104,432	39,695	144,127	98,532	38,638	137,170	5,900	5.6	1,057	2.7	6,957	4.8
Aug.	104,788	39,975	144,763	98,783	38,869	137,652	6,005	5.7	1,106	2.8	7,111	4.9
Sept.	104,725	39,935	144,660	98,594	38,882	137,476	6,131	5.9	1,053	2.6	7,184	5.0
Oct.	104,736	39,847	144,583	98,507	38,788	137,295	6,229	5.9	1,059	2.7	7,288	5.0
Nov.	104,967	39,918	144,885	98,629	38,885	137,514	6,338	6.0	1,033	2.6	7,371	5.1
Dec.	104,908	39,916	144,824	98,478	38,909	137,387	6,430	6.1	1,007	2.5	7,437	5.1
<b>1999</b>												
Jan.	104,774	39,973	144,747	98,321	38,898	137,219	6,453	6.2	1,075	2.7	7,528	5.2
Feb.	105,025	40,073	145,098	98,468	38,977	137,445	6,557	6.2	1,096	2.7	7,653	5.3
Mar.	104,861	40,068	144,929	98,301	38,965	137,266	6,560	6.3	1,103	2.8	7,663	5.3
Apr.	104,717	40,013	144,730	98,358	38,970	137,328	6,359	6.1	1,043	2.6	7,402	5.1
May	104,808	40,166	144,974	98,538	39,135	137,673	6,270	6.0	1,031	2.6	7,301	5.0
June	104,823	40,352	145,175	98,593	39,247	137,840	6,230	5.9	1,105	2.7	7,335	5.1
July	105,317	40,970	146,287	98,862	39,597	138,459	6,445	6.1	1,373	3.4	7,828	5.4
Aug.	105,421	41,076	146,497	98,646	39,725	138,371	6,775	6.4	1,351	3.3	8,126	5.5
Sept.	105,307	41,218	146,525	98,531	39,983	138,514	6,776	6.4	1,235	3.0	8,011	5.5
Oct.	105,032	41,025	146,057	98,321	39,870	138,191	6,711	6.4	1,155	2.8	7,866	5.4
Nov.	105,066	41,094	146,160	98,379	39,978	138,357	6,687	6.4	1,116	2.7	7,803	5.3
Dec.	104,848	41,053	145,901	98,237	39,969	128,206	6,611	6.3	1,084	2.6	7,695	5.3

<sup>1</sup> Figures of unemployment exclude recruitment in the Emergency Labour Corps (set up in May 1972), the Pioneer Corps (set up in June 1973) and DIM (set up in February 1975).

<sup>2</sup> As a percentage of male labour supply.

<sup>3</sup> As a percentage of female labour supply.

SOURCE: Department of Labour up to June 1991  
Employment and Training Corporation as from July 1991

**TABLE 5.4 BUILDING APPLICATIONS APPROVED BY PURPOSE AND FLOOR SPACE AREA**

*sq. m (thousands)*

	Agricultural	Manufacturing	Tourism	Offices/Retail/ Warehousing	Dwellings	Parking	Recreational/ Social	Total
1993	10,057	26,158	5,065	65,912	143,286	80,219	25,848	356,545
1994	9,444	50,168	22,606	91,499	191,340	119,938	95,217	580,212
1995	13,690	66,548	38,549	86,630	283,814	208,562	62,396	760,189
1996	25,868	37,844	11,917	134,701	201,590	109,201	144,300	665,421
1997	9,020	74,589	12,244	124,755	273,158	178,582	19,397	691,745
<b>1996</b>								
Mar.	5,512	19,163	10,935	57,340	98,760	60,831	93,739	346,280
June	7,123	15,583	982	62,399	67,215	36,629	40,891	230,822
Sept.	12,121	952	-	4,796	10,472	6,308	2,797	37,446
Dec.	1,112	2,146	-	10,166	25,143	5,433	6,873	50,873
<b>1997</b>								
Mar.	1,037	7,080	176	32,499	55,573	35,086	11,223	142,674
June	3,002	11,329	7,350	31,004	68,512	38,043	3,116	162,356
Sept.	4,388	27,363	7,350	31,340	96,511	56,814	3,078	226,844
Dec.	593	28,817	4,718	29,912	52,562	48,639	1,980	167,221

