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CONTENTS

ABBREVIATIONS

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

FOREWORD

The Governing Council of the European Central Bank (ECB) left the interest rate on the main refinancing operations (MRO) unchanged at 0.75% during the last five months of the year after lowering it by 25 basis points in early July 2012. The unchanged policy stance reflects the expectation that inflation in the euro area would remain in line with the ECB's objective of price stability over the medium term in the context of subdued economic activity. In addition, inflation expectations for the euro area remained firmly anchored.

As the financial sector in the euro area remained under pressure, implying that the monetary transmission mechanism was still impaired, the Eurosystem continued to implement non-standard monetary measures in both the third and the fourth quarters of 2012. In August the President of the ECB announced the introduction of Outright Monetary Transactions and in September the Governing Council decided on the modalities to be used to carry out these transactions in secondary markets for bonds issued by euro area countries. The ECB also eased collateral eligibility requirements for certain securities and began to accept again as collateral marketable debt instruments denominated in US dollars, pounds sterling and Japanese yen.

In December the Governing Council decided that MRO would remain subject to the fixed rate tender procedures with full allotment at least until 9 July 2013. This procedure will also remain in use for the Eurosystem's special-term refinancing operations and has been extended to the three-month longer-term refinancing operations to be allotted in the first half of 2013. During the same month, the ECB and four other leading central banks also agreed to extend their existing temporary liquidity swap arrangements until 1 February 2014, thereby allowing the ECB to continue lending US dollars to eligible counterparties in the euro area as needed. Furthermore, when required, the ECB would also be able to lend to its counterparties in pounds sterling, Swiss francs and Canadian dollars.

During the third quarter of 2012, the euro area economy contracted by 0.6% on a year earlier. This was due to a fall in domestic demand, which offset the positive contribution of net exports. All domestic demand components decreased in annual terms. However, private consumption and investment had the strongest negative impact.

Euro area inflation based on the Harmonised Index of Consumer Prices (HICP) accelerated between June and September, with the annual rate of change rising to 2.6% in September from 2.4% in June. This development was heavily influenced by movements in energy prices. Indeed, HICP inflation excluding energy and unprocessed food prices, which is a measure of underlying price pressures, remained moderate, easing to 1.6% in September.

According to the Eurosystem staff projections published in December 2012, the annual growth rate of gross domestic product (GDP) in the euro area was expected to have ranged between -0.6% and -0.4% in 2012, and to be between -0.9% and 0.3% in 2013. Real GDP growth is then expected to recover to between 0.2% and 2.2% in 2014. The euro area average annual inflation rate is expected to ease from 2.5% in 2012 to between 1.1% and 2.1% in 2013 and between 0.6% and 2.2% in 2014.

In Malta annual real GDP growth accelerated to 1.9% during the third quarter of 2012, from 1.3% in the second quarter. Both net exports and domestic demand contributed positively to the expansion. Government consumption and investment supported economic activity, as did changes in inventories, which include the statistical discrepancy. On the other hand, private consumption continued to contract, although more moderately compared with the first half of 2012.

HICP inflation moderated over the third quarter, with the annual rate dropping to 2.9% in September from 4.4% in June. This deceleration was due to developments in the price of services, notably a slower annual rate of increase in hotel accommodation rates in this particular quarter, as inflation in the remaining categories picked up.

Employment continued to expand in annual terms, with the Labour Force Survey showing an increase of 2.1%. Nonetheless, as the labour force increased even more rapidly, the unemployment rate rose to 6.6% during the third quarter of 2012 from 6.2% in the same period of 2011.

Developments in competitiveness indicators continued to be mixed during the quarter under review. The nominal harmonised competitiveness indicator increased from its June level, reflecting the appreciation of the euro against major currencies. On the other hand, the real measure dropped, owing to a narrowing in Malta's inflation differential relative to that of its trading partners. Growth in unit labour costs, measured as a four-quarter moving average, accelerated to 3.4% from 2.5% in the year to June, driven by more rapid increases in compensation to employees.

In the external sector, the current account of the balance of payments recorded a surplus in the third quarter, although this was smaller than in the corresponding period of 2011. The narrowing of the surplus reflected developments in the income account and a wider merchandise trade deficit. In contrast, the balance on both services and current transfers improved. When measured as a four-quarter sum the current account showed a surplus of 0.2% of GDP in September compared with a surplus of 2.1% in June.

The contribution of resident monetary financial institutions to the euro area broad money stock, which approximates the broad money aggregate (M3) in Malta, continued to accelerate in the third quarter of 2012. The annual growth rate stood at 6.3% in September, as against 5.6% in June. However, deposits held by Maltese residents grew at a slower pace than in the previous quarter, as did credit granted to them. Despite this slowdown, their annual rate of growth continued to exceed that in the euro area as a whole.

Meanwhile, in domestic financial markets, yields on three-month Treasury bills increased, with the secondary market rate standing at 1.25%. Yields on ten-year government bonds, in contrast, dropped, standing at 3.93% in September.

With regard to fiscal developments, the general government deficit increased slightly on a year-on-year basis in the third quarter, as expenditure grew at a faster pace than revenue. Measured over a 12-month period, the deficit stood at 3.1% of GDP at the end of September, compared with 2.7% at the end of June. The outcome for 2012 as a whole depends on developments in the fourth quarter of the year, when the deficit ratio has tended to be below the average for the first three quarters. General government debt, meanwhile, declined, with the debt-to-GDP ratio falling to 73.1% of GDP in September.

In its latest projection exercise concluded in November, the Bank estimated that real GDP growth slowed down to 1.0% in 2012. The Bank's estimates are based on a strong positive contribution from net exports. On the other hand, final domestic demand was expected to have lowered GDP, as private consumption was expected to remain weak.

For 2013, the Bank expects growth to slightly accelerate to 1.1% as private consumption and investment are expected to recover. Government consumption and net exports are expected to contribute moderately, reflecting, respectively, continued expenditure restraint and the still fragile, though improving, external environment. The Bank expects inflation to ease to 2.4% in 2013 as food price inflation is set to moderate and energy prices are projected to decline.

Risks to the GDP projections are seen to be broadly balanced. Downside risks relate to the possibility that external demand turns out to be weaker than expected, though the strong performance of exports in 2012 suggests a degree of resilience and possible upside risks to exports. Risks to the inflation outlook are also assessed as broadly balanced.

From a policy perspective, the Bank continues to emphasise that, on the fiscal front, expenditure restraint is necessary to ensure lasting progress towards a structural balanced budget. The achievement of a balanced budget would enable a faster reduction in the debt ratio. Price stability and fiscal discipline are key elements supporting sustainable economic growth. These need to be complemented by structural reforms to improve efficiency, while labour compensation should be closely aligned with productivity at the level of the individual firm.

Meanwhile, to better safeguard financial stability in Malta, the Central Bank of Malta has taken concrete steps to strengthen cooperation with the Malta Financial Services Authority, which regulates and supervises the Maltese financial system, with the recent establishment of the Joint Financial Stability Board. This notwithstanding, the Bank stresses that prudent business practices on the part of banks and other financial institutions remain the first line of defence in ensuring the stability of the financial system.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

Economic developments in the major industrial countries outside the euro area were mixed in the third quarter of 2012. The pace of expansion recorded in the previous quarter was broadly maintained in the United States but slowed down markedly in Japan. On the other hand, output stagnated in annual terms in the United Kingdom, while the major emerging Asian economies experienced a slowdown in growth. Inflation patterns differed across the world's main economies and were affected primarily by an easing in food price pressures and rising energy costs.

During the third quarter of 2012 economic activity in the euro area contracted on a year earlier, with the decline driven by a reduction in domestic demand. Labour market conditions also deteriorated further, with the unemployment rate reaching a new record high. Meanwhile, the annual rate of inflation picked up during the quarter under review.

The Governing Council of the European Central Bank (ECB) reduced key interest rates by 25 basis points in July, bringing the rate on the main refinancing operations (MRO) to 0.75%. Thereafter, rates were left unchanged. The Council also continued to implement non-standard monetary policy measures.

International economic developments

US economy continues to expand

Economic activity in the United States grew at an annual rate of 2.6% during the third quarter of 2012, up from 2.1% in the previous quarter (see Table 1.1). Growth was mainly driven by domestic demand, supported by private consumption, inventory changes, and investment. On the other hand, the contributions of net exports and government consumption to growth were negligible during the period under review.

On a quarterly basis, gross domestic product (GDP) rose by 0.8% during the third quarter, following a 0.3% increase in the previous quarter. In particular, government spending posted its strongest quarterly growth rate in three years. The housing market continued to recover, while an

Table 1.1
REAL GDP GROWTH
Annual percentage changes; seasonally adjusted

	2011		2012		
	Q3	Q4	Q1	Q2	Q3
United States	1.6	2.0	2.4	2.1	2.6
Euro area	1.3	0.6	-0.1	-0.5	-0.6
United Kingdom	0.7	0.9	0.2	-0.3	0.0
Japan	-0.5	0.0	3.3	4.0	0.5
China	9.7	9.1	8.1	7.6	7.4
India	7.5	6.2	5.2	3.9	3.2

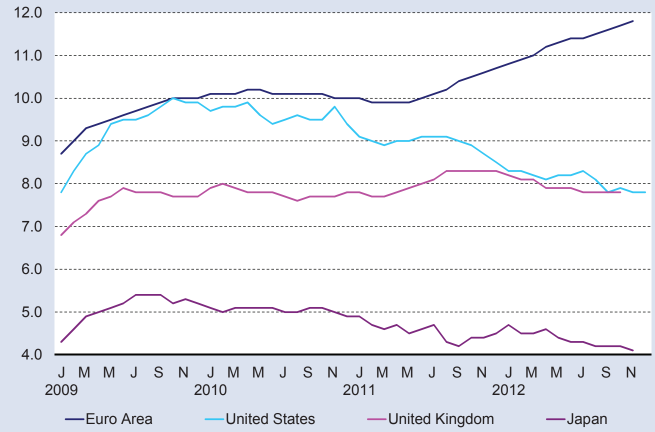
Sources: Eurostat; OECD.

upturn was also observed in the labour market, with the unemployment rate falling to 7.8% in September from 8.2% in June (see Chart 1.1). Going into the following quarter, the unemployment rate rose marginally in October before edging down to 7.8% in November, remaining stable at this level through to the year's end.

Annual consumer price inflation in the United States rose to 2.0% in September from 1.7% in June (see Chart 1.2). Developments during the quarter were mixed, with inflation decelerating in July on the back of declining energy prices. Inflation rose once more in August and September, mainly reflecting a rebound in energy prices, such as petrol, which offset a deceleration in food prices. Core inflation, excluding food and energy, eased during the period, declining to 2.0% in September from 2.2% in June, on account of lower goods inflation. During the following quarter, inflation accelerated to 2.2% in October before slowing down to 1.7% in December.

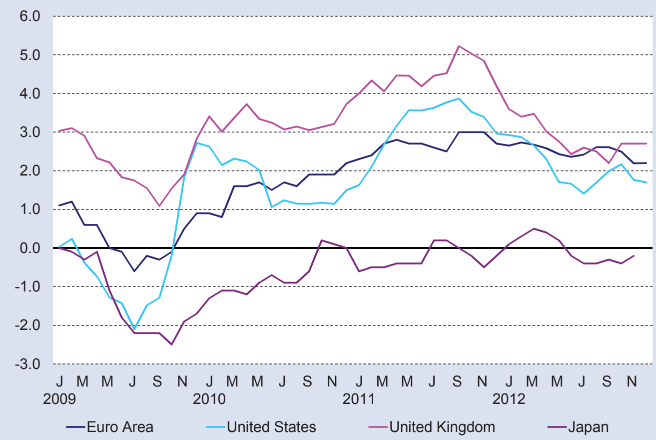
In light of these developments, the Federal Reserve kept the federal funds target rate unchanged in a range between zero and 0.25% during both the third and fourth quarters of 2012 (see Chart 1.3), noting that such low levels would be maintained as long as the unemployment rate remained above 6.5%, and medium-term inflation was below 2.5%. In July the Federal Reserve decided to maintain its existing policy of reinvesting

Chart 1.1
UNEMPLOYMENT RATE
(monthly data; seasonally adjusted)



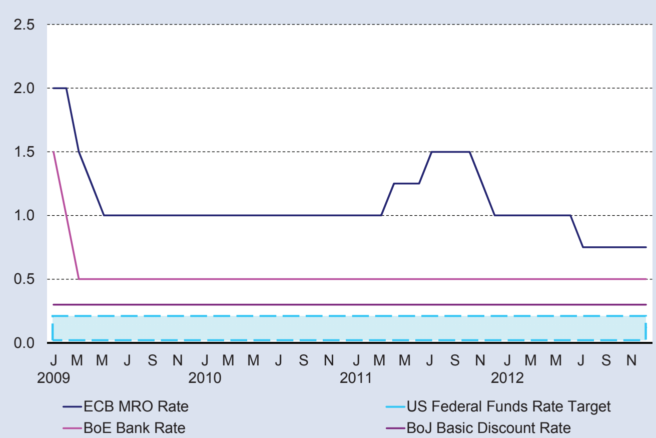
Source: Eurostat.

Chart 1.2
CONSUMER PRICE INFLATION IN ADVANCED ECONOMIES
(annual percentage changes)



Sources: Eurostat; Bureau of Labor Statistics, US; Statistics Bureau, Japan.

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



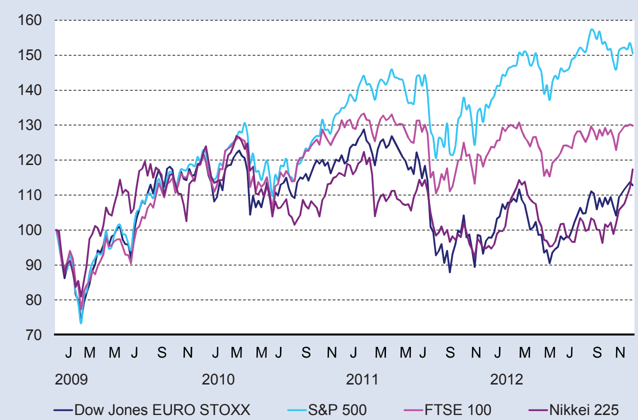
Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

principal payments from its holdings of agency debt and mortgage-backed securities in agency mortgage-backed securities, while continuing its programme of replacing holdings of short-term US Treasury securities with long-term ones till the end of 2012. The Federal Reserve also announced a further round of quantitative easing in September, agreeing to purchase USD40 billion per month in mortgage-backed securities in a bid to support mortgage markets. In December the Federal Reserve announced that from January 2013 it would buy USD45 billion per month in long-term Treasury securities and resume rolling over maturing Treasury securities. These actions are aimed at putting downward pressure on long-term interest rates.

Equity prices in the United States generally rose during the third quarter of the year, with the S&P500 index gaining 5.8% following a 3.3% decline in the previous quarter (see Chart 1.4). During this period, the ten-year US government bond yield, which had fallen by 57 basis points during the second quarter, shed 1 basis point, standing at 1.6% at end-September (see Chart 1.5). Tension in financial markets abated over the quarter, especially following the ECB's announcement of Outright Monetary Transactions (OMT) in September. A recovery in the US labour market and the Federal Reserve's announcement of a new round of quantitative easing in September also reduced tensions, pushing up equity prices and reducing the demand for safe-haven assets, such as US government bonds.

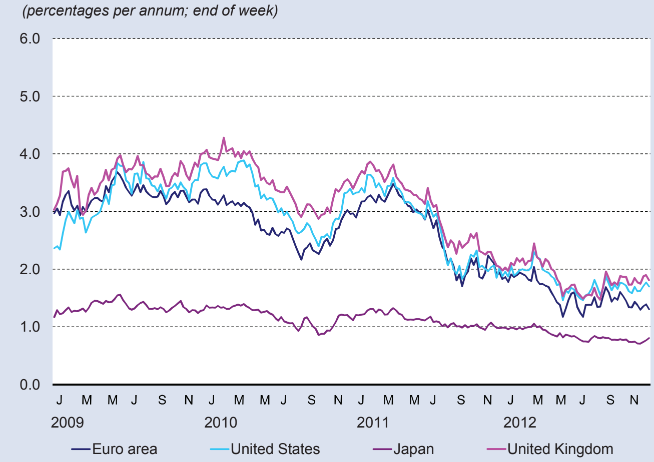
In the following quarter, equity prices fell in October before somewhat recovering in November and December, though still ending the year 1.0% below their value three months earlier. The US ten-year government bond yield rose during the fourth quarter, up by 12 basis points from its end-September level. Overall, financial market developments were mixed during the quarter, dominated by the US presidential election and uncertainty about fiscal policy, as well as by a continued easing of tension in the euro area.

Chart 1.4
STOCK PRICE INDICES
(end of week index; 1 Jan. 2009=100)



Source: Reuters.

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



Source: Reuters.

UK economy stagnates

Economic activity in the United Kingdom stagnated during the third quarter of 2012, following a year-on-year decline of 0.3% in the second quarter (refer to Table 1.1). Although growth was supported by private consumption and government spending, this was offset by negative contributions from inventories and net exports. The contribution of investment was minimal.

On a quarterly basis, UK GDP rose by 0.9% during the period under review, following three consecutive quarters of contraction. This rebound was mainly a reflection of one-off factors, such as the unwinding of the negative impact from an additional bank holiday in the previous quarter and the boost resulting from the London Olympics in summer. The output of production industries, including oil and gas, rose during the period, as did activity in the services sector. On the other hand, output in the construction industry continued to contract during the period under review. Meanwhile, the labour market slightly improved, with the unemployment rate easing from 7.9% in June to 7.8% in August, and remaining stable at this level until October (see Chart 1.1).

The annual inflation rate in the United Kingdom fell to 2.2% in September, the lowest level in over two years (refer to Chart 1.2). Prices accelerated slightly in July owing to temporary factors, such as variations in the seasonal pattern of clothing prices, before decelerating in August and September as a result of energy price base effects. Inflation rose once again in October, to 2.7%, and remained unchanged throughout the fourth quarter.

Against this backdrop, the Bank of England maintained its official bank rate at 0.50% during the period under review (refer to Chart 1.3). However, in July the Bank increased the size of its asset purchase programme by GBP50 billion to GBP375 billion. Furthermore, together with the Treasury, the Bank of England launched the Funding for Lending Scheme, designed to boost lending to the real economy by providing increased funds to financial institutions at favourable rates.

Equity prices in the United Kingdom, as measured by the FTSE100 index, gained 3.1% during the third quarter, thereby reversing the decline seen in the previous quarter (refer to Chart 1.4). On the other hand, the UK ten-year government bond yield stood at 1.7% at end-September, shedding 1 basis point in the third quarter following a 47 basis point decline in the second quarter (refer to Chart 1.5). Tensions in the euro area weighed down on equity markets during July, with investors preferring the relative safety of assets, such as UK government bonds. Equity prices recovered during August and September, reflecting investor expectations regarding monetary policy stimulus. The ten-year government bond yield generally rose during September, as the ECB's announcement of OMTs may have reduced demand for UK government securities by easing market tension.

During the following quarter, equity prices continued to improve, ending December 2.7% higher than their value in September. Over the same period, the UK ten-year government bond yield increased by 10 basis points, reflecting an easing of market concerns in the euro area.

Japanese recovery loses momentum

Real GDP in Japan grew by 0.5% on an annual basis during the third quarter of the year, following a 4.0% increase in the previous three-month period (refer to Table 1.1). Growth was driven by domestic demand, reflecting positive contributions from private consumption, government spending, and investment. On the other hand, inventory changes contributed negatively to growth. Exports declined during the quarter, on the back of a strong yen and a territorial dispute with

China that disrupted bilateral trade. Demand for exports was also hit by a slowdown in key markets, including the euro area.

On a quarterly basis, the Japanese economy contracted by 0.9% during the third quarter of the year, the second consecutive decline. Nevertheless, labour market conditions improved slightly, with the unemployment rate standing at 4.2% in September, down from 4.3% in June (see Chart 1.1). The jobless rate marginally declined to 4.1% in November.

Prices in Japan followed a deflationary trend during the third quarter of 2012, declining by 0.3% in September on an annual basis, following a year-on-year drop of 0.2% in June (refer to Chart 1.2). This reflected a fall in food prices during the period, which was partly offset by an acceleration in energy prices. Core inflation stood at -0.6% in September, thereby remaining unchanged since May. Going forward, the annual rate of inflation remained negative, standing at -0.2% in November. Inflation in Japan has been alternating between negative and slightly positive annual rates since the third quarter of 2010.

Given this backdrop, the Bank of Japan kept the basic discount rate unchanged at 0.3%, while the target uncollateralized overnight call rate remained in a range of between zero and 0.1% (refer to Chart 1.3). During the second half of the year, the Bank increased the size of its asset purchase programme by 10 trillion yen in September, 11 trillion yen in the following month and 10 trillion yen in December, to around 101 trillion yen. In December the Bank of Japan also established the operational details of its Stimulating Bank Lending Facility, which aims to provide long-term funds at a low interest rate to financial institutions until March 2014.

The Japanese ten-year government bond yield decreased, shedding 7 basis points during the third quarter following a 15 basis point decline in the previous quarter (refer to Chart 1.5). Meanwhile, Japanese equity prices, as measured by the Nikkei225 index, declined by 1.5%, following a 10.7% drop in the previous quarter (refer to Chart 1.4). As in other major economies, equity prices during July declined on the back of increased tensions in the euro area, which also reduced Japanese government bond yields. In August and September, equity prices were supported by the announcement of additional accommodative monetary policy measures in Japan and elsewhere. On the other hand, concerns over a territorial dispute with China weighed on the Nikkei225 index during the period.

Equity prices rebounded during the following quarter, rising by 17.2% between September and December. This recovery mainly took place in December, following a commitment by the newly-elected government to major fiscal and monetary stimulus. The ten-year government bond yield also rose, up by 3 basis points from its level in September.

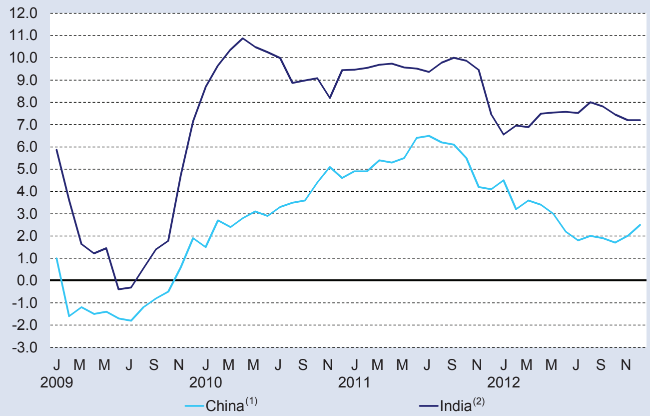
Growth in emerging Asia slows down

Economic activity in the main emerging Asian economies slowed down further on an annual basis during the third quarter of 2012.

In China GDP grew at an annual rate of 7.4% during the period, down from 7.6% in the previous quarter (refer to Table 1.1). A weaker external environment and the lagged effect of earlier domestic monetary policy tightening contributed to this slowdown. Growth was mainly supported by domestic demand, in particular consumption and investment, while net exports contributed modestly. On a quarterly basis, however, growth accelerated slightly from 2.0% in the second quarter to 2.1% in the third quarter.

Price pressures in China continued to ease, with the annual rate of consumer price inflation dropping to 1.8% in September from 2.1% in June (see Chart 1.6). Service prices rose at a faster annual rate during the period, though this was offset by a decline in consumer goods inflation, including a deceleration in food prices. Going into the following quarter, inflation picked up again on the back of rising food prices, standing at 2.5% in December.

Chart 1.6
INFLATION IN EMERGING ASIA
(annual percentage changes)



(1) Consumer price inflation (2) Wholesale price inflation
Sources: OECD; Reserve Bank of India.

Against this background, in July the People's Bank of China cut its benchmark deposit rate by 25 basis points and the benchmark loan rate by 31 basis points, to 3% and 6% respectively, while simultaneously giving banks more freedom to set their own rates. The Bank also made use of open-market operations to support liquidity. Stimulus measures were further announced by the central government in September, comprising a multi-billion dollar spending package on infrastructural projects in an attempt to boost economic growth.

In India GDP grew by 3.2% on a year earlier during the period under review, down from 3.9% in the previous quarter (refer to Table 1.1). This was the seventh successive quarter of deceleration, reflecting slower growth of both consumption and exports. In contrast, investment accelerated during the period. In September the Indian government announced major economic reforms aimed at opening up the country further to foreign direct investment. The monetary policy stance was also loosened, with the Reserve Bank of India reducing the statutory liquidity ratio for commercial banks in July. It also cut the cash reserve ratio twice, in September and in October.

With regard to prices, the annual rate of change in the wholesale price index rose to 7.8% in September from 7.6% in June (see Chart 1.6). Inflation then decelerated in the following quarter, dropping to 7.2% in December.

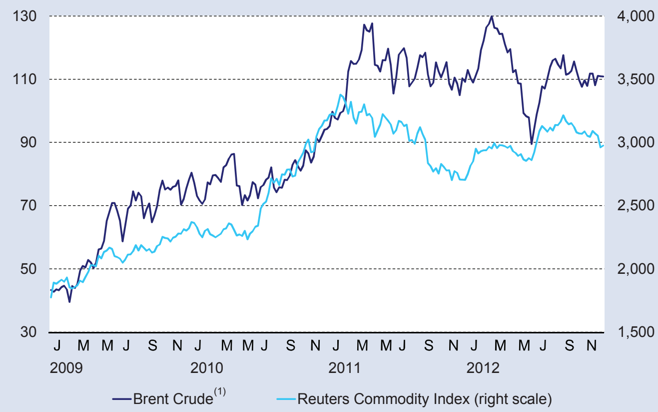
Commodities

Oil prices recover

The price of Brent Crude oil rose by 18.4% during the third quarter of the year, thereby partly reversing a 24.0% decline in the previous quarter (see Chart 1.7). This increase mainly occurred in July and August as tensions in Syria, labour strikes in Norway, and maintenance in the US and North Sea oil fields reduced global oil supply. July also saw the first full month of the combined US sanctions and EU embargo affecting Iranian oil sales. In September the oil price declined slightly on the back of an announced increase in supply from Saudi Arabia and a downward revision in global oil demand forecasts. At end-September, the price of oil stood at USD111.81 per barrel, largely unchanged since the start of the year.

The oil price fluctuated in a relatively narrow range in the following quarter, with geopolitical tensions in the Middle East pushing the price up and decreasing demand expectations lowering it down. The price of Brent crude ended the fourth quarter at USD111.6.

Chart 1.7
COMMODITY PRICES
(end of week)



(1) US dollars per barrel.
Source: Reuters.

Non-energy commodity prices increase

Prices of non-energy commodities, as measured by the RT Commodity Index, rose by 7.6% during the third quarter of 2012 following a 1.9% decline in the previous quarter (refer to Chart 1.7). In July the Index rose on account of higher prices for agricultural commodities owing to dry weather in the United States and in Asia. Following a relatively stable period in August, the Index increased rapidly at the start of September, this time on the back of higher prices for base metals.

Prices of non-energy commodities generally declined during the last three months of the year, with the Index falling by 5.1% owing to improved supply conditions for agricultural commodities and lower demand for base metals.

Gold price rises

The price of gold rose by 10.8% during the period under review, reaching USD1,770.69 per ounce at end-September (refer to Chart 1.8). This reversed a 4.2% decline in the previous quarter. The gold price was erratic during the first half of the quarter, reflecting mixed economic data and uncertainty about the monetary policy stance, notably additional quantitative easing, in major economies. Private physical demand was also subdued due to weak global economic conditions, though central bank gold demand in developing nations remained strong. The gold price climbed in the second half of the quarter, following monetary policy announcements in the United States, Japan, and the euro area, and fiscal stimulus in China. This increase was partly reversed during the fourth quarter, with the gold price falling by 5.4%.

Chart 1.8
GOLD
(US dollars per ounce; end of week)

Source: Reuters.

Economic and monetary developments in the euro area

Euro area economy contracts

During the third quarter of 2012 economic activity in the euro area contracted by 0.6% on the same period of 2011 (see Table 1.2). On a quarter-on-quarter basis, output contracted by 0.1%.

Domestic demand acted as a drag on annual GDP growth, reducing it by 2.3 percentage points. Private and government consumption, and especially investment, decreased on a year earlier. Changes in inventories also had a significant adverse impact on economic growth.

On the external side, net exports added 1.6 percentage points to annual GDP growth, less than in the preceding quarter. On an annual basis, exports increased at a slower pace than in the June quarter, while imports continued to contract.

Euro area inflation picks up

After easing in the previous quarter, the annual rate of inflation in the euro area, as measured using the Harmonised Index of Consumer Price (HICP), picked up during the third quarter of 2012, going from 2.4% in June and July to 2.6% in August and September (see Chart 1.9).

The annual growth rate of energy and unprocessed food prices rose between June and September, while that of the remaining three major HICP components declined or remained unchanged. The most pronounced increase was in energy prices, where the annual growth rate rose from 6.1% to 9.2%. As a result, the contribution of energy to the overall inflation rate went from 0.7 point in June to 1.0 point in September. Excluding energy and unprocessed food prices, inflation edged down by 0.2 percentage point between June and September, to 1.6%.

Table 1.2
REAL GDP GROWTH IN THE EURO AREA
Seasonally adjusted

	2011		2012		
	Q3	Q4	Q1	Q2	Q3
	Annual percentage changes				
Private consumption	0.2	-0.8	-1.1	-1.1	-1.4
Government consumption	-0.4	-0.4	-0.1	-0.2	-0.1
Gross fixed capital formation	0.7	0.8	-2.5	-3.9	-4.2
Domestic demand	**0.4**	**-0.7**	**-1.6**	**-2.3**	**-2.3**
Exports	5.7	3.6	2.4	3.5	3.0
Imports	3.6	0.5	-1.1	-0.6	-0.7
GDP	**1.3**	**0.6**	**-0.1**	**-0.5**	**-0.6**
	Percentage point contributions				
Private consumption	0.1	-0.5	-0.6	-0.6	-0.8
Government consumption	-0.1	-0.1	0.0	-0.1	0.0
Gross fixed capital formation	0.1	0.2	-0.5	-0.7	-0.8
Changes in inventories	0.3	-0.3	-0.5	-0.8	-0.6
Domestic demand	**0.4**	**-0.7**	**-1.6**	**-2.2**	**-2.3**
Net exports	**0.9**	**1.3**	**1.5**	**1.8**	**1.6**
GDP	**1.3**	**0.6**	**-0.1**	**-0.5**	**-0.6**

Source: Eurostat.

Going into the following quarter, however, the annual inflation rate resumed its decline, with the rate going to 2.2% in both November and December.

Unemployment reaches new high

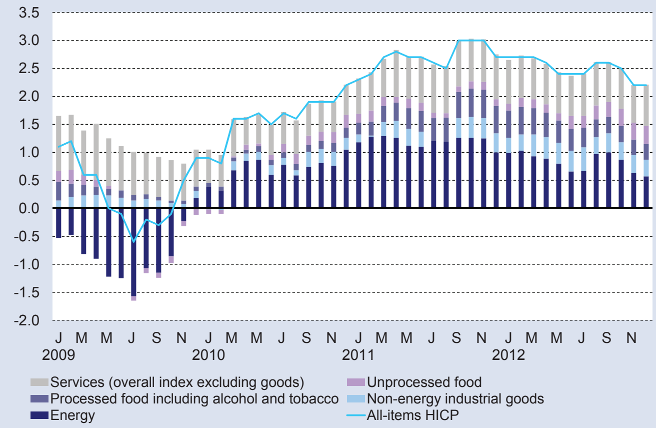
Labour market conditions deteriorated further in the euro area during the third quarter. The unemployment rate continued to increase, reaching a new high of 11.6% in September, up from 11.4% in June (see Chart 1.10). The increase was spread across 11 of the 17 Member States. Employment contracted by 0.7% on a year earlier, a decline of the same order as in the previous quarter.

Going into the following quarter, the jobless rate rose by a percentage point in each of the following two months, to 11.8% in November.

Euro area GDP forecasts revised downwards

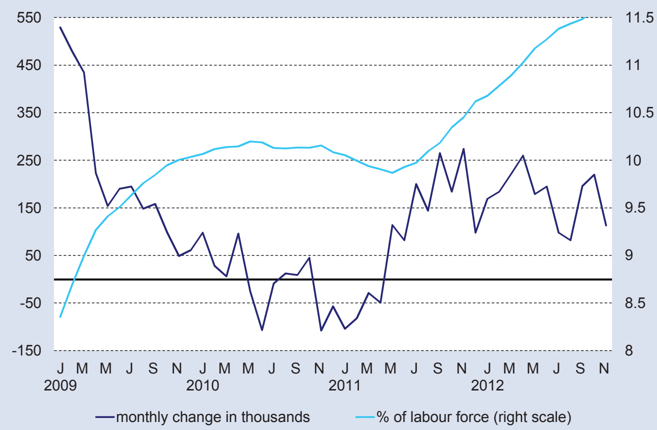
According to the Eurosystem staff projections published in December 2012, real GDP growth was expected to be negative in 2012 and then to remain negative, or at best turn mildly positive, in 2013. It would then gradually recover during 2014.

Chart 1.9
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)



Source: Eurostat.

Chart 1.10
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)



Source: Eurostat.

In 2013 a modest pick-up in export growth, in the context of subdued imports, should support GDP growth. However, the recovery is expected to be dampened by the adverse impact on domestic demand from heightened uncertainty, fiscal consolidation and remaining deleveraging pressures in a number of countries.

Overall, the recovery over the projection horizon is set to remain subdued by historical standards. As a result, in the December 2012 exercise, the Eurosystem projected annual real GDP growth to range between -0.6% and -0.4% in 2012, between -0.9% and 0.3% in 2013 and between 0.2% and 2.2% in 2014 (see Table 1.3). The projections for 2012 and 2013 represent a downward revision from earlier ECB staff projections, which were released in September.

Table 1.3
REAL GDP AND INFLATION PROJECTIONS FOR THE EURO AREA[1]
Average annual percentage changes; working-day-adjusted data

	2011	2012	2013	2014
Private consumption	0.1	-1.2 — -1.0	-1.1 — -0.1	-0.4 — 1.4
Government consumption	-0.2	-0.6 — 0.2	-1.2 — 0.0	-0.4 — 1.2
Gross fixed capital formation	1.6	-4.2 — -3.4	-4.2 — -1.0	-1.0 — 3.6
Exports	6.5	2.1 — 3.7	-0.4 — 5.0	2.0 — 8.6
Imports	4.3	-1.1 — 0.3	-1.7 — 3.7	1.7 — 7.7
GDP	**1.5**	**-0.6 — -0.4**	**-0.9 — 0.3**	**0.2 — 2.2**
HICP	**2.7**	**2.5 — 2.5**	**1.1 — 2.1**	**0.6 — 2.2**

[1] Eurosystem staff macroeconomic projections (Dec 2012).
Source: ECB.

The euro area average annual inflation rate is expected to decline from an average of around 2.5% in 2012 to between 1.1% and 2.1% in 2013 and between 0.6% and 2.2% in 2014. The fall in inflation in 2013 primarily reflects the projected strong decrease in energy price inflation and, to a lesser extent, food price inflation. Similarly, the decrease in food price inflation reflects the assumption that international and European food commodity prices ease somewhat over the projection horizon. In contrast, HICP inflation, excluding food and energy, is forecast to remain broadly stable. The range for projected inflation in 2013 is below that in the September forecasts.

ECB cuts interest rates

After keeping key interest rates unchanged during the second quarter, the Governing Council of the ECB lowered them by 25 basis points in July. This brought the MRO rate to a historical low of 0.75%. In parallel, the rates on the marginal lending facility and on the deposit facility were cut to 1.50% and zero, respectively, leaving unchanged the symmetry and width within the policy rates corridor. This decision was taken against the background of weaker inflationary pressures over the medium term, as some of the previously identified downside risks to the euro area growth outlook materialised. Meanwhile, the underlying pace of monetary expansion remained subdued while inflation expectations remained firmly anchored.

Policy rates were left unchanged for the rest of the year, as the inflation rate in the euro area was expected to remain in line with price stability over the policy relevant horizon, while the underlying pace of monetary expansion continued to be subdued. In addition, inflation expectations for the euro area remained firmly anchored and consistent with the aim of maintaining inflation rates below, but close to, 2% over the medium term.

Between July and December 2012, the Eurosystem continued to implement non-standard monetary policy measures. In September the Council decided on the modalities to be used for OMTs in secondary markets for sovereign bonds issued by the euro area. Such transactions, which are subject to conditionality, seek to address distortions in government bond markets that hinder the transmission of interest rate decisions to the euro area economy.

The Governing Council also decided to suspend the application of the minimum credit rating threshold in the collateral eligibility requirements in the case of certain securities. The latter include credit claims and marketable debt instruments issued or guaranteed by the central government of countries that are eligible for OMT or are under a European Union - International Monetary Fund programme. The suspension applies to both outstanding and new assets.

In addition, the Governing Council decided that the Eurosystem will re-start the acceptance, as collateral, of marketable debt instruments denominated in US dollars, pounds sterling and Japanese yen.

Subsequently, on 12 September the ECB and the Bank of England agreed to extend, up to the end of September 2013, the liquidity swap arrangement which expired on 28 September 2012.

In December 2012 the Governing Council decided to continue conducting its MROs as fixed rate tender procedures with full allotment for as long as necessary, and at least until 9 July 2013. This procedure will also remain in use for the Eurosystem's special-term refinancing operations. Furthermore, the Governing Council decided to conduct the three-month longer-term refinancing operations to be allotted in the first half of 2013 as fixed rate tender procedures with full allotment.

Also in December the ECB, together with the Bank of Canada, the Bank of England, the Federal Reserve, and the Swiss National Bank, agreed to extend by one year the existing temporary US dollar liquidity swap arrangements, which had previously been authorised through to 1 February 2013. The ECB, in cooperation with these central banks, also decided to extend its temporary network of reciprocal swap lines until 1 February 2014. In addition, the ECB decided to continue, until further notice, regular US dollar liquidity-providing operations with maturities of approximately one week and three months as fixed rate tender procedures with full allotment.

Growth in broad money slows down

Annual growth in the broad monetary aggregate (M3) in the euro area slowed down in the third quarter of 2013, going from 3.0% in June to 2.6% three months later (see Table 1.4).[1]

The annual growth rate of the narrow money component M1 rose significantly during the quarter, going from 3.7% to 5.0%. With regard to components of M1, annual growth in currency in circu-

Table 1.4
EURO AREA MONETARY AGGREGATES
Annual percentage changes

	2012					
	June	July	Aug.	Sep.	Oct.	Nov.
M1	**3.7**	**4.7**	**5.2**	**5.0**	**6.5**	**6.7**
Currency in circulation	5.5	5.9	5.1	4.2	3.5	2.2
Overnight deposits	3.3	4.5	5.2	5.1	7.1	7.7
M2-M1 (Other short-term deposits)	**2.2**	**2.0**	**0.7**	**0.6**	**1.7**	**1.8**
Deposits with an agreed maturity of up to two years	1.0	0.2	-2.5	-3.0	-1.8	-1.9
Deposits redeemable at notice of up to three months	3.3	3.6	3.7	4.1	4.9	5.2
M2	**3.0**	**3.5**	**3.2**	**3.1**	**4.3**	**4.5**
M3	**3.0**	**3.6**	**2.9**	**2.6**	**3.9**	**3.8**

Source: ECB.

[1] In the September issue of its release of *Monetary developments in the euro area*, which covers data to end-August, the ECB amended its statistical measurement of broad money and its counterparts to adjust for repurchase agreement transactions with central counterparties. See Box 3 in ECB *Monthly Bulletin* September 2012, pp. 28 - 31.

lation decreased, while that of overnight deposits increased substantially, from 3.3% in June to 5.1% in September, reflecting a strong preference for very liquid deposits.

On the other hand, the annual rate of growth of other short-term deposits (i.e. M2 minus M1) declined by 1.6 percentage points to 0.6%. The growth rate of deposits with an agreed maturity of up to two years (short-term time deposits) turned negative, while that of deposits redeemable at notice of up to three months (short-term saving deposits) rose.

The decline in the annual growth rate of M3 came to a halt in the following quarter, rising to 3.8% in November, and reflected renewed acceleration in overnight deposits.

Growth in private sector lending continues to decline

On the counterparts' side, credit to euro area residents expanded at a slower pace. The annual rate of credit growth dropped to 0.5% in September from 1.3% in June, with various Member States reporting a contraction in the provision of credit.

In particular, the volume of loans provided by monetary financial institutions (MFI) to the non-financial private sector continued to fall, going to an annual rate of -0.5% in September from -0.2% in June (see Chart 1.11). The growth rate of lending to this sector has followed a generally declining path since October 2011.

Within this category, the annual growth rate of loans to non-financial corporations contracted further, going to -1.5% in September from -0.6% in June. At the same time, the corresponding growth rate of lending to households fell to zero from 0.2% in June. This further weakening mainly reflected the deterioration of the economic outlook and weak housing market prospects, together with the continuing deleveraging process in a number of euro area countries.

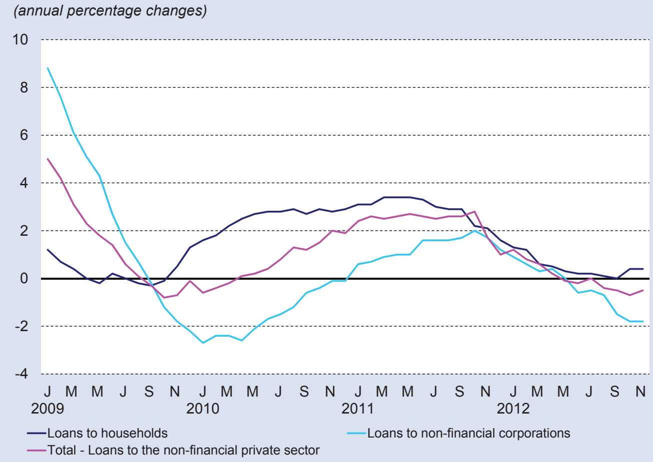
Going into the following quarter, the annual growth rate of total lending by MFIs to the non-financial private sector remained unchanged at -0.5% in November.

Money market rates decline

Money market interest rates in the euro area maintained their downward trend during the September quarter. This was in response to the 25 basis point reduction in key ECB interest rates of July 2012, as well as the significant excess liquidity in the overnight money market.

Unsecured money market interest rates in the euro area as measured by EURIBOR decreased. Over the quarter, at the three-month and 12-month maturities, EURIBOR declined

Chart 1.11
MFI LOANS TO THE NON-FINANCIAL PRIVATE SECTOR IN THE EURO AREA
(annual percentage changes)



Source: ECB.

by 43 basis points and 53 basis points, to 0.22% and 0.68%, respectively (see Chart 1.12).[2] EURIBOR at both maturities fell further during the final quarter of 2012.

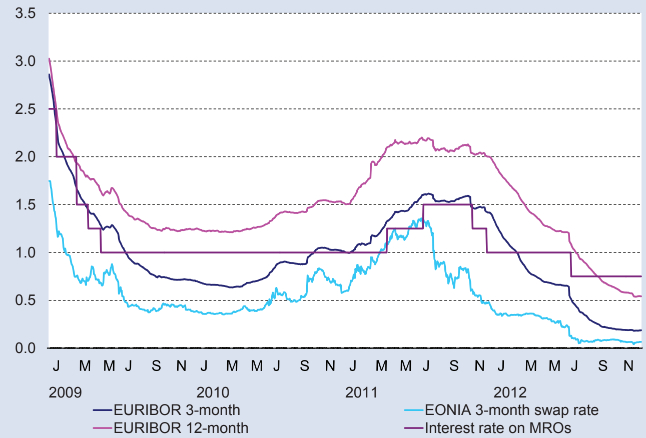


Chart 1.12
KEY INTEREST RATES
(percentages per annum; daily data)

Sources: ECB; Euribor FBE.

Secured rates, such as those implicit in the three-month EONIA swap index, also declined, shedding 16 basis points over the three months to September to 0.09%, the lowest level seen since mid-2010.[3]

As a result, over the quarter under review the spread between unsecured EURIBOR and secured EONIA swap rates narrowed. This spread is often used as a measure of market confidence in the soundness of the banking system. At the three-month maturity, the spread fell to 14 basis points at end-September from 41 points three months earlier.

Going into the fourth quarter, the index remained close to the zero mark and stood at 0.07% at the end of December.

Euro bond yields decrease

During the quarter ten-year German government bond yields, which often serve as a benchmark for the euro area, declined by 17 basis points to 1.44% at end-September (refer to Chart 1.4). A pronounced decrease occurred early on in July, as heightened market concerns about the near-term economic outlook and the euro area debt crisis triggered flight-to-safety flows into securities perceived to be less risky, including German government bonds. During the rest of the quarter, German government bond yields were more volatile, as financial market players continued to reassess the implications of a sequence of discussions on a road map for financial stability in the European Union, the recapitalisation package agreement for the Spanish banking system and the ECB's announcement that it would undertake OMTs.

Spreads between sovereign bond yields in a number of euro area countries, including Greece, Ireland and Portugal, narrowed vis-à-vis their German counterpart over the third quarter (see Chart 1.13). For example, the spread of Greek bonds vis-à-vis their German counterparts narrowed significantly, going from 27 basis points to 19 basis points between June and September. This narrowing in spreads arose as flight-to-safety flows weakened from mid-July, while the announcement of OMTs and definition of their modalities eased market concerns.

[2] Euro Interbank Offered Rate (EURIBOR) refers to the rates at which prime banks are willing to lend funds to other prime banks in euro on an unsecured basis.

[3] Euro OverNight Index Average (EONIA) is a measure of the effective interest rate prevailing in the euro interbank overnight market. The EONIA swap rate is the fixed rate that banks are willing to pay in exchange for receiving the average EONIA rate over the lifetime of a swap contract. The EONIA swap index is considered a measure of market confidence in the soundness of the banking system.

Ten-year German government bond yields declined further in the final quarter of 2012, shedding 13 basis points to 1.31% in December.

Euro area equity prices increase

The Dow Jones EURO STOXX index increased by 7.9% during the quarter under review, reversing most of the 8.4% decline registered in the previous quarter (refer to Chart 1.5). This rise was supported by initiatives to strengthen financial stability in the euro area. It was in part also aided by positive sentiment emanating from the outcome of the Greek elections.