*SOURCE: Planning Authority.*

**TABLE 5.5 NUMBER OF APPLICATIONS APPROVED BY TYPE OF DWELLING**

	Apartments	Maisonettes	Terraced Houses	Other	Total
1993	1,192	651	1,016	114	2,973
1994	1,744	1,219	1,014	149	4,126
1995	2,142	1,114	1,160	195	4,611
1996	1,862	1,399	745	221	4,227
1997	1,441	1,030	462	92	3,025

*SOURCE: Planning Authority.*

**TABLE 5.6 INFLATION RATES<sup>1</sup>**  
(Base 1946 = 100)

Year	Index	Inflation Rate (%)	Year	Index	Inflation Rate (%)
1946	100.00	-	(Continued)		
1947	104.90	4.90	1974	234.16	7.28
1948	113.90	8.58	1975	254.77	8.80
1949	109.70	-3.69	1976	256.20	0.56
1950	116.90	6.56	1977	281.84	10.01
1951	130.10	11.29	1978	295.14	4.72
1952	140.30	7.84	1979	316.21	7.14
1953	139.10	-0.86	1980	366.06	15.76
1954	141.20	1.51	1981	408.16	11.50
1955	138.80	-1.70	1982	431.83	5.80
1956	142.00	2.31	1983	428.06	-0.87
1957	145.70	2.61	1984	426.18	-0.44
1958	148.30	1.78	1985	425.17	-0.24
1959	151.10	1.89	1986	433.67	2.00
1960	158.80	5.10	1987	435.47	0.42
1961	164.84	3.80	1988	439.62	0.95
1962	165.16	0.19	1989	443.39	0.86
1963	168.18	1.83	1990	456.61	2.98
1964	172.00	2.27	1991	468.21	2.54
1965	174.70	1.57	1992	475.89	1.64
1966	175.65	0.54	1993	495.59	4.14
1967	176.76	0.63	1994	516.06	4.13
1968	180.42	2.07	1995	536.61	3.98
1969	184.71	2.38	1996	549.95	2.49
1970	191.55	3.70	1997 <sup>2</sup>	567.95	3.27
1971	196.00	2.32	1998	580.61	2.23
1972	202.52	3.33	1999	593.00	2.13
1973	218.26	7.77			

<sup>1</sup> The index of Inflation (Base 1946=100) is compiled by the Government's Statistics Department (C.O.S.) on the basis of the Retail Price Index in terms of Section 10C of the Housing (Decontrol) (Amendment) Act 1979.

<sup>2</sup> Following the revision of the 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 5.7 RETAIL PRICE INDEX<sup>1</sup>**  
(Base 1995 = 100)

Period	All Items
1985	78.87
1986	80.47
1987	80.81
1988	81.57
1989	82.28
1990	84.73
1991	86.88
1992	88.30
1993	91.96
1994	95.76
1995	99.57
1996	102.05
1997	105.39
1998	107.74
1999	110.04
<b>1999</b>	
Jan.	108.62
Feb.	109.06
Mar.	109.46
Apr.	108.92
May	109.64
June	109.60
July	109.49
Aug.	110.13
Sept.	110.62
Oct.	110.82
Nov.	111.81
Dec.	112.26

<sup>1</sup> The New Retail Price Index, which has an "All Items" reading only, is based on the Household Budgetary Survey carried out in 1994-95. As it has a different weighting structure, reflecting the changed expenditure patterns that emerged from the survey, it is not continuous with the old (1991=100) index.