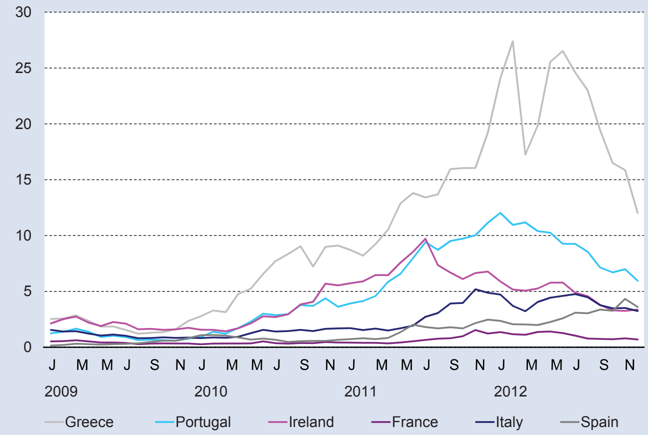
The increase continued well into the following quarter, with the index rising by a further 6.8% by end-December.

The euro remains broadly unchanged

During the September quarter movements in the exchange rate continued to be mainly driven by changing market perceptions related to fiscal and economic prospects in various euro area countries, as well as by developments in expected yield differentials between currencies.

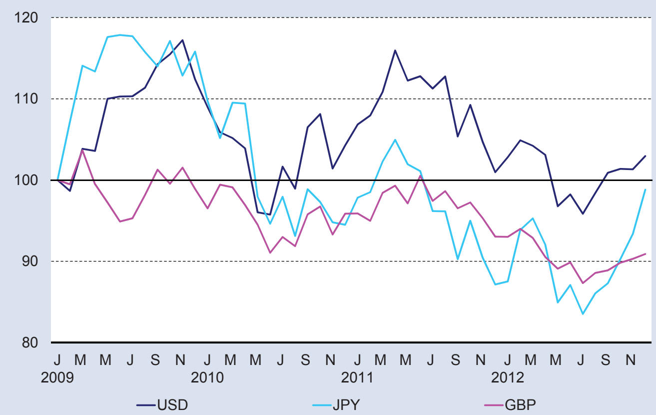
Developments in bilateral exchange rates were mixed. The euro lost 1.1% against the pound sterling, but gained 0.2% against the Japanese yen and 2.7% against the US dollar during the September quarter (see Chart 1.14).

Chart 1.13
EURO AREA TEN-YEAR GOVERNMENT BOND YIELD SPREADS
(vis-à-vis German ten-year government bond yields)



Source: ECB.

Chart 1.14
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2009=100; an increase in the index implies euro appreciation)



Source: Eurostat.

Chart 1.15
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

After depreciating somewhat in the June quarter, the nominal effective exchange rate of the euro, as measured against the currencies of 20 of the euro area's main trading partners, remained broadly unchanged, strengthening by just 0.1% over the quarter (see Chart 1.15).

Going into the following quarter, the euro strengthened by 1.9% in nominal effective terms, reflecting an appreciation in the bilateral exchange rates against major currencies.

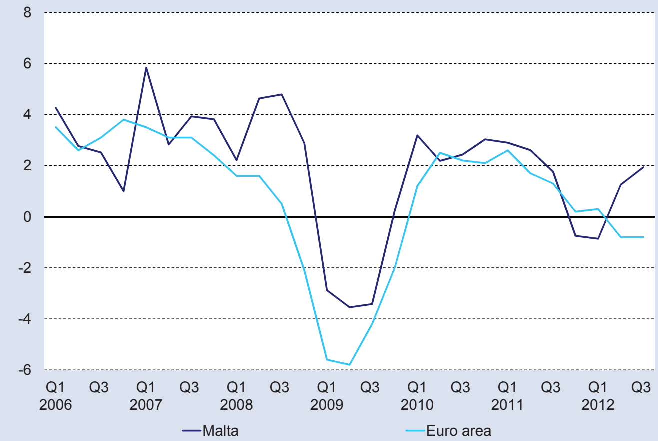
2. OUTPUT AND EMPLOYMENT

Gross domestic product and industrial production

Real GDP growth accelerates

Economic growth, as measured by the annual rate of change in real gross domestic product (GDP), accelerated to 1.9% during the third quarter of 2012, following a growth rate of 1.3% in the previous quarter. Both net exports and domestic demand contributed to the expansion in GDP. Compared with developments in the euro area as a whole, Malta's GDP performance was notably stronger, as in annual terms the euro area economy contracted by 0.8% in the third quarter (see Chart 2.1).[1]

Chart 2.1
REAL GDP GROWTH
(annual percentage changes; not seasonally adjusted)



Sources: NSO; Eurostat.

Net exports contribute to GDP growth

In the quarter under review net exports were higher compared with the same period last year. Their contribution to GDP growth stood at 0.6 percentage point, as the growth rate of real exports decelerated in the third quarter compared with the second quarter (see Table 2.1). At the same time, imports contracted at a slower pace.

Thus, total real export growth dropped to 6.2% in the third quarter from 11.3% in the previous quarter. Exports of goods increased by 7.6%, while service exports expanded by 4.6%. In nominal terms, both exports of goods and services continued to grow at a decelerating pace. It appears that the deceleration in the former mainly reflected weaker fuel re-exports. Customs data, however, show that non-fuel exports accelerated in the third quarter, driven by developments in machinery & transport equipment. Meanwhile, service exports continued to benefit from a buoyant tourist sector.

Imports in real terms increased by 6.5% compared with 9.6% in the previous quarter. The deceleration in imports was visible in both goods and services. Customs data show that most of the increase in imports of goods during the third quarter reflected developments in the fuel component. Increases in other goods imports were mainly related to industrial supplies. Balance of payments data show that the slower growth in imports of services was mainly due to transport, as well as to business & professional services.

[1] To maintain comparability with data for Malta, annual real GDP growth rates for the euro area reported in this Chapter are not seasonally adjusted. Therefore, they differ from those reported elsewhere in this *Review*.

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2011		2012		
	Q3	Q4	Q1	Q2	Q3
	Annual percentage changes				
Private final consumption expenditure	3.5	0.1	-2.5	-4.1	-1.7
Government final consumption expenditure	2.2	2.1	3.0	4.7	10.9
Gross fixed capital formation	-21.4	-5.7	1.1	3.5	2.2
Changes in inventories (% of GDP)(1)	-6.2	-5.8	-3.7	2.4	-6.0
Domestic demand	**-2.8**	**-6.7**	**-5.5**	**-0.4**	**1.5**
Exports of goods & services	-7.5	5.5	8.3	11.3	6.2
Imports of goods & services	-12.7	-0.4	3.3	9.6	6.5
Gross domestic product	**1.8**	**-0.7**	**-0.9**	**1.3**	**1.9**
	Percentage point contributions				
Private final consumption expenditure	2.1	0.1	-1.7	-2.7	-1.0
Government final consumption expenditure	0.4	0.4	0.6	0.9	1.9
Gross fixed capital formation	-3.5	-0.9	0.1	0.5	0.3
Changes in inventories(1)	-1.5	-6.3	-4.7	0.8	0.1
Domestic demand	**-2.5**	**-6.7**	**-5.6**	**-0.4**	**1.3**
Exports of goods & services	-8.1	5.5	8.1	11.8	6.1
Imports of goods & services	12.3	0.4	-3.4	-10.1	-5.5
Net exports	**4.3**	**5.9**	**4.8**	**1.7**	**0.6**
Gross domestic product	**1.8**	**-0.7**	**-0.9**	**1.3**	**1.9**

(1) Includes acquisitions less disposal of valuables.

Source: NSO.

Domestic demand recovers

The annual growth of domestic demand turned positive in the third quarter after this component had contracted in the four preceding quarters. As a result, it contributed 1.3 percentage points to real GDP growth. Growth was underpinned by government consumption. Meanwhile, gross fixed capital formation (GFCF) increased by 2.2% with its contribution to overall growth being a modest 0.3%.

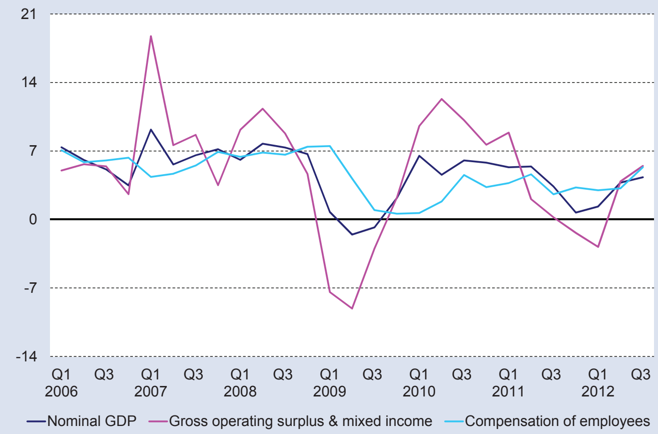
Private consumption declined for the third consecutive quarter on an annual basis, although at a slower pace of 1.7%. This had a negative impact on real GDP growth. While household expenditure on hotels & restaurants and recreation & culture services increased, private expenditure related to transport fell sharply as the number of newly-licensed vehicles rendered a smaller increase. The drop in private consumption occurred despite a sharp acceleration in compensation of employees. This suggests that households may be increasing their savings in the context of uncertainty in the international economic environment.

Meanwhile, government consumption went up by 10.9% in the third quarter of 2012, adding 1.9 percentage points to real GDP growth. Government consumption was mainly driven by the health and education sectors. Intermediate consumption was the main source of higher government spending, although compensation of employees also increased.

The increase in GFCF was attributed to higher non-residential construction investment and to investment in IT & software products. On the other hand, investment in residential construction and in transport and other machinery & equipment was lower. Nominal data indicate that all new investment stemmed from the private sector as government investment decreased slightly. Most of this new private investment was in machinery, although investment in non-residential construction, particularly the City Gate project, as well as capital expenditure on transport equipment and IT & software products, was also higher compared with a year ago. In contrast, private sector investment in residential construction fell in annual terms. The drop in general government investment was due to developments in capital expenditure on transport and other machinery & related equipment.

Changes in inventories & acquisitions, which also include the statistical discrepancy, were less negative compared with a year ago. Consequently, their contribution to real GDP growth was slightly positive at 0.1 percentage point.

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



Source: NSO.

Growth in gross operating surplus and compensation of employees accelerates

Nominal GDP expanded at a faster rate of 4.3% in the third quarter of 2012, compared with 3.8% in the previous quarter (see Chart 2.2). On the income side, both gross operating surplus and compensation of employees contributed positively to this growth. In fact, the annual growth rate in gross operating surplus accelerated to 5.5% from 3.9% in the second quarter. The increase in this component, which contributed 2.4 percentage points to nominal GDP growth, was broad-based across all major sectors. In absolute terms, the strongest increases were recorded in the sector incorporating wholesale & retail trade, transportation, accommodation & related activities.

Growth in compensation of employees reached 5.3% in the third quarter, following 3.2% growth in the previous quarter. The increase in annual terms was reflected in most sectors, particularly, wholesale & retail, transportation, accommodation & related activities and public administration & defence.

Manufacturing gross value added turns positive

Gross value added (GVA) continued to expand during the third quarter of the year. It increased by 5.1% in annual terms, adding 4.4 percentage points to nominal GDP growth, following a rise of 3.8% in the second quarter of 2012 (see Table 2.2).[2] In the same period net taxes were lower by 0.6%.

All service sectors registered higher GVA compared with a year ago. In absolute terms, the largest increase in GVA was recorded by the wholesale & retail, transportation, accommodation & related activities sector, which contributed 1.6 percentage points to GDP growth. Higher GVA in the professional, scientific & technical activities and the public administration, education & health sectors led to a combined increase of 1.7 percentage points in nominal GDP growth.

The contribution of the manufacturing sector to GDP growth was a positive 0.7%, while that of construction and the agriculture, forestry and fishing sector was almost negligible. In contrast, the mining & utilities sector had a negative impact on nominal GDP growth.

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

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

	2011		2012		
	Q3	Q4	Q1	Q2	Q3
Agriculture, forestry & fishing	-0.1	-0.4	0.0	0.0	0.0
Mining & quarrying; utilities	-1.7	-1.1	-1.4	-0.2	-0.5
Manufacturing	0.2	0.0	-0.7	0.0	0.7
Construction	-0.1	-0.1	-0.1	-0.1	0.0
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	-0.2	0.1	0.0	1.0	1.6
Information & communication	0.3	0.2	0.2	0.3	0.2
Financial & insurance activities	1.3	0.9	0.8	1.1	0.3
Real estate activities	0.1	0.1	0.1	0.0	0.1
Professional, scientific, administrative & related activities	0.1	0.1	0.3	0.0	0.9
Public administration & defence; education; health & related activities	0.5	0.9	0.5	0.8	0.8
Arts, entertainment; household repair & related services	0.8	0.5	0.5	0.5	0.2
Gross value added	**1.2**	**1.2**	**0.1**	**3.3**	**4.4**
Net taxation on products	**2.2**	**-0.5**	**1.2**	**0.5**	**-0.1**
Annual nominal GDP growth (%)	**3.4**	**0.7**	**1.3**	**3.8**	**4.3**

Source: NSO.

In the third quarter of 2012 industrial output increased by 6.9%, following growth of 0.6% in the previous quarter (see Table 2.3).[3] Higher industrial production was fuelled by developments in sectors producing food, energy, pharmaceutical products and computer, electronic & optical equipment. On the other hand, output from the textile, wearing apparel, rubber & plastics contracted, as did output from firms engaged in the installation & repair of machinery and equipment.

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

		2011		2012		
	Shares	Q3	Q4	Q1	Q2	Q3
Industrial production	**100**	**-2.9**	**-2.4**	**-2.8**	**0.6**	**6.9**
Computer, electronic & optical products	18.5	-9.7	-8.1	-7.9	7.4	21.1
Food products	10.2	-14.2	0.2	-7.0	1.4	6.7
Energy[(1)]	8.0	2.7	2.0	5.9	3.7	4.9
Wearing apparel	6.5	4.2	-6.5	9.7	-11.8	-11.1
Rubber & plastic products	6.2	12.0	-2.5	-7.4	-14.2	-11.2
Basic pharmaceutical products & pharmaceutical preparations	5.5	-15.1	-24.6	-18.6	1.8	14.2
Textiles	5.2	-4.8	2.6	-3.9	-8.4	-11.3
Repair and installation of machinery and equipment	5.0	-25.6	-24.5	1.6	-1.0	-0.8

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

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

BOX 1: TOURISM ACTIVITY

Positive tourism performance in the third quarter

During the third quarter of 2012 the tourism industry recorded continued growth, with arrivals, nights stayed and expenditure all higher than year-ago levels.

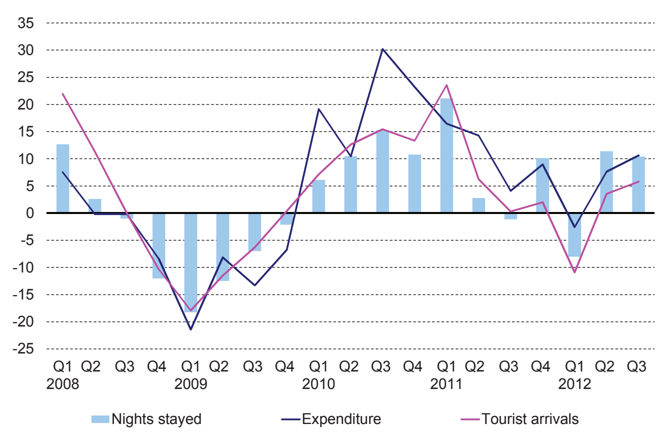
National Statistics Office (NSO) data show that the number of arrivals increased by 5.8% on a year earlier. This growth rate exceeded the 3.6% rate recorded in the second quarter of the year (see Chart 1). In absolute terms, most of the rise reflected an expansion in the number of leisure travellers and, to a lesser extent, in visitors travelling for "other" purposes, notably language students. The number of business travellers grew marginally.

In terms of geographical distribution, most source markets registered increases during the September quarter. The number of visitors from the United Kingdom, which accounts for just over one quarter of total arrivals, rose by 1.0% on year-ago levels. Those from Italy, Malta's second largest source market, increased by 6.2%, while visitors from France were up by 13.7%. Arrivals from Scandinavia rose by 11.0% over year-ago levels.[1] Other small markets, such as Belgium, the Netherlands, Russia and Switzerland, also showed increases. On the other hand, arrivals from another established market, Germany, dropped by 3.4% while those from Spain recorded a slight contraction.

During the third quarter of 2012 total tourist expenditure outpaced the increase in the number of visitors, growing by 10.6% in annual terms.[2] This was broad-based across all categories of expenditure but mostly stemmed from a 21.3% increase in spending on non-package holidays, particularly airfares, although higher expenditure on accommodation also contributed. Meanwhile the "other" component of expenditure, and expenditure on package holidays, rose substantially, up by 8.7% and 5.5%, respectively.[3]

During the quarter under review the total number of nights stayed rose by an annual 10.4%, with the bulk of the increase originating from stays in private residences, up by a significant 18.2%. In addition, in line with the increase in total expenditure on

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



Source: NSO.

1 Scandinavia consists of Denmark, Finland, Norway and Sweden.
2 Total expenditure is split into package, non-package and "other".
3 Non-package holiday expenditure is subdivided into spending on accommodation and travel, while the "other" component captures any additional expenditure by tourists during their stay in Malta.

accommodation, nights spent in collective accommodation rose by 5.8%.[4] The average length of stay of visitors to Malta during the summer quarter rose to 10 nights from 9.5 nights in the corresponding period a year earlier.

The positive results seen in the second and third quarters offset the negative performance in the first three months of 2012. Thus, on a cumulative basis over the first nine months of the year, tourist arrivals to Malta rose by 1.5% compared with the corresponding period of 2011. The increase in total nights was even more substantial at 7.1%, with private residences being the main providers of accommodation, although nights spent in collective accommodation also went up. Meanwhile, expenditure in the first nine months of the year was 8.0% higher than that registered in the same period of 2011.

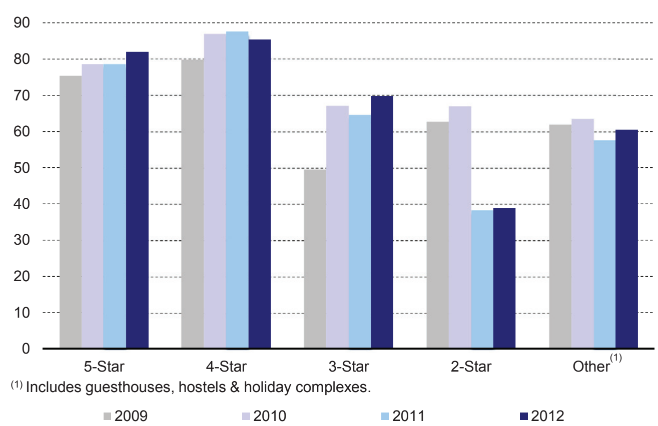
The net number of bed-places available at the end of the third quarter was higher than a year earlier, with the expansion mainly registered by 4-star hotels. Overall, hotel occupancy rates increased by 1.5 percentage points on a year earlier, to 79.7%, reflecting the strong increase in nights stayed. As in the previous quarter, occupancy rates in the third quarter increased in all hotel types apart from 4-star hotels, where there was a drop of 2.1 percentage points (see Chart 2). In 5-star hotels, occupancy rose by 3.3 percentage points, while it increased by 5.1 points in 3-star hotels. Occupancy in "other" establishments rose to 60.5% from 57.8% in the corresponding period of the previous year.

These trends are broadly corroborated by a regular survey conducted by the tourist industry, which shows an increase in 5 and 3-star hotel categories and a drop in the 4-star category.[5] The survey, however, shows a higher occupancy rate in 5-star hotels, and lower rates in 3 and 4-star hotel categories compared with official data.

It also shows that, between July and September 2012, average achieved room rates increased in all hotel categories on a year earlier, but to a lesser extent than those reflected in the accommodation sub-index of the Harmonised Index of Consumer Prices.

NSO data for October show that the tourism sector continued to grow, although at a more moderate pace than in September. The number of

Chart 2
AVERAGE OCCUPANCY RATES IN THE THIRD QUARTER
(per cent)



(1) Includes guesthouses, hostels & holiday complexes.

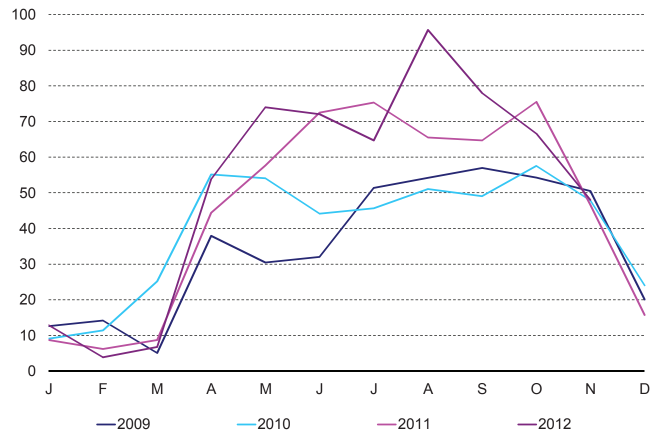
Source: NSO.

[4] Collective accommodation includes hotels and the "other" component. The "other" component comprises guesthouses, aparthotels and hostels.
[5] See *BOV-MHRA Survey – Q3 2012.*

visitors to Malta rose by an annual 3.2%, with total nights stayed 6.8% higher on year-ago levels. Meanwhile, total expenditure increased by 8.8%, with the rise mainly attributed to higher expenditure on accommodation and airfares.

Thus, over the first ten months of the year, the number of visitors coming to Malta increased by 1.7% in annual terms. Nights stayed rose by a significant 7.1%, while spending was up by 8.1% on a year earlier.

Chart 3
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

During the third quarter day visitors arriving on cruise liners were 15.9% higher than year-ago levels (see Chart 3). The frequency of port calls by cruise liners was also higher: 113 calls compared with 97 in the same period of 2011.

During October and November, the number of cruise liner passengers dropped by an average of 6.2% over the same period a year earlier. This notwithstanding, the number of arrivals over the January – November period was 9.6% higher than during the corresponding period of 2011.

The labour market[4]

Labour market data for the third quarter of 2012 indicate that employment continued to rise in both annual and quarter-on-quarter terms. With the labour supply also rising, the unemployment rate increased above the year-ago level.

Employment continues to rise

Labour Force Survey (LFS) data indicate that in the third quarter of 2012 the labour supply, which includes all persons in the labour market aged 15 and over, increased by 2.6% compared with the same quarter a year earlier (see Table 2.4). At 2.1%, the annual rate of employment growth remained unchanged, compared with the second quarter of 2012. In absolute terms, full-time jobs accounted for most of the year-on-year increase in employment during the third quarter. These rose by 1,978, or 1.4%. Part-time jobs were up by 1,603, or 8.2%, while full-timers on reduced hours increased by 79.

[4] This section draws mainly on labour market statistics from two sources: the LFS, which is a household survey conducted by the NSO on the basis of definitions set by the International Labour Organization and Eurostat, and administrative records compiled by the Employment and Training Corporation according to definitions established by domestic legislation on employment and social security benefits.

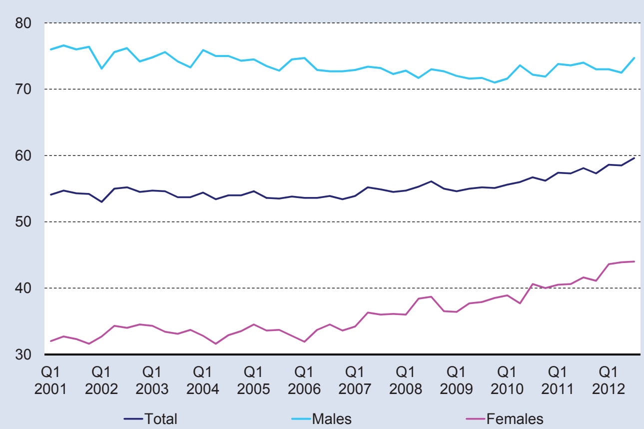
Table 2.4
LABOUR MARKET INDICATORS BASED ON THE LFS
Persons; annual percentage changes

	2011		2012			Annual change
	Q3	Q4	Q1	Q2	Q3	%
Labour supply	**181,684**	**179,405**	**182,310**	**183,705**	**186,409**	**2.6**
Employed	170,466	167,627	171,270	171,728	174,126	2.1
By type of employment:						
Full-time	146,855	146,129	147,789	148,438	148,833	1.3
Full-time with reduced hours	4,153	3,163	3,422	4,876	4,232	1.9
Part-time	19,458	18,335	20,059	18,414	21,061	8.2
Unemployed	11,218	11,778	11,040	11,977	12,283	9.5
Activity rate (%)	**62.0**	**61.4**	**62.4**	**62.6**	**63.9**	
Male	78.8	77.9	77.4	77.7	79.1	
Female	44.6	44.3	46.8	47.0	48.1	
Employment rate (%)	**58.1**	**57.3**	**58.6**	**58.5**	**59.6**	
Male	74.0	73.0	73.0	72.5	74.7	
Female	41.6	41.1	43.6	43.9	44.0	
Unemployment rate (%)	**6.2**	**6.6**	**6.1**	**6.5**	**6.6**	
Male	5.9	6.2	5.6	6.5	5.4	
Female	6.7	7.3	6.8	6.6	8.6	

Source: NSO.

The total employment rate, which has been on an upward trend since 2009, rose further to 59.6% in the third quarter. At this rate, it stood at the highest level recorded since the survey started (see Chart 2.3).[5] The increase recorded in the quarter under review was mainly spurred by females, as their employment rate rose to 44.0% from 41.6% a year earlier. Among female workers, the strongest rise was registered in the 45 – 54 age bracket. Meanwhile, the male employment rate also went up, after having decreased in the two preceding quarters. The rate rose to 74.7% from 74.0% in the third quarter of 2011.

Chart 2.3
EMPLOYMENT RATE BASED ON THE LFS
(per cent)



Source: NSO.

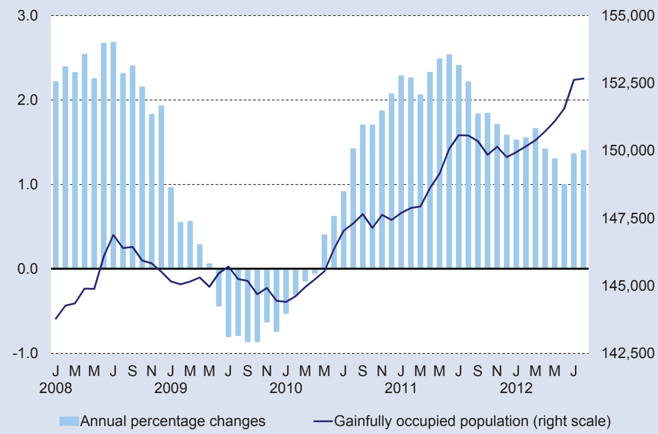
As the labour force increased and the working-age population fell, the activity rate went up to 63.9%, from 62.0% a year earlier.[6] Both males and females reported gains, but the increase was stronger among the latter. In recent years, increased female employment was behind the rise in the overall activity rate.

[5] The employment rate measures the number of persons employed on a full-time or part-time basis as a proportion of the working-age population, which is defined as all those aged between 15 and 64 years.

[6] The activity rate measures the number of persons in the labour force as a proportion of the working-age population, which is defined as all those aged between 15 and 64 years. Both the labour force and working-age population are sourced from the LFS.

Labour market trends based on the LFS were generally reflected in data based on Employment and Training Corporation (ETC) records. The latest data indicate that the gainfully occupied population, defined to include all those persons with full-time employment, increased in August (see Chart 2.4). Thus, after falling to 1.0% in June, the annual growth rate accelerated to 1.4% in both July and August.

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



Source: NSO.

Employment growth was once again underpinned by the private sector with the number of full-time employees in this sector expanding by 2,301, or 2.1%, in August compared with the same month of the previous year. The service sectors accounted for this increase, as jobs in direct production fell on a year earlier (see Table 2.5).

In the service sectors, the highest increases in the number of employed persons were registered in administrative & support activities, the sector incorporating arts, entertainment & recreation, that involving buildings & landscape activities, the computer programming sector and land transport. Furthermore, significant increases were also recorded in residential care activities,

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

	2011		2012			Annual change
	Aug.	Dec.	Mar.	June	Aug.	%
Labour supply	**157,026**	**156,351**	**157,355**	**158,256**	**159,490**	**1.6**
Gainfully occupied[1]	150,561	149,764	150,389	151,559	152,669	1.4
Registered unemployed	6,465	6,587	6,966	6,697	6,821	5.5
Unemployment rate (%)	**4.1**	**4.2**	**4.4**	**4.2**	**4.3**	
Private sector	**109,017**	**108,140**	**109,100**	**110,326**	**111,318**	**2.1**
Direct production	31,281	31,015	31,471	30,639	30,961	-1.0
Market services	77,736	77,125	77,629	79,687	80,357	3.4
Public sector	**40,891**	**40,992**	**40,658**	**40,621**	**40,742**	**-0.4**
Temporary employment	**653**	**632**	**631**	**612**	**609**	**-6.7**
Part-time jobs	**53,255**	**53,440**	**53,271**	**55,331**	**56,147**	**5.4**
Primary	30,519	30,201	30,142	31,780	32,426	6.2
Secondary[2]	22,736	23,239	23,129	23,551	23,721	4.3

(1) This category measures full-time employment.
(2) This category includes employees holding both a full-time and a part-time job.
Source: NSO.

wholesale trade, legal & accounting activities and education. These gains were, however, partly offset by job losses in telecommunications, computer repairs and motion picture. The annual drop in employment in direct production recorded in August mainly reflected developments in the sector which produced fabricated metal products other than machinery and equipment, as well as in the construction sector.

Within the public sector, employment fell by 149 in August, or 0.4% compared with a year earlier. As in the private sector, employment in market services increased while that in direct production fell. More specifically, employment related to the provision of services increased by 19, with additions being registered primarily in education, while a nearly equal decline was recorded in air transport. Jobs in direct production fell by 168, with the decrease driven by developments in full-time employment in construction.

In August part-time employment increased by 5.4% on a year earlier and was thus lower than the increase of 5.9% recorded in June. The category of workers with a part-time job as the primary employment rose by 6.2%, while those who held both a part-time and a full-time job increased by 4.3%. Female workers made up most of the increase in both categories. Within the pool of part-timers, the highest increases in the number of job holders were recorded in accommodation & food service activities and wholesale & retail trade.

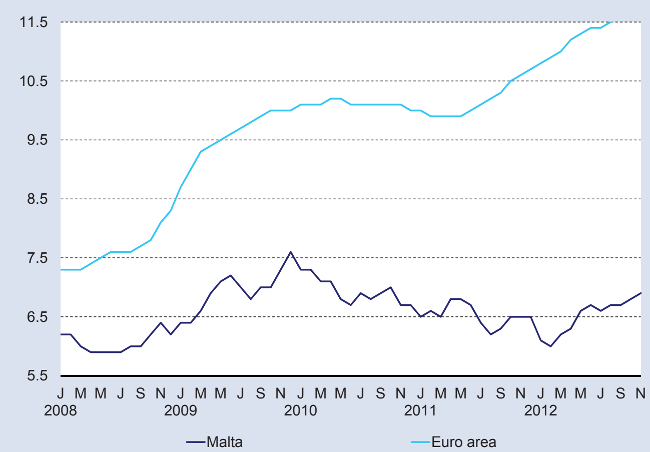
The unemployment rate increases

The unemployment rate based on the LFS increased marginally, by 0.1 percentage point in the three months to September, to stand at 6.6%.[7] Compared with the same period of 2011, the unemployment rate was 0.4 percentage point higher, reflecting a substantial increase in the female category. On the other hand, the male unemployment rate decreased.

Similar developments were observed in the seasonally adjusted unemployment rate, which averaged 6.7% in the quarter under review, up by 0.2 percentage point from the previous quarter and 0.4 percentage point higher than the year-ago level (see Chart 2.5).[8] The unemployment rate for Malta remained almost 5 percentage points lower than the average rate for the euro area.

The administrative records of the ETC show that the number of registered unemployed increased by 172 between June and September (see Chart 2.6). Throughout the quarter, the number of claimants for unemployment benefits

Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

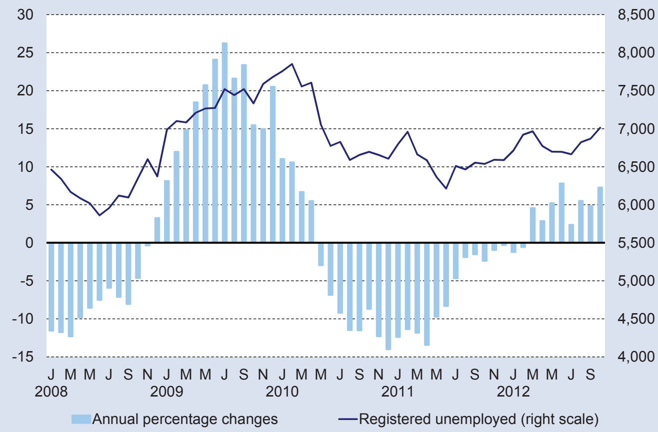
[7] According to the LFS, the unemployed comprise all persons above 15 years of age who are without work, available for work and who have actively sought work during the four weeks preceding the survey. In contrast, the number of unemployed on the basis of ETC data includes only those persons registering for work under Part 1 and Part 2 of the unemployment register.

[8] Based on Eurostat calculations.

remained above a year earlier. In August, the unemployment rate based on ETC data stood at 4.3%, 0.2 percentage point higher than the rate prevailing a year earlier.

With regard to developments in the final quarter of 2012, the seasonally adjusted unemployment rate increased further and reached 6.9% by November. The latest ETC data indicate that the number of registered job-seekers rose, both when compared with the previous month and with a year earlier.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)

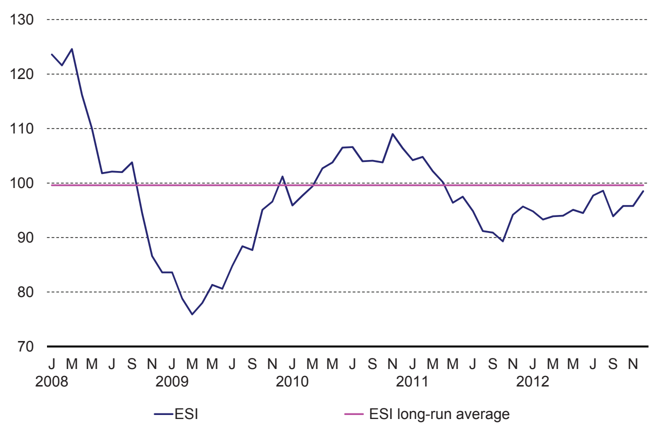


Source: NSO.

BOX 2: BUSINESS AND CONSUMER SURVEYS[1]

Survey data for the final quarter of 2012 show a deterioration in confidence among firms operating in the construction and service sectors. Conversely, confidence became less negative in the manufacturing sector and among consumers. As a result of these developments, the overall economic sentiment indicator (ESI), which is an aggregate, increased to 98.5 in December from 93.9 in September but remained below its long-term average of 99.6 (see Chart 1).[2,3]

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



Source: European Commission.

Industrial confidence improves, but remains in negative territory[4]

The industrial confidence indicator, while remaining in negative territory, rose

[1] Since May 2010, survey data for industry, construction and services are being compiled according to the NACE Revision 2 classification. However, aggregates for each category are unlikely to be affected by this change in methodology. The compilation of the consumer survey remained unchanged.

[2] The ESI summarizes developments in confidence in the four surveyed sectors (industry, services, construction and consumers).

[3] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicator, data became available in November 2002, while the services and construction confidence indicator data became available in May 2007 and May 2008, respectively.

[4] The industrial confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished goods.

from -14 in September to -6 in December and was thus exactly equal to its long-term average (see Chart 2).

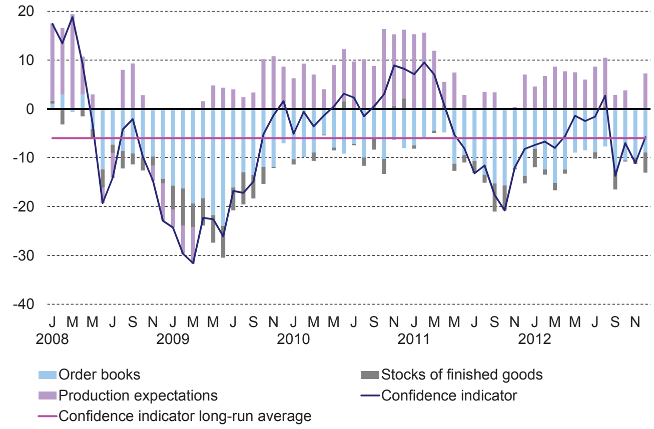


Chart 2
INDUSTRIAL CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)

Source: European Commission.

The rise in confidence, overall, was propelled by improved production expectations. At the same time, fewer respondents reported relatively weak order book levels. Meanwhile, respondents' assessment with regard to stocks of finished goods remained unchanged compared with September and continued to indicate high stock levels. In December the order book sub-index was lower than its long-term average, while the stock of finished goods and production expectations indices were above their respective averages.

Further survey data show that, in line with the improvement in confidence, the majority of respondents expected their firm's total employment to increase, whereas they had foreseen a decrease in the previous quarter. Selling prices were expected to fall, while in September these had been expected to increase. A large number of respondents continued to indicate insufficient demand as the factor inhibiting business activity, with participants generally stating that production capacity was more than sufficient to meet demand.

Specifically, the balance of replies became less negative among firms operating in the paper industry and those engaged in the repair and installation of machinery & equipment. It turned positive among producers of computer & electronic equipment, rubber & plastic products and pharmaceuticals. However, sentiment deteriorated in the sectors involved in the production of food products, wearing apparel and the reproduction of recorded media.

Construction confidence deteriorates[5]

After having improved in the preceding quarter, confidence among construction firms deteriorated during the quarter being reviewed. In fact, the index fell to -32 in December from -25 in September (see Chart 3). The index remained above its respective long-term average in October and November, before falling marginally lower in December.

The decline in confidence was mainly attributable to a higher proportion of firms considering their order books to be below normal. Employment expectations also deteriorated. This was reflected in a marginal increase in the share of respondents expressing an intention to

[5] The construction confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.

reduce their labour complement. The order books sub-index stood below its respective long-term average while that for employment projections remained above.

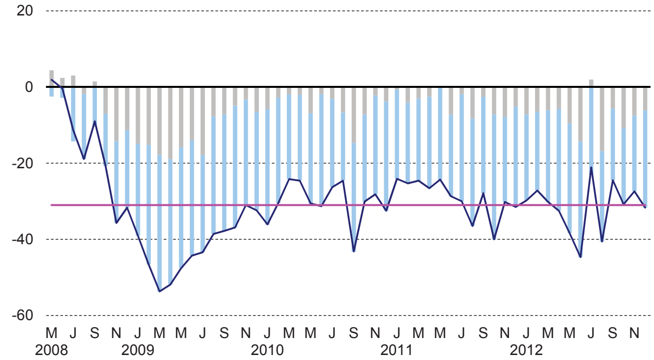


Chart 3
CONSTRUCTION CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)

Source: European Commission.

Confidence declines in the services industry[6]

The confidence indicator among service providers fell to 11 in December from 15 in September (see Chart 4). The decline reflected respondents' expectations that demand would fall in the subsequent three months, whereas, in contrast, they had foreseen a rise in September. Moreover, the share of respondents registering an improved business situation over the preceding three months fell between September and December. This notwithstanding, respondents' assessment with regard to demand in the previous quarter improved. All components of the index remained below their respective long-term averages.

Additional data show that projections with respect to employment levels deteriorated. While in September firms, on balance, had anticipated a rise in their labour complement, in December they expected employment to decrease. This outcome was to a large extent influenced by expectations in the accommodation and financial service sectors. On balance, prices charged were expected to remain unchanged in the following quarter.

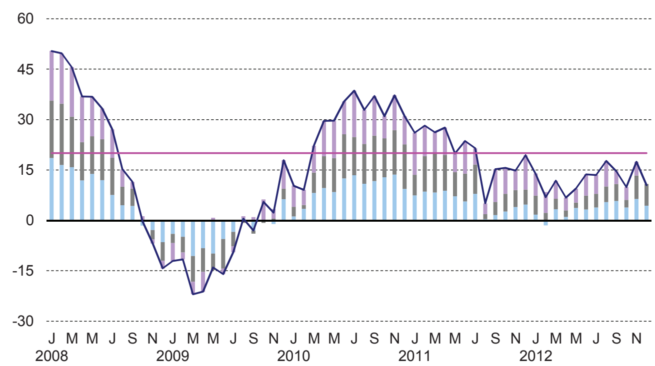


Chart 4
SERVICES CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)

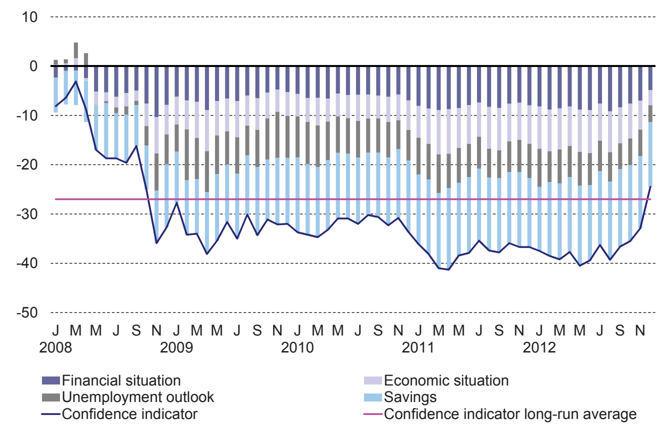
Source: European Commission.

In particular, confidence deteriorated in the accommodation sector, financial services and rental & leasing activities, programming

[6] The services confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

& broadcasting and land transport. On the other hand, confidence improved among firms operating in air transport, the arts, entertainment & recreation sector, and computer programming.

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



Source: European Commission.

Consumer confidence rises further, but remains negative[7]

In December the consumer confidence indicator continued to report gains, rising to -25 from -37 in September (see Chart 5). As a result, the index rose above its long-term average, after having been lower for over four years.

All components of the index recorded gains. More specifically, consumers were less pessimistic about the general economic situation, their own financial position and their ability to save in the subsequent 12 months. Moreover, the share of respondents expecting a rise in unemployment decreased. Compared with their respective long-term averages, the indices related to the financial and economic situations rose above their average after having been lower for over two years. The unemployment sub-index was under its long-term average, while that pertaining to savings remained below.

Further survey information suggests that the number of respondents that considered the timing right to make major purchases, given the existing economic situation, increased marginally, compared with September. Moreover, in December, on balance, a smaller proportion of respondents expected prices to increase compared with three months earlier.

[7] The consumer confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' financial situation, their ability to save, the general economic situation and unemployment expectations over the subsequent 12 months.

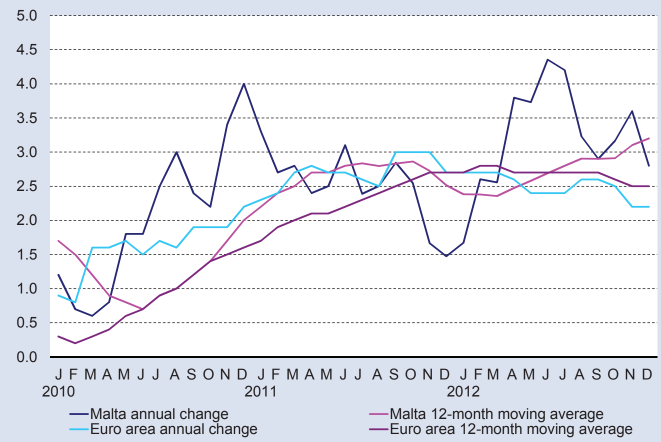
3. PRICES, COSTS AND COMPETITIVENESS

HICP inflation

HICP inflation rate moderates in the third quarter

The Harmonised Index of Consumer Prices (HICP) inflation rate moderated during the third quarter of 2012, with the annual rate easing to 2.9% in September from 4.4% in June.[1] The deceleration in the headline inflation rate during the September quarter was due to price developments in services, more specifically those in the recreation & personal category, which includes hotel accommodation rates. During the quarter, however the prices of energy, food and non-energy industrial goods all increased modestly (see Table 3.1).

Chart 3.1
HICP INFLATION RATES IN MALTA AND IN THE EURO AREA
(annual percentage changes; annual average percentage changes)



Sources: NSO; Eurostat.

Although the overall headline rate eased during the quarter, the 12-month moving average rate edged up slightly by a further 0.2 percentage point to 2.9% in September. At this level, it was higher than that of the euro area, which stood at 2.7%. The year-on-year rate of inflation in the euro area rose slightly to 2.6% in September from 2.4% three months earlier (see Chart 3.1).

The deceleration in the overall inflation rate between June and September was driven solely by developments in prices in the services category. Their annual rate of change dropped to 1.6% from

Table 3.1
YEAR-ON-YEAR HICP INFLATION
Percentage change

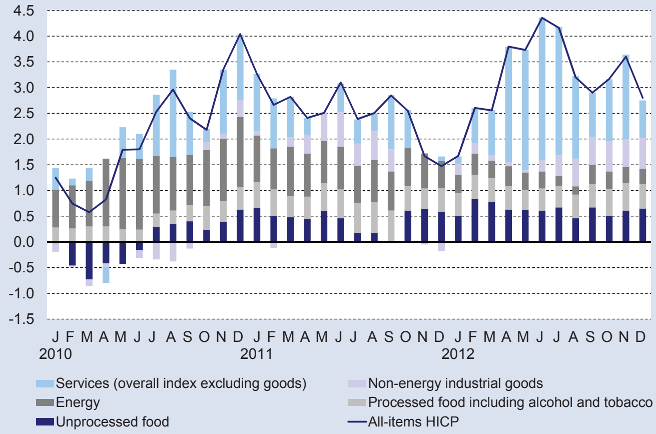
	2012					
	Apr.	May	June	July	Aug.	Sep.
Unprocessed food	8.5	8.5	8.4	9.3	6.2	9.4
Processed food including alcohol and tobacco	3.6	3.1	3.4	3.3	3.7	3.7
Energy	5.5	4.8	4.7	2.7	2.3	5.3
Non-energy industrial goods	0.3	0.1	0.8	1.3	1.8	1.8
Services (overall index excluding goods)	4.9	5.0	5.9	5.1	3.0	1.6
All Items HICP	**3.8**	**3.7**	**4.4**	**4.2**	**3.2**	**2.9**

Source: NSO.

[1] In January 2012 the HICP weights were revised to reflect changes in household consumption patterns. As a result, the weight of non-energy industrial goods was reduced by 1.6 pp to 29.9%. In addition, the weight related to food fell by 0.2 pp to 20.3%. In contrast, the share allocated to energy rose from 6.7% to 7.3% in 2012. Weights related to services rose by 1.2 pp, to 42.5%.