*SOURCE: Central Office of Statistics*

# General Methodological Notes on the Compilation of Money and Banking Statistics

## General Standards

The methodology underlying the compilation of monetary and banking statistics in the *Quarterly Review* is consistent with internationally agreed statistical and economic concepts, definitions, and classification as published in the International Monetary Fund's (IMF) "*A Guide to Money and Banking Statistics in International Financial Statistics*" (1984).

## Determination of Residence

Monetary data are based on the classification of transactions by the residence of the transactors. The transactors in the institutional sectors may either be **residents** or **non-residents** of Malta, a transactor being that economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. Thus, transactors comprise (a) households and (b) enterprises. The internationally agreed *residence* criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'. Thus, an enterprise (or a household) is considered to be a resident of Malta (the economic territory) when it is engaged in a significant amount of production of goods and/or services in that country or when it owns or rents land or buildings located there. The enterprise must maintain at least one production establishment indefinitely over a period of at least one year (in economic activities and transactions on a significant scale). The economic territory includes free enterprise zones and bonded warehouses or factories operated by offshore enterprises under customs control. Transactors not meeting the above-mentioned criteria are considered to be **non-resident** units, i.e. units that have their 'centre of economic interest' in other countries. Most offshore companies which are registered in Malta are treated as non-resident units, since they do not have a centre of economic interest in Malta. Furthermore, diplomatic bodies, embassies, consulates, military establishments and other entities of a foreign government located in Malta are considered as residents of the country they are representing and not of the country where they are located.

## Sector Classification of the Maltese Economy

The sectors of the Maltese economy, for statistical reporting purposes, are currently broken down by their primary activity into:

- (a) Banking Institutions
- (b) General/Central Government
- (c) Private Corporate/Business (non-bank) enterprises
- (d) Public Corporations and Authorities
- (e) Personal (or Households)

In addition to the above, there are those transactors that are considered to be non-residents (also referred to as the 'external sector' or the 'rest of the world').

- (a) **Banking Institutions** are divided into the four constituent subsectors of the banking system in Malta, namely:
  - (i) Central Bank of Malta

- (ii) Deposit Money Banks (DMB)
- (iii) Other Banking Institutions (OBI)
- (iv) International Banking Institutions (IBI)

The **Central Bank of Malta** is a distinct corporate body having specialised functions. It is assigned the responsibilities normally assigned to the monetary authority of a country, which include the issuing of bank notes and coin, holding the international reserves of the country, ensuring monetary stability, and the safeguarding of a sound financial system. **Deposit Money Banks** are those banking institutions that offer liabilities in the form of deposits payable on demand, transferable by cheque, or otherwise usable for making payments to non-bank enterprises and households. Their role as creators of deposit money distinguishes them from other banking institutions. In fact, the **Other Banking Institution**, are banks that mainly grant long-term loans and, in general, do not offer any deposit facilities to their customers. **International Banking Institutions** are those banks that offer international banking facilities to non-residents and accept deposits primarily from non-residents. Since international banking institutions are permitted to offer demand deposits to their customers, their assets and liabilities are consolidated with those of the deposit money banks in order to derive the statistical data for the *Monetary* and *Banking Surveys* (ie. Tables 1.5 and 1.6). The consolidated data of the IBI sector do not distinguish between those institutions that are registered under the Banking Act 1994 and those that are registered under the Malta Financial Services Centre Act, Cap. 330.

- (b) The principal function of **General/Central Government** is to carry out public policy through the production of non-market services, primarily for collective consumption, and the transfer of income, financed mainly by compulsory taxes on units in other sectors of the economy. Only one level of government exists in Malta, namely the Central Government, which implies that all central government operations also constitute the operations of General Government. Thus, central/general government includes the local councils and the public non-profit institutions (such as government appointed commissions, boards, agencies, foundations etc). Public corporations and authorities are not included in this sector (see section d).
- (c) The **Private Corporate/Business Sector** are those resident non-bank corporations under private ownership or control which are principally engaged in the production of market goods and non-bank services. These entities are collectively owned by shareholders that have the authority to appoint directors responsible for general management and may be a source of profit or other financial gain to their owners.
- (d) **Public Corporations and Authorities** include non-bank corporations/authorities (the parastatal sector) that are subject to control by Government. ‘Control’ is defined as the ability to determine general corporate policy. Such public corporations and authorities are normally involved in the production of industrial and commercial goods or the provision of services for individual or collective consumption on a large scale.
- (e) **The Personal Sector (or Household Sector)** include both resident individuals and unincorporated enterprises. A household may be defined as a small group of persons who share accommodation, pool their income and wealth and who consume certain types of goods and services collectively. The latter are those involved in small-scale production that provides employment and income for individuals or their families.