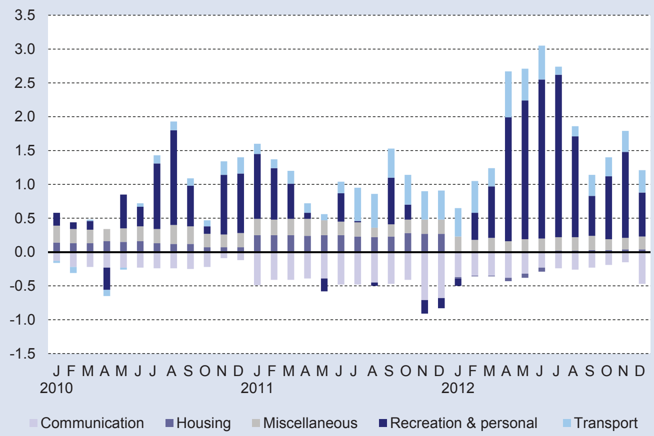
5.9% three months earlier (see Chart 3.2). As a result, the contribution of this component to the overall inflation rate went down to 0.9 percentage point from 2.8 percentage points in June (see Chart 3.3). The sharp fall in the services' inflation rate over the quarter mainly reflected drops in the inflation rate of recreational services. This category contributed 0.6 percentage point to the overall rate of inflation in September from 2.4 percentage points three months earlier. Declines in this component mainly reflected developments in hotel accommodation rates, which, in annual terms, dropped by 1.8% in September after they had increased by 15.3% in June. As a result, the contribution of accommodation rates to the overall HICP inflation rate dropped by 1.7 percentage points between June and September.

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



Source: Eurostat.

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



Source: Eurostat.

The average annual rate of increase in hotel accommodation rates in the third quarter was 6.0%, reflecting the strong increases in prices recorded in July and August. A survey carried out by the Malta Hotels and Restaurants Association points to a smaller increase. This may indicate that in recent months, HICP inflation in Malta may have been overstated because of methodological changes related to the measurement of tourist accommodation.

In addition, developments in the transportation sub-index also contributed to the moderation in service prices. This was mainly due to a base effect in the prices of land transport, more specifically to the upward revision in bus fares as a result of the application of different pricing arrangements for residents and non-residents in July 2011, which no longer had an impact on year-on-year HICP inflation after June 2012.

Price developments in the other main product categories had an increasing or neutral effect on the overall inflation rate. Thus, the annual rate of change in food prices rose to 5.8% in September from 5.2% in June. This component contributed 1.1 percentage points to overall inflation, compared with 1.0 percentage point three months earlier. The slight increase in food price inflation over this period reflected a small rise in prices of both unprocessed and processed food. The annual rate of change of unprocessed food prices rose to 9.4% in September from 8.4% in June, driven by higher prices for vegetables and meat, while processed food price inflation rose to 3.7% in September from 3.4% three months earlier.

Energy prices were 5.3% higher in September compared with 4.7% in June, reflecting solely increases in fuel prices. As a result, the contribution of the energy category in overall inflation rose marginally to 0.4 percentage point, from 0.3 point in June.

Non-energy industrial goods prices rose further, mostly reflecting higher prices for non-durable household goods, motorcars and books. As a result, the inflation rate of this component edged up to 1.8% in September from 0.8% in June (see Table 3.1). Its contribution to overall inflation rose to half a percentage point in September from 0.2 percentage point three months earlier.

The annual HICP inflation rate rose to 3.2% in October and further to 3.6% in November, but moderated to 2.8% in December. The drop between September and December was due to developments in the services' index, particularly to a drop in communication prices, particularly telephone services.

RPI inflation[2]

RPI inflation increases

The Retail Price Index (RPI) inflation rate edged up to 2.9% in September from 2.2% in June (see Table 3.2). Meanwhile, the 12-month moving average inflation rate of the RPI slightly slowed down to 2.3% from 2.4% three months earlier (refer to Chart 3.4).

Much of the acceleration in the overall RPI inflation between June and September reflects an increase in food prices.[3] The annual inflation rate for this category rose to 5.5% in September

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

	2012					
	Apr.	May	June	July	Aug.	Sep.
Food	1.0	0.7	0.7	0.9	0.9	1.2
Beverages & tobacco	0.3	0.3	0.3	0.3	0.3	0.3
Clothing & footwear	-0.3	-0.3	-0.2	-0.1	0.2	-0.2
Housing	0.0	0.0	0.0	0.1	0.1	0.0
Water, electricity, gas & fuels	0.1	0.1	0.1	0.0	0.0	0.0
Household equipment & house maintenance costs	0.1	0.1	0.2	0.2	0.1	0.2
Transport & communications	1.0	0.4	0.7	0.2	0.2	0.7
Personal care & health	0.1	0.1	0.1	0.1	0.1	0.1
Recreation & culture	0.0	0.1	0.1	0.1	0.2	0.2
Other goods & services	0.4	0.3	0.3	0.3	0.3	0.3
RPI (annual percentage change)	**2.6**	**1.7**	**2.2**	**2.1**	**2.2**	**2.9**

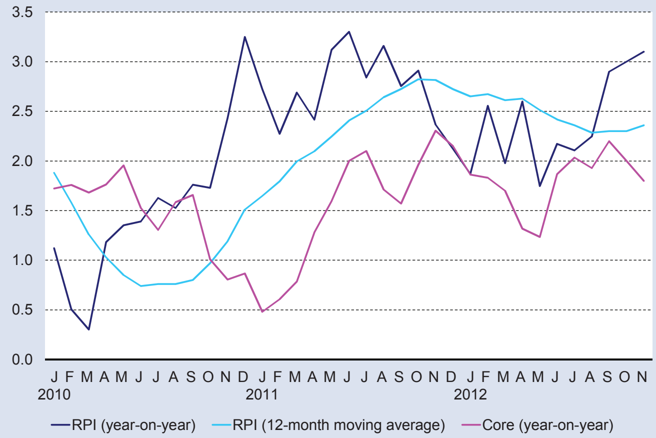
Sources: Central Bank of Malta; NSO.

[2] Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the way the two indices are compiled. For instance, whereas RPI weights are based on expenditure by Maltese households, HICP weights also reflect tourist expenditure in Malta. Thus, while the RPI excludes hotel accommodation prices, these account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

[3] The food component in the RPI includes both processed and unprocessed food. Processed food in the RPI excludes beverages and tobacco, which, however, are part of the processed food sub-index of the HICP.

from 3.2% three months earlier. As a result, its contribution to the overall rate of RPI inflation rose by half a percentage point to 1.2 points. Beverages & tobacco contributed an unchanged 0.3 percentage point to inflation, bringing the total contribution of food & beverages to over half the overall headline RPI inflation rate in September.

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



Sources: Central Bank of Malta estimates; NSO.

Prices in the transport & communication category rose by 3.0% on a year earlier. The contribution to overall RPI inflation of 0.7 percentage point was unchanged compared with June.

Meanwhile, prices within the recreation & culture category recorded a further increase to 2.3% in September from 1.5% in June. As a result, its contribution to overall inflation rose slightly to 0.2 percentage point.

Other major RPI sub-indices had only a marginal impact on the overall RPI inflation rate over this period.

Data running into the fourth quarter of 2012 show that RPI inflation rose to 3.1% in November, owing to an increase in the prices of transport, while the relatively strong drops in clothing and footwear prices seen in September bottomed out.

As the RPI is heavily influenced by a number of volatile components, such as food prices and water & electricity charges, underlying price pressures can be better gauged by the Bank's core RPI inflation rate.[4] This rose to 2.2% in September from 1.9% in June. The main component driving the acceleration in the core index was the recreation & culture component.

Costs and competitiveness

Producer price inflation remains negative[5]

During the third quarter of 2012 producer price inflation remained negative, although the rate of decline moderated. In September the rate stood at -3.0% from -3.8% three months earlier

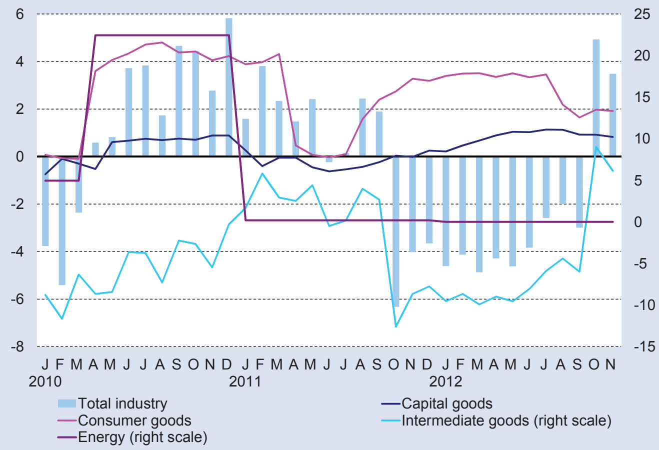
[4] The core inflation rate reflects developments only in those sub-indices of the RPI that show persistent price changes. As measured by the Bank, the included sub-indices currently consist of: housing, durable household goods, personal care & health, education & entertainment and other goods & services.

[5] The Industrial Producer Price Index measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage. It monitors the ex-works sale prices of leading products as reported by a sample of 77 large enterprises accounting for over 80% of total industrial turnover. The index covers three areas of economic activity: mining & quarrying, manufacturing and the supply of electricity, gas & water. Products are divided into five main groupings: intermediate goods, capital goods, consumer durables, non-durable consumer goods and energy. In turn, producer prices are divided between export and domestic markets for each of the groupings, with the bulk of the weight given to the export index. Producer price inflation in Malta has been more volatile than consumer price inflation in recent years, reflecting relatively sharp fluctuations in producer prices in the energy and intermediate goods sectors.

(see Chart 3.5). The slower rate of decline was due to prices of intermediate goods, which mainly include the cost of semi-conductors, a major input for the microchip industry in Malta.

Prices of intermediate goods fell by 6.0% in annual terms in September, after having dropped by 8.1% in June. They contributed a negative 3.3 percentage points to the overall rate from -4.4 points in June.

Chart 3.5
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

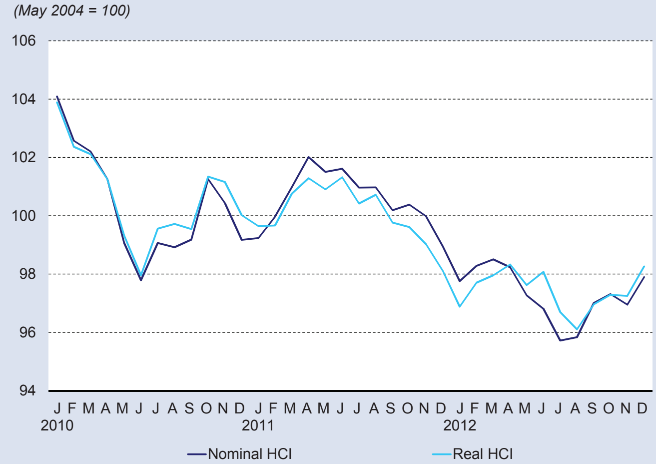
This rise in producer prices of consumer goods moderated over the three-month period to 1.6%, and contributed 0.3 percentage point to the producer price inflation rate. Meanwhile, prices of capital goods rose by 0.9%, the same rate registered in June. They continued to have a slight upward effect on the overall inflation rate. As electricity tariffs remained unchanged over the year, energy prices had no effect on producer price inflation.

During October producer price inflation returned to positive territory at 4.9% after having been negative for the previous 12 months. In November the rate eased to 3.5%. The swing from a negative to a positive annual rate of change in October reflects an increase in intermediate goods prices.

Divergent trends in the harmonised competitive indices

During the third quarter the nominal harmonised competiveness indicator (HCI) increased while the real indicator declined.[6] In September the nominal index rose by 0.2% from its June level, while the real index dropped by 1.1% over the same period (see Chart 3.6).[7]

Chart 3.6
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)



Source: ECB.

The drop in the real index reflects the narrowing in Malta's inflation

6 A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes and the relative inflation of a country vis-à-vis its main trading partners. In the computation of the indices, exchange rate and price changes are weighted according to the direction of trade in manufactured goods only. Therefore, the HCI should only be considered as a partial measure of Malta's international competitiveness. Changes in the HCI should be interpreted with caution. The HCIs are compiled by the ECB.

7 Following the adoption of the euro in Estonia in January 2011, the HCI now measures Malta's competitiveness vis-à-vis the other 16 countries in the euro area plus the EER-40 group of trading partners. Previously, Malta's HCI was compiled on the basis of 15 other countries in the euro area and the EER-41 group of trading partners.

differential compared with its main trading partners. During the quarter under review, consumer prices in Malta rose on average less rapidly than those of its trading partners. Thus, the gap between the real and nominal index closed in September.

In annual terms, nominal HCI in September was 3.2% lower. The real HCI also declined by 2.8%. The decrease in the nominal HCI reflected the effect of exchange rate movements, namely the depreciation of the euro against the pound sterling, and, to a lesser extent, against the dollar. Owing to the relative size of Malta's trade with the United Kingdom and the United States, changes in the exchange rate between the euro and these two currencies had a significant downward impact on Malta's HCI. The more contained decline in the real index, on the other hand, reflects a widening in Malta's inflation differential compared with its main trading partners. As consumer prices in Malta measured by the HICP rose on average more rapidly than those of its trading partners, inflation differentials increased, partly offsetting the competitive advantage gained as a result of the depreciation of the euro, when compared with the previous year.

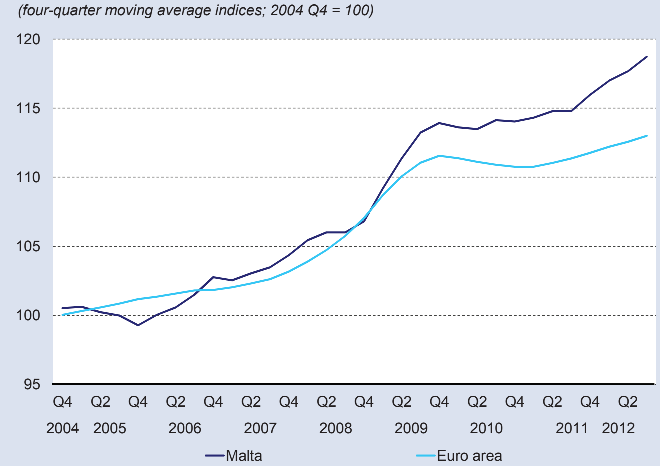
In the fourth quarter of 2012, HCI data show that both the real and the nominal index rose between September and December. The increase in the nominal index was 0.9%, while that in the real index was 1.3%. The higher inflation differential had a negative impact on competitiveness, as did the rise in the value of the currency.

Unit labour costs increase further

In the third quarter of 2012 Malta's unit labour costs (ULC) continued to increase. Measured as a four-quarter moving average, ULC increased by 3.4% in annual terms, compared with a 2.5% rise in the year to June (see Chart 3.7).[8]

Meanwhile, compared with the previous quarter, ULC were 0.9% higher in the September quarter. The increase stemmed from a 1.1% rise in compensation per employee, which rise was however somewhat counterbalanced by a 0.2% increase in labour productivity.

Chart 3.7
UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Source: ECB.

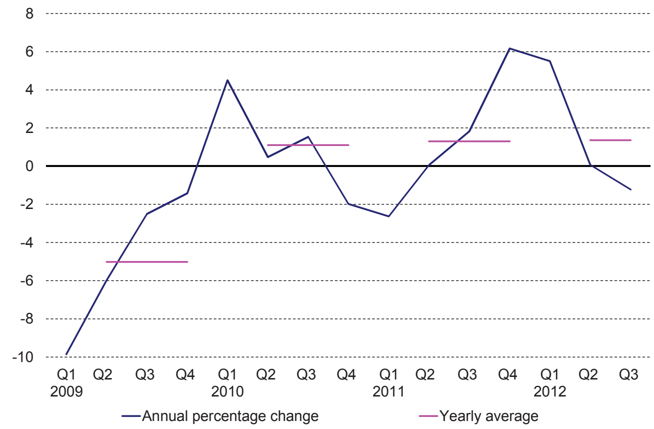
[8] Unit labour costs capture the labour costs of producing a unit of output. They are measured as the ratio of nominal compensation per employee and labour productivity. The latter is defined as real gross domestic product per person in employment. A drop in ULC indicates an improvement in competitiveness. Unless otherwise indicated, ULC and their components are measured on the basis of a four-quarter moving average to dampen volatility in the data.

BOX 3: RESIDENTIAL PROPERTY PRICES

Residential property prices drop in the third quarter[1]

Based on the Central Bank of Malta's property price index, the prices of residential properties dropped in the third quarter of 2012 over year-ago levels, after being stable in the previous quarter (see Chart 1). Given the sharp rise reported during the first quarter of 2012, on average, as shown in the Chart during the first three quarters of the year, advertised property prices increased by 1.4%. This is broadly at par with the average increases seen in the previous two years.

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES



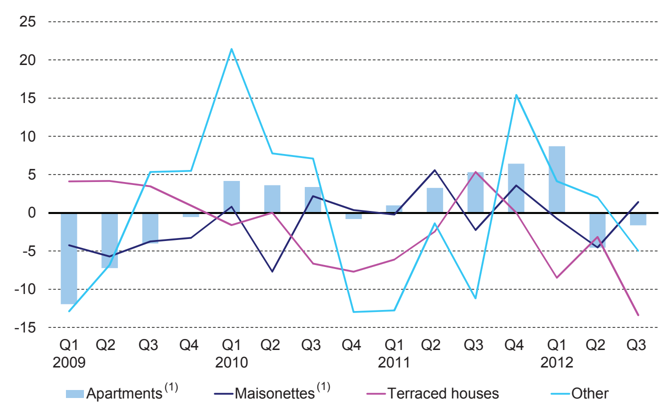
Source: Central Bank of Malta.

The year-on-year decline of 1.2% in the overall index during the quarter under review reflects diverging developments between different segments of the residential property market (see Chart 2). Whereas prices for apartments, terraced houses and properties in the "other category" dropped, prices for maisonettes increased on an annual basis.

Asking prices for apartments, which make up almost three-fifths of properties in the sample, saw an annual drop of 1.6% in the third quarter following another, larger, decline in the previous quarter. This category made the largest negative contribution to the overall movement in property prices.

In addition, asking prices for terraced houses dropped by 13.4% over

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



(1) Includes both units in shell form and finished units.
Source: Central Bank of Malta.

[1] This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in advertised residential property prices compiled from newspaper advertisements sampled each month. The Bank's index is divided into eight dwelling categories.

their year-ago levels. Although terraced houses have a relatively low weight in the Bank's sample, the downward impact on the overall index was substantial.

Moreover, during the third quarter, advertised prices in the "other" category – which consists of town houses, houses of character and villas – dropped by 5.0% as a result of lower asking prices for villas.

However, houses of character and town houses registered an annual increase in prices during the quarter under review. Prices of maisonettes increased by 1.4% on a year earlier in the September quarter, slightly dampening the drop in the aforementioned categories.

A measure of activity in the housing market is provided by the number of advertised properties captured in the Bank's survey and permits approved for development. In the third quarter of 2012, the number of advertised properties in the Bank's survey fell by 17.1% on a year earlier, to just over 1,200, implying a moderation from the 29.3% decline in the previous quarter. However, the annual fall in advertised properties is the fifth consecutive drop, with the decline being broad-based across all categories of the sample.

In addition, the number of building permits issued by the Malta Environment & Planning Authority (MEPA) decreased by around a quarter when compared with the previous year. However, the rate of decline was lower than the 45.3% annual fall registered in the June quarter. The contraction in building permits issued may reflect the new screening process introduced by MEPA in January 2011, whereby applicants receive a negative reply earlier in the process, thus resulting in a smaller number of requests being converted to a full application. However, it could also reflect a gradual weakening of activity in the construction sector over the past year. In absolute terms, the decline was almost entirely due to a lower number of permits issued for apartments, although development permits for maisonettes also dropped. The number of permits granted for other property categories was almost unchanged.

4. THE BALANCE OF PAYMENTS

In the third quarter of 2012, the current account of the balance of payments remained in surplus but it narrowed compared with the corresponding period of 2011. The decline in the surplus was mainly attributed to outflows on the income account and to a larger deficit on the merchandise trade account. Developments in these components of the current account more than offset higher net inflows on the services account and net inflows on current transfers.

Contemporarily, the capital and financial account registered a negative balance, reversing the surplus recorded in the September quarter of 2011. This deterioration reflected higher net outflows on the financial account as the capital account recorded a higher surplus.[1]

In the third quarter reserve assets – movements of which are recorded on the financial account – decreased. Meanwhile, net errors and omissions turned slightly positive.[2]

The current account

The current account registers a more moderate surplus

In the September quarter the current account surplus amounted to EUR127.3million, compared with a positive balance of EUR256.2 in the third quarter of 2011 (see Table 4.1).

Table 4.1
BALANCE OF PAYMENTS
EUR millions

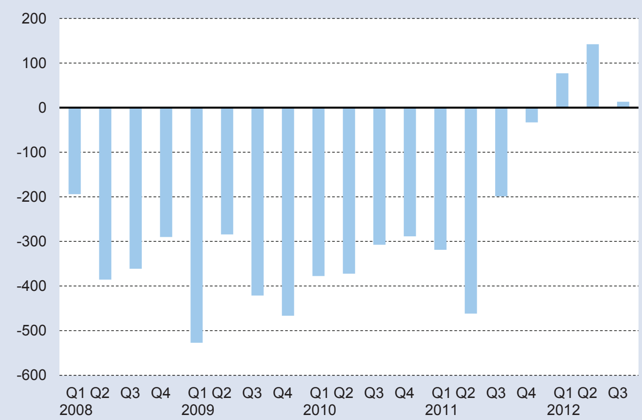
	2011	2012	four-quarter moving sum(1)				
			2011		2012		
	Q3		Q3	Q4	Q1	Q2	Q3
Current account	**256.2**	**127.3**	-198.8	-33.2	77.0	142.0	13.1
Goods	-246.8	-293.0	-1198.0	-1048.9	-969.2	-963.8	-1010.1
Services	503.2	524.5	1407.8	1391.4	1397.4	1405.9	1427.2
Income	0.3	-117.8	-452.8	-401.4	-383.1	-334.5	-452.6
Current transfers	-0.5	13.7	44.2	25.8	31.8	34.5	48.6
Capital and financial account	**22.0**	**-130.3**	248.2	-19.2	-196.3	-485.6	-637.9
Capital account	28.6	59.9	106.1	63.9	76.1	57.4	88.8
Financial account	-6.6	-190.2	142.1	-83.1	-272.3	-543.0	-726.7
Direct investment	32.5	90.3	253.4	294.5	144.6	3.0	60.7
Portfolio investment	-969.2	-451.5	-1711.0	-3103.5	-2812.0	-3530.0	-3012.3
Financial derivatives	38.3	-12.6	37.6	24.3	78.9	62.6	11.7
Other investment	881.0	159.0	1498.6	2648.8	2376.6	3048.6	2326.6
Reserve assets	10.9	24.5	63.6	52.9	-60.5	-127.1	-113.4
Errors and omissions	-278.2	3.0	-49.4	52.4	119.3	343.6	624.8

(1) In the final quarter of the year, the four-quarter moving sum is equivalent to the annual figure.
Source: NSO.

[1] In the capital and financial account of the balance of payments, additions to assets and decreases in liabilities are considered as outflows and recorded with a negative sign. Conversely, increases in liabilities and decreases in assets are recorded with a positive sign.
[2] Positive net errors and omissions imply an underestimation of the current account surplus and/or an overestimation of net outflows on the capital and financial account.

As a result, the current account surplus expressed as a four-quarter moving sum fell substantially to EUR13.1 million in September, compared with EUR142.0 million in the year to June. This development was to a large extent driven by stronger net outflows on the income account.

Chart 4.1
CURRENT ACCOUNT BALANCE
(four-quarter moving sum; EUR millions)



Source: NSO.

This was the third consecutive quarter in which a positive balance was recorded on the current account as calculated on a cumulative basis, with the current account position improving considerably when compared with a deficit of EUR198.8 million a year earlier. A significant decline in the deficit reflecting developments on the merchandise trade account was the main factor contributing to this improvement (see Chart 4.1). Thus, as a proportion of gross domestic product (GDP), the current account balance stood at 0.2% of GDP compared with 2.1% in the previous quarter, and with a negative 3.0% in the year to September 2011.

The merchandise trade gap widens

During the third quarter of 2012, the merchandise trade deficit widened by EUR46.3 million on a year earlier, rising to EUR293.0 million. This was mostly the result of a surge in imports that offset an increase in exports. The value of goods imports rose by EUR103.0 million, or 11.4%, over the corresponding period of 2011, while exports of goods increased by EUR56.7 million, or 8.7%.

Customs data indicate that the overall increase in goods imports recorded in the September quarter, while broad-based across all categories, was principally driven by fuel-related products. The latter more than doubled on a year earlier, reflecting to some extent a strong rise in fuel re-exports. Non-fuel imports rose by EUR75.8 million, mostly owing to higher purchases of industrial supplies, which rose by EUR43.2 million, and of capital goods, which went up by EUR22.1 million. The increase in overall imports of industrial goods was partly attributed to higher purchases of semi-finished goods, which include components used in the semiconductor industry. These were reinforced by increases in primary and finished supplies. At the same time, imports of consumer goods rose by EUR10.5 million.[3]

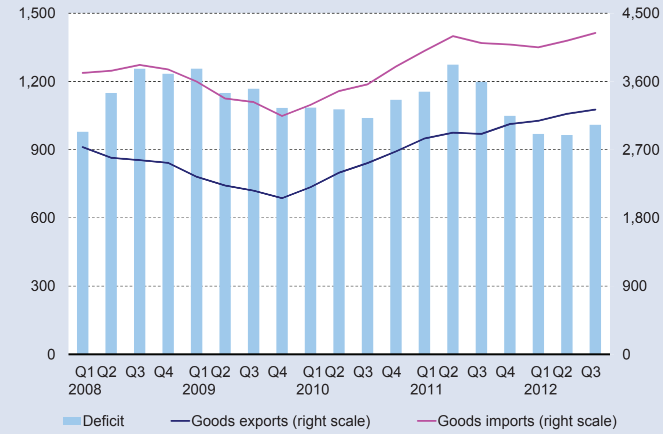
On the exports side, Customs data indicate that the increase was driven to a large extent by trade in fuel oil, and, to a lesser extent, by machinery & transport equipment and pharmaceutical products.

Compared with a year earlier, when measured on a four-quarter cumulative basis, the merchandise trade deficit based on balance of payment data narrowed from EUR1198.0 million in the year to September 2011 to EUR1,010.1 million in the 12 months to September 2012. The contraction

[3] International trade data compiled on the basis of Customs returns differ from balance of payments data as a result of differences in coverage, valuation and timing. Thus, for example, trade data record the physical entry into, and the corresponding exit from, Maltese territory of all goods, whereas balance of payment data only capture transactions that entail a change of ownership between residents and non-residents. These differences are especially pronounced in the case of trade in fuel.

in the goods' deficit reflected an 11.1% increase in exports, which offset a more modest increase of 3.3% in imports (see Chart 4.2).

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



Source: NSO.

More recent Customs data show that in October and November the visible trade gap widened on a year earlier as exports fell at a faster pace than imports. Over the first 11 months of 2012, the merchandise deficit expanded by EUR382.2 million, or 26.5% on a year earlier, as fuel imports outpaced fuel exports.

Increase in the surplus on services

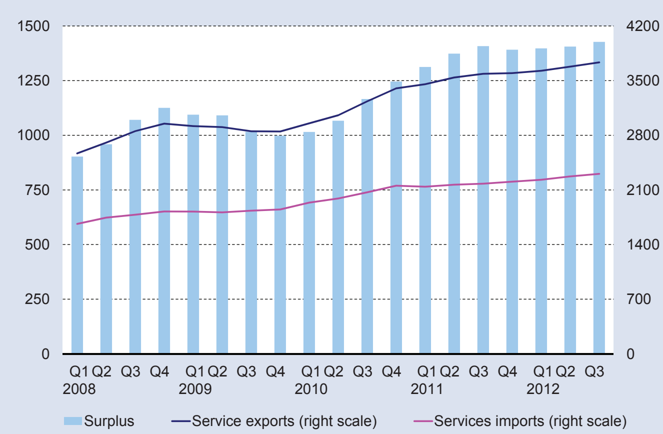
During the September quarter, the surplus on services increased by EUR21.3 million compared with the same quarter of 2011, to stand at EUR524.5 million. The rise reflected a notable expansion in exports, although imports also rose.

Higher net earnings from tourism and, to a lesser extent, increased net receipts from "other services" were the main components contributing to the rise in the services balance. The strong performance of the tourism industry during 2012 resulted in an expansion of EUR26.3 million in net receipts from travel-related services. Meanwhile, the net surplus on "other services" rose by EUR8.7 million on its year-ago level. This was primarily attributed to higher fees and commissions earned by banks and other financial institutions, together with increased receipts from personal, cultural & recreational services.

The balance on the transportation component deteriorated over the September quarter, with net outflows rising by EUR13.6 million under the impact of an increase in payments for freight services that reflected buoyant activity in merchandise trade.

The four-quarter cumulative surplus on services up to September 2012 rose by EUR19.4 million compared with the position in September 2011. This reflected a stronger increase in receipts, which went up by EUR145.8 million compared with payments, which rose by EUR126.4 million (see Chart 4.3).

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



Source: NSO.

Large negative balance recorded on the income account

Between July and September 2012, the income component of the current account registered net outflows of EUR117.8 million as against net inflows of EUR0.3 million in the comparable months of 2011. This mainly reflected a substantial increase in profits recorded by foreign-owned firms operating in Malta, which are registered as outflows on this account. These outflows were partly offset by higher interest earnings recorded by residents on their portfolio investments abroad. The increase in these earnings emanated mainly from debt instruments held by banks. The activities of internationally-oriented banks, which are predominantly engaged in financial operations with non-residents, continued to have a major influence on inward and outward movements in this account.

Current transfers rise

During the third quarter of the year, net inflows on current transfers amounted to EUR13.7 million as opposed to net outward transfers of EUR0.5 million in the corresponding quarter of 2011. The rise mainly reflected differences in timing between the collection of tax revenues from, and the payment of tax refunds to companies engaged in international business operations.

The capital and financial account

Net outflows recorded on the capital and financial account

In the September quarter, the capital and financial account registered net outflows of EUR130.3 million, as against net inflows of EUR22.0 million a year earlier (see Table 4.1).

The shift in the balance reflected transactions related to the financial account as the capital account recorded a higher surplus of EUR59.9 million, compared with EUR28.6 million a year earlier. This was largely attributable to increased transfers involving the government, more specifically the receipt of structural and cohesion funds from the European Union.

Net outflows on the financial account during the third quarter amounted to EUR190.2 million, compared with EUR6.6 million in the corresponding period of 2011. Banks that predominantly conduct international business accounted for most of these flows.

Lower net inflows were recorded on the “other investment” component. These dropped to EUR159.0 million from EUR881.0 million in the third quarter of 2011, reflecting developments in residents’ holdings of foreign assets. The latter increased during the quarter reviewed, which contrasts with a substantial reduction a year earlier. In particular, short-term loans to non-residents rose, as did deposits placed by residents with non-resident institutions. Financial derivatives also contributed to the rise in net outflows on the financial account.

Net portfolio investment outflows by residents more than halved, declining to EUR451.5 million during the third quarter of 2012, from EUR969.2 million in the same quarter of 2011. This was largely the result of activities of internationally-oriented banking institutions, which tended to slow down the pace of expansion in their portfolio holdings of foreign bonds and notes on a year earlier.

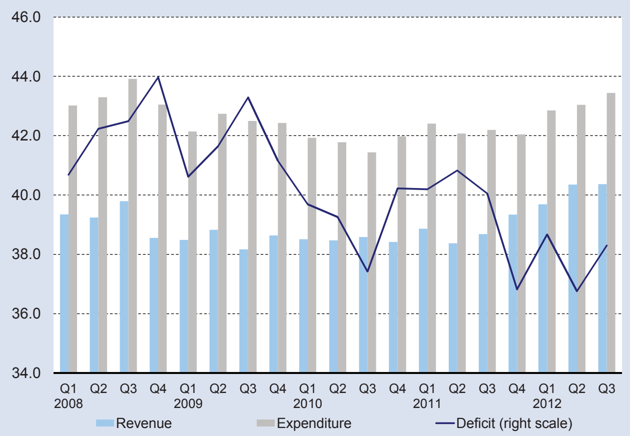
Meanwhile, net direct investment inflows rose to EUR90.3 million in the September quarter, an increase of EUR57.8 million over the same period of 2011. The rise reflected underlying growth in retained earnings by foreign-owned firms in Malta, which was masked by offsetting direct investment flows involving internationally-oriented banks.

In the third quarter of 2012, reserve assets fell by EUR24.5 million, compared with a EUR10.9 million decrease in the corresponding period of 2011. Errors and omissions were positive and negligible.

5. GOVERNMENT FINANCE[1]

In the third quarter of 2012 and over the nine-month period to September, the general government deficit increased on a year-on-year basis, as expenditure in nominal terms exceeded revenue. Measured over a four-quarter period, the deficit ratio to gross domestic product (GDP) stood at 3.1% at the end of September 2012 compared with 2.7% at the end of June (see Chart 5.1).

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



Source: NSO.

The Consolidated Fund balance improved marginally on a year-on-year basis in the third quarter, but deteriorated when measured over the first nine months of 2012.[2] General government debt as a percentage of GDP declined to 73.1% at the end of September, compared with 75.6% at the end of June, as the Government met part of its financing needs by drawing on its holdings of financial assets, mainly deposits with banks, which it had built up earlier.

General government

General government deficit widens

Between July and September 2012, the general government deficit rose when compared with a year earlier, after contracting in the previous quarter. The shortfall between revenue and expenditure increased by EUR27.8 million compared with the third quarter of 2011, to EUR60.6 million (see Table 5.1).

Overall, during the first three quarters of the year, the deficit widened by EUR29.0 million compared with the same period of 2011. Concurrently, the primary deficit, which excludes interest payments from expenditure, increased by EUR14.5 million compared with a year earlier, as non-interest expenditure outpaced revenue.

Revenue rises

General government revenue rose by EUR30.9 million, or 5.0%, in the third quarter of the year compared with the same period in 2011. Almost all the increase emanated from higher inflows from current taxes on income and wealth, which went up by EUR35.2 million, reflecting positive developments in the domestic economy. On the other hand, the intake from taxes on production and imports declined by EUR3.4 million as lower revenue from duties on petroleum offset higher value added tax (VAT) receipts.

[1] The cut-off date for the information presented in this Chapter is 30 January 2013.

[2] The Consolidated Fund captures most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA95 regulations, cover central government, which is defined to include extra-budgetary units, as well as local councils, on an accrual basis. On the revenue side, discrepancies between the two sets of accounts mainly stem from the recorded timing of income tax and VAT revenue. On the expenditure side, significant differences often arise in the treatment of capital expenditure.

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2011 Q3	2012 Q3	Change Amount	Change %	2011 Q1-Q3	2012 Q1-Q3	Change Amount	Change %
Revenue	**618.5**	**649.4**	**30.9**	**5.0**	**1,844.2**	**1,974.3**	**130.2**	**7.1**
Taxes on production and imports	241.8	238.4	-3.4	-1.4	646.8	673.7	26.9	4.2
Current taxes on income and wealth	180.7	215.9	35.2	19.5	606.4	674.8	68.4	11.3
Social contributions	118.1	118.8	0.7	0.6	351.9	358.2	6.3	1.8
Capital and current transfers	40.7	42.0	1.2	3.0	89.5	101.6	12.1	13.5
Other (1)	37.2	34.4	-2.8	-7.5	149.6	166.0	16.5	11.0
Expenditure	**651.2**	**710.0**	**58.7**	**9.0**	**2,015.4**	**2,174.6**	**159.2**	**7.9**
Compensation of employees	217.9	229.4	11.5	5.3	652.9	678.6	25.7	3.9
Intermediate consumption	89.9	112.0	22.1	24.6	285.8	337.6	51.8	18.1
Social benefits	203.1	205.0	1.9	0.9	651.2	676.2	25.0	3.8
Subsidies	11.0	20.7	9.7	87.8	44.4	57.0	12.6	28.3
Interest	50.2	54.6	4.4	8.7	148.3	162.8	14.5	9.8
Current transfers payable	26.7	27.8	1.1	4.0	82.2	98.3	16.1	19.6
Gross fixed capital formation	44.8	45.2	0.4	0.9	118.4	133.0	14.6	12.4
Capital transfers payable	13.2	11.2	-2.0	-15.0	33.7	58.2	24.5	72.6
Other (2)	-5.4	4.2	9.6	-	-1.5	-27.1	-25.6	-
Primary balance	**17.4**	**-6.0**	**-23.4**	**-**	**-23.0**	**-37.5**	**-14.5**	**-**
General government balance	**-32.8**	**-60.6**	**-27.8**	**-**	**-171.3**	**-200.3**	**-29.0**	**-**

(1) "Other" revenue includes market output as well as income derived from property and investments.
(2) "Other" expenditure reflects changes in the value of inventories and in the net acquisition of valuables and other assets.
Source: NSO.

Over the first three quarters of 2012, total revenue grew by EUR130.2 million, or 7.1%, compared with the first nine months of 2011. Movements in overall revenue were mainly due to developments in VAT and taxes on income and wealth. More than half of the increase in overall revenue during the first nine months of the year was due to higher intakes from current taxes on income and wealth, largely related to higher provisional tax receipts paid by corporations for profits earned in the previous financial year. At the same time, revenue from taxes on production and imports increased by 4.2% on the back of higher expenditure by tourists in Malta, as well as a result of a scheme offering tax payers who had not settled their arrears incentives in the form of reduced interest and lower administrative penalties.

Meanwhile, inflows from capital and current transfers expanded by 13.5%, primarily from higher investment grants received from the European Union (EU). “Other” revenue went up by 11.0%, largely owing to higher market output reported by extra-budgetary units during the first quarter of the year. Concurrently, social security contributions rose by 1.8%, reflecting the resilience of employment.

Expenditure increases

In the third quarter of 2012, general government expenditure rose by EUR58.7 million, mainly owing to higher recurrent outlays. In particular, spending on intermediate consumption increased by EUR22.1 million, partly due to higher expenditure on IT services. Moreover, compensation of employees rose by EUR11.5 million, reflecting higher salaries to teachers following the signing of a new collective agreement. Spending on subsidies increased by EUR9.7 million, primarily owing to Government transfers to Enemalta and incentives to the film industry.

Meanwhile, outlays on "other" expenditure rose by EUR9.6 million, while capital transfers declined by EUR2.0 million.

In the first nine months of the year, total expenditure went up by EUR159.2 million, or 7.9%. Increases in intermediate consumption, compensation of employees and social benefits accounted for more than half of the overall rise in expenditure. Intermediate consumption went up by 18.1% largely owing to commitments on health and education. Compensation of employees rose by 3.9%, chiefly in the education and health sectors. At the same time, spending on social benefits grew by 3.8%, driven by higher outlays on retirement pensions.

In line with a higher level of government debt compared with the previous year, interest payments increased by 9.8%. Subsidies rose by 28.3%, with the main beneficiary being Enemalta. Current transfers also rose by 19.6%.

Capital transfers almost doubled, following the injection of equity capital by the Government into Air Malta at the beginning of the year. Moreover, outlays on gross fixed capital formation rose by 12.4% largely as a result of the ongoing road building programme, most of which is co-financed by the EU. In contrast, "other" expenditure recorded a notable decline, reflecting the concession fee paid by a private firm to operate the National Lottery.[3]

Consolidated Fund

The Consolidated Fund balance improves

Between July and September 2012, the Consolidated Fund balance improved reaching a surplus of EUR2.1 million from EUR1.8 million in the same period a year earlier (see Table 5.2). Revenue grew by EUR35.8 million as a result of higher non-tax and direct tax receipts, while total

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2011	2012	Change		2011	2012	Change	
	Q3	Q3	Amount	%	Q1-Q3	Q1-Q3	Amount	%
Revenue	**634.2**	**670.1**	**35.8**	**5.6**	**1,700.4**	**1,794.0**	**93.6**	**5.5**
Direct tax(1)	323.6	340.0	16.4	5.1	796.7	880.4	83.7	10.5
Indirect tax	247.3	231.8	-15.5	-6.3	690.3	678.1	-12.2	-1.8
Non-tax(2)	63.3	98.3	35.0	55.2	213.4	235.5	22.0	10.3
Expenditure	**632.4**	**667.9**	**35.5**	**5.6**	**1,888.8**	**2,076.2**	**187.4**	**9.9**
Recurrent(1)	570.9	580.9	10.0	1.7	1,705.4	1,832.8	127.4	7.5
Of which: Interest payments	54.8	58.6	3.8	7.0	159.5	168.0	8.5	5.4
Capital	61.5	87.0	25.5	41.4	183.4	243.4	59.9	32.7
Primary balance(3)	**56.6**	**60.8**	**4.2**	**-**	**-29.0**	**-114.2**	**-85.2**	**-**
Consolidated Fund balance	**1.8**	**2.1**	**0.4**	**-**	**-188.4**	**-282.2**	**-93.8**	**-**

(1) Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both direct tax revenue and recurrent expenditure.
(2) Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.
(3) Revenue less expenditure excluding interest payments.
Source: NSO.

3 In line with ESA95 methodology, such revenue, which is related to the disposal of assets, is deducted from expenditure.

expenditure increased by EUR35.5 million. Much of the increase in expenditure during the quarter under review was due to higher capital spending.

In the first nine months of the year, however, the Consolidated Fund deficit deteriorated by EUR93.8 million, as expenditure growth outweighed an increase in revenue. The latter went up by 5.5% mainly owing to higher direct taxes brought about by increased intakes from income tax. Non-tax revenue grew strongly on the back of higher grants from the EU. On the other hand, indirect tax receipts declined as a result of lower inflows from customs and excise duties.

Total expenditure rose by 9.9% mainly owing to increased recurrent outlays on social benefits and on health. Spending on interest payments and personal emoluments also increased. While during the nine-month period to September the Government effected payment of the full subsidy of EUR20.7 million to Enemalta, in the general government accounts this transaction is recorded across the four quarters of 2012 in line with the applicable statistics methodology.

Concurrently, capital expenditure surged by 32.7%, owing to the above-mentioned road works and the equity capital contribution to Air Malta.

General government debt

General government debt declines

By end-September 2012, outstanding general government debt amounted to EUR4,900.5 million, EUR107.7 million lower than at the end of June (see Table 5.3). Despite the financing needs arising from the deficit in the third quarter, the Government was able to reduce its gross debt by drawing on its own financial assets, mainly bank deposits. Consequently, the debt-to-GDP ratio declined by 2.4 percentage points, to 73.1% (see Chart 5.2).

The composition of general government debt between July and September shifted in favour of short-term obligations at the expense of long-term debt, mirroring developments in the previous quarter. The latter's share in total government debt declined to 91.3% from 92.9%, as

Table 5.3
GENERAL GOVERNMENT DEBT
EUR millions

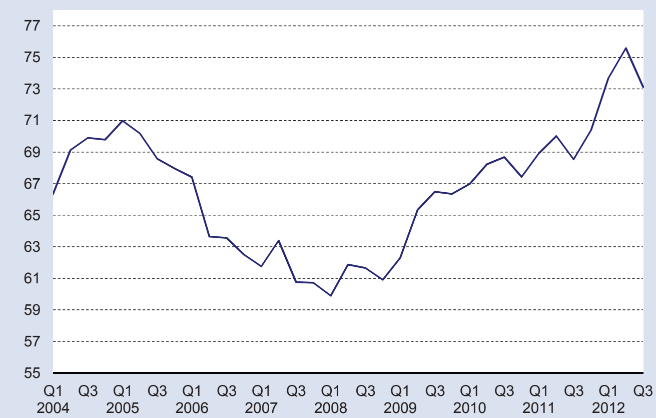
	2011		2012		
	Q3	Q4	Q1	Q2	Q3
General government debt[1]	**4,477.7**	**4,607.4**	**4,837.7**	**5,008.2**	**4,900.5**
Currency	**44.5**	**45.8**	**45.2**	**47.0**	**48.9**
Securities	**4,184.8**	**4,303.5**	**4,489.2**	**4,621.0**	**4,507.6**
Short-term	304.3	257.1	216.4	255.1	319.4
Long-term	3,880.4	4,046.3	4,272.8	4,366.0	4188.2
Loans	**248.4**	**258.0**	**303.3**	**340.2**	**344.0**
Short-term	42.1	51.4	53.1	55.0	56.40
Long-term	206.4	206.6	250.2	285.1	287.6

[1] Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.
Source: NSO.

redemptions of Malta Government Stocks outweighed new issues. In fact, the share of long-term securities in total debt declined by 1.7 percentage points to 85.5%, whereas that of short-term securities in the form of Treasury bills went up by 1.4 percentage points to 6.5%.

The composition of loans was broadly stable compared with that of the second quarter, with long-term loans continuing to account for 84% of total loans.

Chart 5.2
GENERAL GOVERNMENT DEBT
(% of GDP; GDP data are four-quarter moving sums)



Source: NSO.

Overall borrowing through loans rose by a marginal EUR3.9 million, owing to loans granted to other euro area Member States through the European Financial Stability Fund (EFSF).[4]

Liabilities in the form of Maltese euro coins in issue went up by EUR1.8 million, although their share in the total debt figure remained unchanged from the previous quarter's level.

[4] According to rules covering the statistical treatment of general government accounts, any increase in EFSF debt to finance lending to euro area countries in need of support is reported as an increase in the debt of the contributing Member States weighted in accordance with their capital key.

6. MONETARY AND FINANCIAL DEVELOPMENTS

During the third quarter of 2012, there was further acceleration in the contribution of Maltese monetary financial institutions (MFI) to the euro area's broad money stock.[1] However, deposits held by Maltese residents grew at a slower pace than in the previous quarter, as did credit granted to them. Despite this slowdown, deposit and credit growth in Malta remained positive, and considerably faster than in the euro area as a whole.

Domestic primary money market yields rose during the third quarter, while those on five-year and ten-year Maltese government securities declined. The five-year spread over benchmark euro area rates narrowed, while the ten-year spread remained unchanged.

At the same time, the Malta Stock Exchange (MSE) share index continued to increase, extending the recovery that had started during the second quarter of 2012.

Going into the fourth quarter of 2012, both domestic money market rates and government bond yields declined. As in the previous quarter, the MSE share index rose once more between the end of September and end-November.

Monetary aggregates and their counterparts

Contribution to euro area M3 accelerates further

The contribution of Maltese MFIs to the euro area's broad money stock (M3) gathered momentum in the third quarter of 2012, as its annual growth rate accelerated to 6.3% in September, from 5.6% three months earlier (see Table 6.1). Annual M3 growth for the euro area as a whole was less pronounced and stood at 2.7% in September.

Monetary growth in Malta stemmed almost entirely from the narrow money (M1) component. In September this aggregate stood 11.6% higher than a year earlier – a somewhat slower rise than the annual rate of 12.3% recorded in June.

Table 6.1
CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES(1)

	EUR millions	Annual percentage changes				
	2012	2011		2012		
	Sep.	Sep.	Dec.	Mar.	June	Sep.
Narrow money (M1)	5,929.1	9.2	8.5	7.8	12.3	11.6
Intermediate money (M2)	10,075.9	5.9	3.8	5.4	5.7	6.6
Broad money (M3)	**10,278.3**	**5.7**	**3.3**	**5.3**	**5.6**	**6.3**

(1) Figures show the contribution of Maltese MFIs to the euro area totals. Data on monetary aggregates include deposit liabilities to residents of Malta and other euro area residents. Broad money comprises M2 plus certain marketable instruments, namely, repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Source: Central Bank of Malta.

[1] The contribution of Maltese MFIs to euro area monetary aggregates comprises the notional issue of euro currency attributed to the Central Bank of Malta, deposits held by Maltese and other euro area residents (except those belonging to central governments and interbank deposits) with resident MFIs, and other monetary liabilities of Maltese MFIs towards euro area residents, as explained in the General Notes accompanying the Statistical Tables in this *Review*. Monetary statistics cover all MFIs resident in Malta.

The easing in the annual rate of growth of narrow money reflected a smaller quarterly flow into M1 during the third quarter when compared with the corresponding three months of 2011. This mainly reflected a decline in balances belonging to non-bank financial intermediaries coupled with a weaker increase in private non-financial companies' (NFC) deposits during the quarter under review. In the current environment of low interest rates, which reduces the opportunity cost of holding liquid assets, firms may be opting for higher liquid balances. Overall, during the 12 months to September 2012, higher balances belonging to private NFCs and households were the main factors behind the acceleration in M1.

Meanwhile, year-on-year growth in intermediate money (M2) was substantial, though slower than in M1. M2 accelerated to 6.6% in September from 5.7% in June and was almost entirely driven by the narrow money component, as short-term deposits, which make up the difference between the two aggregates, increased only marginally on a year earlier.

Maltese residents' deposits lose momentum

Total M3 deposits held by Maltese residents with Maltese MFIs grew at a reduced pace during the third quarter of 2012, with their annual growth rate receding to 5.7% from 6.2% in June (see Table 6.2). Growth continued to be driven by overnight deposits.

Despite a slight deceleration, overnight deposits continued to record double-digit annual growth (12.2% in September) on account of higher balances belonging to private NFCs and households, as investors opted for more liquid portfolios. However, growth in liquid deposits was further augmented by the redemption of Malta Government Stocks (MGS) at the end of September. At end-September, overnight deposits accounted for 57% of all residents' deposits within M3.

Moving to the other components of M2, the annual growth rate of residents' deposits redeemable at up to three months' notice continued to grow strongly, rising to 14.9% in September, compared with 12.2% three months earlier, mainly because of a sharp increase in balances belonging to private NFCs. Nevertheless, in absolute terms, these account only for a small proportion of residents' total deposits and tend to be volatile.

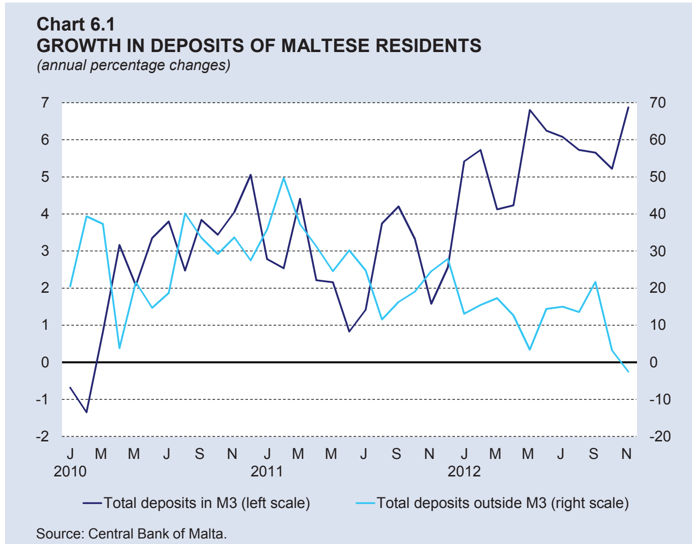
In contrast, residents' deposits with an agreed maturity of up to two years contracted at a faster pace, with their annual growth rate reaching -2.5% in September. This masked a moderate increase in such deposits during the course of the third quarter. Two factors influenced the annual contraction in these deposits. A shift towards more liquid monetary assets by households and NFCs was coupled with a movement into longer-term assets outside M3, which attracted money holding investors, mainly households, in search of higher yields.

Table 6.2
DEPOSITS OF MALTESE RESIDENTS INCLUDED IN M3

	EUR millions	Annual percentage changes				
	2012	2011		2012		
	Sep.	Sep.	Dec.	Mar.	June	Sep.
Overnight deposits	5,025.9	9.5	8.7	7.7	12.4	12.2
Deposits redeemable at notice up to 3 months	144.0	10.2	-0.8	-5.6	12.2	14.9
Deposits with agreed maturity up to 2 years	3,660.3	-1.6	-4.0	0.2	-1.2	-2.5
Total residents' deposits	**8,830.1**	**4.2**	**2.6**	**4.1**	**6.2**	**5.7**

Source: Central Bank of Malta.

Going into the fourth quarter of 2012, year-on-year growth in total residents' deposits included in M3 accelerated, reaching 6.9% in November.



Residents' deposits excluded from M3, consisting of those with a maturity exceeding two years, as well as those belonging to central government, grew at a faster pace than those included in it (see Chart 6.1). Indeed, the annual growth rate of such deposits accelerated to 21.7% in September from 14.4% in June, driven by an increase in central government deposits following the issue of MGS in September. These double-digit growth rates are also explained by portfolio flows towards longer-term deposits outside M3 as investors, particularly households, seek higher yields. Subsequently, however, growth in these deposits turned negative and stood at -2.5% in November.

Interest rates on Maltese residents' deposits decline marginally

The weighted average interest rate paid by MFIs on all deposits belonging to households and NFCs resident in Malta edged 1 basis point lower in September, to 1.40%. Rates received by households on deposits with an agreed maturity of up to two years were unchanged at 2.06%, while those earned by NFCs rose by 4 basis points to 1.96%. In contrast, in the overnight category, rates paid to NFCs fell by 2 points, while those received by households remained unchanged. Rates also rose for deposits with an agreed maturity of over two years, which are excluded from M3 (see Table 6.3).[2]

Table 6.3
INTEREST RATES ON OUTSTANDING DEPOSITS BELONGING TO RESIDENTS OF MALTA
Percentages per annum; weighted average rates as at end of period

	2011			2012	
	Sep.	Dec.	Mar.	June	Sep.
Total deposits belonging to households and non-financial corporations (1)	1.39	1.41	1.41	1.41	1.40
Overnight deposits					
Households	0.30	0.31	0.31	0.32	0.32
Non-financial corporations	0.28	0.30	0.29	0.29	0.27
Time deposits with agreed maturity up to 2 years					
Households	2.06	2.05	2.04	2.06	2.06
Non-financial corporations	1.98	2.00	1.96	1.92	1.96
Time deposits with agreed maturity over 2 years					
Households	3.18	3.21	3.22	3.27	3.36
Non-financial corporations	3.14	3.13	3.16	3.23	3.34

(1) Annualised agreed rates on euro-denominated deposits.
Source: Central Bank of Malta.

2 Data on interest rates on outstanding amounts shown in Table 6.3 cover MFI euro-denominated deposits belonging to households and NFCs resident in Malta. The household sector also includes Non-Profit Institutions Serving Households (NPISH). NFCs include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all economic sectors.

Going into the fourth quarter, rates on outstanding deposits rose slightly, particularly on time deposits with an agreed maturity over two years.

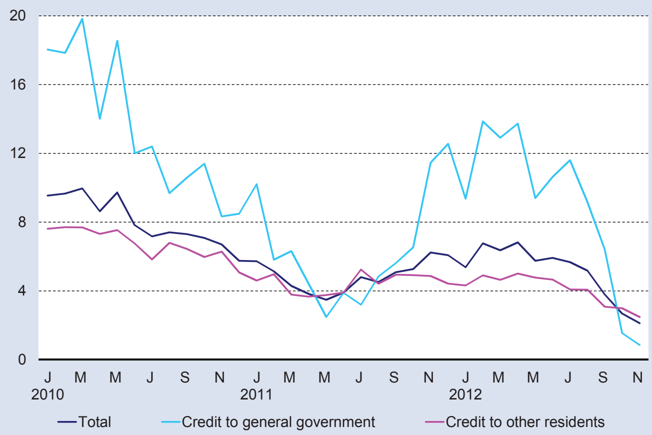
Growth in credit to residents of Malta decelerates further

The annual growth rate of credit to residents of Malta, which had been on a generally downward path since May, slowed down to 3.8% in September from 5.9% three months earlier (see Table 6.4). Nonetheless, it continued to outpace the rate of increase in the euro area as a whole, where credit extended by euro area MFIs to euro area residents added just 0.3% during the year to September 2012.

Domestically, the annual growth rate of credit to general government slowed down to 6.4% in September from 10.6% in June as a substantially large MGS issue, partly held by the banking system, matured in September (see Chart 6.2). This was only partly offset by new MGS issues that took place during the same month. During the 12 months to September 2012, growth in credit to general government mostly stemmed from higher holdings of MGS and domestic Treasury bills by resident banks.

Meanwhile, growth in credit to residents other than general government, which in absolute terms makes up over three-quarters of the total, was the main factor driving the overall expansion in credit. Nonetheless, following a weaker increase during the third quarter, its year-on-year growth rate declined to 3.1% in September from 4.7% in June (see Table 6.4).[3]

Chart 6.2
CREDIT TO RESIDENTS OF MALTA
(annual percentage changes)



Source: Central Bank of Malta.

Table 6.4
CREDIT TO RESIDENTS OF MALTA

	EUR millions	Annual percentage changes				
	2012	2011		2012		
	Sep.	Sep.	Dec.	Mar.	June	Sep.
Total credit	**11,150.1**	**5.1**	**6.1**	**6.4**	**5.9**	**3.8**
Credit to general government	2,453.6	5.6	12.5	12.9	10.6	6.4
Credit to other residents	8,696.5	4.9	4.4	4.6	4.7	3.1
Credit to non-bank private sector	7,971.5	3.9	4.0	3.9	3.4	3.0
Credit to public non-financial corporations	725.0	17.8	8.9	14.1	19.6	3.7
Total loans to other residents	**8,432.3**	**4.7**	**4.2**	**4.4**	**4.3**	**3.1**

(1) Credit to other residents consists mainly of loans and holdings of securities, including equities, issued by non-bank private corporations and public non-financial corporations, and financial derivatives. Interbank claims are excluded.

Source: Central Bank of Malta.

[3] The term “other residents” represents all economic sectors that are resident in Malta but do not form part of general government. It includes households, private non-financial corporations and public non-financial corporations.

In absolute terms, more than 90% of credit to other residents consists of credit to the non-bank private sector. The latter continued to expand. However, the annual rate of growth decelerated further, falling to 3.0% in September. Similarly, credit flows to public NFCs declined during the quarter reviewed, leading to a sharp drop in the annual growth rate, which reached 3.7% in September.

The overall slowdown in credit reflects less rapid expansion in loans, which at the end of September accounted for 97% of all credit to residents of Malta excluding general government. Loans expanded at an annual rate of 3.1% in September as opposed to 4.3% in June (see Table 6.4).

Year-on-year growth in loans to the non-bank private sector generally declined during the third quarter, reaching 3.0% in September, with growth being once again almost entirely driven by lending to households – mostly for mortgage financing (see Chart 6.3).

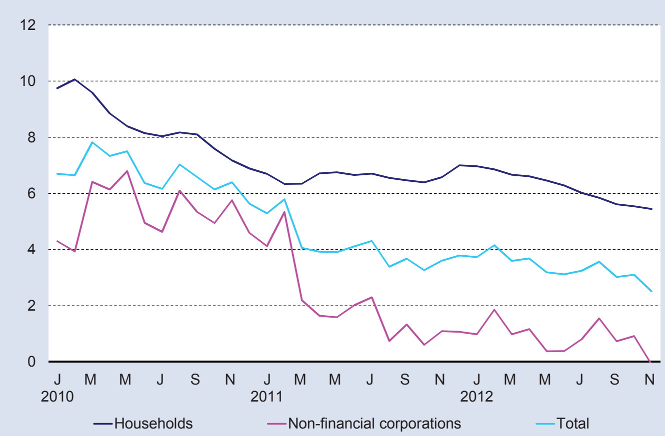
Loans to households remained by far the largest single category of bank borrowing, contributing to almost half of total lending granted to the private sector. Year-on-year growth in household lending declined steadily during the third quarter, reaching 5.6% in September compared with 6.3% in June. In turn, mortgage lending, which constitutes more than four-fifths of loans to households, expanded at an annual rate of 7.0% in September, down from 7.5% in June. The remainder, consisting of consumer credit and other lending to households, contracted at an annual rate of 0.2% in September after having increased by 1.5% three months earlier.

Despite picking up slightly, the annual rate of growth of loans to the corporate sector remained weak at 0.7% in September, mainly as higher loans to manufacturing were offset by reduced lending to the construction sector.

The low rates of growth observed in lending to private NFCs during the past quarters may be related to lower activity in construction and real estate, although the latter picked up slightly during the third quarter of 2012. Together, these two sectors account for almost one-fifth of outstanding MFI credit to the private sector. Meanwhile, national accounts data reveal that dwelling investment declined when compared with the same quarter of 2011, restraining further growth in overall private sector credit. From the credit supply perspective, the maintenance of relatively tight bank lending standards, as evidenced by the October Bank Lending Survey (BLS), may partially explain the weakness in loan growth experienced during the past quarters.

Going into the fourth quarter of 2012, the annual growth rate of credit to residents of Malta declined to 2.1% in November. While year-on-year growth in credit to general government decelerated to 0.9%, that of credit to other residents slowed down to 2.5%.

Chart 6.3
ANNUAL PRIVATE SECTOR LOAN GROWTH
(annual percentage changes)



Source: Central Bank of Malta.

Table 6.5
MFI INTEREST RATES ON OUTSTANDING LOANS TO MALTESE RESIDENTS[1]
Percentages per annum; weighted average rates as at end of period

	2011		2012		
	Sep.	Dec.	Mar.	June	Sep.
Total loans to households and non-financial corporations	4.40	4.44	4.37	4.35	4.35
Households and NPISH					
Lending for house purchases	3.43	3.43	3.42	3.41	3.41
Consumer credit and other lending[2]	5.59	5.66	5.56	5.58	5.58
Non-financial corporations[2]	4.78	4.85	4.76	4.73	4.74

[1] Annualised agreed rates on euro-denominated loans to households and non-financial corporations.
[2] Includes bank overdrafts.
Source: Central Bank of Malta.

Rates on loans to Maltese residents remain unchanged

The weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs were constant at 4.35% in September. Rates paid by households both on mortgages and other types of credit remained unchanged at their end-June level. Only rates charged on loans to NFCs changed slightly, edging up by 1 basis point to 4.74% (see Table 6.5).[4]

In November the overall weighted average lending rate dipped to 4.33%. While rates charged on mortgage loans to households and on loans to NFCs slightly fell, those on consumer credit and other lending to households edged up.

Credit standards for enterprises and households remain unchanged

The BLS conducted in October 2012 revealed that credit standards applied to lending to enterprises and households remained unchanged during the third quarter of 2012.[5] Demand for loans by enterprises increased slightly during the quarter, while that by households remained unchanged. With regard to banks' expectations for the fourth quarter of 2012, credit standards applied to NFCs and households were expected to remain unchanged. In contrast, replies by one bank revealed a slight increase in the expected demand for loans by firms. No change was anticipated in the demand for loans by households.

Credit granted to euro area residents outside Malta declines

After following a general downward trend since September 2011, annual growth in credit granted by resident MFIs to residents of euro area countries except Malta turned negative during the quarter reviewed, falling from 5.9% in June to -10.3% in September. This slowdown stemmed from a sharp drop in MFI holdings of euro area sovereign bonds, driven mainly by one internationally-oriented bank. In contrast, credit institutions further increased their holdings of private debt securities, while granting a higher volume of loans to the private sector.

Net claims on non-residents of the euro area rise

During the year to September 2012, resident MFIs' net claims on residents of countries outside the euro area expanded by 13.7%, reaching EUR8.8 billion (see Table 6.6). As in previous

[4] Data on interest rates on outstanding amounts shown in Table 6.5 cover MFI euro-denominated loans granted to households and NFCs resident in Malta. These statistics do not cover all sectors of the economy.
[5] The BLS gauges credit demand and supply conditions. It is carried out as part of a quarterly exercise conducted by the Eurosystem across the entire euro area.

Table 6.6
EXTERNAL AND OTHER COUNTERPARTS(1)
EUR millions; changes on a year earlier

	2011 Sep.	2012 Sep.	Change Amount	%
External counterpart	**7,736.4**	**8,792.5**	**1,056.1**	**13.7**
Claims on non-residents of the euro area	28,866.9	32,533.7	3,666.8	12.7
Liabilities to non-residents of the euro area	21,130.6	23,741.2	2,610.7	12.4
Other counterparts (net)(2)	**14,168.0**	**14,474.8**	**306.8**	**2.2**

(1) Figures show the contribution of Maltese MFIs to the euro area totals.
(2) Includes net interbank claims/liabilities.
Source: Central Bank of Malta.

quarters, transactions carried out by internationally-oriented banks had a major impact on these developments.

MFI claims on non-residents of the euro area grew by 12.7% on a year earlier, owing to an increase in holdings of securities issued by non-euro area governments. At the same time, MFI liabilities to non-residents of the euro area also expanded, though to a lesser extent, growing at an annual rate of 12.4%. This stemmed from an increase in repurchase agreements coupled with a rise in time deposits belonging to non-euro area banks.

Other counterparts (net), expanded by 2.2% during the year to September. Growth was mainly driven by changes in longer-term financial liabilities of domestic banks, predominantly in the form of higher reserves and retained earnings. However, increased deposits with a maturity exceeding two years belonging to households coupled with higher demand deposits held by central government – following the MGS issue in September 2012 – also contributed substantially. Other counterparts (net) had increased at an annual rate of 16.6% three months earlier.

The money market

Domestic yields increase while euro area yields decline

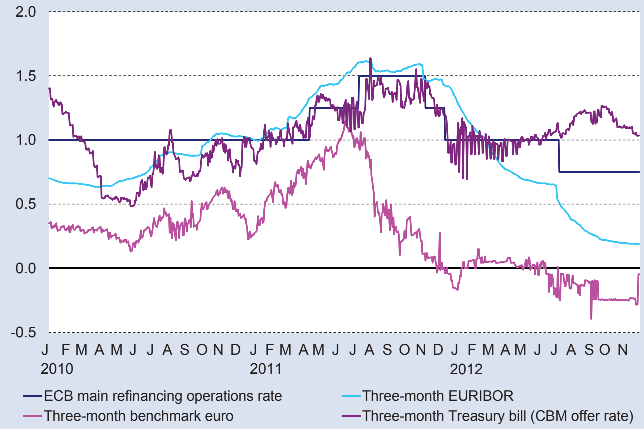
In July 2012 the European Central Bank (ECB) cut the interest rate on its main refinancing operations (MRO) by 25 basis points to 0.75%, easing the monetary policy stance at a time of weak economic growth and subdued inflationary pressures. At the same time, the three-month EURIBOR declined further, also reflecting significant injections of liquidity by the Eurosystem. It plunged by 43 basis points, reaching 0.22% at end-September and remained below the MRO rate throughout the quarter (see Chart 6.4).[6]

Meanwhile, the primary market yield on Maltese three-month Treasury bills rose by 23 basis points, reaching 1.27% by end-September, on account of increased issuance on the domestic market. A total of EUR311.7 million worth of Treasury bills were issued by the Maltese government during the third quarter, compared with EUR176.1 million issued in the previous quarter. Around three-fifths of the third quarter's issue was due to mature in three months. Approximately one-fifth of the total consisted of one-month bills. The remainder mainly consisted of bills with a maturity of

[6] The Euro Interbank Offered Rate (EURIBOR) refers to rates at which a prime bank is willing to place deposits with another prime bank within the euro area, in euro, on an unsecured basis.

six months. Resident banks participated actively in the auctions and bought more than four-fifths of the total amount.

Chart 6.4
MONEY MARKET INTEREST RATES
(percentages per annum; daily rates)



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

Over the same quarter, turnover in the secondary Treasury bill market, which exhibits substantial volatility, amounted to EUR1.9 million, up from EUR0.8 million in the previous quarter. All transactions involved the Central Bank of Malta in its capacity as market-maker.

In the euro area, the secondary market yield on benchmark three-month government securities fell by a further 15 basis points, reaching -0.25% by end-September.[7] Conversely, the corresponding domestic yield increased during the same period, rising by 20 basis points, to 1.25%. As a result, the spread over the euro area benchmark widened to 150 basis points (see Chart 6.4).

Going into the fourth quarter of 2012, the three-month EURIBOR declined by a further 3 basis points, reaching 0.19% by end-November. The spread on Maltese Treasury bills narrowed to 108 basis points by end-November, as the secondary market rate on Maltese Treasury bills declined by 22 basis points while the yield on the corresponding benchmark securities issued by euro area sovereigns rose by 20 basis points.

The capital market

Government bond yields and corporate yields decline

In September 2012 the Government raised additional funds through two MGS issues with a combined value of EUR56.4 million. The bonds had terms to maturity of five and six years, and offered floating rate coupons linked to the six-month EURIBOR. The issues were acquired entirely by auction, mostly by resident banks. The issue was well received, with the Treasury taking in a greater amount of bids than the authorised sum on issue of EUR50 million. Consequently, an additional EUR6.4 million worth of bonds were issued through the overallotment option.

Meanwhile, no new issues were recorded in the corporate bond market. However, a number of issuers engaged in bond buybacks, amounting to EUR2.5 million.

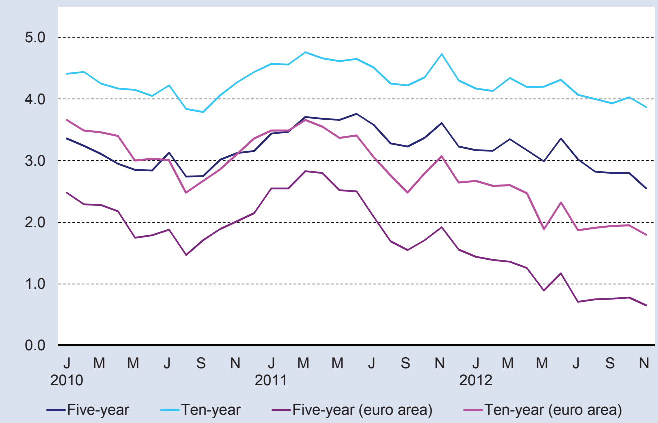
Turnover in the secondary market for government bonds declined to its lowest quarterly value during the year, falling by EUR122.8 million on the previous quarter, to EUR102.1 million. This decline was mostly attributable to lower trading volumes in medium-term securities.[8] Transactions involving the Central Bank of Malta as market-maker accounted for more than 90% of the value traded.

[7] The benchmark euro area yield is equivalent to the secondary market yield on three-month securities issued by the German government.

[8] Short-term bonds are those with a residual term to maturity of up to five years, medium-term bonds have a residual maturity of between five and ten years, while long-term bonds are those with a residual maturity exceeding ten years.

In the secondary corporate bond market, turnover fell to EUR11.5 million from EUR11.8 million in the second quarter of 2012. Almost 70% of total trading was concentrated around 11 securities. Yields on the majority of corporate bonds declined steadily.

Chart 6.5
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

Yields on both five and ten-year domestic government bonds decreased during the quarter, declining by 56 and 38 basis points, respectively, and reaching 2.80% and 3.93% at end-September (see Chart 6.5). Similarly, the equivalent benchmark yields for the euro area fell by 41 and 38 basis points, respectively. As a result, the five-year differential narrowed by 15 basis points to 204 points, while the ten-year differential remained unchanged at 199 points.[9]

In the two months up to November 2012, yields on domestic five and ten-year government bonds fell further, reaching 2.55% and 3.87%, respectively. Euro area benchmark yields also declined, though less markedly than the corresponding MGSs in the case of five-year government bonds. As a result, the five-year differential narrowed to 190 points. With euro area ten-year benchmark yields falling more sharply than their domestic counterparts, however, the ten-year differential widened to 207 points.

MSE share index rises

Activity in the domestic equity market fell during the period, with the value of transactions dropping to EUR7.0 million from EUR9.1 million in the previous quarter. Movements in equity prices were mixed. However, price increases in a small number of equities, notably in the financial sector, pushed up the MSE share index by 3.8% from its end-June level, so that it ended September at 3,135.82 (see Chart 6.6).

Chart 6.6
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)

Source: MSE.

Going into the fourth quarter, equity prices generally rose. By the end of November, the MSE share index further increased by 2.0% from its end-September level, reaching 3,197.39.

[9] Euro area yields are based on AAA-rated central government bonds.

7. ECONOMIC PROJECTIONS FOR 2012 AND 2013

Outlook for the Maltese economy[1]

The Bank's latest projections for the Maltese economy show a slowdown in 2012, followed by an acceleration in 2013. However, in contrast with earlier projections, this year the recovery of the economy is expected to be weaker than forecast earlier.[2]

The Bank is thus estimating real gross domestic product (GDP) growth at 1.0% in 2012. In 2013 GDP growth is set to accelerate slightly to 1.1% (see Table 7.1). This compares with growth rates of 1.4% and 2.2% in 2012 and 2013, respectively, in the previous forecast undertaken in May 2012.

The downward revisions to the economic outlook were partly prompted by the release of GDP data covering the first half of 2012, which revealed negative or subdued growth in domestic demand components excluding government consumption. The deteriorating economic outlook in Malta's main trading partners in the context of persistent uncertainty about the euro area, as well as weak global business and consumer sentiment, also contributed to this revision.

Net exports expected to have driven growth in 2012, final domestic demand behind the recovery in 2013

According to the Bank's latest estimates, growth in 2012 was expected to have been driven by net exports. This estimate was supported by GDP data for the first half of the year, which showed a significant expansion in exports and a negative impact of changes in inventories on GDP. In the second half of the year export growth was expected to have moderated in the context of a weak global environment. Overall, however, net exports were expected to have contributed positively to GDP.

Final domestic demand, on the other hand, was expected to have lowered GDP during 2012 as private demand responded to weak growth in disposable income and to a more modest pace of job creation, as well as to uncertainty on the impact of subdued global prospects on the Maltese economy. At the same time, general government consumption was expected to have grown more slowly than in the previous year, as Government sought to meet its fiscal targets.

The recovery in 2013 is mainly expected to be driven by private consumption and investment. The latter is set to benefit from two specific large projects, one of which is expected to be completed during the year. Government consumption is expected to have a small upward impact on GDP as expenditure restraint is assumed to continue. Net exports are projected to contribute marginally to growth, in response to a fragile, though improving, external environment.

After expanding strongly in 2011, private consumption was expected to have contracted by 0.6% in 2012, reflecting weak growth in real disposable income, and the impact of uncertainty on consumer spending. It is projected to increase by 0.6% in 2013, as employment income accelerates and uncertainty subsides.

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1 The Bank's latest macroeconomic estimates for 2012 and projections for 2013 were prepared in the context of the Eurosystem's December 2012 Broad Macroeconomic Projection Exercise. They are based on information available up to 23 November 2012 and are conditional on technical assumptions included in Table 7.1. The projections do not take into account the GDP data for Malta that were published on 7 December 2012.

2 See *Quarterly Review 2012:2*, pages 66-70.

Table 7.1
PROJECTIONS FOR THE MAIN MACROECONOMIC AGGREGATES FOR MALTA

	2011[(1)]	2012[(2)]	2013[(3)]
Real economic activity (% change)			
GDP	1.9	1.0	1.1
Private consumption expenditure	4.0	-0.6	0.6
Government consumption expenditure	3.2	2.5	1.1
Gross fixed capital formation	-14.6	-4.1	2.6
Inventories (% of GDP)	-2.3	-2.3	-2.1
Exports of goods & services	2.5	6.3	3.1
Imports of goods & services	0.1	5.2	3.4
Contribution to real GDP growth (in percentage pts)[(4)]			
Final domestic demand	0.5	-0.5	1.0
Net exports	2.3	1.4	0.0
Changes in inventories	-0.9	0.1	0.1
Balance of payments (% of GDP)			
Goods and services balance	5.7	6.7	6.6
Current account balance	-0.3	-2.4	-2.3
Labour market (% change)			
Total employment	2.5	1.5	1.1
Unemployment rate (% of labour force)	6.4	6.3	6.3
Prices and costs (% change)			
Overall HICP	2.5	3.2	2.4
HICP excluding energy	1.8	3.1	2.5
Compensation per employee	0.8	1.0	1.6
ULC	1.3	1.6	1.6
Public finances (% of GDP)			
General government balance	-2.7	-2.6	-2.8
General government debt	70.9	72.2	73.1
Technical assumptions			
EUR/US$ exchange rate	1.392	1.281	1.275
Oil price (US$ per barrel)	111.0	111.7	105.0
10-year euro area bond yield (%)	4.3	3.8	3.6

[(1)] Data on GDP were sourced from NSO News Release 173/2012 published on 6 September 2012.
[(2)] Central Bank of Malta estimates.
[(3)] Central Bank of Malta projections.
[(4)] The contributions to GDP growth in this Table are estimated using GDP expenditure aggregates expressed in the previous year's prices. This approach yields different results from those reported elsewhere in this *Review,* where contributions are calculated on the basis of volume increases based on a fixed year's price.

The Bank's estimate for private investment shows that, after a further contraction in 2012, a recovery is expected in 2013. This updated forecast takes into account revised 2011 data and the outcome reported by the National Statistics Office (NSO) in the first half of 2012, which pointed to weaker than expected outturns in most categories of investment. The latest projections also take into account information concerning expenditure on two large projects (the City Gate project in Valletta and the installation of a link between the domestic electricity grid and that in Sicily) that are classified under private investment. Overall expenditure on these two projects was expected to have peaked in 2012. Real government investment was expected to have slowed down in 2012 and to continue to decelerate in 2013 as a critical mass of infrastructure projects should have been completed by the end of 2012.

Public consumption growth was expected to have moderated in 2012 and is set to decelerate further in 2013 on the assumption that Government would make further progress in achieving its medium-term objective of a balanced budget. Relatively high growth in 2012 partly reflected substantial outlays on intermediate consumption, most notably on health, and compensation to government employees during the first half of the year.

The Bank's estimates for exports in 2012 are based on strong export growth in the first half of the year, as published by the NSO, and an expected weakening in the last six months of the year. The estimate for 2012 was also influenced by a base effect in non-fuel goods exports, which were rather low in 2011 and were assumed to normalise in 2012, as well as by the favourable performance of the tourist sector, which continued to respond to an increase in new air routes serving Malta and higher seat capacity utilisation. The remaining service exports were expected to have dropped slightly, under the impact of subdued external demand.

Exports are projected to increase by 3.1% in 2013, driven by developments in services, particularly tourism. Other service exports are also expected to expand in response to improved economic conditions in the countries of the relevant trading partners.

In 2013 imports are expected to rise by 3.4%, following an estimated increase of 5.2% in 2012. This profile reflects the expectation that imports in the second half of 2012 would have picked up to match at least part of the strong outturn in exports in the first half of the year. The deceleration in 2013 mainly reflects slower growth in fuel imports, as imports of non-fuel goods and services are set to accelerate underpinned by a recovery in private consumption and investment.

Wage and employment growth expected to moderate

The resilience of employment levels in the first half of 2012, notwithstanding the weak GDP outturn during that period, was expected to have prompted slower employment growth in the rest of the year. Thus, employment growth was expected to have decelerated from 2.5% in 2011 to 1.5% in 2012 and is set to ease further, to 1.1% in 2013. The unemployment rate was expected to have edged down to 6.3% in 2012 and is expected to remain at that level in 2013.

After relatively large increases in private sector wages in the first half of 2012, nominal compensation per employee was expected to have slowed down in the second half of the year. As a result growth in unit labour costs (ULC) was expected to have moderated.

As GDP growth begins to recover in 2013, compensation per employee is expected to accelerate. Nonetheless, since a recovery in productivity is also anticipated as employment growth slows, ULC growth is expected to stabilise at 1.6% in 2013.

Inflation estimated to have accelerated in 2012, set to ease in 2013

The Bank estimated that inflation based on the Harmonised Index of Consumer Price (HICP) inflation rose to 3.2% in 2012. It is expected to fall to 2.4% in 2013. These projections reflect higher than anticipated inflation during the first ten months of 2012, notably in prices for services, but they also take into account technical factors, such as movements in international food commodity prices and exchange rates.

In 2012 inflation excluding energy was expected to have risen to 3.1% from 1.8% in 2011, owing to accelerating services inflation. On the other hand, energy price inflation was projected to have eased to 4.5% in line with a deceleration in international oil prices.

In 2013 HICP inflation is expected to decrease, as food price inflation is set to moderate somewhat and energy prices are projected to decline. The projections also reflect the assumption that water and electricity tariffs will remain unchanged in 2013. Meanwhile, the services inflation rate is also expected to ease. In contrast, the weakening of the euro during 2012 is anticipated to contribute to a pick-up in non-energy goods inflation. As a result, HICP excluding energy inflation is expected to fall to 2.5%.

Current account deficit set to have widened in 2012

The surplus on the goods and services account was expected to have increased as a percentage of GDP in 2012, mainly as a result of an improvement in the services balance. In nominal terms, service exports were expected to have expanded more rapidly than imports, reflecting the buoyant performance of the tourist industry.

In 2013 the trade surplus is expected to fall slightly as a percentage of GDP, as non-fuel goods imports pick up in line with the recovery foreseen in domestic demand. This is anticipated to offset most of the improvement on the services account, which continues to be supported by relatively high inflows from tourism activity.

With the income account expected to record sizeable net outflows, the current account balance is projected to register a deficit in both 2012 and 2013. In 2012 such outflows were expected to have outweighed the increase in the trade surplus. As a result, the current account deficit was estimated to have widened to 2.4% of GDP. The higher outflows on the income account may be linked to Malta's relatively strong export performance, which resulted in higher profits for export-oriented firms of non-resident owners operating in Malta. In 2013 the share of these net outflows in GDP is projected to decline as export growth moderates. As a result, the current account deficit is expected to narrow slightly to 2.3% of GDP.

Temporary narrowing of fiscal deficit expected

With regard to fiscal indicators, the Bank's projections show a narrowing of the general government deficit-to-GDP ratio to 2.6% in 2012.

Revenue growth in 2012 was expected to have been partly driven by temporary factors, while more restrained expenditure growth would have reflected tighter control on government spending. The deficit ratio is projected to widen to 2.8% in 2013, unless consolidation measures are taken to replace the contribution of one-off receipts to the deficit reduction in 2012, and to offset transfers to the national airline and the national energy provider.

The general government debt-to-GDP ratio is expected to increase over the projection horizon. Partly as a result of increased borrowing associated with European Union commitments to extend financial support to International Monetary Fund programme countries, the debt ratio was estimated to have risen from 70.9% in 2011 to 72.2% in 2012. The Bank projects a further rise to 73.1% in 2013.

Apart from taking into account new data that became available during 2012, the latest fiscal projections also reflect a downward revision in macroeconomic forecasts. The upward revision in the deficit ratios for 2012 and 2013 also reflects the impact of these factors.

Risks to the projections

On balance, risks to the GDP projections are broadly balanced. With regard to 2012, the Bank assumed that the incipient economic recovery apparent in the second quarter would be sustained in the second half of the year. It should be emphasized, however, that quarterly macroeconomic data are volatile and idiosyncratic shocks at sector level, and sometimes even at the level of individual firms, may have significant impact on the domestic economy, both in an upward or downward direction.

The still fragile situation in the euro area and the possibility that demand in Malta's main trading partners turns out to be weaker than expected acts as a negative risk. This could cause exports to grow less strongly than foreseen, with an adverse impact on private investment. On the other hand, exports growth may accelerate, underpinned by positive developments in services.

With regard to the inflation outlook, risks are judged to be broadly balanced. There are upward risks to the projections stemming from possible increases in the price of energy or possibly higher indirect taxes as fiscal consolidation continues. A higher than assumed impact of the rise in food commodity prices presents an additional upside risk. On the other hand, a weaker than expected recovery in aggregate demand would dampen price pressures.

BOX 4: FORECASTING INFLATION AT THE CENTRAL BANK OF MALTA[1]

This Box describes the method adopted by the Bank to prepare its short-term forecasts of HICP inflation. These forecasts form part of the Bank's contribution to the Eurosystem's Narrow Inflation Projection Exercise (NIPE), which involves the preparation of projections of HICP inflation and key components at a monthly frequency spanning up to 15 months.

The forecasts are conditional as they are based on a set of common technical assumptions that all euro area national central banks (NCB) participating in the exercise have to apply in their projections. These assumptions cover future oil prices, exchange rates and international food prices. The NCBs' price projections for their respective countries are then aggregated to obtain a forecast of inflation for the euro area as a whole. Given the openness of the Maltese economy, the technical assumptions applied in the exercise tend to have a very important bearing on changes to the outlook for inflation in Malta.[2]

The projections are prepared on a disaggregated basis, which means that forecasts are made for individual HICP components and then added up. Given the short-term nature of these forecasts, the core econometric tool used is an Auto-Regressive Integrated Moving Average (ARIMA) model, a statistical technique which links the expected behaviour of a

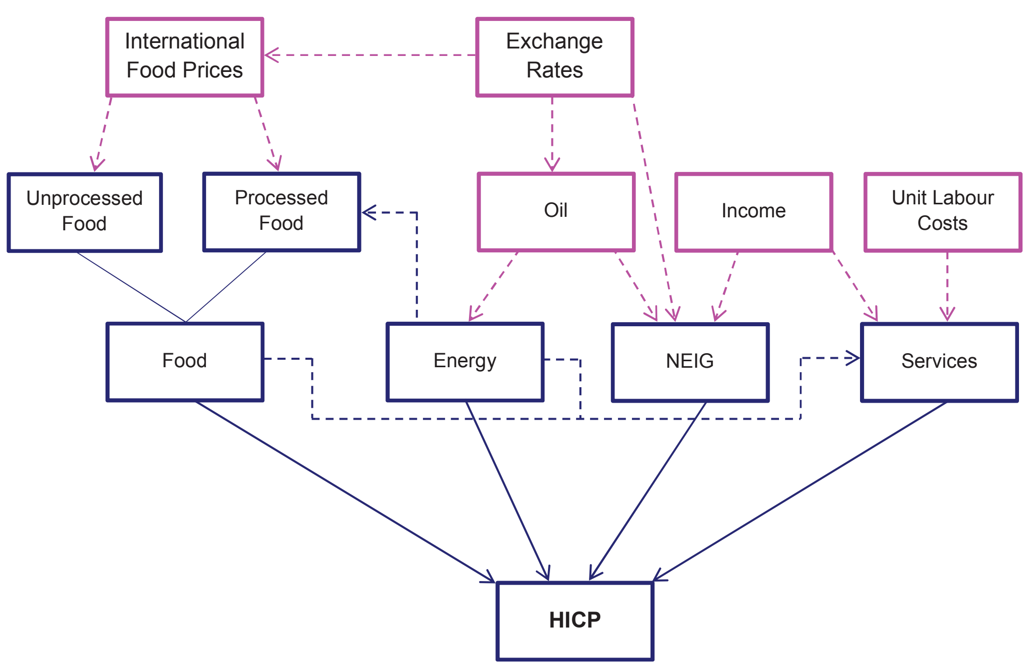
[1] Prepared by William Gatt. Mr Gatt is a Research Economist in the Bank's Modelling and Research Office.
[2] The speed with which changes to these variables affect local price indices in the model varies according to the good or service in question.

variable to its history.[3] This basic structure is augmented by projections for a number of macroeconomic variables which are, in theory, related to developments in inflation, such as the technical assumptions mentioned above, as well as growth in wages and unit labour costs.[4] In addition, the use of seasonal factors improves the model's ability to track pricing elements that have an impact in particular periods of the year, such as discounted sales.

However, some price indices are linked solely to macroeconomic variables. For example, changes to fuel prices are a function of changes in the international oil price, with a number of lags. In a limited number of other sub-indices, inflation is forecast using pricing rules – for instance, tobacco prices are most likely to change only at the time government budgetary measures are announced, while utility tariffs are assumed to change at most once a year. This approach works towards striking the right balance between simplicity, good forecasting performance[5] and consistency with some macroeconomic relationships.

As stated above, and as Chart 1 illustrates, it is not simply overall HICP inflation that is forecast but price trends within the five main HICP components (namely unprocessed

Chart 1
A BIRD'S EYE VIEW OF THE FRAMEWORK



[3] The traditional Box-Jenkins approach is used to determine the structure of the ARIMA model used, namely the (p,d,q) order. A key textbook on time series methods is Hamilton (1994). For a discussion on a similar approach to forecasting inflation see Meyler *et al.* (1998). The estimation sample used in the Bank's exercise uses monthly data and spans from 2004/5 till the latest observation.

[4] These are obtained from the Bank's macroeconomic projection exercises.

[5] Time series models tend to be superior to structural models in terms of short-term forecasting; see Litterman (1986) and Stockton & Glassman (1987).

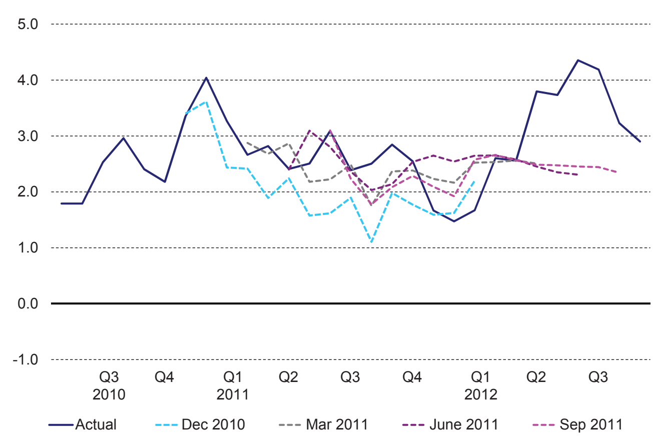
food, processed food, energy, non-energy industrial goods [NEIG] and services).[6] Furthermore, there is allowance for price developments in one sub-index to feed into another sub-index. For example, higher prices for fish in the food category lead to higher restaurant prices in the services category. These indices are then aggregated into the main sub-components, and then into the overall HICP index, using the respective weights which are determined by the NSO. The in-depth analysis permitted by this approach further improves the forecasting performance of the model, as well as provides policy makers with a more solid understanding of the underlying dynamics of inflation.

To help evaluate this forecasting technique, Chart 2 compares the HICP inflation forecasts made by the Bank as part of four recent quarterly NIPEs with the actual outturns, which extend until the third quarter of 2012. The various forecast vintages are shown separately in the Chart. It is evident that forecast accuracy tends to be very high in the short term, with forecasts being broadly correct, especially for the first 12 months. However, one-off large events, such as the unexpected spike in accommodation prices during 2012, affect forecast accuracy considerably, particularly in the medium term.

It should be noted that although econometric models in general can be very useful tools in forecasting, most are backward-looking and hence may not incorporate information which may be available during the exercise. In the case of time series approaches, these need to be supplemented with information on the structural relationships in the economy to provide more coherent projections in the medium term. Furthermore, model-generated projections are frequently augmented by additional information, be it about a specific event in the future, or more generally, the forecaster's judgement about the outlook for inflation. In this respect, forecast errors and historical events in the data which the model cannot explain also serve as useful inputs to the projections.[7]

The Central Bank of Malta continues to analyse the results of its inflation forecasting techniques with the aim of enhancing them. It is undertaking further research on inflation forecasting using alternative models.

Chart 2
HICP: FORECASTS AND OUTCOMES
(annual percentage changes)



Sources: NSO; Central Bank of Malta projections.

6 At present there are in total 28 equations for different sub-indices that are being used. Almost all of these are ARIMA equations.
7 An excellent discussion on the practical aspect of using models for forecasting and policy analysis can be found in Price (1996).

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ECONOMIC GROWTH IN TURBULENT TIMES[1]

Professor Josef Bonnici
Governor of the Central Bank of Malta

Let me start by thanking the Malta Institute of Financial Services for extending this opportunity for me to address this distinguished audience. Mr President, your Institute's leading role in banking and financial education in Malta is well known, as are its endeavours to establish forms of collaboration with other educational institutions. As a result, a wider range of relevant courses are available to professional staff within the financial services industry.

I understand that a notable development over the last year was the relationship that you established with the Chartered Institute for Securities & Investments as a strategic partner for the offering of specialised investment-related courses. I also note with interest the recent introduction of a Masters in Wealth Management, a development which will certainly enhance the skills and expertise of many. This is a relevant achievement and we look forward to further success in expanding your reach to all members of the financial community through the activities that your Institute organises and the training facilities it provides.

The economic crisis in Europe is now in its fifth year, and a number of countries remain in various degrees of distress, while most forecasts continue to revise downwards their output and employment projections. The latest Eurosystem projections published in December 2012 indicate a small euro area GDP contraction of 0.3% in 2013. Deleveraging goes on in several Member States as banks continue to repair their balance sheets, limiting their lending activity, and hence impeding the transmission of monetary policy in those Member States.

The build-up of these problems took place over a fairly long number of years, and the resolution is proving to be a gradual and hesitant process.

In this light, it may be useful to start by taking stock of the general euro area situation and then make a number of related remarks on the domestic economy.

Retrospective on the euro area

As is well recognised, the origins of the crisis can be traced back to the excessively high public sector debt, slippage in competitiveness, inappropriate banking practices and weak bank regulatory environment on both sides of the Atlantic. The crisis has had various intertwined dimensions, each with implications for the avoidance of similar problems in the future.

One observes that in several countries, fiscal problems led to sovereign debt downgrades that in turn damaged the banks' balance sheets. The consequences of the lack of fiscal discipline were aggravated by the erosion of competitiveness and the failure to implement structural reforms. However, in several instances, banking sector difficulties were the trigger for fiscal problems. Indeed, adherence to the Stability and Growth Pact was not a sufficient condition to keep countries out of difficulties. For example, in Ireland and Spain, banking sector difficulties have necessitated bail-outs by the governments concerned. This led to sovereign downgrades which in turn increased the government borrowing costs, in some cases to unsustainable levels. All these problems were compounded by instability in financial markets and volatility in sentiment.

[1] Speech given at the Annual Dinner of the Malta Institute of Financial Services on 14 December 2012.