## Measures of Money

The Central Bank of Malta compiles data on three main monetary aggregates, namely **Narrow Money** (M1), **Quasi-Money** and **Broad Money** (M3). Narrow Money (M1) includes the most liquid components of Broad Money namely currency in circulation and demand deposits. Quasi money comprises the residents' savings and time deposits. Broad Money comprises the resident non-bank sector's holdings of bank notes and coin in circulation, and the resident non-bank deposits irrespective of denomination and maturity. Thus, Broad Money (M3) is broken down as follows:

Notes and Coin in circulation outside the banking system

Deposits (non-bank), including:

    Demand (current)

    Savings

    Time (fixed) deposits

## Compilation Process

Money and banking statistics are based on a consolidation of the monthly financial statements provided by the four subsectors of the local banking system. Figures for the monetary authorities which include the Central Bank of Malta and the Treasury (henceforth to be known as the Accountant General's Office) are obtained from the monthly balance sheet of the Central Bank of Malta, except for the figure on other official funds which is extrapolated from annual figures published by the Treasury in its *Financial Report*. The financial institutions have to submit data to the Central Bank of Malta no later than fifteen days following the end of the reporting month or quarter. Branches, agencies and offices of financial institutions operating in Malta and which are not incorporated in Malta are also obliged to submit financial information in the requested forms. The institutions compile monthly schedules in line with the international accounting norms as issued from time to time by International Accounting Standards Committee. The monthly financial data of the international banking institutions regulated by the Malta Financial Services Centre Act are submitted directly to the Bank by the Malta Financial Services Centre.

## Basis of Calculation

Monetary data, in general, show the stock position ie. outstanding balances on a particular date (end-month, end-quarter or end-year). Monetary data aggregates are consolidated, thus all identifiable inter-bank transactions are eliminated. Assets and liability items which are denominated in foreign currencies are converted into Maltese liri (Lm) at the middle exchange rate in effect at the end of the reporting period.

## Valuation

Assets and liabilities are reported at book value. Thus, investments such as securities and deposits are shown netted of any premium and accretion of discount. Loans and advances include overdrafts but exclude bills discounted, and are reported before adjustments for specific and general provisions for bad and doubtful debts. Interest in suspense is included in the reported loans and advances. Monetary figures are shown on an accruals basis. However, net foreign assets are shown on a cash basis.

## Central Bank Publications

Apart from the *Quarterly Review*, the other publications of the Central Bank of Malta that cover the Maltese monetary and banking sectors are the *Annual Report* and the monthly *Statistical Release on Monetary Aggregates and Their Determinants* published in the local press on the 7<sup>th</sup> day of every month.

## Sources of other economic data published in the *Quarterly Review*

### **Part 2 Government Finance**

The Treasury

### **Part 3 Public Debt**

Treasury Bills - Central Bank of Malta

Malta Government Stocks - Malta Stock Exchange

Government External Debt - The Treasury

### **Part 4 External Transactions**

Net Foreign Assets - Central Bank of Malta  
Banking Institutions

Exchange Rates - Central Bank of Malta

Foreign Trade - Central Office of Statistics (henceforth to be known as the Statistics Department)

### **Part 5 Real Economy**

Gross Domestic Product - Central Office of Statistics

Tourist Arrivals - Central Office of Statistics

Labour Market - Employment and Training Corporation

Building and Construction - Planning Authority

Inflation - Central Office of Statistics



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