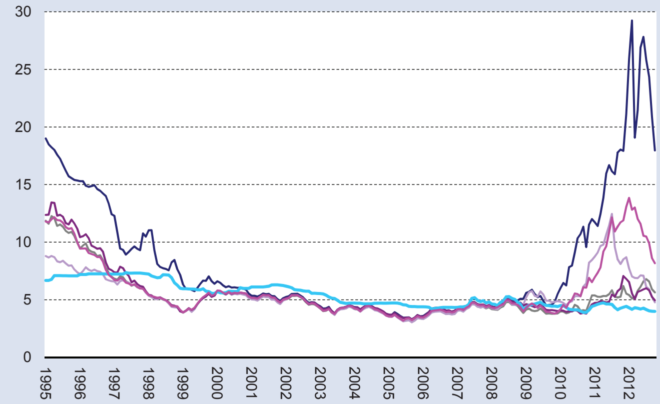
Chart 1 shows that prior to the formation of the monetary union yields started to converge - regardless of the fiscal position or economic fundamentals - and then stabilised within a fairly narrow band during the first years of the euro until the crisis of 2009. Many countries failed to reduce the debt-to-GDP ratio during this period as shown in Chart 2.

The market's focus and sentiment changed drastically in 2009, by giving full recognition to the importance of fiscal sustainability, such that yield spreads widened sharply. Market complacency turned into market volatility, and it is only lately that this has been somewhat mitigated after the announcement of the OMT programme, a subject that I will come back to later.

Fiscal excess and inappropriate banking practices were not the only causes of the crisis. There was also an erosion of private sector competitiveness, as shown by the relative increase in unit labour costs in several of the weaker economies (see Chart 3). In many countries, the deterioration in competitiveness was the result of wage increases that were not matched by higher productivity.

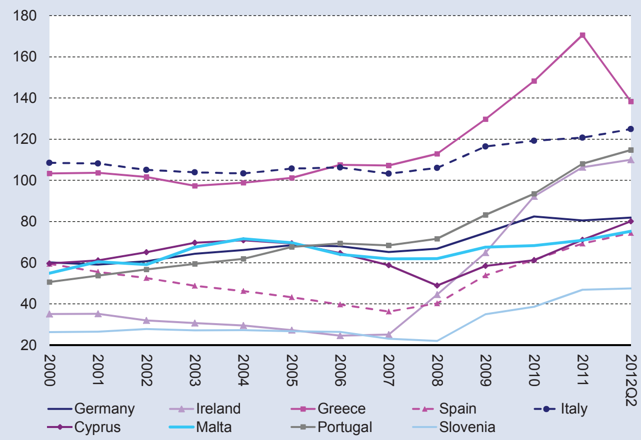
Fiscal excesses in several countries camouflaged the erosion of competitiveness, resulting in a wider deficit in the external trade accounts, as shown in Chart 4. Inside a monetary union the alarm bells caused by current account deficits are not as loud as they are when each country has its own currency. Before

Chart 1
10-YEAR SOVEREIGN YIELDS
(per cent)



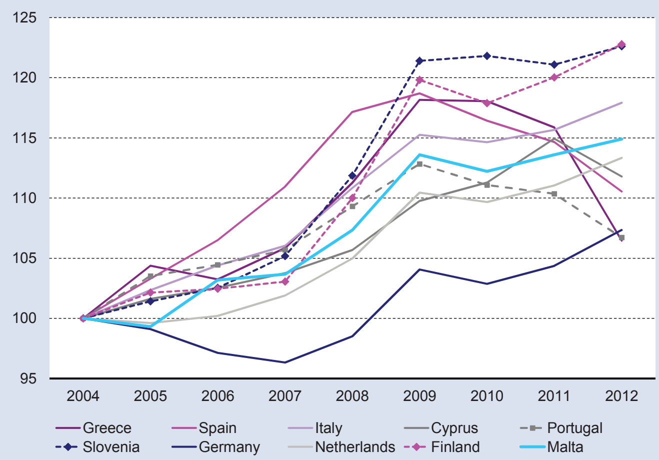
Source: Eurostat.

Chart 2
DEBT-TO-GDP RATIOS IN EURO AREA COUNTRIES
(per cent)



Source: Eurostat.

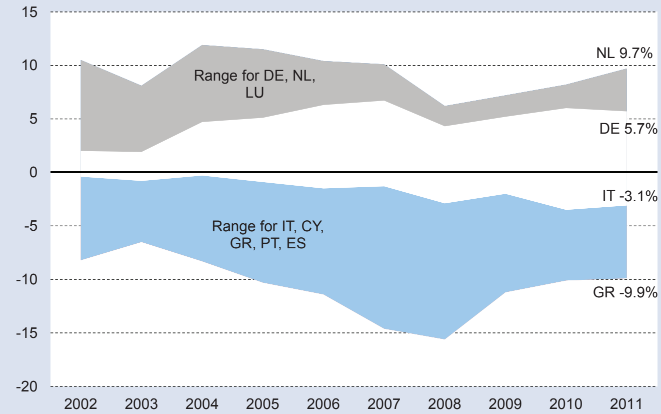
Chart 3
UNIT LABOUR COSTS (2004 = 100)



Source: Eurostat.

monetary union, such problems were countered, with questionable effectiveness, by currency depreciation. But inside the monetary union these current account deficits were simply financed by capital inflows, largely flowing from the countries in the north to most countries in the periphery.

Chart 4
CURRENT ACCOUNT BALANCE AS PER CENT OF GDP
(per cent)



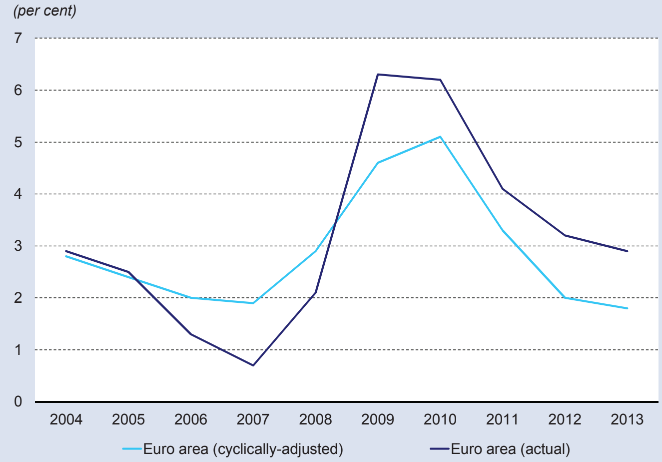
Sources: Eurostat; Central Bank of Malta calculations.

Chart 4 also highlights the separation within the euro area between selected countries in the north, running a generally current account surplus, and selected countries in the periphery with a negative balance. The upper band depicts the maximum and minimum of the data range for Germany, Luxembourg and the Netherlands. Similarly, the lower range depicts the corresponding boundaries for Cyprus, Greece, Italy, Portugal and Spain. It is not surprising that those countries in the lower part of the chart featured prominently in the unfolding crisis. Eventually, when markets reoriented their focus towards economic unsustainability, the flow of capital reversed direction; market discipline now took the form of capital flight.

There is also no doubt that financial institutions took on excessive risk, including investments in complex and, as is now well known, mispriced financial instruments. Crucially, the heightened degree of riskiness was not complemented by adequate capital buffers. In addition, cross-country debt holdings and linkages between financial institutions led to contagion and the spread of systemic risk.

Moving on to the macroeconomic dimension, it can be observed that in various countries, governments with large fiscal imbalances have now resorted to the narrowing of such imbalances, through the application of inevitable fiscal consolidation measures. These corrections have often met strong social dissatisfaction and political resistance. And yet, the budgetary restraint has not always been viewed as adequate from the point of view of the financial markets that seem to have limited patience for the measures to have a discernible impact on fiscal imbalances. For many governments, bond spreads remain wide.

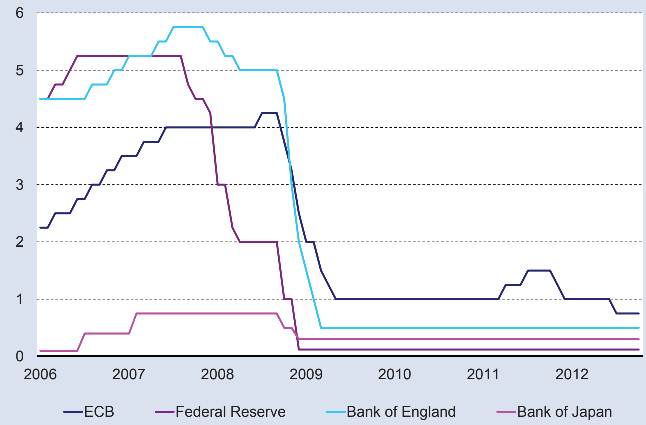
Chart 5
FISCAL DEFICIT-TO-GDP RATIO: ACTUAL AND CYCLICALLY-ADJUSTED
(per cent)



Source: Compiled from the European Commission, *Cyclical adjustment of budget balances* (Spring 2012).

This fiscal restraint has also slowed down economic growth and this in turn has aggravated the budgetary deficit. Chart 5 shows the deficit as per cent of GDP for the euro area as a whole, along with the corresponding cyclically adjusted ratio. The light blue line in the chart shows where the deficit would have been without the economic slowdown that was caused in part by fiscal consolidation. The gap between the two lines illustrates the inevitable contribution of the economic slowdown to the deficit ratio. Still, the relatively small size of this gap post-2009 indicates that there is a strong structural element in the fiscal deficit. This explains why structural adjustments are so necessary.

Chart 6
POLICY RATES
(per cent)



Source: Central Bank of Malta.

In response, the ECB has taken policy rates lower than any time during its history (as can be seen in Chart 6). It has also provided ample liquidity to the banking system, as shown in Chart 7, in which the pink lines represent the rise in the monetary base (which consists mainly of central bank provision of bank reserves). However, as I have noted on previous occasions, a large part of this liquidity has been deposited back with the ECB, as reflected in considerably slower growth in loans (the blue lines). This is an indication of the hesitancy on the part of the banks to buy securities, or to extend loans, whether to other banks or to the non-financial sector.

Some concern has been expressed about the size of the build-up of liquidity across various economies that could be mobilized by the banks in the eventual post-crisis expansion of loans. However, it must also be noted that the excess liquidity can be eventually reabsorbed by the central banks. In any case, it should also be noted that the provision of additional liquidity by the ECB (as shown by the pink lines in Chart 7) has been somewhat more moderate than is true for other major central banks such as the Federal Reserve, as shown in the chart.

Chart 7

MONETARY BASE AND BANK CREDIT: EURO AREA (Jan 2007 = 100) | **MONETARY BASE AND BANK CREDIT: UNITED STATES (Jan 2007 = 100)**

Sources: Statistical data warehouse; Federal Reserve Bank. | Sources: Statistical data warehouse; Federal Reserve Bank.

The ECB has now gone a step further by announcing an Outright Monetary Transactions (OMT) programme, designed to repair the link between policy rate cuts and ample liquidity provision, on the one hand, and lower borrowing costs, on the other. It is also meant to counter the so-called redenomination or convertibility premium that compensates investors for the perceived risk of a break-up of the monetary union.

It ties intervention to strict conditions: it will be used only for countries under an EFSF or ESM programme. Transactions are limited to the shorter end of the yield curve, and would complement ESM intervention at the longer end. Moreover, the ECB will not take on a senior position in the debt's structure, therefore safeguarding the interest of private-sector investors. As is well known, the announcement of the OMT programme has already helped to stabilize the financial markets and reduce sovereign spreads (see Chart 1). It is really equivalent to traditional open market operations that central banks have long resorted to in order to provide stability and a better functioning of the monetary transmission process that can get impaired in certain circumstances.

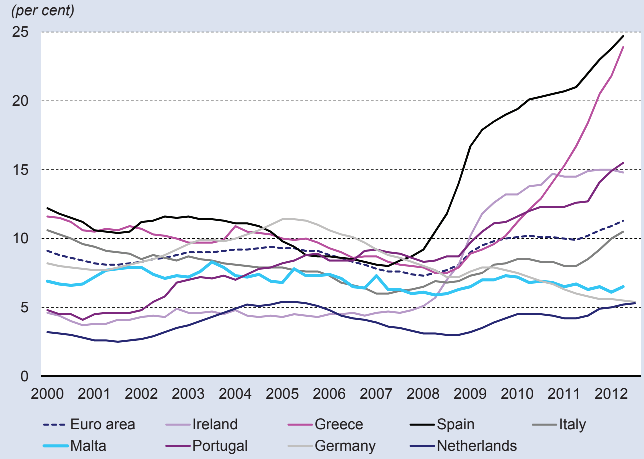
The Maltese situation

The Maltese economy has encountered some persistent headwinds. Still, the recession observed in the last quarter of 2011 and the first quarter of 2012 was relatively short and mild. Since then, the economy has shown a modest recovery. During the second and third quarters of this year, real GDP was up 1.6% on the same period of 2011.

The inflation rate in Malta has recently exceeded that of the euro area average. The HICP measure of the year-on-year rate of inflation stood at 3.2% in October 2012, compared with a rate of 2.5% in the euro area as a whole. In recent months, Malta's HICP inflation may have been biased upwards because of methodological changes related to the measurement of tourist accommodation. Meanwhile the RPI, which is unaffected by accommodation prices, stood at 2.9%. It is the RPI that determines with a lag the COLA increase. The core RPI inflation rate, which is a good gauge of persistent inflation, stood at 2.0%.

On the other hand, a number of labour market indicators remain positive. As seen in Chart 8, the most recent LFS unemployment rate is 6.5%, the same as it was on average in 2007, prior to the euro area crisis. In fact, Malta's unemployment rate is at the lower end of national unemployment rates across the euro area. Meanwhile the latest registered unemployment rate stands at 4.2% in June.

Chart 8
UNEMPLOYMENT RATES
(per cent)



Source: Eurostat.

Malta has avoided the two essential sources of the euro area crisis: the deficit ratio has been moving in the right direction while the banking model followed by the core domestic banks remained prudent. In Malta, the core banks generally rely on traditional, domestic sources of funds, specifically retail deposits. Malta's banks remained largely unaffected by the euro area crisis, averting the need for any government assistance and avoided what in other countries became a major source of fiscal overruns and distress.

Malta must position itself in a way that builds on the strengths of the economy and minimises its vulnerabilities. In doing so, it would steer clear of the pitfalls that other countries have fallen into and maintain its growth path. In this respect, I will focus on a number of important considerations.

On the fiscal side, government spending can be increased on a sustainable basis if government revenue increases on the back of a growing economy. Furthermore, increased expenditure on pensions and health services must be financed in a sustainable way. As the population ages we have to pay sufficient attention to the dynamics that this implies, and to the options available, such that the chosen path would not impinge on economic growth. Government policies must, above all, enhance the efficiency of the productive system, promote investment and incentivise entrepreneurial initiative.

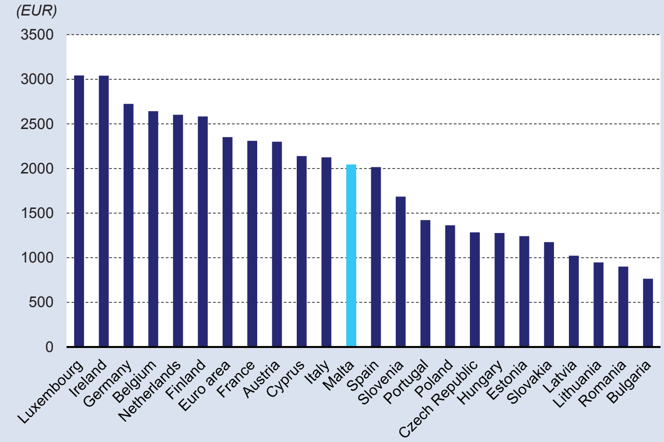
Labour market

The local higher level of labour force skills and qualifications, as well as its adaptability, have been instrumental in attracting investment in new areas of activity and have therefore reduced the vulnerability of the domestic economy to shocks in foreign demand. Chart 9 shows how Malta's wages compare with those abroad. On the basis of the purchasing power standard which measures wages by taking into account the cost-of-living, the average Maltese wage ranks towards the middle of a broad range of selected countries that are shown in the chart. The issue arises as to how to increase living standards in a sustainable way, without losing competitiveness.

One should be mindful of the relationship between all costs (including wages) and productivity. A subject that often comes up for discussion is the cost-of-living allowance or COLA. It has to be recognized that in Malta the allowance is determined on the basis of a basic or social wage, and COLA is a flat euro amount, granted regardless of the level of pay. This limits its impact on competitiveness.

Nevertheless, the award of COLA is disconnected from productivity gains and hence may constrain firms' ability to respond to changing market conditions. It also raises the risk of secondary cost increases after an initial price shock, which may come for example from an increase in imported prices. It may not be possible to neutralise such increases in imported prices and simply compensate for them in wages without significantly losing competitiveness of the enterprises concerned, especially if our

Chart 9
AVERAGE WAGE IN PURCHASING POWER PARITY[1]
(EUR)



[1] Data relates to the business economy and excludes public sector.

Source: Eurostat.

competitors are absorbing these external shocks through an internal devaluation. It is relevant to note that the world economy is going through unusual times when some countries are undergoing internal devaluations. Malta cannot afford to be oblivious to the impact that these realities exert on its competitiveness. The list of euro area countries passing through significant corrections is impressive, namely: Ireland, Portugal, Spain, Italy, Slovenia, Cyprus and Greece. This apart from other non-euro area Member States that are also going through difficult and corrective changes in their economies. These developments may place our competitors in an advantageous position once the recovery is underway, and this will raise the bar that must be exceeded if competitiveness is to be maintained and improved.

Returning to the COLA issue, this should not be imposed on collective agreements by legislation as happens today, but really should form part of the negotiation process. Indeed, already a number of collective agreements incorporate the COLA increase, and I suggest that this should be the norm.

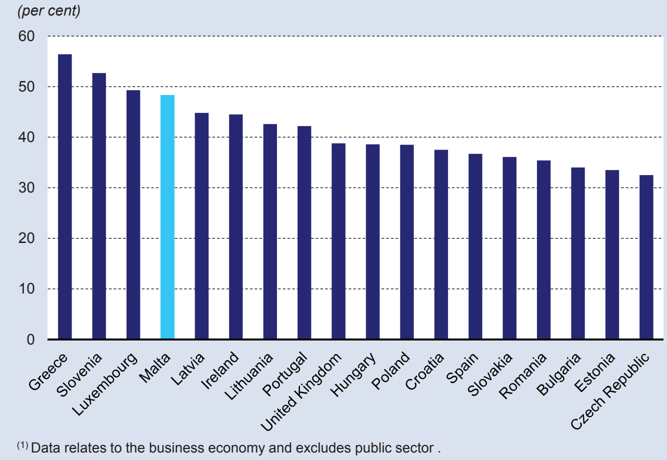
It is the whole wage that has to be supported by productivity, and negotiations at the firm level are best placed to ensure that the balance between productivity growth and wage increases is not lost. Otherwise competiveness would be eroded and jobs endangered.

Moreover, the COLA is not the sole impediment to adjustments in relative wages. In particular one has to realize that the minimum wage too constrains wage adjustments. It should be kept in mind that this wage is the legally set minimum compensation of employees with limited or no skills, such as school-leavers who, unfortunately, have not acquired any particular skills.

Returning to the minimum wage issue, one commonly used criterion of the impact of minimum wages measures the minimum wage relative to the average wage level, and then compares it with other countries, as shown in Chart 10. As one can see in the chart, the relative minimum wage in Malta is the fourth highest in the euro area, and this may impact the incentive to acquire additional skills or pursue more advanced education.

It is worth reflecting on the experience of other countries in this respect. For example, Slovenia increased the minimum wage by 23% in 2010. The IMF, in its reaction to this increase, remarked that this will "hurt employment in labour intensive sectors and put upward pressure on the general wage level, exacerbating already high unit labour cost compared to regional peers. The increase is also likely to reduce incentives for workers to increase their human capital by compressing the wage differential between unskilled and specialized low-skilled workers".[2]

Chart 10
MINIMUM WAGE AS A PROPORTION OF THE AVERAGE WAGE[1]
(per cent)



[1] Data relates to the business economy and excludes public sector .

Source: Eurostat.

[2] International Monetary Fund *2011 Article IV Consultation – Staff Report*, May 2011.

From discussions I have had with officials from the Central Bank of Slovenia, it is their considered opinion that the IMF as well as the Commission were right in their assessment. Indeed, a major reason for Slovenia's increased fiscal gap and loss of competitiveness can be laid at the door of this large increase in minimum wage a few years ago. A similar picture emerges from the experience of Greece and Cyprus that also had significant increases in minimum wages, while labour market inflexibilities have contributed to the loss in competitiveness in Spain and Italy.

The most sustainable way to raise living standards is through structural reforms along with investment in education and physical capital (that is, through the promotion of investment in human and fixed capital). Wage increases are not sustainable unless they are financed from higher productivity and economic growth.

Financial stability

The financial sector clearly plays a crucial role in the economy. This sector is a prominent employer of trained professional staff, with financial and insurance activities on their own employing 7,280 persons or 4.3% of the gainfully occupied population and contributing 8.5% of gross value added in 2011. The gap between these two ratios is a sign of the relatively high level of productivity in this sector.

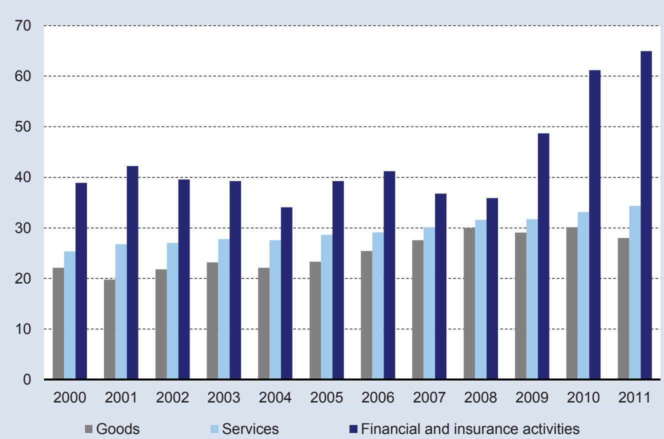
As a matter of fact, as shown in Chart 11, productivity - as measured by the value added per employee in the sector - has risen considerably in recent years and in 2011 stood at nearly EUR 65,000, significantly more than the corresponding per capita value added in the services sector in general, which stands at around EUR34,000.

Bank credit remains the main source of external funding for non-financial businesses in Malta. Moreover, as in most other European countries, bank financing is regarded as the main, if not the only, avenue of external financing for SMEs.

External funding is however primarily suitable for large corporates, given the costs and regulatory requirements associated with debt issuance. A more active and innovative debt market is in the interest of the country's economic growth potential. Undoubtedly, this needs to be harnessed through an appropriate macro-prudential policy safeguard of financial stability.

Additional sources of financing that deserve further exploration are through the European Investment Bank, and in particular through the European Investment Fund. The latter offers a venture capital facility whereby it helps venture capital and private equity fund managers to provide risk capital to SMEs. Companies can also benefit from the JEREMIE programme (Joint European Resources for Micro to Medium

Chart 11
VALUE ADDED PER EMPLOYEE (PRODUCTIVITY)
(EUR thousands)



Sources: NSO; Central Bank of Malta.

Enterprises), which promotes increased access to finance for the development of micro, small and medium-sized enterprises in the EU.

Over 80% of the balance sheet value of the core domestic banks is funded through customer deposits, considerably higher than the 30% average in the euro area.[3] Indeed, customer loans extended by core domestic banks continue to be fully funded from customer deposits.

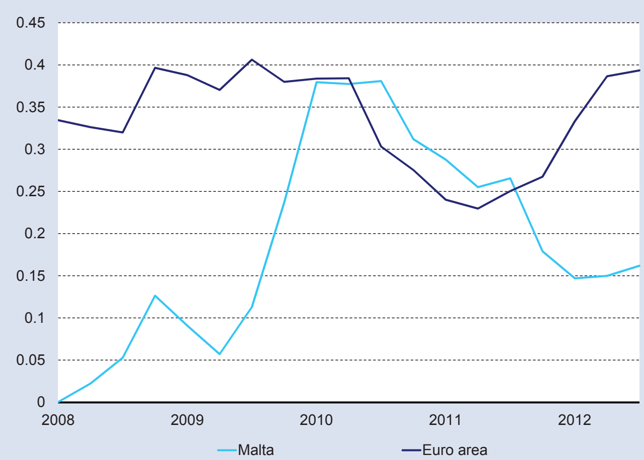
Meanwhile, Maltese banks' recourse to Eurosystem funding has been modest, as shown in Chart 12, which measures Eurosystem funding as a proportion of the balance sheet. This in itself is a good sign, reflecting the absence of banking distress. Banks must also exercise caution in the use of such sources. Although conditions are currently very favourable, it must be clear that such terms will not last forever. Banks are thus encouraged to continue using such facilities but not become overly dependent on them. Business models which are based on a disproportionate use of Eurosystem funds are not banking models that the Central Bank of Malta feels comfortable with.

However, the word "disproportionate" is very relevant, since it seems that some Eurosystem funding could be put to a better purpose than lying idle as deposits with the Eurosystem. For example, one possible use is to extend low cost credit for investments that promote restructuring and competitiveness and thus improve potential economic growth. For instance, in the case of hotel upgrading or manufacturing restructuring to higher value added activities, banks could explore areas of growth that would benefit the economy and such niche markets could be kept distinct from existing uses of funds, to avoid cross-overs and refinancing of existing loans. The interest rates on such loans may be linked to the MRO rate, plus of course a margin for credit risk. This would provide a clear link to the provision of lower cost funding by the ECB and serve to break this apparent barrier in Malta of providing lower cost loans in tandem with ECB policy.

On this issue of interest rate charges in Malta, it is somewhat paradoxical that despite the excess liquidity in the system, several institutions seem to be competing through higher deposit rates offered to customers. Competition is healthy and certainly depositors are better served by having such competition leading to higher returns.

However, it would be more appropriate if depositors are more fully aware of the basic fact of finance: higher returns are generally accompanied by a higher degree of risk and possible volatility, and depositors should be fully aware of this fact. The deposit guarantee scheme should not be exploited to hide this basic fact of finance.

Chart 12
EUROSYSTEM INJECTION (MRO/LTRO) AS A % OF TOTAL ASSETS



Sources: Statistical data warehouse; Central Bank of Malta calculations.

[3] ECB, *Changes in bank financing patterns*, April 2012.

Furthermore, higher deposit rates would require increased loan rates or investments in higher yielding assets. Both of these carry risks which, in the current lower interest rate environment, may lead to greater risk being assumed than perhaps would be the case in normal circumstances. It is therefore prudent for such institutions to hold an increased level of capital buffers so as to compensate for the elevated risk. Indeed, in recent discussions which I had with another euro area central bank governor, an approach that his institution uses is to require higher capital requirements when deposit rates exceed EURIBOR by more than 300 basis points. This is an interesting proposal which merits further analysis.

At the international level, the limitations of current regulation and supervision have become more and more evident with the severity of the financial crisis. Too much attention was focused on individual institutions thereby overlooking the macro-prudential risks. In reaction to this, European institutions and Member States have engaged in a major overhaul of bank regulation and supervision, with the objective of making financial institutions safe, sound and transparent.

One step towards effective early intervention is the establishment of the Single Supervisory Mechanism (SSM). This will endow the ECB with the ultimate responsibility for specific supervisory tasks related to the financial stability of banks across the euro area. The need for a single supervisory mechanism arises from the increasing interconnectedness between financial institutions and financial markets across the euro area, such that problems that originate at a national level can quickly spread across national borders and imperil the entire European banking system. A central authority is better placed to spot these risks. However, the SSM framework alone will not be sufficient to successfully address significant threats to financial stability across the euro area, particularly in the light of the possibility of cross-border spillover effects in the event of bank crises and the link between sovereign debt and bank debt.

The European Commission has therefore identified the need for a banking union to strengthen the banking sector and restore confidence in the single currency, and this is projected as part of a longer-term vision for economic and fiscal integration.

Hence, the idea goes beyond the SSM or single-rule book. As President Van Rompuy points out in his report entitled *Towards a genuine Economic and Monetary Union*, the components of this integrated financial framework have to include not only bank supervision (as delivered by the SSM), but also bank resolution as well as bank deposit insurance. Vitor Constancio, Vice-President of the ECB, defines the banking union as a transfer to the European level of the regulatory and institutional framework responsible for safeguarding the robustness and stability of the banking sector.

More recently, the Liikanen Report recommends a structural reform of the EU banking sector to limit the likelihood of banking crises, to improve the resolvability of banks and to protect taxpayers' interests. In this respect, the Liikanen Group concludes "that it is necessary to require legal separation of certain particularly risky financial activities from deposit-taking banks within a banking group". This form of separation is also being discussed in the U.S. and U.K., although with some variations.

It is evident that if this separation is effected, the resilience of banks will be enhanced, systemic risk reduced and tax payers safeguarded. The implications of this proposed framework will also have to be taken into account by the banking industry so as to adjust the banking models used to this now safer but more constrained model.

Closing an institutional gap

The concept of sustainability can also be applied to the funding of the government's capital expenditure programme. In particular, the funding of infrastructure and public utilities through fiscal resources may also have to be reviewed in light of the public sector funding constraints.

The domestic financial sector has witnessed remarkable structural developments over past years. However, there still appears to be an institutional gap in respect of the financing of certain types of projects for which the hitherto traditional sources of funding - commercial bank loans and government budgetary resources - may not necessarily remain the ideal financing avenues in view of the new challenges facing the financial system. I firmly believe that a development or promotional bank needs to be established. Such a public sector institution would be geared to the promotion of economic activity in its wider sense complementing commercial banks.

In my speech during the course of last year's IFS annual dinner, I had made reference to the important role that the possible establishment of such a bank could play in promoting the economy and assisting the government in social and environmental projects. Tonight I would like to elaborate further.

In my view, a promotional or development bank could be instrumental in contributing to a more effective mobilisation of the substantial excess liquidity characterising the financial sector and to a more efficient deployment of certain types of government assets, especially underutilised real estate. It should also serve as a catalyst to support the structural, economic, social and environmental policies of the government, particularly in connection with the long-term financing of priority projects. Moreover, there are strong indications that the deceleration in domestic credit activity in Malta is not due to any shortage of liquidity in the banking sector but rather to the reluctance on the part of banks to extend their exposure beyond certain limits to a number of economic sectors. A promotional or development bank could enable such sectors to gain better access to financing support that may not be readily available from other sources on reasonable terms.

A promotional or development bank can thus complement the domestic financial sector in instances where free market conditions may appear to be insufficient to achieve the desired public policy objectives. Such an institution would normally be underpinned by certain privileges geared to optimise promotional activities and therefore one would need to ensure that the promotional operations of such a bank would not give rise to any distortions in competitive conditions in the market. More specifically, it would have to ensure that its activities will be fully in line with EU-State Aid regulations at the final beneficiary level.

A promotional or development bank would be on similar lines as in many EU countries, particularly Germany, where such banks undertake very successfully at a regional level a role in promoting the economy and assisting the government in social and environmental projects. Such banks have the backing of a government guarantee and thus can borrow on the basis of the sovereign rating of the government either locally or from supranational institutions. In this way such an institution can serve to unlock further the financial potential available to spur competitiveness and economic growth without adding to the debt burden of the government. The funding model is based on the repayment of loans and thus is on a sustainable path separate from that of the national debt. This is why loans raised by such institutions are not captured under the Maastricht criteria of debt-to-GDP ratios. However, such an institution has to be managed and administered in a prudent and responsible manner.

The Central Bank of Malta has been looking more thoroughly into this matter and intends to put forward its submissions to the Government with respect to the rationale and feasibility regarding the setting up of such an institution.

Conclusion: The importance of sustainability

At a time of recession in Malta's export markets, the preservation of competitiveness is a must, in order to sustain continuing economic growth. In today's world, economic sustainability requires the adaptation to an evolving external environment and allows the continued improvement of the standard of living without jeopardizing that of future generations. In the eventual post-recession world, many of Malta's competitors will have gone through a restructuring process and would pose an even stronger challenge. Sustainability has three dimensions.

First, a sustainable financial system requires a prudent business model on the part of the banks and other financial institutions and a vigilant oversight of these institutions.

The European Systemic Risk Board (ESRB), which is an EU-level body established with a mandate to oversee the macro-prudential oversight of the financial system, recommended the setting up of an authority or body to make recommendations on macro-prudential aspects of the financial system. The Central Bank of Malta in its capacity as the macro-prudential authority has agreed with the MFSA to set up a Joint Financial Stability Board which will be formally constituted in a few weeks. The objective is to enhance the cooperation between the two bodies for the assurance of the stability of the financial system. The intention is to strengthen the resilience of the financial system and to mitigate the build-up of systemic risks. To these ends, the Board's mandate includes the development of mechanisms that would identify risks to financial stability, and the establishment of the necessary macro-prudential policy tools. The Joint Financial Stability Board will also be able to make recommendations to the Bank or MFSA boards on macro-prudential or micro-prudential issues, as the case may be. The board is also responsible to follow up on recommendations made by the ESRB.

Second, in the current situation, it must be ensured that fiscal consolidation is not compromised and the commitments under the Fiscal Pact are achieved. The room for fiscal manoeuvre is very limited at this present juncture of contraction in the euro area economy and the current debt-to GDP levels in the Maltese economy.

Third, higher productivity allows sustainably higher wages and living standards. The quality of human capital has to evolve to meet the changing needs of both the domestic and export markets, and for that purpose the educational system must provide the required skills and qualification profiles. For productivity to maintain its upward trend there must be a continuous upgrading of current investment and a stream of new investment to maintain the necessary structural change to higher value added activities. As I have emphasised in various parts of this presentation, the financial sector plays a crucial role in maintaining the momentum of change in the economy and meeting the financing needs of an evolving economy. In addition, it is also a sector of expansion in itself, with its own dimension to the contribution of further growth. Current financial stresses in the euro area will also require updating banking business models and ensuring that new regulatory requirements are met. Prudent banking practices remain a cornerstone of our present stability in a period of heightened international financial stresses and strains.

THE JOINT FINANCIAL STABILITY BOARD

The maintenance of financial stability in Malta mainly involves the Central Bank of Malta and the Malta Financial Services Authority (MFSA).

In terms of the Central Bank of Malta Act, the Central Bank of Malta is the national authority responsible for ensuring financial stability. As a result, the Bank has the duty to ascertain that the relative structures are in place for the implementation of macro-prudential measures when these are necessary to address conditions in the financial system which could undermine its stability. The MFSA, as established by the Malta Financial Services Authority Act, has statutory powers to regulate, monitor and supervise financial services in Malta and, more specifically, the operations and activities of the financial institutions themselves. Both the Central Bank of Malta Act and the Malta Financial Services Authority Act contain provisions for the exchange of information and cooperation between the Bank and the MFSA.

In line with the Recommendation of the European Systemic Risk Board (ESRB) of 22 December 2011, which aims at strengthening the macro-prudential mandate in European Union (EU) countries, the Central Bank of Malta is obliged to establish effective mechanisms for cooperation with all authorities whose actions have a material impact on financial stability without prejudice to their respective mandates.[1] In view of the MFSA's responsibility for the supervision of all financial institutions in Malta, the Bank and the MFSA are collaborating to strengthen their cooperation in this field. Thus, the Bank and the MFSA have established a Joint Financial Stability Board (JFSB) and have agreed on a Memorandum of Understanding (MoU) to stipulate clearly the mandate of the Board as described below. The MoU was signed on 25 January 2013, concurrently with the first meeting of the Board.

In this context, it is relevant to note that in the years prior to the international financial crisis, banking supervision in most countries tended to be predominantly micro-based, largely concentrating on ensuring the soundness of individual banks. The crisis, however, has highlighted the importance of the systemic relevance of major banks and the impact of their cross-border operations on the banking systems of other countries. This has contributed to a significant interest in a macro-prudential approach to bank regulation and supervision. The focus of prudential regulation in major economies has therefore shifted to the identification and prevention of systemic risks and on how micro and macro-prudential regulators can complement their operations to address such risks. The setting up of the JFSB at the local level is an important step in taking forward this widespread new process of financial regulation.

The objective of the JFSB is to establish mechanisms of cooperation between the Bank and the MFSA, to formulate macro-prudential policy and to safeguard the stability of the financial system in Malta. The JFSB aims at strengthening the resilience of the financial system and decreasing the build-up of systemic risks, thereby ensuring a sustainable contribution of the financial sector to economic growth. Macro-prudential policies can be pursued at a national level or as a follow-up to recommendations or warnings from the ESRB.

[1] See Recommendation of the ESRB of 22 December 2011 on the macro-prudential mandate of national authorities (ESRB/2011/3), OJ 2012/C 41/01.

The Board consists of members of the two institutions and is chaired by the Central Bank of Malta. When necessary, the Board can invite a representative of the Ministry of Finance, the Economy and Investment (MFEI) to participate as an observer during its meetings.

The mandate of the JFSB is:
(i) to identify, monitor and assess risks to financial stability from reports raised by both the Bank and the MFSA which assess potential systemic risk to the financial system;
(ii) to identify relevant macro-prudential tools to mitigate these risks, including measures that may be required to be implemented through the Capital Requirements Directive (CRD) IV framework;
(iii) to assess whether relevant macro-prudential tools have cross-border implications;
(iv) to discuss possible designations of financial institutions and structures that are systemically relevant in Malta and outline the perimeter of regulation;
(v) to propose public statements on macro-prudential policy decisions and their motivations, if necessary;
(vi) to follow up on recommendations or warnings from the ESRB and on any other matters of a macro-prudential nature that may need to be communicated by the Bank, the MFSA and the Government to the ESRB and/or any other authorities as necessary.

An important role of the Board shall be to formulate policy recommendations designed to safeguard the stability of the financial system and to follow up on the implementation by the relevant financial institutions.

To attain its objectives, the Board can discuss a wide variety of issues relating to, or impacting, the financial system, including both domestic policies and developments in the EU, particularly regarding regulation and standards, and macro-prudential tools.

Macro-prudential tools are instruments that can be used to contain systemic risk. The Board will discuss tools that may be necessary for adoption at national level. When doing so, the Board will take into consideration the relevant guidance from the ESRB. The Board will establish a list of tools to be applicable in Malta through a policy recommendation. This list of tools shall then be issued in the form of a Central Bank of Malta Directive, following approval by the Board of Directors of the Bank.

The list shall include tools:
(a) aimed to prevent cyclicality in the financial system on both the asset and liability sides of financial institutions' balance sheets;
(b) that increase the resilience of the financial system, including those linked to leverage, liquidity, intra-financial system exposures, and maturity mismatches;
(c) that mitigate structural vulnerabilities in the system and limit systemic spillovers in times of stress.

The Board will also discuss issues of a cross-border nature which have been forwarded by the ESRB and will make recommendations on the exchange of information on a cross-border basis to the ESRB and to any other macro-prudential authority. The Board will also inform the ESRB of policy recommendations to be adopted to address systemic risks at national level or which have been adopted according to the ESRB coordination framework on cross-border aspects of national macro-prudential policies.

A simple majority of the Board members is sufficient to adopt a policy recommendation. Policy recommendations are forwarded to the Governor of the Bank and to the Chairman of the MFSA for discussion. The Chairman of the MFSA shall also submit policy recommendations and the outcome of discussions with the Governor of the Bank to the Board of Governors of the MFSA for its consideration.

The final outcome of any recommendations of a macro-prudential nature, incorporating the considerations of the Governor of the Bank and of the Chairman of the MFSA, shall be considered for adoption and subsequent implementation by the Board of Directors of the Bank. Similarly, the final outcome of any recommendations of a micro-prudential nature, incorporating the considerations of the Governor of the Bank and of the Chairman of the MFSA, shall be considered for adoption and subsequent implementation by the Board of Governors of the MFSA. The Board of Directors of the Bank and the Board of Governors of the MFSA, as the case may be, may send back policy recommendations to the JFSB for further discussion. In such cases, the Board shall reconvene and submit its replies to the Governor of the Bank for discussion with the Chairman of the MFSA at the earliest possible opportunity. The Governor of the Bank and the Chairman of the MFSA shall then submit these replies to the Board of Directors of the Bank and to the Board of Governors of the MFSA, respectively, so that they may be considered for final adoption and implementation.

As a minimum, the JFSB will convene every quarter but shall meet as may be necessary if either the Bank or the MFSA considers that there is an urgent issue to be addressed. At the same time, the functions and powers given to the Board do not affect, or substitute, the operation and implementation of the provisions of the Framework for the Management of Financial Crisis Situations. The latter is the operational structure and decision-making process established by the Bank and the MFSA, together with the MFEI, for the management of financial crisis situations. Such situations will continue to be handled by the Domestic Standing Group for the management of financial crisis situations set up in terms of the MoU on cooperation in the management of financial crisis situations between the MFEI, the Central Bank of Malta and the MFSA.

NEWS NOTES

DOMESTIC

Central Bank of Malta: issue of commemorative coin

On 15 October 2012 the Bank issued the second in the five-year series of EUR2 commemorative coins highlighting milestones in Malta's constitutional history. The theme for the second coin is "Majority Representation – 1887". The coin reverse shows the EUR2 symbol, which is a common feature on all euro coins of this denomination. The coin obverse (national side) was designed by the Maltese artist Ganni Bonnici and shows a jubilant crowd, with the Governor's Palace in Valletta in the background. The coins were minted at the Royal Dutch Mint.

Central Bank of Malta and MFSA establish Joint Financial Stability Board

On 17 January the Bank announced that, together with the Malta Financial Services Authority (MFSA), it would establish a Joint Financial Stability Board (JFSB) aimed at enhancing cooperation between the two entities for the assurance of financial stability and the formulation of macro-prudential policy in Malta. The setting up of the JFSB is in line with the recommendation adopted by the European Systematic Risk Board (ESRB) in December 2011 (ESRB/2011/3) regarding the macro-prudential mandate of national authorities. (See the article being carried in this *Quarterly Review* for further details.)

EU-wide recapitalisation exercise

On 3 October the European Banking Authority (EBA) published the final report on its European Union-wide (EU) recapitalisation exercise that was initiated in 2011. Bank of Valletta was included in the sample and registered a Core Equity Tier 1 capital ratio of 10.6% as of June 2012, well above the minimum of 9% required by European regulations.

Budget estimates for 2013

On 28 November the Minister of Finance, the Economy and Investment presented the Budget Estimates for 2013. The Budget aimed at a general government deficit target of 1.7% of gross domestic product (GDP) in 2013, while the general government debt-to-GDP ratio was expected to decline to 70.4%. On 10 December the House of Representatives voted against these Estimates, leading to the dissolution of Parliament.

Closure of Excessive Deficit Procedure for Malta

On 4 December the Economic and Financial Affairs (ECOFIN) Council closed the Excessive Deficit Procedure for Malta, confirming that Malta's deficit-to-GDP ratio had fallen to below the 3% reference value by the 2011 deadline.

Credit ratings

On 11 December Fitch Ratings affirmed Malta's rating at A+ with a Stable Outlook. It reported that the government deficit for 2012 was expected to be in line with the agency's forecast. Furthermore, the announcement by the main opposition party that it would maintain the 2013 budget measures meant that Malta's commitment to fiscal consolidation would not be disrupted by the election outcome.

World Bank *“Doing Business 2013”* Report

On 23 October the World Bank published its *Doing Business 2013* report, in which it ranked Malta at 102 out of 185 economies in terms of “ease of doing business”. The report shows that Malta scored low with regard to the ease of setting up a business, to regulations governing credit extension, delays in obtaining construction permits, electricity supply, and enforcement of contracts. Malta’s performance was more positive regarding the collection of taxes and trading across borders.

Capital Market Developments

Issue of Malta Government Stocks

On 19 October the Government, through Legal Notice 352 of 2012, announced the issue of EUR100 million worth of Malta Government Stocks (MGS), with an over-allotment option amount of EUR40 million. The Treasury received bids totalling EUR252.9 million. It accepted in full bids from the public with a nominal value of EUR120.8 million and allotted EUR19.2 million by auction to financial institutions. Overall, EUR3.8 million was allotted in a 3.75% MGS 2017 (IV) fungible issue, EUR29.2 million in a 4.30% MGS 2022 (II) fungible issue, and EUR107 million in a new issue of 4.80% MGS 2028 (I).

On 4 December the Government, through Legal Notice 428 of 2012, announced the second stage of the three-year MGS Switch Auction Programme, aimed at lengthening and smoothing the interest and redemption profile of existing MGS debt. The switch allows the conversion of part of the 3.6% MGS 2013 (IV) stock into a 3.75% MGS 2017 (IV) fungible issue, a new 3.85% MGS 2018 (V) issue, or a combination of the two. The Treasury accepted a nominal value of EUR146.5 million of the 3.60% MGS 2013 (IV) for exchange. As a result, the stock’s outstanding nominal balance was reduced to EUR140.5 million. The amounts allotted in the 3.75% MGS 2017 (IV) issue and the 3.85% MGS 2018 (V) were EUR20.1 million and EUR121.4 million, respectively.

Corporate bond issues

On 19 November International Hotel Investments p.l.c. announced the issue of EUR20 million 5.8% bonds redeemable in 2021 with a nominal value of EUR100, issued at par. The Company would grant preference to holders of the 6.3% and 6.2%-6.8% bonds that had been issued earlier, both maturing on 15 February 2013. In December International Hotel Investments p.l.c. announced that the issue had been oversubscribed, with total bids amounting to EUR26.5 million.

On 21 November Mediterranean Bank plc announced the issue of EUR10 million in 7.5% subordinated bonds maturing in 2019 denominated in euro and pounds sterling (or the euro equivalent of EUR12.5 million in case of exercise of the over-allotment option). The issue, which opened on 3 December, was oversubscribed.

Legislation related to banking and finance

European Union Act Amendment

Legal Notice 334 of 2012, issued on 9 October entitled European Union Act (Approval of Treaty Amendment Decision) Order, 2012, provides that an EU Council Decision of 25 March 2011, which establishes the European Stabilisation Mechanism, should be regarded as one with the Treaty, and where the Treaty refers to financial stability of the euro area, this should be interpreted to mean the euro area as a whole or one of its Member States in isolation.

Implementation of Articles of the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive

Legal Notice 335 of 2012, issued on 9 October, amends the Investment Services Act (UCITS Management Company Passport) Regulations and implements Articles 2(3) and 109(4) of the UCITS Directive. The Legal Notice changes the definition of a "branch" and requires the home competent authority to notify the European counterpart of any material difficulties identified at the level of the Maltese UCITS managed by a European management company.

Legal Notice 336 of 2012, issued on 9 October entitled Investment Services Act (UCITS Mergers) (Amendment) Regulations, 2012, provides for the transposition of Articles 4(5) and (8) of the UCITS Implementing Directive.

Amendment of the Companies Act

Legal Notice 337 of 2012, issued on 9 October, entitled Companies Act (Amendment of Second Schedule) (No. 2) Regulations, 2012, and Legal Notice 338 of 2012, entitled European Union Act (Amendment of the Companies Act) Order, 2012, aim to implement the provisions of Directive 2010/73/EU of 24 November 2010 amending Directive 2003/71/EC, which refers to the prospectus to be published when securities are offered to the public or admitted to trading, and Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Legal Notice 337 requires issuers of securities to provide essential and appropriately structured information to investors. Legal Notice 338 includes amendments to the number of persons and to offers of securities which should not constitute offers made to the public, and to the definition of qualified investors. It also qualifies instances related to civil liability for misstatements in prospectuses.

Amendment to the Depositor Compensation Scheme

Legal Notice 340 of 2012, issued on 9 October entitled Depositor Compensation Scheme (Amendment) (No. 2) Regulations, 2012, enhances the funding level of the Depositor Compensation Scheme. It lowers the percentage rates which determine the supplementary contributions to be paid to the Depositor Compensation Scheme by the participating banks for assessment years 2013 and 2014. However, it extends the contribution period to the year of assessment 2015 and to each subsequent year of assessment.

Amendment to the Insurance Business Regulations

Legal Notice 343 of 2012, issued on 12 October, amends the Insurance Business (Assets and Liabilities) Regulations. The amendments affect the provisions of the Second and Third Schedules of these Regulations, which relate, respectively, to the General Business Solvency Margin and the Minimum Guarantee Fund. The revised Regulations entered into force on 31 December 2012.

Publication of regulations on short selling and certain aspects of credit default

Legal Notice 344 of 2012, issued on 12 October entitled Financial Markets Act (Short Selling) Regulations, 2012, implements the relevant provisions of the EU Regulation on short selling and on certain aspects of credit default.

Regulations on Designated Financial Instruments

Legal Notice 380 of 2012, issued on 6 November entitled Designated Financial Instruments Regulations, 2012, defines the categories or classes of financial instruments which are to be considered “designated financial instruments” for the purposes of Part IV of the Financial Markets Act (Cap. 345). These include shares, bonds and other forms of securitised debt, Treasury bills, certificates of deposits and units in collective investment schemes.

New bank licensed

On 30 October 2012 AgriBank plc was granted a licence as a credit institution by the MFSA. AgriBank is a Malta-based lender targeting agricultural businesses in the United Kingdom.

INTERNATIONAL

Treaty on Stability, Coordination and Governance enters into force

On 1 January 2013 the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union entered into force following ratification by 12 Member States of the euro area. The Treaty stipulates that national budgets must be in balance or in surplus and imposes a lower limit of a structural deficit of 0.5% of GDP. The balanced budget rule must be incorporated into national law within one year from the date on which the Treaty enters into force, preferably at Constitutional level.[1] The Treaty also embeds a new debt rule for countries with a debt ratio exceeding 60% of GDP and obliges Member States to report to the Commission and the Council on their debt issuance plans and on structural reforms.

Inauguration of the European Stability Mechanism

On 8 October the inaugural meeting of the Board of Governors of the European Stability Mechanism (ESM) was held in Luxembourg. The ESM is a permanent crisis resolution mechanism for the countries of the euro area. It issues debt instruments to finance loans and other forms of financial assistance to euro area Member States and is an intergovernmental organisation under public international law based in Luxembourg. It has a total subscribed capital of EUR700 billion. The shareholders are the 17 euro area Member States. As a permanent mechanism, the ESM will eventually take over the tasks currently fulfilled by the European Financial Stability Facility and the European Financial Stabilisation Mechanism. It will cooperate closely with the International Monetary Fund (IMF) in providing stability support and will be able to recapitalise banks directly.

European Systemic Risk Board

On 20 December the General Board of the ESRB discussed the potential risks to financial stability in the EU and put forward ways to tackle them from a macro-prudential perspective. In particular, the Board saw the need to ensure that banks’ provisions against expected losses would be identified and created in a timely fashion. This in turn required better and more consistent data. It also called for monitoring of the effects that low interest rates had in the medium term on the soundness of insurance companies and pension funds. Finally, it emphasised the need for a better understanding of developments in real estate markets where prices continued to be high or rising.

Second series of euro banknotes

On 8 November the European Central Bank (ECB) announced that the Eurosystem will introduce a second series of euro banknotes, called the “Europa” series, which include enhanced security

[1] For the other Contracting Parties whose currency is the euro, including Malta, this Treaty will enter into force on the first day of the month following the deposit of their respective instrument of ratification.

features. The new banknotes would be introduced over several years, starting with the EUR5 banknote in May 2013. The first series, which would gradually be withdrawn, would initially circulate alongside the second series. The Europa series EUR5 banknote was unveiled in full on 10 January 2013.

The European Council

On 12 October the President of the European Council published the Interim Report: *"Towards a genuine economic and monetary union"*. The Report highlighted points of convergence and outlined areas that would require further work for the final report due in December 2012. The Report noted that the establishment of an integrated financial framework was necessary for the achievement of a genuine European Monetary Union (EMU). This would comprise a single supervisory authority with a single supervisory mechanism hosted by the ECB, covering the euro area and open to all Member States. Furthermore, a common bank resolution authority with an appropriate backstop would be required. Moreover, the legislative proposal harmonising national deposit guarantee schemes was an important step towards a pre-emptive role in the stability of the financial system. An integrated budgetary framework for sound budgetary policies at national and European levels was also deemed necessary. In the near term, the priority was to complete and implement the new steps for stronger economic governance.

On 18-19 October the European Council reiterated its firm commitment to take resolute action to address financial market tensions, restore confidence and stimulate growth and jobs in the EU. It closely reviewed the implementation of the Compact for Growth and Jobs noting that, although significant progress had been made, additional efforts were required. It also remarked on the need to move towards an integrated financial framework, calling for an agreement on legislation covering the Single Supervisory Mechanism (SSM) by 1 January 2013 and requesting a single rulebook underpinning the centralised supervision of banks.

On 13-14 December the European Council agreed on a roadmap for the completion of a genuine EMU based on deeper integration and reinforced solidarity. This process would begin with the strengthening and implementation of the new enhanced economic governance framework including the Treaty on Stability, Coordination and Governance.

ECOFIN Council

On the 13 November the ECOFIN Council amended its negotiating position on the "two-pack" proposal aimed at further improving economic governance in the euro area. The proposals provide for enhanced monitoring of Member States' budgetary policies, as well as for strengthened surveillance of countries experiencing financial difficulties.

On 13 December the ECOFIN Council set out its position on the proposal to establish an SSM which involved two regulations, one conferring supervisory tasks on the ECB, and the other modifying regulation 1093/2010 on the EBA. The SSM would be composed of the ECB and national competent authorities. Under the arrangement, the larger banks would be placed under the oversight of the ECB, while smaller banks would remain under national supervision. The Supervisory Board within the ECB would operate on a one member, one vote principle.

The IMF-World Bank Group Annual Meetings 2012

On 13 October the International Monetary and Financial Committee (IMFC) of the IMF said that the implementation of medium-term fiscal consolidation plans remained critical in many advanced economies. Fiscal policy should be appropriately calibrated to be as growth-friendly as possible. The IMFC called for the timely implementation of an effective banking and stronger fiscal union in the euro area and of structural reforms that support growth and employment. Emerging markets and developing countries would need to ensure flexibility in policy implementation to support growth, which should be consistent with global rebalancing, while the potential impact from large and volatile cross-border capital flows should be closely monitored.

On 13 October the Development Committee of the World Bank and the IMF reiterated its commitment to take decisive actions to promote growth and development, to continue supporting an open global economy and to meet their pledges of development assistance. They encouraged the World Bank Group, in partnership with member countries and other stakeholders, to develop further analytical and policy work on jobs.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

(as at end-Sept 2012, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates[1]:	EUR 1 = USD 1.293	
		EUR 1 = GBP 0.7981	
CLIMATE	Average temperature (2012):	Jan. - Mar.	11.6°C
		July - Sep.	27.4°C
	Annual rainfall (2012)		519.2mm
SELECTED GENERAL	GDP growth at constant 2000 prices[2]		1.9%
ECONOMIC STATISTICS	GDP per capita at current market prices[2]		EUR15,500
	GDP per capita in PPS relative to the EU-27 average (2011)		83.0%
	Ratio of gross general government debt to GDP[2] (2011)		70.9%
	Ratio of general government deficit to GDP[2] (2011)		2.7%
	RPI inflation rate (12-month moving average)		2.3%
	HICP inflation rate (12-month moving average)		2.9%
	Ratio of exports of goods and services to GDP[2]		117.7%
	Ratio of current account surplus to GDP[2]		8.2%
	Employment rate[3]		59.6%
	Unemployment rate[3]		6.6%
	Long term government bond yield		4.0%
POPULATION	Total Maltese and foreigners (2011)		416,110
	Males		207,219
	Females		208,891
	Age composition in % of population (2011)		
	0 - 14		14.7%
	15 - 64		68.9%
	65 +		16.3%
	Annual growth rate (2011)		0.2%
	Density per km^2 (2011)		1,317
HEALTH	Life expectancy at birth (2011)		80.5
	Males		78.4
	Females		82.6
	Crude birth rate, per 1,000 Maltese inhabitants (2011)		10.3
	Crude mortality rate, per 1,000 Maltese inhabitants (2011)		7.9
	Doctors (2012)		1,571
EDUCATION	Gross enrolment ratio (2010/2011)		70.6%
	Teachers per 1,000 students (2009/2010)[2]		130
ELECTRICITY	Domestic Consumption (million kwh) (2011)		593
WATER	Average daily consumption ('000 m^3) (2011)		81
LIVING STANDARDS	Human Development Index: rank out of 187 countries (2011)		36
	Mobile phone subscriptions per 100 population		132.6
	Internet subscribers per 100 population		32.2
	Private motor vehicle licences per 100 population		58.1

[1] End of month ECB reference rates.

[2] Provisional.

[3] Labour Force Survey.

Sources: Central Bank of Malta; Eurostat; Ministry of Finance, the Economy and Investment; NSO; UNDP.

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at September 2012:

Akbank T.A.S.
APS Bank Ltd.
Banif Bank Malta p.l.c.
Bank of Valletta p.l.c.
BAWAG Malta Bank Ltd.
Credit Europe NV (from March 2007)
Commbank Europe Ltd. (from September 2005)
Deutsche Bank Malta Ltd. (from March 2010)
Erste Bank (Malta) Ltd.
FCM Bank Limited (from November 2011)
FIMBank p.l.c. (from August 2011)
Fortis Bank Malta Ltd.
HSBC Bank Malta p.l.c.
IIG Bank (Malta) Ltd. (from October 2010)
Investkredit International Bank p.l.c.
Izola Bank Ltd.
Lombard Bank Malta p.l.c.
Mediterranean Bank p.l.c. (from January 2006)
NBG Bank Malta Ltd. (from July 2005)
Nemea Bank Ltd (from December 2009)
Raiffeisen Malta Bank p.l.c.
Saadgroup Bank Europe Ltd. (from January 2009)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Voicecash Bank Limited (from October 2010)
Volksbank Malta Ltd.

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence, users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR1=MTL0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese liri into euro' which was published in the 2007:3 issue of the *Quarterly Review,* while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*. Detailed definitions of the concepts in each table can be found in the 'General Notes' section.

As from *Quarterly Review 2012:1*, the Central Bank of Malta discontinued the publication of (a) Table 1.16 - Monetary policy operations of the Central Bank of Malta and (b) Tables 3.1a and 3.1b - Selected Maltese lira exchange rates, end of period closing middle rates and averages for the period, respectively. Due to their historical value, such statistics will be retained in the Bank's website.

The statistical tables shown in the 'Statistical Tables' annex, including historical data, are provided in electronic format on the website of the Central Bank of Malta at www.centralbankmalta.org.

Table 1.1 Financial statement of the Central Bank of Malta[1] *(assets)*

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/ liabilities
	Gold	IMF-related assets[2]	Other[3]	Total				
2005	1.5	87.4	2,061.2	2,150.1	74.6	21.2	62.5	2,308.4
2006	2.7	84.8	2,123.6	2,211.1	70.5	70.5	62.3	2,414.4
2007	8.8	83.9	2,434.4	2,527.2	66.3	203.6	74.4	2,871.5

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
2010	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011									
Jan.	3.7	1,103.8	109.6	287.0	395.1	1,055.0	49.4	684.4	3,688.0
Feb.	4.3	1,114.3	101.7	339.1	368.4	1,133.2	49.4	700.0	3,810.3
Mar.	7.3	1,133.8	105.7	332.4	372.4	961.5	49.4	709.4	3,671.8
Apr.	7.1	1,202.3	142.9	329.0	380.0	1,013.3	49.4	682.8	3,806.8
May	7.1	1,160.4	123.2	299.7	379.4	975.8	49.4	726.3	3,721.4
June	7.5	1,379.2	408.9	313.9	357.3	1,116.3	49.4	720.5	4,353.1
July	7.4	1,202.5	138.9	323.8	367.1	1,143.3	49.4	721.0	3,953.4
Aug.	7.1	1,196.6	138.9	334.4	344.1	891.5	49.4	738.5	3,700.4
Sep.	8.4	1,278.0	173.2	356.0	356.5	790.8	49.4	738.3	3,750.6
Oct.	10.4	1,308.4	164.1	297.6	341.5	533.7	49.4	722.5	3,427.6
Nov.	8.3	1,398.6	189.8	241.1	354.1	614.2	49.4	732.4	3,587.8
Dec.	10.3	1,382.9	182.3	276.7	387.0	498.2	51.0	769.8	3,558.2
2012									
Jan.	8.3	1,334.3	204.8	358.2	413.4	506.1	50.4	764.3	3,639.8
Feb.	8.8	1,306.1	236.2	279.7	473.8	474.3	50.4	785.9	3,615.2
Mar.	13.0	1,281.8	281.4	246.9	491.6	557.0	50.4	787.1	3,709.2
Apr.	13.0	1,308.5	322.2	280.8	452.4	532.3	50.4	772.7	3,732.3
May	13.0	1,300.1	346.6	237.2	479.0	595.7	50.4	756.5	3,778.4
June	13.1	1,279.3	342.0	251.7	544.4	614.7	50.4	746.7	3,842.2
July	10.9	1,317.6	348.6	261.9	529.1	691.5	50.4	722.3	3,932.3
Aug.	9.8	1,341.1	367.4	286.5	516.1	636.6	50.4	747.5	3,955.4
Sep.	9.9	1,322.6	363.8	240.7	529.5	592.6	50.4	789.2	3,898.7

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.
[2] Includes IMF reserve position and holdings of SDRs.
[3] Mainly includes cash and bank balances, placements with banks and securities.
[4] Including items in course of settlement.

Monetary, Banking and Financial Markets

Table 1.1 Financial statement of the Central Bank of Malta[1] *(liabilities)*

EUR millions

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2005	1,211.4	74.6	424.7	343.5	22.2	790.4	196.3	-	35.7
2006	1,173.9	70.5	660.8	248.2	41.0	950.0	181.0	-	38.9
2007	677.8	66.4	1,433.5	387.2	75.7	1,896.4	189.9	-	41.0

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations		Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
		Total	(of which): Minimum Reserve Requirements	Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008	693.1	483.5	474.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	447.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010	701.2	501.2	470.4	410.9	97.0	96.5	0.0	110.4	1,327.1	129.2	272.7
2011											
Jan.	681.7	497.4	484.4	381.7	94.2	98.9	0.0	110.4	1,438.3	113.1	272.3
Feb.	680.8	518.4	496.8	509.3	94.3	130.9	0.0	110.4	1,386.5	99.4	280.1
Mar.	684.0	481.5	453.6	382.6	87.5	146.4	0.0	106.5	1,418.5	87.6	277.2
Apr.	692.5	479.3	461.1	403.7	88.7	155.7	0.0	106.5	1,523.4	79.2	277.8
May	695.5	471.9	447.6	482.0	88.4	134.3	0.0	106.5	1,381.1	83.5	278.2
June	703.0	492.6	445.4	485.0	81.4	121.2	0.0	105.6	1,998.9	85.7	279.7
July	710.2	579.4	423.3	370.8	89.7	141.0	0.0	105.6	1,585.7	90.0	281.0
Aug.	705.3	1,236.8	436.1	485.3	83.1	129.5	0.0	105.6	577.4	96.0	281.4
Sep.	711.6	1,188.5	450.0	426.2	90.0	131.6	0.0	110.3	694.1	110.4	287.9
Oct.	717.4	822.8	446.8	339.2	93.7	138.5	0.0	110.3	803.1	114.5	288.0
Nov.	720.3	1,139.2	429.6	534.6	96.4	123.9	0.0	110.3	458.4	116.6	288.1
Dec	737.6	1,101.1	431.6	438.6	86.5	122.5	0.0	113.2	552.5	118.4	287.7
2012											
Jan.	721.1	1,054.7	220.5	272.1	88.8	121.5	0.0	113.2	874.7	106.5	287.2
Feb.	719.9	895.0	219.2	542.2	83.3	145.9	0.0	113.2	725.5	93.9	296.3
Mar.	722.1	554.6	215.9	440.8	89.7	151.1	0.1	110.7	1,245.1	96.5	298.4
Apr.	725.3	1,049.0	218.0	386.7	90.2	144.7	0.1	110.7	842.9	83.7	299.0
May	732.9	636.2	215.8	361.9	90.3	99.3	0.0	110.7	1,356.4	91.1	299.5
June	741.8	581.7	227.0	518.0	91.3	128.7	0.0	115.0	1,269.9	96.6	299.1
July	745.2	519.3	224.3	480.8	93.2	106.0	0.0	115.0	1,474.3	98.1	300.3
Aug.	744.0	546.1	276.1	559.0	91.8	157.8	0.0	115.0	1,335.1	105.4	301.0
Sep.	740.8	1,028.3	254.6	697.5	85.1	180.4	0.0	113.8	631.4	116.8	304.6

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.

[2] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key. This amount is purely notional and may not reflect the amount of currency in circulation in Malta; the series is not comparable with the data prior to January 2008. For 2008, remaining outstanding Maltese lira banknotes are included.

[3] Includes items in course of settlement.

[4] Includes provisions and revaluation accounts.

Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles[1] *(assets)*

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets[2]	Total		
2008	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
2009	0.4	5.4	214.7	220.2	1,069.8	355.4	246.9	1,672.1	1,380.8	3,273.4
2010	0.2	5.9	274.7	280.6	1,555.4	381.3	285.3	2,222.1	1,182.7	3,685.6
2011	0.1	6.2	343.9	350.1	1,910.9	434.4	301.8	2,647.1	612.9	3,610.3
2012										
Jan.	0.1	6.2	350.6	356.8	1,866.2	475.9	303.2	2,645.3	688.5	3,690.6
Feb.	0.1	6.1	369.9	376.0	1,786.5	560.3	306.8	2,653.6	630.3	3,660.0
Mar.	0.1	6.1	349.5	355.6	1,736.1	636.9	315.2	2,688.2	713.5	3,757.4
Apr.	0.1	6.1	347.3	353.4	1,787.0	650.3	297.5	2,734.8	701.2	3,789.5
May	0.1	6.1	338.9	344.9	1,743.9	726.0	300.7	2,770.6	764.9	3,880.5
June	0.1	6.2	340.2	346.4	1,722.3	747.6	301.9	2,771.9	788.4	3,906.7
July	0.3	6.3	339.4	345.7	1,737.8	735.4	300.8	2,774.0	892.3	4,012.3
Aug.	0.3	6.3	343.9	350.2	1,794.8	725.5	311.5	2,831.8	839.8	4,022.1
Sep.	0.3	6.2	304.4	310.6	1,730.9	759.1	318.8	2,808.8	838.1	3,957.9

Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles[1] *(liabilities)*

EUR millions

End of period	Currency issued[4]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[3]
		Withdrawable on demand[5]	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities[2]	Total		
2008	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
2009	710.5	445.5	5.6	451.0	814.6	86.8	109.2	1,010.6	419.9	681.3
2010	742.1	489.1	8.2	497.2	1,225.2	97.1	108.0	1,430.3	438.1	577.8
2011	783.4	532.5	12.7	545.2	428.5	86.6	134.3	649.4	454.8	1,177.4
2012										
Jan.	766.5	364.6	12.4	377.1	737.3	88.9	138.5	964.6	453.4	1,129.1
Feb.	764.9	657.8	12.2	670.0	583.3	83.3	143.1	809.7	448.2	967.3
Mar.	767.3	562.4	13.4	575.8	1,096.4	89.9	149.9	1,336.1	441.9	636.3
Apr.	771.1	504.2	13.5	517.8	695.9	92.4	148.9	937.2	441.0	1,122.4
May	779.2	437.7	14.4	452.1	1,223.8	98.8	161.8	1,484.4	455.2	709.5
June	788.8	615.8	14.2	630.0	1,132.9	91.4	151.6	1,375.9	456.3	655.7
July	793.4	546.7	14.6	561.3	1,356.1	95.0	128.8	1,579.9	472.7	605.1
Aug.	793.0	626.8	14.2	641.0	1,233.6	91.9	103.4	1,428.9	477.8	681.5
Sep.	789.6	769.2	13.8	783.0	532.7	88.6	101.5	722.8	481.3	1,181.2

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast).
[2] If the Central Bank of Malta issues less, or more, currency than the amount attributed to it under the banknote allocation key, the shortfall, or excess, will be reflected in intra-Eurosystem claims, or liabilities, respectively.
[3] Includes resident interbank transactions.
[4] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury. For 2008, the remaining outstanding Maltese lira banknotes and coins are included.
[5] For the purposes of this table deposits withdrawable on demand include deposits redeemable at notice.

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

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
2008	600.6	7,150.4	1,342.9	115.3	6,153.2	25,468.7	847.3	32,469.1	797.8	42,476.2
2009	674.9	7,677.1	1,690.3	132.2	6,186.2	23,631.2	631.9	30,449.3	876.8	41,500.6
2010	599.6	8,075.5	1,781.1	141.9	9,366.9	28,681.7	650.4	38,699.0	909.3	50,206.4
2011										
Jan.	594.7	8,065.1	1,846.4	141.7	9,620.9	28,282.3	603.4	38,506.5	924.1	50,078.5
Feb.	611.0	8,080.5	1,834.6	141.4	9,569.6	27,445.4	631.0	37,646.0	891.0	49,204.5
Mar.	570.9	8,102.0	1,837.4	140.9	9,432.6	26,559.9	607.1	36,599.6	825.6	48,076.3
Apr.	583.2	8,094.1	1,851.5	140.7	9,505.7	27,147.7	611.2	37,264.6	827.7	48,761.9
May	569.8	8,130.7	1,897.1	140.5	9,651.2	28,473.7	622.6	38,747.5	840.2	50,325.8
June	591.2	8,156.2	1,880.5	141.8	9,643.7	28,077.5	581.2	38,302.5	861.3	49,933.4
July	696.4	8,184.2	1,887.6	170.9	9,624.4	28,569.6	585.9	38,779.9	895.1	50,614.1
Aug.	1,354.2	8,196.8	1,944.1	170.7	9,675.5	27,817.7	632.6	38,125.8	913.0	50,704.5
Sep.	1,299.6	8,317.3	1,925.9	169.5	10,519.6	27,554.6	643.6	38,717.7	867.9	51,298.0
Oct.	918.6	8,318.4	1,955.2	169.1	10,652.3	27,705.7	596.5	38,954.5	883.3	51,199.0
Nov.	1,203.3	8,391.3	1,986.1	168.9	10,413.2	27,977.8	655.6	39,046.5	899.4	51,695.5
Dec.	1,179.9	8,438.6	1,946.1	169.0	10,111.8	27,921.1	665.8	38,698.7	914.9	51,347.1
2012										
Jan.	1,123.7	8,420.1	1,939.4	168.5	9,843.9	28,923.2	691.2	39,458.3	910.8	52,020.9
Feb.	966.1	8,486.8	2,005.4	168.4	10,048.0	28,333.0	673.3	39,054.3	909.9	51,591.0
Mar.	624.0	8,491.2	2,002.1	167.9	9,361.5	28,991.8	622.2	38,975.5	839.5	51,100.2
Apr.	1,104.5	8,508.4	2,012.0	168.8	8,432.9	30,236.9	643.6	39,313.3	893.0	51,999.9
May	683.5	8,523.3	2,024.6	169.0	8,219.6	31,812.4	785.2	40,817.2	906.9	53,124.6
June	686.9	8,536.4	2,046.6	167.9	8,019.4	31,911.1	781.0	40,711.5	918.5	53,067.9
July	621.6	8,540.6	2,101.6	174.4	9,044.4	32,874.0	789.8	42,708.2	894.6	55,041.0
Aug.	700.8	8,542.4	2,114.7	175.1	8,521.2	32,058.4	814.6	41,394.2	922.6	53,849.8
Sep.	1,330.5	8,584.9	2,079.5	175.1	9,567.0	30,730.4	769.6	41,067.0	896.5	54,133.5

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 figures also include assets of the MMFs.

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

[3] Includes resident interbank claims.

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

EUR millions

End of period	Deposits from residents of Malta [2]				External liabilities				Debt securites issued[3]	Capital & reserves	Other liabilities
	Withdraw-able on demand	Redeem-able at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities[3]	Total			
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
2008	3,170.0	114.5	5,222.2	8,506.7	9,240.4	17,301.9	2,275.7	28,818.0	172.2	3,339.7	1,639.5
2009	3,705.3	111.6	4,789.0	8,605.9	7,772.1	16,973.4	1,205.3	25,950.9	253.4	4,120.5	2,569.9
2010	4,314.3	123.7	4,860.4	9,298.5	6,611.2	20,023.4	1,758.1	28,392.7	304.5	9,840.3	2,370.5
2011											
Jan.	4,310.3	124.1	4,876.8	9,311.2	6,703.6	19,785.5	1,912.6	28,401.8	304.2	9,732.8	2,328.5
Feb.	4,258.9	125.7	4,893.9	9,278.5	6,537.1	18,952.5	2,191.3	27,681.0	304.0	9,604.0	2,337.0
Mar.	4,460.4	131.4	4,891.6	9,483.4	5,979.0	18,454.0	2,090.5	26,523.5	303.7	9,604.8	2,161.0
Apr.	4,491.0	128.4	4,889.9	9,509.4	6,168.4	18,604.9	2,336.8	27,110.2	302.8	9,610.4	2,229.1
May	4,413.6	128.5	4,888.9	9,431.1	6,204.7	18,190.3	4,384.7	28,779.7	303.4	9,637.0	2,174.6
June	4,424.8	128.6	4,880.4	9,433.8	7,164.0	16,957.3	4,086.3	28,207.6	308.0	9,634.4	2,349.5
July	4,520.1	129.5	4,919.2	9,568.7	6,955.9	16,839.8	4,749.9	28,545.6	308.3	9,734.2	2,457.3
Aug.	4,526.0	133.0	4,966.7	9,625.7	7,269.9	17,055.2	4,533.4	28,858.5	352.2	9,745.0	2,123.1
Sep.	4,568.3	125.5	5,026.0	9,719.8	7,121.7	16,505.9	5,909.2	29,536.8	353.4	9,649.4	2,038.7
Oct.	4,705.4	124.0	5,016.5	9,845.9	7,587.1	16,302.5	5,609.1	29,498.7	352.8	9,719.9	1,781.8
Nov.	4,578.4	127.8	5,038.8	9,745.0	7,534.4	16,799.6	5,734.9	30,069.0	353.8	9,649.8	1,878.0
Dec.	4,686.6	122.6	5,096.6	9,905.8	6,901.8	16,889.2	5,679.9	29,470.9	354.3	9,815.5	1,800.6
2012											
Jan.	4,812.1	124.4	5,115.9	10,052.5	6,793.4	16,830.4	6,051.2	29,675.0	354.0	10,001.4	1,938.0
Feb.	4,742.3	128.3	5,107.3	9,977.9	6,341.1	17,082.8	5,948.3	29,372.2	353.6	9,985.5	1,901.8
Mar.	4,798.9	124.1	5,141.0	10,064.1	6,199.1	17,041.9	5,754.6	28,995.6	353.8	9,799.8	1,886.9
Apr.	4,837.0	131.4	5,138.9	10,107.2	6,186.1	17,437.8	6,220.4	29,844.3	394.0	9,817.2	1,837.3
May	4,930.3	137.6	5,127.2	10,195.2	6,303.7	17,406.5	7,120.2	30,830.4	395.3	9,737.9	1,965.8
June	4,969.7	144.3	5,057.2	10,171.2	6,402.0	17,098.7	6,982.6	30,483.2	395.1	9,939.7	2,078.6
July	5,038.9	141.2	5,097.1	10,277.2	6,260.6	18,828.5	6,900.0	31,989.1	395.6	10,274.7	2,104.5
Aug.	5,067.9	138.6	5,111.4	10,317.9	6,175.1	17,435.8	7,203.9	30,814.8	395.2	10,291.2	2,030.8
Sep.	5,111.8	144.0	5,099.2	10,355.0	6,369.7	17,546.9	7,184.8	31,101.4	394.6	10,245.1	2,037.3

[1] Based on the instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 figures also include liabilities of the MMFs.

[2] Excludes inter-bank deposits. These are included, together with other resident inter-bank liabilities, in 'other liabilities'.

[3] Up to December 2007, debt securities held by non-residents are included under 'other external liabilities'. As from January 2008 they are included under 'debt securities issued'. For the purpose of this table, 'Other external liabilities' also include repos.

Table 1.4a Monetary base and monetary aggregates

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							Total (M3)[1]
				Narrow money (M1)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)	
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)				
					Demand	Savings					
2005	1,211.4	315.7	1,527.1	1,162.2	727.0	2,001.0	3,890.2	73.3	3,121.5	7,085.0	7,085.0
2006	1,173.9	412.2	1,586.1	1,112.9	726.5	2,020.0	3,859.4	71.8	3,520.6	7,451.7	7,451.7
2007	677.8	1,110.0	1,787.8	610.2	806.3	2,278.9	3,695.4	105.3	4,474.6	8,275.3	8,275.3

Table 1.4b The contribution of resident MFIs to the euro area monetary aggregates

EUR millions

End of period	Broad money (M3)								
	Intermediate money (M2)							M3-M2[4]	Total (M3)[5]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]			
	Currency issued[2]	Overnight deposits[3]							
		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents		
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
2010	674.4	4,225.1	99.5	123.5	0.7	3,848.1	157.5	241.6	9,370.5
2011	710.6	4,590.9	124.1	122.5	2.6	3,693.1	228.2	204.3	9,676.3
2012									
Jan.	706.3	4,724.4	145.5	124.3	2.6	3,722.4	224.1	209.7	9,859.2
Feb.	702.9	4,667.3	157.8	128.1	2.6	3,704.7	222.8	212.6	9,798.8
Mar.	701.9	4,715.8	163.9	124.0	2.6	3,727.1	183.6	213.7	9,832.6
Apr.	706.1	4,750.3	163.7	131.2	0.7	3,706.3	192.5	214.9	9,865.7
May	719.1	4,851.9	171.5	137.6	0.3	3,712.1	148.7	235.3	9,976.4
June	717.4	4,885.0	176.0	144.2	2.1	3,632.6	247.0	209.6	10,014.0
July	723.7	4,954.5	181.6	141.1	2.1	3,673.7	320.8	211.4	10,209.0
Aug.	719.7	4,980.0	180.1	138.5	2.1	3,678.4	295.2	202.7	10,196.7
Sep.	718.7	5,025.9	184.6	144.0	1.7	3,660.3	340.8	202.5	10,278.3

[1] M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years.

[2] This is not a measure of currency in circulation in Malta. It comprises the Central Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury, less holdings of issued euro banknotes and coins held by the MFI sector. For 2008, remaining outstanding Maltese lira banknotes and coins are included. This represents the residual amount after deducting holdings of euro banknotes and coins (and, temporarily, of Maltese lira currency) reported by MFIs in Malta from the currency issued figure as reported in Table 1.2.

[3] Deposits with MFIs exclude interbank deposits and deposits held by central government.

[4] M3 - M2 comprises repurchase agreements that are not conducted through central counterparties and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

[5] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate.

Table 1.5a Counterparts to the monetary aggregates

EUR millions

End of period	Domestic credit			Net foreign assets					Broad money (M3)	Other counterparts to broad money (net)[2]
	Net claims on central government[1]	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2005	1,031.2	5,110.6	6,141.8	2,260.2	87.8	19,340.5	17,297.9	4,215.0	7,085.0	3,271.8
2006	850.1	5,855.8	6,705.9	2,314.0	99.1	21,601.1	19,011.8	4,804.1	7,451.7	4,058.3
2007	1,023.8	6,404.9	7,428.7	2,633.0	100.1	27,947.3	25,330.1	5,150.1	8,275.3	4,303.6

Table 1.5b The contribution of resident MFIs to counterparts to euro area monetary aggregates

EUR millions

End of period	Broad money (M3)[4]	Credit counterpart[3]					External counterpart			Other counterparts (net)[2]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009	8,883.3	1,927.4	7,792.4	1,238.3	2,273.9	13,232.0	24,843.9	18,197.0	6,646.9	10,995.6
2010	9,370.5	2,091.0	8,188.1	1,794.9	2,392.7	14,466.7	29,948.7	21,765.5	8,183.3	13,279.4
2011										
July	9,448.5	2,242.1	8,320.8	2,014.1	2,242.3	14,819.3	29,794.0	21,328.2	8,465.8	13,836.6
Aug.	9,584.0	2,311.3	8,320.7	2,195.3	2,245.4	15,072.7	29,076.1	20,877.1	8,199.1	13,687.7
Sep.	9,672.9	2,305.8	8,437.0	2,528.7	2,833.1	16,104.5	28,866.9	21,130.6	7,736.4	14,168.0
Oct.	9,820.6	2,335.9	8,432.1	2,417.6	2,841.6	16,027.1	28,944.2	20,604.7	8,339.6	14,546.1
Nov.	9,615.2	2,378.4	8,498.1	2,258.7	2,941.1	16,076.3	29,291.8	21,511.8	7,780.0	14,241.1
Dec.	9,676.3	2,353.4	8,550.5	2,240.9	2,929.5	16,074.3	29,300.0	21,460.0	7,840.0	14,238.0
2012										
Jan.	9,859.2	2,354.5	8,530.4	2,186.6	2,960.0	16,031.5	30,369.4	21,709.8	8,659.7	14,831.9
Feb.	9,798.8	2,443.9	8,592.8	2,195.7	3,021.6	16,254.0	29,845.5	21,878.5	7,967.0	14,422.2
Mar.	9,832.6	2,426.7	8,590.1	1,832.7	3,062.2	15,911.7	30,542.9	21,709.5	8,833.4	14,912.6
Apr.	9,865.7	2,433.9	8,608.6	1,810.3	2,868.7	15,721.5	31,812.3	22,428.4	9,383.9	15,239.8
May	9,976.4	2,433.1	8,628.7	1,832.2	2,843.7	15,737.8	33,606.9	23,313.1	10,293.8	16,055.2
June	10,014.0	2,450.4	8,646.9	1,726.6	2,780.7	15,604.6	33,711.7	22,892.4	10,819.2	16,409.8
July	10,209.0	2,502.2	8,660.1	1,404.6	3,359.4	15,926.3	34,673.6	24,928.7	9,744.9	15,462.2
Aug.	10,196.7	2,523.2	8,659.2	1,391.9	3,431.2	16,005.5	33,866.2	23,713.4	10,152.7	15,961.5
Sep.	10,278.3	2,453.6	8,696.5	1,364.9	3,445.7	15,960.6	32,533.7	23,741.2	8,792.5	14,474.8

[1] Central government deposits held with MFIs are netted from this figure.

[2] Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

[3] Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

[4] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate. As from December 2008 figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

Table 1.6a Currency in circulation

EUR millions

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2005	1,164.5	46.8	1,211.4	49.2	1,162.2
2006	1,125.4	48.6	1,173.9	61.0	1,113.0
2007	634.2	43.6	677.8	67.6	610.2

Table 1.6b Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item:Excess / shortfall (-) on the banknote allocation key[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009	673.4	37.2	-	70.7	639.8	95.1
2010	701.2	41.0	-	67.7	674.4	104.5
2011						
July	710.2	43.8	-	67.5	686.5	131.7
Aug.	705.3	44.3	-	64.5	685.1	123.6
Sep.	711.6	44.5	-	65.9	690.1	119.9
Oct.	717.4	44.5	-	60.3	701.6	116.4
Nov.	720.3	44.7	-	62.4	702.6	119.9
Dec.	737.6	45.8	-	72.8	710.6	130.0
2012						
Jan.	721.1	45.3	-	60.2	706.3	137.5
Feb.	719.9	45.0	-	62.0	702.9	142.2
Mar.	722.1	45.2	-	65.4	701.9	148.8
Apr.	725.3	45.8	-	65.0	706.1	147.1
May	732.9	46.3	-	60.1	719.1	132.6
June	741.8	47.0	-	71.5	717.4	137.1
July	745.2	48.2	-	69.7	723.7	118.3
Aug.	744.0	49.0	-	73.3	719.7	101.5
Sep.	740.8	48.9	-	70.9	718.7	98.7

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB).

[2] For 2008 only, currency issued includes any outstanding Maltese lira banknotes and coins. A breakdown of Maltese lira banknotes and coins outstanding by denomination is shown in Table 1.7a (Denominations of Maltese currency issued and outstanding). For December 2008 the figure shown under "outstanding Maltese lira banknotes and coins" differs from that shown under the afore-mentioned table, due to the fact that all unredeemed Maltese lira coins were written off and transferred to the profit and loss account of the Central Bank of Malta at the end of 2008 (see more details in the notes to the financial statements of the Central Bank of Malta 2008).

[3] The difference between the value of euro banknotes allocated to the Bank in accordance with the banknote allocation key (based on its share in the ECB's capital) and the value of the euro banknotes that the Bank puts into circulation gives rise to intra-Eurosystem balances. If the value of the actual euro banknotes issued is below the value based on the capital share, the difference is recorded as a shortfall (-). If the value of the actual euro banknotes issued is above the value based on the capital share, the difference is recorded as an excess.

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10[2]	Lm5	Lm2	Total
2005	1,211.4	257.5	812.1	76.8	18.1	1,164.5
2006	1,173.9	240.5	785.0	80.9	18.9	1,125.4
2007	677.8	120.2	439.8	57.5	16.7	634.2
2008	90.5	11.3	35.4	9.5	7.5	63.8
2009	82.2	9.6	29.9	8.9	7.4	55.8
2010	49.9	8.4	25.7	8.5	7.3	49.9
2011	46.7	7.8	23.5	8.2	7.2	46.7
2012						
Mar.	46.1	7.6	23.1	8.2	7.2	46.1
June	45.5	7.4	22.7	8.2	7.2	45.5
Sep.	45.0	7.3	22.4	8.1	7.2	45.0

[1] The denominations of coins consist of Lm1, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.

[2] Since February 2010 a change in the basis of reporting was carried out to include the 4th series of the Lm10 notes.

Table 1.7b Denominations of euro banknotes allocated to Malta[1]

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009	-3.8	35.1	331.4	214.3	23.2	50.4	117.9	768.5
2010	-6.3	21.7	328.9	235.2	1.2	54.7	170.3	805.7
2011	-9.4	9.6	326.8	266.1	-18.6	77.9	215.2	867.6
2012								
Mar.	-10.2	5.8	321.8	277.8	-28.7	79.2	225.0	870.8
June	-10.6	3.9	321.4	287.0	-43.0	80.3	239.7	878.9
Sep.	-12.0	-2.2	309.2	278.3	-62.2	79.4	249.1	839.6

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB) adjusted for the excess / shortfall on the banknote allocation key. Figures represent the net issuance of currency notes, that is, the net amount of notes issued by (+), or the net amount paid into (-), the Bank.

Table 1.7c Denominations of euro coins issued by the Central Bank of Malta on behalf of the Treasury

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2008	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
2009	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.3	37.2
2010	0.0	0.6	1.2	2.0	3.4	5.4	9.2	19.1	41.0
2011	0.1	0.6	1.4	2.3	3.9	6.1	9.8	21.7	45.8
2012									
Mar.	0.1	0.6	1.4	2.3	3.8	5.9	9.6	21.5	45.2
June	0.1	0.6	1.4	2.4	3.9	6.1	9.9	22.5	47.0
Sep.	0.1	0.7	1.5	2.5	4.1	6.5	10.3	23.3	48.9

Table 1.8 Deposits held with other monetary financial institutions by sector[1]

EUR millions

End of period	Resident deposits							Deposits held by non-residents of Malta		Total deposits
	General government[1]	Monetary financial institutions[2]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8
2007	126.8	106.1	198.6	137.8	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8
2008	101.5	878.8	249.2	146.1	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0
2009	123.4	1,575.1	263.9	122.7	1,417.1	6,678.8	10,181.0	7,839.7	17,628.8	35,649.5
2010	227.0	1,378.3	233.1	208.4	1,694.9	6,935.0	10,676.8	6,632.2	21,127.9	38,437.0
2011										
Jan.	222.7	1,346.5	237.8	217.7	1,680.9	6,952.0	10,657.8	6,723.8	21,083.3	38,464.9
Feb.	221.2	1,390.3	213.2	232.5	1,694.2	6,917.3	10,668.8	6,557.1	20,516.6	37,742.5
Mar.	235.2	1,223.5	222.6	223.0	1,828.0	6,974.5	10,706.9	6,048.8	19,937.2	36,692.9
Apr.	223.5	1,277.2	224.8	224.7	1,844.4	6,991.9	10,786.5	6,283.3	20,310.9	37,380.7
May	226.2	1,218.4	207.1	209.6	1,806.9	6,981.2	10,649.4	6,314.7	21,913.5	38,877.7
June	224.9	1,374.1	210.5	212.2	1,796.7	6,989.5	10,808.0	7,494.9	20,211.6	38,514.5
July	227.2	1,419.4	218.3	217.6	1,825.3	7,080.3	10,988.1	7,252.9	20,758.7	38,999.7
Aug.	229.8	1,168.3	254.6	224.8	1,804.6	7,111.9	10,794.0	8,004.5	20,274.9	39,073.3
Sep.	238.0	1,058.7	246.0	232.6	1,800.3	7,202.9	10,778.5	8,443.3	20,435.6	39,657.4
Oct.	240.8	784.6	282.7	249.8	1,864.0	7,208.6	10,630.6	8,927.8	19,968.9	39,527.3
Nov.	237.3	864.2	267.1	234.0	1,860.7	7,145.9	10,609.1	8,586.1	20,810.6	40,005.8
Dec.	239.0	763.6	279.6	229.7	1,912.7	7,244.8	10,669.4	8,046.4	20,748.6	39,464.4
2012										
Jan.	237.3	865.0	280.1	256.7	1,986.0	7,292.4	10,917.5	7,999.9	20,922.7	39,840.2
Feb.	225.0	822.9	260.8	345.7	1,879.9	7,266.5	10,800.8	7,519.0	21,138.8	39,458.6
Mar.	233.5	877.3	255.8	373.1	1,879.3	7,322.4	10,941.4	7,328.6	21,020.6	39,290.5
Apr.	231.5	862.8	268.5	325.8	1,947.8	7,333.6	10,970.0	7,454.7	21,706.7	40,131.4
May	221.1	940.3	261.2	383.6	1,955.5	7,373.8	11,135.5	7,580.5	22,424.4	41,140.5
June	226.9	954.8	238.1	431.7	1,930.6	7,344.0	11,126.1	7,589.4	22,143.8	40,859.2
July	229.4	1,058.3	243.1	353.8	2,056.1	7,394.8	11,335.5	7,030.7	24,075.0	42,441.2
Aug.	231.9	982.9	254.7	372.3	2,011.5	7,447.5	11,300.8	7,058.7	22,830.7	41,190.1
Sep.	229.2	930.4	252.0	352.0	2,011.3	7,510.6	11,285.5	7,307.1	22,903.7	41,496.3

[1] Including extra-budgetary units.

[2] For the purposes of this table, deposits include interbank loans and uncleared effects.

Table 1.9 Deposits held with other monetary financial institutions by currency[1]

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL[2]	EUR	GBP	USD	Other	MTL[2]	EUR	Other		
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
2008		8,325.4	317.4	629.2	113.6		7,149.6	2,127.3	17,640.5	36,303.0
2009		9,319.8	401.0	381.5	78.7		5,489.8	2,349.9	17,628.8	35,649.5
2010		9,723.3	423.4	418.9	111.2		4,764.3	1,868.0	21,127.9	38,437.0
2011										
Jan.		9,740.2	409.3	408.9	99.4		4,751.4	1,972.4	21,083.3	38,464.9
Feb.		9,739.0	413.0	405.5	111.4		4,484.7	2,072.3	20,516.6	37,742.5
Mar.		9,778.6	399.3	425.2	103.8		4,262.8	1,786.0	19,937.2	36,692.9
Apr.		9,755.4	398.3	533.4	99.4		4,535.7	1,747.6	20,310.9	37,380.7
May		9,734.4	409.7	405.4	99.8		4,775.1	1,539.6	21,913.5	38,877.7
June		9,883.0	401.6	423.3	100.1		5,377.2	2,117.7	20,211.6	38,514.5
July		10,040.1	415.2	431.3	101.5		5,174.1	2,078.8	20,758.7	38,999.7
Aug.		9,841.3	423.1	424.5	105.1		5,527.8	2,476.7	20,274.9	39,073.3
Sep.		9,832.7	425.0	424.6	96.2		6,129.8	2,313.6	20,435.6	39,657.4
Oct.		9,671.3	422.6	437.9	98.8		6,576.4	2,351.4	19,968.9	39,527.3
Nov.		9,620.7	429.9	454.4	104.1		6,069.8	2,516.2	20,810.6	40,005.8
Dec.		9,592.4	518.9	454.4	103.7		5,857.6	2,188.8	20,748.6	39,464.4
2012										
Jan.		9,765.5	497.2	545.5	109.4		5,734.4	2,265.5	20,922.7	39,840.2
Feb.		9,720.5	438.2	518.7	123.4		5,793.2	1,725.9	21,138.8	39,458.6
Mar.		9,881.4	444.7	506.2	109.0		5,740.6	1,588.0	21,020.6	39,290.6
Apr.		9,836.5	489.0	533.6	110.9		5,869.6	1,585.1	21,706.7	40,131.4
May		9,963.9	492.7	563.2	115.7		5,630.8	1,949.8	22,424.4	41,140.5
June		9,939.4	493.1	576.5	117.1		5,595.6	1,993.8	22,143.8	40,859.2
July		10,114.5	493.0	608.5	119.6		5,081.5	1,949.2	24,075.0	42,441.2
Aug.		10,103.6	486.1	596.4	114.7		5,074.2	1,984.5	22,830.7	41,190.1
Sep.		10,098.3	490.9	583.0	113.2		5,290.4	2,016.7	22,903.7	41,496.3

[1] Also includes loans granted to the reporting MFIs.

[2] Maltese lira-denominated deposits were redenominated as euro deposits from the beginning of 2008.

Table 1.10 Other monetary financial institutions' loans by size class[1]

EUR millions

End of period	Size classes[2]				
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	Total
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
2007	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
2008	658.2	2,646.3	2,117.9	20,593.7	26,016.0
2009	704.9	2,896.9	2,701.2	16,096.2	22,399.3
2010	758.2	3,242.9	2,138.5	18,901.8	25,041.4
2011					
Jan.	756.0	3,245.6	2,162.9	18,588.5	24,752.9
Feb.	756.3	3,268.2	2,104.2	18,381.2	24,509.9
Mar.	754.9	3,287.4	2,153.8	18,334.7	24,530.7
Apr.	756.2	3,293.1	2,100.0	17,978.3	24,127.5
May	752.1	3,313.8	2,141.1	17,971.5	24,178.4
June	751.9	3,327.7	2,082.9	17,926.8	24,089.2
July	754.3	3,339.3	2,118.4	17,843.3	24,055.3
Aug.	749.0	3,350.4	2,070.5	17,417.2	23,587.2
Sep.	753.9	3,371.5	2,133.5	16,572.5	22,831.5
Oct.	754.6	3,388.1	2,102.6	16,480.8	22,726.1
Nov.	755.6	3,403.0	2,138.1	16,509.9	22,806.5
Dec.	760.5	3,421.3	2,151.5	16,797.3	23,130.7
2012					
Jan.	750.6	3,430.3	2,181.8	16,441.4	22,804.2
Feb.	751.2	3,444.3	2,208.1	16,489.1	22,892.6
Mar.	755.5	3,472.4	2,228.1	16,387.6	22,843.5
Apr.	755.4	3,475.0	2,249.3	16,483.7	22,963.3
May	756.6	3,487.8	2,323.0	16,810.0	23,377.4
June	758.0	3,494.4	2,316.9	16,878.0	23,447.1
July	755.8	3,510.7	2,272.2	15,371.1	21,909.8
Aug.	754.2	3,520.3	2,307.7	15,621.5	22,203.7
Sep.	759.6	3,540.4	2,289.7	15,468.7	22,058.4

[1] For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Loans exclude OMFIs' deposits placed with other OMFIs.
[2] Amounts in euro are approximations.

Table 1.11 Other monetary financial institutions' loans to residents of Malta by economic activity[1]

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage, Information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals[2]				Other[3]	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2005	142.3	287.1	306.2	502.3	474.8	691.1	444.2	1,521.4	212.7	214.6	1,948.7	427.6	401.1	4,823.2
2006	188.9	340.7	266.7	586.4	492.9	715.0	612.8	1,769.9	250.4	230.7	2,251.1	380.7	421.3	5,414.0
2007	196.6	322.6	301.3	677.5	474.3	732.3	725.1	2,014.9	287.6	276.1	2,578.6	356.8	438.3	5,926.7
2008	333.1	429.2	340.6	730.4	457.4	757.1	931.3	2,219.8	329.9	307.8	2,857.5	333.9	634.1	6,536.4
2009	432.1	480.0	296.4	733.0	485.8	767.2	1,033.2	2,457.8	373.8	307.2	3,138.8	316.3	733.0	6,949.8
2010	502.0	511.8	283.5	1,113.8	446.3	825.2	392.2	2,666.0	365.4	323.4	3,354.8	646.5	740.5	7,335.5
2011														
Jan.	497.9	505.1	279.9	1,106.2	447.8	821.8	394.3	2,679.2	363.5	317.2	3,359.9	659.7	737.5	7,335.1
Feb.	490.5	508.3	282.3	1,107.3	451.5	825.2	392.1	2,694.8	364.0	316.7	3,375.5	652.9	727.7	7,357.9
Mar.	469.3	489.5	283.1	1,109.0	455.1	840.2	395.4	2,719.1	364.8	319.0	3,402.9	658.9	698.1	7,405.2
Apr.	469.2	482.2	279.6	1,096.8	452.9	840.8	391.3	2,729.6	367.5	317.2	3,414.3	667.1	696.8	7,397.3
May	462.7	478.0	282.6	1,089.8	456.5	867.9	392.1	2,752.2	367.9	315.7	3,435.8	671.6	685.9	7,451.1
June	467.1	477.5	281.4	1,096.2	457.1	861.4	385.2	2,775.7	367.7	316.1	3,459.5	670.8	690.5	7,465.6
July	466.5	510.0	279.0	1,091.5	455.0	838.8	388.3	2,795.7	370.8	316.2	3,482.7	673.2	721.7	7,463.2
Aug.	468.2	512.3	278.5	1,083.0	449.5	838.7	395.3	2,809.4	371.2	318.5	3,499.1	672.7	739.2	7,458.2
Sep.	496.5	515.9	279.5	1,108.5	451.0	853.7	398.7	2,835.6	375.1	319.2	3,530.0	684.5	775.1	7,543.2
Oct.	527.8	512.4	276.9	1,101.7	438.3	829.4	396.9	2,853.5	373.8	315.5	3,542.8	692.6	807.1	7,511.7
Nov.	533.5	512.3	279.6	1,102.3	455.2	848.6	398.3	2,871.7	375.3	314.6	3,561.6	700.8	815.5	7,576.8
Dec.	539.8	526.5	280.8	1,092.7	459.8	847.9	396.6	2,892.9	382.9	314.0	3,589.8	706.7	826.1	7,614.5
2012														
Jan.	537.2	524.3	283.9	1,088.3	457.8	836.2	395.1	2,906.8	374.6	312.8	3,594.2	704.1	819.3	7,601.8
Feb.	547.9	521.0	288.8	1,082.4	455.9	877.9	396.4	2,921.8	374.1	311.3	3,607.2	732.1	828.3	7,681.5
Mar.	538.2	515.5	303.8	1,088.9	465.2	831.2	400.3	2,939.3	378.9	312.2	3,630.4	733.2	820.6	7,686.0
Apr.	555.4	506.9	301.6	1,082.8	462.2	843.4	396.1	2,949.4	380.2	310.9	3,640.5	735.6	838.4	7,686.0
May	555.2	514.1	306.3	1,080.3	465.1	833.5	397.1	2,964.2	381.8	312.1	3,658.2	730.1	841.0	7,698.8
June	552.0	517.7	310.5	1,078.5	468.4	822.1	393.4	2,983.0	381.1	313.1	3,677.3	733.1	837.7	7,715.3
July	553.0	514.6	305.0	1,062.6	465.9	824.3	392.4	2,999.3	381.3	312.2	3,692.7	746.4	835.9	7,720.9
Aug.	540.1	510.9	309.3	1,047.9	460.8	841.4	389.2	3,016.2	380.8	307.0	3,704.1	740.1	818.5	7,725.5
Sep.	535.3	512.6	310.3	1,055.8	463.5	836.5	394.3	3,035.7	384.3	308.5	3,728.5	749.3	814.6	7,771.5

[1] As from 2010, the statistical classification of loans by economic activity is based on NACE rev 2.
[2] Excluding loans to unincorporated bodies such as partnerships, sole proprietors and non-profit institutions. Loans to such bodies are classified by their main activity.
[3] Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial and insurance activities (including interbank loans), professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services activities and extra-territorial bodies & organisations.

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta							Lending to non-residents of Malta		Total lending
	General government[1]	Monetary financial institutions[2]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8
2007	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0
2008	111.4	613.0	21.6	14.3	3,801.0	3,202.2	7,763.4	3,454.6	20,129.5	31,347.5
2009	111.0	649.0	22.3	10.9	4,034.6	3,498.5	8,326.1	2,900.0	16,825.4	28,051.5
2010	118.6	586.6	14.0	165.8	4,052.4	3,724.8	8,662.1	6,371.9	18,757.3	33,791.4
2011										
Jan.	117.5	603.0	13.6	165.8	4,033.9	3,734.3	8,668.1	6,507.8	18,257.8	33,433.7
Feb.	117.3	613.2	13.4	166.1	4,035.3	3,748.4	8,693.7	6,443.7	17,542.7	32,680.2
Mar.	119.6	572.2	14.1	171.0	4,024.3	3,772.9	8,674.2	6,304.3	17,206.7	32,185.2
Apr.	120.3	572.5	12.6	175.0	4,003.3	3,782.9	8,666.6	6,393.0	18,164.9	33,224.4
May	120.6	561.5	11.7	181.0	4,013.8	3,803.6	8,692.2	6,502.3	19,595.4	34,789.9
June	121.2	592.2	4.6	179.1	4,022.8	3,828.5	8,748.4	6,459.0	19,344.0	34,551.4
July	120.2	698.4	3.6	183.3	4,028.8	3,848.4	8,882.6	6,438.4	19,886.4	35,207.4
Aug.	135.0	1,368.1	5.2	176.6	4,020.1	3,859.8	9,564.8	6,416.2	19,561.6	35,542.6
Sep.	143.0	1,307.8	4.4	177.4	4,098.9	3,893.6	9,625.1	6,313.5	19,124.8	35,063.4
Oct.	144.7	928.5	5.2	178.4	4,084.6	3,905.5	9,246.9	6,572.0	17,580.3	33,399.2
Nov.	149.7	1,224.9	3.0	180.8	4,130.8	3,926.9	9,616.2	6,594.5	17,745.9	33,956.6
Dec.	150.5	1,176.7	2.6	179.5	4,153.9	3,952.2	9,615.4	6,324.2	17,368.4	33,308.0
2012										
Jan.	150.4	1,116.3	2.0	179.9	4,132.1	3,955.8	9,536.5	6,083.7	17,888.5	33,508.7
Feb.	151.9	984.5	3.1	186.9	4,174.0	3,971.0	9,471.3	6,238.0	17,841.9	33,551.1
Mar.	156.5	621.7	2.8	184.8	4,151.0	3,996.1	9,112.8	6,159.6	17,683.9	32,956.3
Apr.	158.2	1,099.2	3.0	184.6	4,158.9	4,003.7	9,607.6	5,230.8	18,838.3	33,676.7
May	156.2	687.7	3.1	180.0	4,166.1	4,018.0	9,211.0	5,087.7	19,216.3	33,515.1
June	156.7	706.1	4.1	180.8	4,166.9	4,027.9	9,242.5	5,078.7	19,263.9	33,585.1
July	156.6	638.4	2.4	186.4	4,154.1	4,041.2	9,179.0	5,920.1	18,712.4	33,811.6
Aug.	156.2	694.9	5.0	185.6	4,144.6	4,050.9	9,237.3	5,451.0	18,891.5	33,579.8
Sep.	158.8	1,324.1	4.1	189.1	4,154.3	4,078.6	9,909.0	6,452.4	18,013.0	34,374.4

[1] Includes the extra-budgetary units.

[2] For the purposes of this table, loans include interbank deposits.

Table 1.13 Other monetary financial institutions' loans by currency and original maturity to residents of Malta

EUR millions

End of period	Lending to residents of Malta																Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors[1]				
	MTL[2]		EUR		Other		MTL[2]		EUR		Other		MTL[2]	EUR	Other		
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year					
2005	860.7	1,568.3	17.3	263.3	18.5	10.2	204.2	1,943.2	1.4	15.0	0.1	2.4	696.7	86.4	19.0		5,706.7
2006	905.7	1,689.6	69.9	395.1	21.1	11.3	218.5	2,289.2	2.3	29.6	0.1	3.1	713.6	156.9	22.1		6,528.2
2007	858.3	1,802.5	108.1	450.0	36.6	10.2	241.5	2,616.0	2.0	34.4	1.0	3.5	963.8	744.6	20.3		7,892.6
2008			1,133.1	2,608.2	40.7	19.0			275.7	2,921.9	1.3	3.4		725.2	35.0		7,763.4
2009			1,152.8	2,811.7	39.4	30.6			281.6	3,207.1	1.5	8.2		765.5	27.6		8,326.1
2010			1,178.1	2,760.3	70.1	44.0			269.2	3,444.8	1.7	9.1		846.7	38.3		8,662.1
2011																	
Jan.			1,084.5	2,830.1	74.0	45.2			264.6	3,459.3	1.7	8.7		865.3	34.6		8,668.1
Feb.			1,086.4	2,837.5	65.7	45.7			263.6	3,474.3	1.9	8.6		867.8	42.2		8,693.7
Mar.			1,069.4	2,856.4	59.1	39.4			265.0	3,497.4	1.8	8.7		828.9	48.0		8,674.2
Apr.			1,024.8	2,875.9	64.1	38.5			268.3	3,504.3	1.5	8.7		842.8	37.6		8,666.6
May			1,017.3	2,864.7	80.3	51.5			267.5	3,525.1	1.8	9.3		847.9	26.9		8,692.2
June			1,012.6	2,879.8	80.5	49.9			266.8	3,550.2	2.1	9.4		870.7	26.4		8,748.4
July			989.2	2,910.9	78.5	50.2			265.6	3,570.8	1.9	10.0		973.4	32.0		8,882.6
Aug.			990.5	2,909.9	68.3	51.5			267.5	3,580.1	1.9	10.3		1,652.9	32.0		9,564.8
Sep.			1,014.9	2,950.3	82.0	51.6			272.2	3,609.2	2.1	10.1		1,609.7	22.9		9,625.1
Oct.			1,027.2	2,936.8	70.5	50.1			266.7	3,627.2	1.8	9.8		1,233.4	23.4		9,246.9
Nov.			1,050.3	2,950.6	78.1	51.8			272.5	3,642.4	2.3	9.7		1,527.2	31.2		9,616.2
Dec.			1,050.2	2,966.3	87.7	49.7			277.2	3,662.6	2.5	9.9		1,485.0	24.2		9,615.4
2012																	
Jan.			1,041.9	2,959.5	78.2	52.6			269.8	3,674.0	2.1	9.9		1,424.5	24.2		9,536.5
Feb.			1,066.4	2,954.9	87.4	65.3			271.4	3,687.4	2.4	9.8		1,300.1	26.2		9,471.3
Mar.			1,052.2	2,975.2	83.7	40.0			274.5	3,707.8	2.5	11.3		943.0	22.8		9,112.8
Apr.			1,075.3	2,950.1	91.6	42.0			274.0	3,715.6	2.7	11.4		1,421.8	23.3		9,607.6
May			1,078.4	2,963.0	81.4	43.3			272.1	3,731.4	3.1	11.5		1,000.1	26.8		9,211.0
June			1,072.9	2,976.5	74.6	43.0			265.8	3,747.9	2.7	11.4		1,003.8	43.9		9,242.5
July			1,045.4	2,975.4	89.8	43.5			262.4	3,764.5	2.7	11.6		929.9	53.8		9,179.0
Aug.			1,031.1	2,971.7	100.3	41.5			263.2	3,780.4	2.4	5.0		951.3	90.5		9,237.3
Sep.			1,006.2	3,022.0	85.2	40.9			270.1	3,802.2	2.5	3.8		1,589.3	86.8		9,909.0

[1] For the purposes of this table, loans include interbank deposits.

[2] Maltese lira-denominated loans were redenominated as euro loans from the beginning of 2008.

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1] *(assets)*

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2005	52.2	34.5	624.0	7.9	232.4	350.4	32.7	1,334.1
2006	20.8	50.9	690.2	7.0	204.4	431.6	16.6	1,421.4
2007	32.6	3.4	498.8	6.4	195.3	410.4	12.0	1,159.0
2008	18.8	2.4	421.7	3.9	128.0	299.1	9.4	883.3
2009	33.3	15.4	403.2	4.8	139.3	318.6	5.6	920.2
2010	48.5	8.6	405.9	4.5	144.5	340.5	6.9	959.4
2011	46.2	0.0	354.2	11.1	127.6	308.4	8.0	855.5
2012								
Mar.	50.4	0.0	349.2	22.9	110.3	333.2	7.5	873.5
June	48.7	0.0	363.0	13.9	114.5	346.5	11.5	898.1
Sep.	44.4	0.0	384.3	14.7	117.5	360.7	14.6	936.0

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1] *(liabilities)*

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2005	0.2	1,322.5	4.1	7.4	1,334.1
2006	0.4	1,406.4	11.0	3.6	1,421.4
2007	0.3	1,147.6	7.8	3.3	1,159.0
2008	1.9	870.2	6.9	4.2	883.3
2009	2.1	902.0	10.8	5.3	920.2
2010	1.8	910.3	42.9	4.4	959.4
2011	0.1	833.9	18.0	3.5	855.5
2012					
Mar.	0.8	827.1	40.4	5.2	873.5
June	1.0	860.9	31.1	5.2	898.1
Sep.	1.0	883.7	46.5	4.9	936.0

[1] Comprising the resident investment funds (IFs). The smallest IFs in terms of total assets (i.e. those IFs that contribute to 5% or less to the quarterly aggregated balance sheet of the total IFs' assets in terms of stocks) are estimated.
[2] Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.
[3] Includes debtors, currency (both euro and foreign), prepayments and other assets.
[4] Includes share capital and reserves.
[5] Includes loans, creditors, accruals, shareholders' units/ funds and other liabilities to non-resident counterparties.
[6] Includes creditors, accruals and other liabilities.

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1] *(assets)*

EUR millions

End of period	Currency and Deposits[2]	Holdings of securities other than shares	Holdings of shares and other equity		External assets[3,8]	Fixed and other assets[4,8]	Total assets
			Investment fund shares/units	Other shares and equity			
2005	61.7	347.6	57.4	103.6	358.1	192.1	1,120.5
2006	103.0	373.8	61.3	112.0	462.0	209.8	1,321.9
2007	193.9	418.5	68.4	121.0	482.9	244.5	1,529.2
2008	222.6	442.6	59.5	97.0	481.0	266.9	1,569.6
2009	252.9	486.0	21.5	163.1	622.3	265.6	1,811.4
2010	247.8	547.4	23.1	166.7	778.7	275.3	2,039.0
2011	264.3	510.8	18.3	162.6	837.0	289.4	2,082.5
2012							
Mar.	233.2	539.7	19.8	161.6	900.0	299.4	2,153.7
June	214.4	569.8	17.9	161.9	891.5	316.2	2,171.6
Sep.	230.2	577.7	18.3	166.4	927.2	319.0	2,238.8

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1] *(liabilities)*

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6,8]	Other liabilities[7,8]	Total liabilities
2005	17.1	177.5	863.0	17.1	45.7	1,120.5
2006	21.1	205.1	1,027.1	15.7	52.9	1,321.9
2007	21.3	238.9	1,196.7	15.6	56.7	1,529.2
2008	24.9	229.2	1,229.3	34.3	52.0	1,569.6
2009	20.6	265.0	1,430.7	37.7	56.9	1,811.0
2010	22.6	289.2	1,628.6	45.1	53.6	2,039.0
2011	11.7	292.1	1,683.0	45.0	50.8	2,082.5
2012						
Mar.	12.0	302.2	1,737.4	46.2	55.8	2,153.7
June	11.9	301.2	1,745.1	49.3	64.1	2,171.6
Sep.	11.9	312.6	1,803.7	46.8	63.8	2,238.8

[1] Comprising the resident insurance companies.
[2] Includes loans.
[3] Includes deposits, securities, investment fund shares/units, financial derivatives and other assets with non-resident counterparties.
[4] Mainly includes financial derivatives with resident counterparties, non-financial assets including fixed assets, other assets and accruals.
[5] Comprising investment linked life-assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves.
[6] Includes loans, securities, financial derivatives and other accounts payable to non-resident counterparties.
[7] Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.
[8] Following a reclassification exercise, as from Q1 2009, certain instruments were shifted from "External Assets" to the "Fixed and other assets" column.

Table 1.16 Debt securities, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	General government	Financial Corporations[2]	Non-financial companies[2]	Total	General government	Financial Corporations[2]	Non-financial companies[2]	Total	
2005	3,064.4	160.3	649.6	3,874.4	129.3	-45.8	-17.1	66.4	50.6
2006	2,998.1	104.9	593.0	3,696.0	-66.3	-52.3	-17.5	-136.1	-42.3
2007	3,116.3	162.0	625.0	3,903.2	118.2	60.0	68.1	246.3	-39.1
2008	3,328.3	189.4	665.4	4,183.1	211.9	26.0	22.6	260.5	19.3
2009	3,698.3	271.1	667.7	4,637.1	370.1	82.8	1.5	454.4	-0.3
2010	3,989.2	323.0	743.2	5,055.4	290.9	54.5	62.9	408.3	10.0
2011	4,312.1	372.7	745.6	5,430.4	322.9	49.1	-4.4	367.5	7.3
2012									
Q1	4,546.0	609.8	495.4	5,651.2	233.9	0.0	-6.3	227.7	-6.8
Q2	4,684.3	648.3	500.4	5,832.9	138.3	37.2	-6.9	168.6	13.1
Q3	4,537.4	647.5	492.8	5,677.7	-146.9	0.0	-2.5	-149.4	-5.8

[1] Amounts are at nominal prices. Outstanding amounts of debt securities denominated in foreign currency reflect exchange rate changes.

[2] As from March 2012 debt securities issued by holding companies have been reclassified from Non-Financial Corporations to Financial Corporations.

Sources: Central Bank of Malta; MSE.

Table 1.17 Quoted shares, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period			Net issues during period			Net valuation changes
	Financial corporations	Non-financial companies	Total	Financial corporations	Non-financial companies	Total	
2005	2,673.4	800.8	3,474.2	2.2	20.0	22.2	1,337.5
2006	2,657.4	758.2	3,415.7	0.8	53.3	54.1	-112.7
2007	2,690.1	1,163.9	3,854.0	9.9	387.3	397.2	41.2
2008	1,585.2	981.4	2,566.7	2.1	38.2	40.3	-1,327.6
2009	1,863.3	980.6	2,844.0	42.1	36.4	78.5	198.8
2010	2,034.1	1,188.1	3,222.2	0.3	214.2	214.5	163.7
2011	1,618.5	1,022.7	2,641.3	0.2	11.1	11.3	-592.3
2012							
Q1	1,602.5	1,008.9	2,611.5	0.0	0.3	0.3	-30.1
Q2	1,535.3	1,047.0	2,582.4	0.6	0.0	0.6	-29.6
Q3	1,658.1	1,033.7	2,691.8	15.0	0.0	15.0	94.5

[1] Amounts are at market prices. Outstanding amounts of quoted shares reflect market and exchange rate changes.

Source: MSE.

Table 1.18 Monetary financial institutions' interest rates on deposits and loans to residents of Malta[1]

% per annum	2008	2009	2010	2011	2012					
					Apr.	May	June	July	Aug.	Sep.
NEW BUSINESS										
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**2.06**	**1.97**	**2.03**	**2.00**	**2.17**
Households and NPISH										
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.49	2.36	2.24	2.26	2.32	2.49
up to 1 year	3.06	1.95	2.03	1.99	1.87	1.89	1.86	1.88	1.91	1.86
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.33	3.58	3.28	3.36	3.29	3.30
over 2 years	4.77	3.44	3.86	3.65	4.08	4.27	4.58	4.64	4.63	3.58
Non-financial corporations										
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.74	1.71	1.64	1.80	1.63	1.67
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.34**	**4.32**	**4.52**	**4.52**	**4.66**	**4.70**
Households and NPISH	4.88	4.49	4.20	3.82	3.87	3.84	4.10	3.94	4.08	4.13
Lending for house purchase	3.84	3.51	3.43	3.38	3.29	3.33	3.48	3.32	3.36	3.42
Consumer credit	6.12	6.02	5.81	5.04	5.75	5.74	5.81	5.83	5.65	5.81
Other lending	6.44	5.56	5.86	5.60	5.74	5.47	5.57	5.65	5.71	5.72
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.75	3.94	3.98	3.85	3.90	4.01
Lending for house purchase	4.35	3.70	3.63	3.60	3.58	3.55	3.66	3.54	3.58	3.65
Consumer credit	6.25	6.10	5.89	5.12	5.85	5.52	5.85	5.86	5.68	5.84
Non-financial corporations										
Loans	5.50	4.95	4.86	4.28	4.78	4.74	4.90	5.04	4.96	5.10
OUTSTANDING AMOUNTS										
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.41**	**1.41**	**1.41**	**1.40**	**1.41**	**1.40**
Households and NPISH	2.74	1.57	1.50	1.54	1.55	1.54	1.55	1.55	1.55	1.55
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.31	0.32	0.32	0.32	0.32	0.32
Savings deposits redeemable at notice[3,4]	2.05	1.68	1.59	1.51	1.51	1.51	1.53	1.56	1.55	1.53
up to 3 months	2.09	1.70	1.69	1.61	1.59	1.59	1.58	1.60	1.59	1.59
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.40	2.41	2.41	2.42	2.43	2.44
up to 2 years	3.90	2.22	2.08	2.05	2.05	2.05	2.06	2.06	2.06	2.06
over 2 years	3.19	3.06	3.16	3.21	3.25	3.27	3.27	3.30	3.32	3.36
Non-financial corporations	1.73	0.86	0.81	0.84	0.80	0.79	0.73	0.73	0.75	0.74
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.29	0.29	0.29	0.28	0.29	0.27
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.09	2.09	2.06	2.08	2.11	2.10
up to 2 years	3.39	1.89	1.97	2.00	1.98	1.98	1.92	1.95	1.98	1.96
over 2 years	3.26	3.35	3.24	3.13	3.23	3.22	3.23	3.24	3.32	3.34
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.36**	**4.36**	**4.35**	**4.33**	**4.33**	**4.35**
Households and NPISH	4.57	4.15	4.06	4.02	3.98	3.97	3.97	3.96	3.95	3.96
Lending for house purchase	4.03	3.51	3.46	3.43	3.41	3.41	3.41	3.40	3.40	3.41
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.58	5.58	5.58	5.58	5.58	5.58
Non-financial corporations[5]	5.43	4.96	4.67	4.85	4.73	4.74	4.73	4.70	4.72	4.74
Revolving loans and overdrafts										
Households and NPISH	7.16	6.44	5.75	6.12	5.89	5.89	5.89	5.87	5.89	5.91
Non-financial corporations	5.30	5.08	5.03	5.07	5.19	5.13	5.16	5.13	5.14	5.18

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits to/from households and non-financial corporations resident in Malta. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned. Weighted average rates as at end of period while headline indicators are composite rates.

[2] The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.19 Monetary financial institutions' interest rates on deposits and loans to euro area residents[1]

% per annum	2008	2009	2010	2011	2012					
					Apr.	May	June	July	Aug.	Sep.
NEW BUSINESS										
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.12**	**2.23**	**2.24**	**2.06**	**2.12**	**2.18**
Households and NPISH										
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.43	2.51	2.62	2.29	2.48	2.50
up to 1 year	3.05	1.97	1.96	1.99	1.83	2.10	2.39	1.94	2.15	1.92
over 1 and up to 2 years	4.60	3.00	3.01	3.41	2.96	3.61	3.29	3.34	3.32	3.28
over 2 years	4.77	3.44	3.86	3.65	4.11	4.28	4.58	4.65	4.64	3.59
Non-financial corporations										
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.83	1.97	1.65	1.82	1.69	1.70
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**4.17**	**4.35**	**4.26**	**4.49**	**4.31**
Households and NPISH	4.88	4.48	4.20	3.81	3.87	3.85	4.09	3.94	4.08	4.13
Lending for house purchase	3.84	3.51	3.42	3.38	3.29	3.34	3.48	3.31	3.37	3.41
Consumer credit	6.12	6.01	5.81	5.04	5.75	5.74	5.81	5.82	5.65	5.81
Other lending	6.43	5.56	5.86	5.60	5.74	5.48	5.57	5.65	5.70	5.71
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.75	3.95	3.98	3.85	3.90	4.01
Lending for house purchase	4.35	3.70	3.63	3.60	3.59	3.56	3.66	3.54	3.59	3.65
Consumer credit	6.25	6.09	5.89	5.12	5.85	5.52	5.85	5.85	5.68	5.84
Non-financial corporations										
Loans	4.93	4.42	4.52	4.20	4.30	4.39	4.55	4.43	4.63	4.38
OUTSTANDING AMOUNTS										
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.41**	**1.40**	**1.41**	**1.40**	**1.41**	**1.41**
Households and NPISH	2.74	1.58	1.49	1.54	1.55	1.55	1.56	1.56	1.56	1.56
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.32	0.32	0.32	0.33	0.32
Savings deposits redeemable at notice[3,4]	2.09	1.70	1.69	1.63	1.59	1.59	1.59	1.62	1.60	1.60
up to 3 months	2.09	1.70	1.69	1.63	1.59	1.59	1.59	1.62	1.60	1.60
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.41	2.42	2.44	2.44	2.45	2.46
up to 2 years	3.89	2.21	2.08	2.05	2.05	2.07	2.09	2.09	2.10	2.09
over 2 years	3.24	3.10	3.16	3.22	3.26	3.28	3.29	3.31	3.33	3.37
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.80	0.75	0.74	0.76	0.75
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.30	0.30	0.29	0.29	0.30	0.28
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	1.97	1.92	1.84	1.88	1.94
up to 2 years	3.57	1.93	1.71	1.93	1.95	1.84	1.78	1.71	1.73	1.79
over 2 years	3.28	3.13	3.33	2.99	3.07	3.06	3.07	3.07	3.14	3.16
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.28**	**4.28**	**4.27**	**4.25**	**4.25**	**4.26**
Households and NPISH	4.57	4.15	4.06	4.02	3.98	3.98	3.97	3.96	3.96	3.96
Lending for house purchase	4.03	3.51	3.46	3.43	3.41	3.41	3.41	3.40	3.40	3.41
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.57	5.58	5.58	5.58	5.58	5.58
Non-financial corporations[5]	5.20	4.40	4.54	4.66	4.52	4.52	4.51	4.47	4.49	4.49
Revolving loans and overdrafts										
Households and NPISH	7.16	6.45	5.76	6.12	5.89	5.89	5.89	5.87	5.89	5.91
Non-financial corporations	5.14	5.08	5.02	5.07	5.18	5.12	5.16	5.13	5.14	5.18

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits vis-à-vis households and non-financial corporations with residents of Malta and other Monetary Union Member States. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned. Weighted average rates as at end of period while headline indicators are composite rates.

[2] The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.20 Key Central Bank of Malta, ECB and money market interest rates

	2008	2009	2010	2011	2012		
					Mar.	June	Sep.
INTEREST RATES (%)[1]							
Key ECB interest rates[2]							
Marginal lending facility	3.00	1.75	1.75	1.75	1.75	1.75	1.50
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	1.00	1.00	0.75
Deposit facility	2.00	0.25	0.25	0.25	0.25	0.25	0.00
Money market rates (period averages)							
Overnight deposit (EONIA)	3.86	0.72	0.44	0.79	0.36	0.33	0.08
Rates for fixed term deposits (EURIBOR)							
1 month	4.27	0.90	0.57	1.24	0.47	0.38	0.11
3 months	4.63	1.23	0.81	1.50	0.86	0.66	0.19
6 months	4.72	1.44	1.08	1.72	1.16	0.93	0.36
1 year	4.81	1.62	1.35	2.05	1.50	1.22	0.59
Central Bank of Malta[2]							
Central intervention rate							
Money market intervention rates:							
Term deposit rate							
Reverse repo rate							
Rate on standby (collateralised) loans							
Rate on overnight deposits							
Remuneration on required reserves							

[1] End of period rates unless otherwise indicated.

[2] As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates on its operations. The financial market interest rates shown from that date are the key interest rates determined by the ECB for central bank operations throughout the euro area.

Note: # denotes the corridor linked to the central intervention rate.

Table 1.21 Other rates and indicators

	2008	2009	2010	2011	2012		
					Mar.	June	Sep.
INTEREST RATES (%)[1]							
Other monetary financial institutions[2]							
Weighted average deposit rate	2.57	1.44	1.37	1.41	1.39	1.39	1.39
Current deposits	0.51	0.29	0.28	0.32	0.29	0.31	0.33
Savings deposits	0.73	0.33	0.35	0.35	0.36	0.36	0.35
Time deposits	3.74	2.30	2.27	2.35	2.33	2.36	2.39
Weighted average lending rate	4.96	4.46	4.72	4.71	4.71	4.68	4.74
Non-financial companies	5.31	4.93	5.31	5.34	5.37	5.32	5.36
Households and individuals	4.51	3.91	4.05	3.98	3.96	3.93	4.05
Consumer credit	7.15	5.90	5.97	5.99	6.00	6.01	6.05
House purchase	3.98	3.47	3.63	3.58	3.57	3.54	3.69
Other lending	5.54	4.96	5.35	5.29	5.17	5.14	5.08
Government securities							
Treasury bills (primary market)							
1 month	-	-	-	1.20	-	-	1.16
3 month	3.65	1.40	0.99	0.82	0.84	1.04	1.27
6 month	2.75	1.52	1.10	1.33	1.05	1.19	1.36
1 year	-	-	-	-	-	-	-
Treasury bills (secondary market)							
1 month	2.64	1.36	0.77	0.85	0.96	1.00	1.09
3 month	2.64	1.40	0.94	0.97	1.01	1.05	1.25
6 month	2.65	1.46	1.23	0.99	1.04	1.18	1.35
1 year	2.73	1.69	1.28	1.26	1.40	1.41	1.43
Government long-term debt securities (period averages)							
2 year	3.43	2.41	1.88	2.31	2.01	2.17	1.92
5 year	4.01	3.66	3.05	3.36	3.24	3.22	2.96
10 year	4.53	4.54	4.19	4.35	4.26	4.24	4.06
15 year	4.76	4.96	n/a	n/a	n/a	n/a	n/a
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,095	2,939	3,022	3,136

[1] End of period rates unless otherwise indicated.

[2] Rates agreed between the OMFI and its customer; weighted averages are calculated by multiplying the outstanding amount of each agreement by the interest rate applied thereto and dividing by the total amount. These interest rates are based on a national definition. Interest rates paid and charged by MFIs in Malta reported according to harmonised definitions established by the ECB are shown in Tables 1.18 and 1.19.

Note: '-' denotes that no transactions occurred during the reference period.

n/a denotes that no bond qualifies as a 15 year benchmark.

Government Finance

Table 2.1 General government revenue and expenditure[1,2]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[3]
	Current	Capital	Total	Current	Capital	Total		
2005	1,836.3	172.9	2,009.2	1,909.4	241.8	2,151.2	-142.1	35.8
2006	1,938.0	167.8	2,105.8	2,002.1	244.7	2,246.7	-140.9	38.8
2007	2,129.8	70.6	2,200.4	2,106.7	222.1	2,328.7	-128.4	52.9
2008	2,253.3	46.5	2,299.8	2,372.1	195.7	2,567.8	-268.0	-81.3
2009	2,245.5	62.2	2,307.7	2,351.3	182.7	2,534.0	-226.3	-42.9
2010	2,314.6	111.1	2,425.7	2,433.9	216.3	2,650.3	-224.5	-38.2
2011	2,461.3	113.2	2,574.5	2,542.9	208.6	2,751.5	-177.0	23.9
2011								
Q1	609.0	22.2	631.2	631.3	47.4	678.8	-47.6	0.0
Q2	575.8	18.7	594.5	634.9	50.5	685.4	-90.9	-40.4
Q3	581.9	36.5	618.5	598.8	52.4	651.2	-32.8	17.4
Q4	694.6	35.8	730.4	677.9	58.2	736.1	-5.7	46.9
2012								
Q1	641.5	20.6	662.1	669.1	71.5	740.6	-78.5	-23.4
Q2	636.2	26.6	662.8	692.5	31.6	724.1	-61.2	-8.1
Q3	613.7	35.7	649.4	649.7	60.3	710.0	-60.6	-6.0

Table 2.2 General government revenue by main components[1,2]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[4]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2005	559.5	718.2	380.2	95.0	69.5	14.0	1,836.3	17.5	155.4	172.9	2,009.2	1,675.3
2006	609.8	759.3	389.8	96.8	63.5	18.9	1,938.0	14.7	153.2	167.8	2,105.8	1,773.4
2007	726.0	801.2	398.3	110.0	72.8	21.6	2,129.8	15.7	54.9	70.6	2,200.4	1,941.2
2008	742.8	829.7	432.0	152.8	70.4	25.6	2,253.3	15.1	31.4	46.5	2,299.8	2,019.5
2009	795.4	809.5	434.9	116.9	69.2	19.6	2,245.5	14.0	48.2	62.2	2,307.7	2,053.8
2010	807.8	842.6	456.4	103.2	84.3	20.3	2,314.6	14.7	96.4	111.1	2,425.7	2,121.5
2011	849.4	905.7	486.6	123.4	79.4	16.8	2,461.3	14.8	98.4	113.2	2,574.5	2,256.5
2011												
Q1	229.6	199.7	118.4	24.2	34.6	2.5	609.0	3.0	19.2	22.2	631.2	550.7
Q2	196.1	205.3	115.5	31.0	22.5	5.3	575.8	4.2	14.6	18.7	594.5	521.0
Q3	180.7	241.8	118.1	28.4	8.8	4.2	581.9	3.6	32.9	36.5	618.5	544.2
Q4	243.0	258.9	134.7	39.7	13.5	4.7	694.6	4.1	31.7	35.8	730.4	640.7
2012												
Q1	217.8	220.5	120.4	40.5	37.5	4.7	641.5	3.7	16.9	20.6	662.1	562.5
Q2	241.1	214.8	119.0	29.6	24.0	7.6	636.2	3.8	22.8	26.6	662.8	578.7
Q3	215.9	238.4	118.8	25.7	8.6	6.3	613.7	4.4	31.4	35.7	649.4	577.4

[1] The cut-off date is 30 January 2013.

[2] Based on ESA95 methodology. Data are provisional.

[3] Deficit(-)/surplus(+) excluding interest paid.

[4] The fiscal burden comprises taxes and social security contributions.

Sources: Eurostat; NSO.

Table 2.3 General government expenditure by main components[1,2]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total [3]	
2005	668.3	642.7	177.8	238.2	101.2	81.2	1,909.4	227.7	48.7	241.8	2,151.2
2006	678.4	666.5	179.7	285.6	109.4	82.4	2,002.1	204.7	47.9	244.7	2,246.7
2007	706.9	718.6	181.3	295.8	112.1	92.1	2,106.7	206.0	43.2	222.1	2,328.7
2008	831.4	756.6	186.6	376.8	125.1	95.6	2,372.1	139.2	48.3	195.7	2,567.8
2009	829.5	809.4	183.4	354.4	64.0	110.7	2,351.3	136.6	58.7	182.7	2,534.0
2010	840.6	847.0	186.3	373.5	66.8	119.8	2,433.9	132.8	79.2	216.3	2,650.3
2011	871.1	880.5	200.9	411.7	64.9	113.8	2,542.9	164.7	48.0	208.6	2,751.5
2011											
Q1	216.2	229.7	47.5	97.1	11.0	29.8	631.3	38.4	8.5	47.4	678.8
Q2	218.8	218.5	50.5	98.8	22.4	25.8	634.9	35.2	12.1	50.5	685.4
Q3	217.9	203.1	50.2	89.9	11.0	26.8	598.8	44.8	13.2	52.4	651.2
Q4	218.2	229.3	52.6	125.9	20.5	31.4	677.9	46.3	14.3	58.2	736.1
2012											
Q1	220.8	221.4	55.0	120.2	15.5	36.2	669.1	36.1	30.0	71.5	740.6
Q2	228.5	249.9	53.2	105.5	20.8	34.7	692.5	51.8	17.0	31.6	724.1
Q3	229.4	205.0	54.6	112.0	20.7	28.1	649.7	45.2	11.2	60.3	710.0

[1] The cut-off date is 30 January 2013.

[2] Based on ESA95 methodology. Data are provisional.

[3] Includes acquisitions less disposals of non-financial non-produced assets.

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1,2]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2005	326.6	43.7	76.2	305.0	73.7	35.7	309.0	31.6	272.6	677.0	2,151.2
2006	348.0	37.1	75.9	310.4	82.0	37.1	325.6	29.1	287.0	714.5	2,246.7
2007	350.7	35.6	80.3	319.4	93.2	33.6	315.7	31.6	295.9	772.8	2,328.7
2008	394.9	38.1	86.3	434.9	93.9	40.1	316.0	36.2	311.5	815.7	2,567.8
2009	428.6	53.9	90.2	286.6	101.7	16.9	322.3	42.8	320.4	870.6	2,534.0
2010	402.8	50.4	92.5	298.4	126.4	17.4	344.5	49.0	362.8	906.0	2,650.3
2011	432.7	56.0	94.4	313.2	87.0	20.0	366.4	56.9	381.4	943.6	2,751.5

[1] The cut-off date is 30 January 2013.

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

Sources: Eurostat; NSO.

Government Finance

Table 2.5 General government financial balance sheet[1]

EUR millions

Period	Financial assets						Financial liabilties					Net financial worth
	Currency and deposits	Securities other than shares	Loans	Shares and other equity	Other accounts receivable	Total	Currency and deposits	Securities other than shares	Loans	Other accounts payable	Total	
2005	399.1	0.0	29.2	1,117.8	218.3	1,764.4	0.0	3,420.9	300.5	332.0	4,053.4	-2,289.0
2006	431.9	0.0	26.4	842.6	208.0	1,509.0	0.0	3,297.4	265.5	359.0	3,921.9	-2,413.0
2007	488.1	0.0	27.5	836.1	309.7	1,661.4	8.3	3,308.6	272.8	424.1	4,013.9	-2,352.4
2008	476.2	0.0	32.8	739.8	360.5	1,609.3	31.2	3,662.9	284.1	528.2	4,506.3	-2,897.0
2009	577.2	0.0	29.5	797.8	375.0	1,779.5	37.2	3,994.2	237.4	531.0	4,799.8	-3,020.3
2010	588.6	0.0	63.1	855.5	434.8	1,942.0	41.0	4,307.5	237.4	546.4	5,132.2	-3,190.2
2011	654.8	0.0	147.9	843.4	514.1	2,160.2	45.8	4,625.0	260.3	627.8	5,558.9	-3,398.7
2011												
Mar.	576.8	0.0	112.8	839.2	582.1	2,110.9	40.7	4,381.1	241.8	649.5	5,313.2	-3,202.3
June	695.1	0.0	131.2	840.5	526.3	2,193.1	42.6	4,509.2	241.9	670.3	5,463.9	-3,270.8
Sep.	659.1	0.0	136.6	830.6	492.9	2,119.2	44.5	4,500.8	250.2	722.0	5,517.5	-3,398.4
Dec.	654.8	0.0	147.9	843.4	514.1	2,160.2	45.8	4,625.0	260.3	627.8	5,558.9	-3,398.7
2012												
Mar.	665.6	0.0	189.2	852.3	680.3	2,387.3	45.2	4,789.1	305.8	671.1	5,811.1	-3,423.8
June	735.1	0.0	233.4	892.3	700.1	2,560.9	47.0	4,933.7	341.6	725.5	6,047.8	-3,486.9
Sep.	566.4	0.0	236.3	841.7	678.3	2,322.8	48.9	4,880.4	345.7	697.9	5,972.9	-3,650.1

[1] Based on ESA95 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

Table 2.6 General government deficit-debt adjustment[1,2]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[3]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2005	106.0	-142.1	93.0	-0.1	0.0	-55.4	-23.4	-50.0	-36.0
2006	-101.7	-140.9	67.3	-2.8	0.0	-219.4	-1.2	-86.7	-242.7
2007	131.4	-128.4	60.3	1.1	0.0	-32.1	-7.8	-18.3	3.0
2008	247.4	-268.0	-6.3	5.3	0.0	-5.1	20.3	-34.8	-20.5
2009	330.1	-226.3	135.8	-3.3	0.0	-0.9	-1.0	-26.9	103.8
2010	295.1	-224.5	51.9	33.5	0.0	-0.8	0.2	-14.3	70.6
2011	349.7	-177.0	69.8	84.8	0.0	16.1	5.1	-3.1	172.7
2011									
Q1	148.9	-47.6	-7.4	49.7	0.0	-7.3	4.7	61.6	101.3
Q2	128.4	-90.9	120.6	18.4	0.0	15.1	-3.1	-113.4	37.5
Q3	-57.3	-32.8	-34.0	5.4	0.0	0.1	5.1	-66.7	-90.1
Q4	129.7	-5.7	-9.3	11.3	0.0	8.1	-1.6	115.4	123.9
2012									
Q1	230.3	-78.5	12.1	41.3	0.0	0.9	-6.0	103.6	151.9
Q2	170.5	-61.2	63.2	44.2	0.0	11.2	1.5	-10.9	109.3
Q3	-107.7	-60.6	-170.1	2.9	0.0	0.0	3.4	-4.6	-168.3

[1] The cut-off date is 30 January 2013.
[2] Based on ESA95 methodology. Data are provisional.
[3] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt [1]	Government guaranteed debt [2]
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2005	-	443.1	2,614.4	3,057.5	76.8	221.1	297.9	3,355.3	612.4
2006	-	373.8	2,617.4	2,991.2	24.5	238.0	262.4	3,253.6	555.1
2007	8.3	354.9	2,753.3	3,108.3	31.0	237.5	268.5	3,385.1	602.8
2008	31.2	365.8	2,954.4	3,320.2	70.4	210.7	281.1	3,632.5	684.8
2009	37.2	474.1	3,216.4	3,690.5	34.7	200.2	234.9	3,962.5	857.8
2010	41.0	377.8	3,603.6	3,981.4	40.7	194.7	235.4	4,257.7	991.1
2011									
Mar.	40.7	416.8	3,710.2	4,127.0	30.6	208.3	238.9	4,406.6	1,018.0
June	42.6	337.1	3,914.9	4,252.1	34.0	206.4	240.4	4,535.0	1,016.2
Sep.	44.5	304.3	3,880.4	4,184.8	42.1	206.4	248.4	4,477.7	1,073.7
Dec.	45.8	257.1	4,046.3	4,303.5	51.4	206.6	258.0	4,607.4	1,068.9
2012									
Mar.	45.2	216.4	4,272.8	4,489.2	53.1	250.2	303.3	4,837.7	1,072.5
June	47.0	255.1	4,366.0	4,621.0	55.0	285.1	340.1	5,008.2	1,065.8
Sep.	48.9	319.4	4,188.2	4,507.6	56.4	287.6	344.0	4,900.5	1,069.3

[1] In line with the Maastricht criterion, which defines general government debt as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. Data are provisional.
[2] Represents outstanding balances on general government guaranteed debt.
Sources: Eurostat; NSO.

Table 2.8 Treasury bills issued and outstanding[1]

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding[2] and held by		
		OMFIs[3]	Others[4]	Total	MFIs	Others[4]	Total
2005	1,204.7	831.0	245.3	1,076.3	351.5	91.5	443.0
2006	992.0	522.5	400.2	922.7	249.7	124.2	373.9
2007	1,129.5	823.7	287.0	1,110.7	278.6	76.3	354.9
2008	1,018.9	349.2	683.4	1,032.6	126.4	239.5	365.8
2009	1,516.6	1,033.9	591.0	1,624.8	327.3	146.8	474.1
2010	1,341.6	1,091.7	153.2	1,245.2	319.9	57.9	377.8
2011	1,004.8	839.9	45.1	885.0	224.0	33.9	257.9
2011							
Jan.	66.4	117.7	7.2	124.9	386.4	49.8	436.2
Feb.	94.0	78.8	9.0	87.8	365.7	64.3	430.0
Mar.	61.4	43.1	5.2	48.2	352.5	64.2	416.8
Apr.	134.2	103.0	3.5	106.5	323.6	65.6	389.2
May	76.9	30.8	10.5	41.3	282.1	71.5	353.6
June	40.8	23.2	1.2	24.3	269.8	67.4	337.1
July	120.0	106.5	3.9	110.4	266.1	61.5	327.5
Aug.	76.9	66.3	1.1	67.3	258.0	59.9	317.9
Sep.	62.2	48.8	0.8	49.6	250.7	54.7	305.3
Oct.	108.0	123.6	1.3	124.9	261.5	60.8	322.3
Nov.	92.2	93.8	1.5	95.3	270.0	55.4	325.3
Dec.	71.9	4.4	0.0	4.4	224.0	33.9	257.9
2012							
Jan.	98.1	56.9	0.0	56.9	195.7	20.9	216.7
Feb.	67.3	48.4	1.1	49.4	171.3	27.5	198.8
Mar.	18.8	33.3	3.8	37.1	175.3	41.8	217.1
Apr.	70.1	76.4	0.5	76.9	181.3	42.5	223.9
May	32.4	68.7	1.4	70.0	215.5	46.0	261.5
June	34.6	26.3	2.9	29.2	210.1	46.0	256.1
July	101.6	121.1	1.2	122.3	223.4	53.4	276.7
Aug.	93.0	107.0	1.3	108.4	234.4	57.7	292.1
Sep.	52.8	80.3	0.8	81.1	264.4	56.0	320.4

[1] Amounts are at nominal prices.
[2] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).
[3] As from December 2008, issues in the primary market taken up by money market funds were reclassified from 'Others' to 'OMFIs'.
[4] Includes the Malta Government sinking fund.
Sources: Central Bank of Malta; The Treasury.

Table 2.9 Treasury bills issued and outstanding[1] *(as at end-September 2012)*

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding[4]
				OMFIs[2]	Others[3]	MFIs	Others[3]	
07/Sep/2012	05/Oct/2012	1.102	0.998	8.0	0.0	3.0	5.0	8.0
06/Jul/2012	05/Oct/2012	1.065	0.998	8.0	0.0	5.0	3.0	8.0
14/Sep/2012	12/Oct/2012	1.159	1.029	2.0	0.0	1.0	1.0	2.0
13/Jul/2012	12/Oct/2012	1.061	1.029	9.0	0.0	9.0	0.0	9.0
13/Jan/2012	12/Oct/2012	1.399	1.029	5.0	0.0	5.0	0.0	5.0
20/Jul/2012	19/Oct/2012	1.052	1.057	22.0	0.2	18.0	4.2	22.2
20/Apr/2012	19/Oct/2012	1.093	1.057	8.0	0.2	8.1	0.1	8.2
27/Jul/2012	26/Oct/2012	1.080	1.085	28.6	1.0	27.0	2.6	29.6
27/Apr/2012	26/Oct/2012	1.104	1.085	7.0	0.0	7.0	0.0	7.0
03/Aug/2012	02/Nov/2012	1.128	1.104	22.0	0.3	20.1	2.1	22.2
04/May/2012	02/Nov/2012	1.116	1.104	11.0	0.0	11.0	0.0	11.0
10/Aug/2012	09/Nov/2012	1.184	1.122	8.5	0.0	8.0	0.5	8.5
11/May/2012	09/Nov/2012	1.148	1.122	9.0	0.0	7.0	2.0	9.0
09/Feb/2012	09/Nov/2012	1.323	1.122	5.0	0.0	0.0	5.0	5.0
17/Aug/2012	16/Nov/2012	1.208	1.141	12.2	0.0	8.2	4.0	12.2
18/May/2012	16/Nov/2012	1.190	1.141	4.0	0.0	4.0	0.0	4.0
24/Aug/2012	23/Nov/2012	1.216	1.160	5.0	0.0	5.0	0.0	5.0
25/May/2012	23/Nov/2012	1.197	1.160	4.0	0.0	2.0	2.0	4.0
31/Aug/2012	30/Nov/2012	1.211	1.178	14.9	1.1	13.0	3.0	16.0
07/Sep/2012	07/Dec/2012	1.213	1.197	7.7	0.0	3.0	4.7	7.7
14/Sep/2012	14/Dec/2012	1.223	1.216	12.0	0.6	9.0	3.6	12.6
15/Jun/2012	14/Dec/2012	1.235	1.216	0.0	1.0	0.0	1.0	1.0
20/Sep/2012	21/Dec/2012	1.236	1.234	10.1	0.1	9.0	1.2	10.2
22/Jun/2012	21/Dec/2012	1.200	1.234	0.0	0.4	0.0	0.4	0.4
28/Sep/2012	28/Dec/2012	1.268	1.253	24.5	0.0	20.0	4.5	24.5
28/Jun/2012	28/Dec/2012	1.190	1.253	2.0	0.0	2.0	0.0	2.0
06/Jul/2012	04/Jan/2013	1.204	1.260	5.0	0.0	3.0	2.0	5.0
05/Apr/2012	04/Jan/2013	1.298	1.260	3.0	0.1	2.0	1.1	3.1
13/Jul/2012	11/Jan/2013	1.230	1.268	3.0	0.0	3.0	0.0	3.0
13/Apr/2012	11/Jan/2013	1.307	1.268	8.0	0.0	8.0	0.0	8.0
20/Jul/2012	18/Jan/2013	1.229	1.275	14.0	0.0	11.0	3.0	14.0
27/Jul/2012	25/Jan/2013	1.208	1.283	10.0	0.0	10.0	0.0	10.0
10/Aug/2012	08/Feb/2013	1.250	1.297	3.0	0.0	3.0	0.0	3.0
20/Sep/2012	22/Mar/2013	1.269	1.342	7.0	0.0	7.0	0.0	7.0
28/Sep/2012	28/Mar/2013	1.355	1.348	4.0	0.0	4.0	0.0	4.0
13/Apr/2012	12/Apr/2013	1.400	1.360	4.0	0.0	4.0	0.0	4.0
28/Sep/2012	28/Jun/2013	1.424	1.421	5.0	0.0	5.0	0.0	5.0
Total				315.4	5.0	264.4	56.0	320.4

[1] Amounts are at nominal prices.

[2] OMFIs include the money market funds.

[3] Includes the Malta Government sinking fund.

[4] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).

Sources: Central Bank of Malta; The Treasury.

Table 2.10 Malta government long-term debt securities outstanding[1] *(as at end-September 2012)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by		Amount
						MFIs[6]	Others	
7.00	2012 (II)[3]	2002	100	N/A	30/06 - 30/12	0.0	0.4	0.4
7.80	2013 (I)	1997	100	1.62	18/04 - 18/10	45.1	34.7	79.8
6.35	2013 (II)[4]	2001	100	1.49	19/05 - 19/11	4.3	56.3	60.6
7.00	2013 (III)[3]	2003	100	1.64	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV)[4]	2009	100	1.63	18/04 - 18/10	215.5	71.5	287.0
6.60	2014 (I)[4]	2000	100	1.66	30/03 - 30/09	10.3	14.2	24.5
6.45	2014 (II)[4]	2001	100	1.75	24/05 - 24/11	21.7	48.1	69.8
5.10	2014 (III)[4]	03/04/06/07/08	100/103.25/ 103.64/105.5	1.69	06/01 - 06/07	171.4	217.6	389.0
7.00	2014 (IV)[3]	2004	100	1.78	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	1.93	10/06 - 10/12	36.5	33.4	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	2.05	09/04 - 09/10	32.0	84.5	116.5
7.00	2015 (III)[3]	2005	100	2.15	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	2.15	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI)[4]	2010	100	2.11	03/06 - 03/12	95.7	35.8	131.5
6.65	2016 (I)[4]	2001	100	2.22	28/03 - 28/09	11.5	58.4	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	2.44	26/05 - 26/11	76.2	110.2	186.4
7.00	2016 (III)[3]	2006	100	2.49	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[3]	2011	100.93	2.34	16/02 - 16/08	135.1	23.0	158.1
3.75	2017 (IV) R	2012	102	2.73	20/02 - 20/08	30.0	18.0	48.0
7.00	2017 (I)[3]	2007	100	2.91	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	2.91	30/06 - 30/12	0.0	10.3	10.3
4.25	2017 (III)[4]	11/12	100/100.75/104.97/ 103.75/104.01	2.87	06/05 - 06/11	163.3	100.6	263.9
7.80	2018 (I)	1998	100	3.03	15/01 - 15/07	88.2	74.9	163.1
7.00	2018 (II)[3]	2008	100	3.14	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	3.14	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	3.30	01/03 - 01/09	46.2	56.3	102.5
7.00	2019 (II)[3]	2009	100	3.37	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	3.47	10/06 - 10/12	10.9	41.5	52.4
4.60	2020 (II)[4]	2009	100	3.44	25/04 - 25/10	63.8	94.5	158.3
7.00	2020 (III)[3]	2010	100	3.60	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	3.73	08/02 - 08/08	145.5	313.3	458.8
7.00	2021 (II)[4]	2011	100	3.83	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[4]	2011	100	3.83	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	3.96	16/02 - 16/08	9.3	61.8	71.1
4.30	2022 (II) R	2012	100.31	3.92	15/05 - 15/11	4.0	13.5	17.5
4.30	2022 (II) FI Jun 12 I	2012	100/100.34	3.92	15/05 - 15/11	83.6	74.8	158.4
4.30	2022 (II) FI Jun 12 R	2012	100.25	3.92	15/05 - 15/11	2.6	32.4	35.0
7.00	2022 (III)	2012	100	3.98	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	4.02	06/01 - 06/07	20.3	58.5	78.8
5.10	2029 (I) I	2012	101.12	N/A	01/04 - 01/10	6.0	15.3	21.3
5.10	2029 (I) R	2012	101	N/A	01/04 - 01/10	2.3	55.6	57.9
5.25	2030 (I)[4]	2010	100	4.96	23/06 - 23/12	99.1	341.0	440.1
5.20	2031 (I)[4] I	2011	102.88	5.03	16/03 - 16/09	10.2	191.1	201.3
F.R. 6-mth Euribor[7]	2013 (V)[4]	2010	100	1.350/ 4.75	24/02 - 24/08	7.0	0.3	7.3
F.R. 6-mth Euribor[7]	2013 (VI)[4]	2010	100	1.090/ 8.452	11/02 - 11/08	30.0	0.0	30.0
F.R. 6-mth Euribor[7]	2013 (VII)[4]	2011	100.22	1.424/ 8.646	18/05 - 18/11	51.8	0.3	52.0
F.R. 6-mth Euribor[7]	2014 (V)[4]	2011	100.28	1.419/ 12.357	23/05 - 23/11	24.0	0.0	24.0
F.R. 6-mth Euribor[7]	2015 (V)[4]	2009	100	1.829/ 7.896	25/04 - 25/10	13.0	16.8	29.8
F.R. 6-mth Euribor[7]	2017 (V)	2012	100.2	1.433/ 8.582	05/03 - 05/09	25.0	0.0	25.0
F.R. 6-mth Euribor[7]	2018 (IV)	2012	99.33	1.633/ 12.197	05/03 - 05/09	30.5	0.9	31.4
Total						1,821.9	2,395.0	4,216.9

[1] Amounts are at nominal prices.

[2] The price for new issues prior to 2008 is denominated in Maltese lira.

[3] Coupons are reviewable every two years and will be set one percentage point less than the normal maximum lending rate allowed at law subject to a minimum of 7%. Redemption proceeds are payable at €110 per €100 nominal.

[4] Fungible issue. That is, the Accountant General reserves the right to issue, in future, additional amounts of the present stock. In the event of such future issues, these would be amalgamated with the existing stock.

[5] ISMA yields are based on secondary market prices. Securities not available for trading by the end of the reference period are denoted as not available (N/A).

[6] Comprising of Resident of Malta MFIs.

[7] Floating Rate (F.R.) MGS linked to the six-month Euribor plus a fixed spread until maturity (quoted margin). The interest rate will be reset semi-annually in accordance with the applicable six-month Euribor rate in effect two business days prior to relative coupon period each year. Interest for each period and accrued interest will be calculated on an Actual/360 day basis. The formula for Simple Margin calculation = Spread + [(100/Clean Price) x (100-Clean Price) / Maturity in Yrs)]

Sources: Central Bank of Malta; MSE.

Government Finance

Table 2.11 Malta government long-term debt securities outstanding by remaining term to maturity[1]

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
2007	93.2	1,037.4	889.6	662.5	78.8	2,761.4
2008	208.2	969.7	1,115.7	668.9	0.0	2,962.5
2009	191.1	1,552.8	774.4	705.8	0.0	3,224.2
2010	128.4	1,810.9	767.9	608.7	295.5	3,611.5
2011	439.0	1,705.8	1,194.5	149.9	565.0	4,054.2
2011						
Mar.	35.2	1,880.8	813.1	608.7	380.3	3,718.1
June	115.6	1,852.5	902.9	612.1	440.1	3,923.2
Sep.	80.6	1,852.5	1,361.9	153.2	440.2	3,888.4
Dec.	439.0	1,705.8	1,194.5	149.9	565.0	4,054.2
2012						
Mar.	356.9	1,787.8	1,463.9	519.0	201.3	4,328.9
June	416.9	1,647.3	1,282.4	360.9	720.7	4,428.2
Sep.	230.1	1,638.4	1,547.7	80.1	720.6	4,216.7

[1] Calculations are based on the maximum redemption period of each stock. With respect to the quarterly statistics in this table, the remaining term to maturity classification is applicable as from the end of the reference quarter.

Sources: Central Bank of Malta; MSE.

Table 2.12 General government external loans by currency[1] and remaining term to maturity[2]

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008[3]	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009[3]	1.7	98.9	0.0	1.0	0.0	0.7	102.3
2010[3]	0.5	85.6	0.0	0.9	0.0	0.7	87.7
2011[3]							
Mar.	0.8	89.0	0.0	0.8	0.0	0.6	91.2
June	0.5	87.4	0.0	0.7	0.0	0.6	89.2
Sep.	0.4	87.4	0.0	0.8	0.0	0.6	89.1
Dec.	1.3	87.6	0.0	0.7	0.0	0.5	90.1
2012[3]							
Mar.	1.1	127.9	0.0	0.7	0.0	0.5	130.3
June	1.1	162.9	0.0	0.7	0.2	0.2	165.1
Sep.	1.1	165.4	0.0	0.6	0.2	0.2	167.6

[1] Converted into euro using the ECB official rate as at end of reference period.

[2] Including external loans of extra budgetary units. Short-term maturity refers to loans falling due within one year from the end of the reference quarter, whereas long-term maturity refers to loans falling due after more than one year from the end of the reference quarter.

[3] Provisional.

Exchange Rates, External Transactions and Positions

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2005	1.1797	0.6853	138.90	1.5551	1.6109	1.3725
2006	1.3170	0.6715	156.93	1.6069	1.6691	1.5281
2007	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2008	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
2009	1.4406	0.8881	133.16	1.4836	1.6008	1.5128
2010	1.3362	0.8608	108.65	1.2504	1.3136	1.3322
2011						
Jan.	1.3692	0.8609	112.49	1.2891	1.3763	1.3679
Feb.	1.3834	0.8528	113.26	1.2840	1.3601	1.3535
Mar.	1.4207	0.8837	117.61	1.3005	1.3736	1.3785
Apr.	1.4860	0.8917	120.67	1.2867	1.3560	1.4102
May	1.4385	0.8721	117.22	1.2275	1.3504	1.3985
June	1.4453	0.9026	116.25	1.2071	1.3485	1.3951
July	1.4260	0.8749	110.59	1.1418	1.3050	1.3556
Aug.	1.4450	0.8856	110.55	1.1670	1.3529	1.4141
Sep.	1.3503	0.8667	103.79	1.2170	1.3874	1.4105
Oct.	1.4001	0.8731	109.22	1.2191	1.3225	1.3930
Nov.	1.3418	0.8558	104.00	1.2265	1.3165	1.3678
Dec.	1.2939	0.8353	100.20	1.2156	1.2723	1.3215
2012						
Jan.	1.3176	0.8351	100.63	1.2048	1.2366	1.3134
Feb.	1.3443	0.8439	107.92	1.2051	1.2414	1.3282
Mar.	1.3356	0.8339	109.56	1.2045	1.2836	1.3311
Apr.	1.3214	0.8130	105.85	1.2018	1.2684	1.2985
May	1.2403	0.7999	97.66	1.2010	1.2736	1.2761
June	1.2590	0.8068	100.13	1.2030	1.2339	1.2871
July	1.2284	0.7840	96.03	1.2014	1.1675	1.2312
Aug.	1.2611	0.7953	98.96	1.2009	1.2201	1.2487
Sep.	1.2930	0.7981	100.37	1.2099	1.2396	1.2684

[1] All the above exchange rates denote units of currency per one euro.

Source: ECB.

Exchange Rates, External Transactions and Positions

Table 3.1b Euro exchange rates against the major currencies ***(averages for the period)***[1]

Period	USD	GBP	JPY	CHF	AUD	CAD
2005	1.2441	0.6838	136.85	1.5483	1.6320	1.5087
2006	1.2556	0.6817	146.02	1.5729	1.6668	1.4237
2007	1.3705	0.6843	161.25	1.6427	1.6348	1.4678
2008	1.4708	0.7963	152.45	1.5874	1.7416	1.5594
2009	1.3948	0.8909	130.34	1.5100	1.7727	1.5850
2010	1.3257	0.8578	116.24	1.3803	1.4423	1.3651
2011	1.3920	0.8679	110.96	1.2326	1.3484	1.3761
2011						
Jan.	1.3360	0.8471	110.38	1.2779	1.3417	1.3277
Feb.	1.3649	0.8464	112.77	1.2974	1.3543	1.3484
Mar.	1.3999	0.8665	114.40	1.2867	1.3854	1.3672
Apr.	1.4442	0.8829	120.42	1.2977	1.3662	1.3834
May	1.4349	0.8779	116.47	1.2537	1.3437	1.3885
June	1.4388	0.8874	115.75	1.2092	1.3567	1.4063
July	1.4264	0.8848	113.26	1.1766	1.3249	1.3638
Aug.	1.4343	0.8767	110.43	1.1203	1.3651	1.4071
Sep.	1.3770	0.8717	105.75	1.2005	1.3458	1.3794
Oct.	1.3706	0.8704	105.06	1.2295	1.3525	1.3981
Nov.	1.3556	0.8574	105.02	1.2307	1.3414	1.3897
Dec.	1.3179	0.8441	102.55	1.2276	1.3003	1.3481
2012						
Jan.	1.2905	0.8321	99.33	1.2108	1.2405	1.3073
Feb.	1.3224	0.8370	103.77	1.2071	1.2327	1.3193
Mar.	1.3201	0.8345	108.88	1.2061	1.2538	1.3121
Apr.	1.3162	0.8219	107.00	1.2023	1.2718	1.3068
May	1.2789	0.8037	101.97	1.2012	1.2825	1.2916
June	1.2526	0.8058	99.26	1.2011	1.2550	1.2874
July	1.2288	0.7883	97.07	1.2011	1.1931	1.2461
Aug.	1.2400	0.7888	97.58	1.2011	1.1841	1.2315
Sep.	1.2856	0.7982	100.49	1.2089	1.2372	1.2583

[1] Calculated on the arithmetic mean of the daily ECB reference exchange rates.

Source: ECB.

Exchange Rates, External Transactions and Positions

Table 3.2 Balance of payments - current, capital and financial accounts *(transactions)*

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		Credit	Debit
2005	2,083.2	2,987.5	1,617.2	969.5	973.9	1,173.5	277.5	241.6	-420.4	165.9	10.2
2006[2]	2,573.8	3,541.1	2,047.7	1,406.3	1,462.4	1,634.1	417.0	423.4	-504.1	158.3	5.6
2007[2]	2,699.8	3,623.7	2,439.0	1,584.7	1,973.6	2,098.4	640.1	668.6	-222.8	75.5	6.8
2008[2]	2,526.0	3,759.7	2,949.4	1,823.8	2,211.2	2,386.7	903.8	910.3	-290.1	36.2	11.6
2009[2]	2,060.8	3,144.3	2,848.2	1,850.2	1,649.6	2,073.4	1,431.0	1,388.3	-466.6	108.3	9.1
2010[2]	2,678.0	3,797.3	3,400.0	2,154.4	1,605.7	2,047.1	1,296.6	1,270.1	-288.6	118.7	11.3
2011[2]	3,038.5	4,087.4	3,596.4	2,205.0	1,635.3	2,036.7	902.0	876.3	-33.2	90.2	26.3
2011[2]											
Q1	774.3	1,035.4	764.7	511.3	378.5	555.1	189.3	210.5	-205.6	14.9	17.1
Q2	765.1	1,121.6	913.6	538.0	384.8	541.2	243.2	213.7	-107.7	33.0	3.6
Q3	652.5	899.3	1,080.3	577.1	420.2	419.9	222.9	223.3	256.2	31.3	2.8
Q4	846.6	1,031.2	837.8	578.6	451.8	520.5	246.7	228.7	23.9	11.0	2.9
2012[2]											
Q1	816.6	997.9	794.9	535.5	460.4	618.7	212.1	227.3	-95.4	12.9	2.9
Q2	857.5	1,208.6	965.5	581.4	485.5	593.3	257.3	225.2	-42.7	13.7	3.0
Q3	709.2	1,002.3	1,135.1	610.6	458.9	576.7	236.7	223.1	127.3	63.0	3.1

EUR millions

Period	Financial account [1]										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2005	16.6	543.5	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	299.8	-35.1
2006[2]	-23.9	1,465.4	-1,965.1	-15.3	40.5	-15.6	-3,293.9	4,200.9	-83.0	310.0	41.4
2007[2]	-5.0	557.0	366.0	-0.2	-127.9	251.1	-7,617.8	7,101.8	-326.5	198.6	-44.4
2008[2]	-203.1	542.3	201.6	167.0	27.9	-372.2	-4,418.5	4,157.9	108.7	211.5	54.0
2009[2]	-47.0	267.6	-1,906.6	-25.7	-6.7	-112.1	4,103.5	-2,298.2	-2.4	-27.8	395.3
2010[2]	-38.9	740.1	-3,212.0	1.5	-40.0	67.8	559.9	1,795.1	-23.6	-150.2	331.4
2011[2]	-4.5	299.0	-3,103.1	-0.4	-13.3	37.6	1,587.3	1,061.5	52.9	-83.1	52.4
2011[2]											
Q1	-1.4	21.3	-148.1	6.9	27.5	-26.2	768.7	-601.3	-12.7	34.6	173.1
Q2	-10.2	51.4	-48.0	18.2	14.2	15.0	-2,982.1	2,950.3	48.3	57.1	21.3
Q3	-9.1	41.6	-957.2	-12.0	-28.4	66.7	1,355.9	-475.0	10.9	-6.6	-278.2
Q4	16.2	184.7	-1,949.8	-13.4	-26.7	-17.9	2,444.8	-812.5	6.4	-168.3	136.3
2012[2]											
Q1	-4.4	-125.6	154.4	-4.0	62.2	-6.3	-399.4	294.6	-126.1	-154.6	239.9
Q2	-7.8	-92.6	-746.3	-1.6	-42.2	55.1	-68.4	708.5	-18.3	-213.6	245.6
Q3	59.3	31.0	-462.1	10.7	-26.5	13.9	-316.1	475.0	24.5	-190.2	3.0

[1] A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.
[2] Provisional.
Source: NSO.

Exchange Rates, External Transactions and Positions

Table 3.3 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets[2]	
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009[3]	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010[3]	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011[3]	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
2012[3]							
Jan.	8.3	106.8	53.9	6.5	238.8	6.4	420.8
Feb.	8.4	105.0	54.6	27.9	273.3	10.3	479.4
Mar.	11.8	105.6	54.5	50.6	282.9	6.7	512.2
Apr.	12.0	106.8	56.0	16.5	285.5	0.6	477.3
May	12.0	110.8	58.1	34.5	318.5	-19.4	514.6
June	11.9	109.7	57.1	72.9	307.0	-8.8	549.8
July	10.4	111.8	58.1	41.6	319.2	-9.0	532.1
Aug.	9.3	110.0	57.2	30.9	301.5	4.8	513.7
Sep.	8.7	108.6	57.1	83.4	286.6	10.5	554.9

[1] From 2008, official reserve assets correspond to the eurosystem definition of reserves which excludes holdings denominated in euro and/or vis-à-vis euro area residents. These re-classified assets will appear elsewhere in the financial statement of the Central Bank of Malta.

[2] Comprising net gains or losses on financial derivatives.

[3] Provisional.

Table 3.4 International investment position (IIP) - *(end of period amounts)*

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2005	840.5	3,645.5	10,053.9	413.0	42.3	44.2	9,595.9	16,839.5	2,188.9	1,779.4
2006[1]	873.5	4,961.8	11,371.0	408.1	34.4	49.3	12,317.9	19,992.1	2,240.6	1,426.2
2007[1]	815.2	5,558.9	10,693.7	406.9	106.8	79.1	19,390.6	26,459.4	2,561.4	1,063.5
2008[1]	798.5	5,579.9	10,188.2	551.0	276.8	281.7	25,890.2	30,616.2	268.3	393.3
2009[1]	1,176.1	6,527.7	12,442.4	502.2	138.1	177.8	22,062.9	28,188.0	373.7	797.4
2010[1]	1,266.3	12,516.9	15,592.1	486.6	217.3	307.6	27,388.3	31,098.4	404.9	459.5
2011[1]										
Mar.	1,265.1	12,193.6	15,162.3	482.7	198.3	250.2	25,923.1	29,442.0	413.0	593.3
June	1,276.9	12,263.9	14,695.9	501.1	166.5	219.3	28,654.5	31,748.8	372.2	433.0
Sep.	1,255.7	12,290.4	15,414.9	481.7	235.3	359.1	27,884.6	31,702.9	350.1	306.5
Dec.	1,265.6	12,519.6	17,182.1	452.5	301.4	381.0	26,044.7	31,468.1	395.9	368.5

[1] Provisional.

Source: NSO.

Table 3.5a Gross external debt by sector, maturity and instrument[1]

EUR millions

	2008[2]	2009[2]	2010[2]	2011[2]	2012[2]		
					Mar.	June	Sep.
General Government	292.9	264.3	231.1	248.4	293.4	332.6	339.1
Short-term	84.0	63.8	39.6	50.0	49.9	53.0	54.7
Money market instruments	76.6	31.4	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	7.4	32.4	39.6	50.0	49.9	53.0	54.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	208.9	200.4	191.6	198.3	243.5	279.6	284.4
Bonds and notes	89.9	98.1	103.9	106.6	111.4	112.5	114.3
Loans	119.0	102.3	87.7	90.3	130.8	165.8	168.9
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	1.4	1.3	1.3	1.2
Monetary Authorities	677.8	826.3	1,228.9	426.0	1,105.1	1,141.7	539.4
Short-term	677.8	826.3	1,228.9	426.0	1,105.1	1,141.7	539.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	677.8	826.3	1,228.9	426.0	1,105.1	1,141.7	539.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OMFIs[3]	28,503.4	25,835.3	28,068.4	29,077.6	28,618.7	30,007.7	30,608.8
Short-term	23,271.7	20,616.8	21,558.3	22,525.7	21,943.8	24,386.3	24,931.5
Money market instruments	0.0	3.4	0.0	0.0	0.0	0.0	0.0
Loans	9,291.0	7,299.9	4,753.7	6,865.8	5,504.4	6,741.2	7,172.0
Currency and deposits	13,116.8	13,181.4	16,623.0	15,544.7	16,330.7	17,521.6	17,527.3
Other debt liabilities	863.9	132.1	181.6	115.2	108.8	123.5	232.2
Long-term	5,231.7	5,218.5	6,510.1	6,551.9	6,674.9	5,621.4	5,677.3
Bonds and notes	13.7	13.9	14.9	4.0	4.0	4.2	5.1
Loans	4,986.1	5,111.1	6,495.2	6,548.0	6,670.9	5,617.2	5,672.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	231.9	93.4	0.0	0.0	0.0	0.0	0.0
Other Sectors[4]	1,570.2	1,461.2	1,717.7	1,853.0	1,913.2	1,934.3	2,012.1
Short-term	843.3	722.2	887.4	1,034.1	1,080.9	1,095.0	1,088.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	74.1	30.7	43.5	51.1	56.7	59.3	58.8
Currency and deposits	137.3	112.0	112.9	113.7	114.0	114.2	114.5
Trade credits	631.9	579.5	731.1	869.2	910.3	921.5	915.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	727.0	739.0	830.3	818.9	832.2	839.3	923.9
Bonds and notes	212.8	210.6	212.4	218.6	221.6	217.4	220.7
Loans	493.8	493.3	604.1	589.5	598.3	607.4	615.9
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	20.4	35.0	13.8	10.8	12.3	14.4	87.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,099.9	1,370.3	1,717.8	1,752.1	1,794.7	1,841.8	1,879.2
Debt liabilities to affiliated enterprises	71.8	97.5	125.8	155.2	150.1	155.7	165.7
Debt liabilities to direct investors	1,028.1	1,272.8	1,592.0	1,596.8	1,644.6	1,686.2	1,713.5
Gross External Debt	**32,144.2**	**29,757.3**	**32,964.0**	**33,357.0**	**33,725.1**	**35,258.1**	**35,378.6**
of which: OMFIs	**28,503.4**	**25,835.3**	**28,068.4**	**29,077.6**	**28,618.7**	**30,007.7**	**30,608.8**
Gross External Debt excluding OMFIs' debt liabilities	**3,640.8**	**3,922.0**	**4,895.6**	**4,279.4**	**5,106.4**	**5,250.4**	**4,769.8**

[1] Gross external debt illustrates only a fraction of the overall International Investment Position of Malta with other countries. Gross external debt data do not comprise Malta's claims vis-à-vis other countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found in Table 3.4. Moreover, Malta's net external debt position is shown in Table 3.5b.

[2] Provisional.

[3] The debt of the OMFIs is fully backed by foreign assets.

[4] Comprising the non-monetary financial institutions, insurance companies, non-financial corporations, households and NPISH.

Table 3.5b Net external debt by sector, maturity and instrument[1]

EUR millions

	2008[2]	2009[2]	2010[2]	2011[2]	2012[2]		
					Mar.	June	Sep.
General Government	291.3	251.8	190.8	217.3	222.4	218.4	222.1
Short-term	82.4	51.4	32.4	49.3	49.2	52.8	54.5
Money market instruments	76.6	31.4	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-0.1	-0.1	-0.3	-0.2	-0.2	-0.1	-0.1
Trade credits	5.9	20.0	32.7	49.5	49.4	52.9	54.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	208.9	200.4	158.4	168.0	173.1	165.6	167.6
Bonds and notes	89.9	98.1	103.9	106.6	111.4	112.5	114.3
Loans	119.0	102.3	67.9	74.4	74.2	65.4	65.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	-13.4	-12.7	-12.0	-11.6	-11.3
Other Debt Liabilities	0.0	0.0	0.0	-0.3	-0.4	-0.7	-0.8
Monetary Authorities	-852.6	-678.4	-754.8	-1,942.8	-1,329.5	-1,383.2	-2,046.7
Short-term	212.4	557.2	968.6	119.4	877.1	886.8	322.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	213.2	557.2	968.6	119.4	877.1	886.8	322.4
Other debt liabilities	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	-1,065.0	-1,235.5	-1,723.4	-2,062.2	-2,206.6	-2,270.0	-2,369.1
Bonds and notes	-1,053.5	-1,222.3	-1,709.2	-2,045.8	-2,183.8	-2,256.0	-2,353.9
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	-11.5	-13.2	-14.2	-16.3	-22.8	-14.0	-15.1
OMFIs	-3,262.7	-4,047.9	-9,690.0	-8,388.6	-9,620.5	-9,942.9	-9,618.2
Short-term	17,057.8	14,057.2	12,029.9	13,046.0	12,071.8	14,262.4	14,218.8
Money market instruments	-9.2	-198.8	-173.3	-2.0	-2.4	-7.1	-6.9
Loans	7,769.0	6,049.5	3,669.3	6,458.6	5,217.3	6,177.8	5,248.7
Currency and deposits	8,476.1	8,167.8	8,457.6	6,523.1	6,799.8	8,045.7	8,836.8
Other debt liabilities	821.9	38.7	76.3	66.4	57.1	46.0	140.3
Long-term	-20,320.5	-18,105.1	-21,719.9	-21,434.6	-21,692.4	-24,205.3	-23,837.0
Bonds and notes	-7,748.8	-9,535.1	-12,141.3	-13,568.9	-14,194.7	-15,370.1	-15,504.6
Loans	-12,698.7	-8,598.3	-9,578.6	-7,865.7	-7,497.7	-8,835.2	-8,332.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	127.0	28.3	0.0	0.0	0.0	0.0	0.0
Other Sectors[3]	-655.3	-691.7	-422.1	-445.8	-445.3	-494.9	-489.1
Short-term	-617.3	-579.2	-371.4	-323.0	-311.7	-359.9	-399.2
Money market instruments	0.0	-0.8	-0.9	0.0	-0.1	-0.3	-0.1
Loans	-29.2	-15.3	-10.5	-21.9	-9.7	-6.5	-8.8
Currency and deposits	-477.0	-550.7	-564.8	-590.4	-597.3	-601.3	-605.0
Trade credits	-111.0	-12.4	204.8	289.4	295.4	248.2	214.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	-38.0	-112.5	-50.7	-122.9	-133.6	-135.0	-89.9
Bonds and notes	-430.1	-560.1	-585.8	-640.4	-662.4	-671.4	-708.0
Loans	460.8	419.2	529.9	514.9	524.6	530.1	539.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	-62.1	35.0	11.9	9.3	10.7	12.9	85.7
Other debt liabilities	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6
Direct Investment: Intercompany Lending	211.5	107.9	231.4	253.3	149.3	125.5	14.7
Debt Liabilities to affiliated enterprises	-243.1	-260.9	-348.0	-321.5	-332.9	-339.3	-343.3
Debt Liabilities to direct investors	454.6	368.9	579.3	574.9	482.2	464.7	358.0
Net External Debt	**-4,267.7**	**-5,058.2**	**-10,444.8**	**-10,306.6**	**-11,023.7**	**-11,477.2**	**-11,917.2**
of which: OMFIs	**-3,262.7**	**-4,047.9**	**-9,690.0**	**-8,388.6**	**-9,620.5**	**-9,942.9**	**-9,618.2**
Net External Debt Excluding OMFIs	**-1,005.1**	**-1,010.3**	**-754.7**	**-1,918.0**	**-1,403.1**	**-1,534.2**	**-2,299.0**

[1] A negative figure denotes a net asset position.

[2] Provisional.

[3] Comprising the non-monetary financial institutions, insurance corporations, non-financial corporations, households and NPISH.

Table 3.6 Malta's foreign trade[1]

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2005	1,959.1	3117.2	(1,158.1)
2006	2,499.9	3537.1	(1,037.2)
2007[2]	2,597.4	3603.9	(1,006.5)
2008[2]	2,455.8	3897.2	(1,441.4)
2009[2]	2,087.4	3,472.4	(1,384.9)
2010[2]	2,809.3	4,328.1	(1,518.8)
2011[2]	3,818.8	5,333.4	(1,514.6)
2011[2]			
Jan.	285.6	345.2	(59.6)
Feb.	207.4	413.5	(206.2)
Mar.	274.7	409.3	(134.6)
Apr.	270.0	480.7	(210.7)
May	196.7	414.0	(217.3)
June	295.5	369.6	(74.1)
July	214.3	387.6	(173.3)
Aug.	214.9	354.6	(139.7)
Sep.	418.9	434.7	(15.8)
Oct.	447.2	491.2	(44.1)
Nov.	669.6	834.5	(164.9)
Dec.	324.1	398.4	(74.4)
2012[2]			
Jan.	316.5	442.1	(125.6)
Feb.	409.9	502.1	(92.2)
Mar.	298.4	417.1	(118.8)
Apr.	310.9	439.6	(128.7)
May	367.7	599.6	(231.9)
June	336.6	614.8	(278.2)
July	401.7	772.3	(370.6)
Aug.	393.2	526.6	(133.4)
Sep.	374.3	461.1	(86.7)

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

Table 3.7 Direction of trade - exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2005	283.8	236.3	100.5	92.9	713.5	216.2	75.0	1,004.7	460.9	263.9	229.6	1,959.1
2006	326.7	283.0	85.6	164.1	859.4	213.2	82.3	1,154.9	631.4	275.5	438.1	2,499.9
2007[2]	271.3	306.8	90.8	131.7	800.5	222.1	86.2	1,108.8	719.9	246.7	522.1	2,597.4
2008[2]	237.3	270.4	114.6	99.9	722.2	165.4	66.5	954.2	713.9	183.0	604.7	2,455.8
2009[2]	187.4	222.0	105.2	141.9	656.5	100.5	63.8	820.7	528.1	152.3	586.2	2,087.4
2010[2]	238.6	281.6	157.5	229.0	906.7	131.4	111.0	1,149.1	686.5	196.1	777.6	2,809.3
2011[2]	244.9	326.2	171.1	291.3	1,033.4	150.4	118.0	1,301.9	1,092.1	169.0	1,255.8	3,818.8
2011[2]												
Jan.	13.9	23.9	9.2	33.7	80.8	10.0	8.0	98.7	64.2	11.4	111.3	285.6
Feb.	15.0	23.8	13.7	9.3	61.8	10.8	9.3	81.8	75.0	13.0	37.5	207.4
Mar.	23.0	28.6	13.8	10.8	76.2	20.7	12.3	109.2	77.0	20.8	67.7	274.7
Apr.	14.0	24.1	11.2	11.2	60.5	21.8	11.4	93.7	64.5	11.0	100.9	270.0
May	15.8	28.8	14.0	12.1	70.8	15.3	8.9	95.0	61.5	13.3	26.9	196.7
June	17.1	26.8	24.2	10.9	79.0	12.7	11.0	102.7	60.9	12.9	119.0	295.5
July	20.1	28.9	11.3	35.2	95.4	9.4	11.0	115.8	47.5	13.0	38.0	214.3
Aug.	26.5	26.8	8.7	19.9	81.8	11.5	8.1	101.4	53.7	13.0	46.8	214.9
Sep.	26.9	32.8	33.9	34.4	128.0	8.5	13.1	149.7	106.3	13.4	149.4	418.9
Oct.	24.1	29.3	10.0	39.9	103.4	11.5	10.5	125.4	181.8	13.0	127.0	447.2
Nov.	22.4	29.6	12.4	33.3	97.7	10.1	5.8	113.6	201.2	21.4	333.3	669.6
Dec.	26.2	22.7	8.7	40.4	98.0	8.1	8.8	114.8	98.6	12.7	97.9	324.1
2012[2]												
Jan.	19.5	36.3	9.9	9.6	75.3	7.0	6.3	88.6	56.4	11.8	159.8	316.5
Feb.	28.4	31.7	12.7	22.4	95.2	8.1	8.4	111.8	65.6	12.4	220.2	409.9
Mar.	27.3	41.3	10.6	9.5	88.7	11.1	7.8	107.6	68.7	17.8	104.2	298.4
Apr.	23.4	31.2	33.6	13.5	101.6	11.7	12.5	125.8	55.2	13.9	116.1	310.9
May	22.0	30.5	12.5	27.0	92.0	13.6	9.5	115.0	65.8	18.6	168.3	367.7
June	24.2	24.1	8.2	31.2	87.7	9.7	10.9	108.3	61.8	13.2	153.4	336.6
July	14.3	25.4	10.6	7.6	57.9	7.2	13.4	78.5	96.1	33.0	194.0	401.7
Aug.	18.9	30.5	6.4	12.9	68.7	10.0	18.7	97.4	128.9	15.7	151.2	393.2
Sep.	24.6	24.5	9.7	10.8	69.6	22.7	12.0	104.3	80.5	16.6	172.9	374.3

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

[2] Provisional.

Source: NSO.

Table 3.8 Direction of trade - imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):											
	France	Germany	Italy	Other euro area	Total	UK	Other EU	Total	Asia	USA	Others	
2005	291.3	280.1	956.7	334.8	1,862.9	335.9	67.1	2,265.9	417.6	162.3	271.3	3,117.2
2006	405.9	263.2	1,015.2	370.2	2,054.5	344.5	72.6	2,471.6	635.0	179.5	250.9	3,537.1
2007[2]	420.1	290.5	902.7	375.3	1,988.6	499.6	103.4	2,591.6	597.2	206.5	208.6	3,603.9
2008[2]	381.4	267.6	1,027.4	484.6	2,161.0	457.5	137.2	2,755.8	597.8	86.8	456.8	3,897.2
2009[2]	338.9	272.4	861.0	463.0	1,935.3	378.1	109.6	2,422.9	457.7	124.7	467.0	3,472.4
2010[2]	338.5	295.2	1,065.7	495.2	2,194.5	358.2	161.8	2,714.5	611.7	92.8	909.2	4,328.1
2011[2]	375.9	317.0	1,442.9	524.5	2,660.4	361.4	329.7	3,351.5	641.9	225.3	1,114.7	5,333.4
2011[2]												
Jan.	37.6	28.2	75.7	37.0	178.6	23.0	25.1	226.7	55.6	22.2	40.7	345.2
Feb.	23.4	32.1	133.9	32.0	221.4	37.7	12.1	271.1	49.4	33.7	59.4	413.5
Mar.	35.8	27.8	123.3	36.6	223.4	45.3	10.8	279.5	47.8	4.0	77.9	409.3
Apr.	52.6	27.3	100.0	36.7	216.7	57.7	8.6	282.9	56.4	33.3	108.1	480.7
May	24.4	24.7	108.4	44.4	202.0	33.4	15.6	251.0	63.0	15.2	84.8	414.0
June	35.5	22.1	105.1	33.2	195.9	21.7	11.5	229.1	48.8	16.0	75.7	369.6
July	19.5	26.4	86.1	66.6	198.6	23.7	19.0	241.3	61.0	4.4	80.9	387.6
Aug.	39.1	27.7	91.7	40.1	198.7	21.1	14.3	234.0	45.9	17.7	57.0	354.6
Sep.	23.4	25.6	110.0	29.7	188.7	22.0	43.9	254.6	53.3	46.1	80.7	434.7
Oct.	34.4	26.0	183.1	48.9	292.4	26.1	46.8	365.3	43.2	16.1	66.6	491.2
Nov.	23.6	26.3	198.9	33.5	282.2	25.6	113.1	421.0	79.6	5.7	328.3	834.5
Dec.	26.5	22.9	126.6	85.8	261.8	24.2	8.9	294.9	37.9	10.9	54.8	398.4
2012[2]												
Jan.	17.8	27.2	92.6	29.7	167.3	20.4	9.9	197.6	139.9	10.4	94.2	442.1
Feb.	27.7	27.1	268.3	29.6	352.7	29.0	7.4	389.0	35.9	22.6	54.6	502.1
Mar.	36.7	34.8	130.2	50.5	252.2	47.4	30.3	330.0	44.0	4.4	38.8	417.1
Apr.	29.0	26.5	179.1	45.3	280.0	25.0	20.3	325.3	46.4	4.4	63.5	439.6
May	46.1	34.8	166.2	46.7	293.7	51.4	26.9	371.9	56.6	4.6	166.4	599.6
June	21.7	24.6	122.2	104.4	273.0	40.2	9.4	322.6	92.2	6.8	193.2	614.8
July	37.3	29.0	220.1	60.7	347.1	26.3	26.3	399.8	57.7	26.2	288.6	772.3
Aug.	22.8	23.9	212.7	89.1	348.5	25.3	43.9	417.6	65.3	9.4	34.2	526.6
Sep.	20.1	22.0	166.7	74.3	283.2	22.9	7.3	313.4	69.0	20.6	58.1	461.1

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

[2] Provisional.

Source: NSO.

Table 4.1a Gross domestic product, gross national income and expenditure components *(at current market prices)*[1]

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net		
2005	3,116.5	941.2	1,047.6	-12.1	5,093.1	3,700.3	3,855.6	-155.3	4,937.8	4,720.0
2006	3,305.1	1,011.1	1,108.1	29.7	5,454.0	4,621.5	4,868.8	-247.3	5,206.7	5,018.7
2007	3,400.0	1,041.9	1,175.2	27.8	5,644.9	5,138.8	5,208.3	-69.5	5,575.4	5,175.2
2008	3,704.8	1,216.6	1,092.7	59.0	6,073.1	5,475.4	5,583.5	-108.1	5,964.9	5,257.5
2009	3,781.9	1,239.4	976.3	60.4	6,058.0	4,909.0	4,994.5	-85.5	5,972.5	5,341.5
2010	3,859.2	1,291.6	1,091.0	-53.1	6,188.8	6,078.0	5,952.4	125.6	6,314.3	5,433.7
2011	4,031.7	1,346.8	986.3	-160.7	6,204.2	6,634.9	6,294.7	340.2	6,544.4	5,559.8
2011										
Q1	987.4	336.2	233.4	16.2	1,573.3	1,539.0	1,548.4	-9.4	1,564.0	1,389.3
Q2	992.9	333.1	248.8	27.2	1,602.0	1,678.7	1,659.8	18.9	1,620.9	1,460.1
Q3	1,015.8	327.1	235.0	-107.3	1,470.6	1,732.8	1,476.7	256.1	1,726.7	1,723.6
Q4	1,035.7	350.3	269.2	-96.8	1,558.3	1,684.4	1,609.8	74.6	1,632.9	1,562.5
2012										
Q1	975.8	351.2	239.1	-59.1	1,507.0	1,609.0	1,531.4	77.7	1,584.7	1,425.6
Q2	977.9	356.1	270.4	42.1	1,646.6	1,818.8	1,783.5	35.3	1,681.8	1,573.2
Q3	1,026.3	368.4	261.1	-111.0	1,544.7	1,839.3	1,582.8	256.5	1,801.3	1,662.5

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Source: NSO.

Table 4.1b Gross domestic product and expenditure components *(at constant 2000 prices)*[1]

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net	
2005	2,833.6	790.1	1,007.9	-11.1	4,620.5	3,744.5	3,973.9	-229.4	4,391.0
2006	2,956.7	835.6	1,003.9	25.9	4,822.2	4,297.6	4,615.4	-317.8	4,504.4
2007	2,980.4	839.6	1,023.6	23.4	4,867.0	4,458.0	4,637.3	-179.3	4,687.7
2008	3,144.8	942.1	868.1	50.4	5,005.5	4,550.6	4,697.1	-146.5	4,859.0
2009	3,126.5	927.7	734.0	48.4	4,836.6	4,200.5	4,294.6	-94.1	4,742.5
2010	3,092.4	935.9	774.8	-39.8	4,763.2	4,972.0	4,864.5	107.4	4,870.7
2011	3,201.3	968.9	669.8	-123.4	4,716.6	5,039.0	4,808.3	230.7	4,947.3
2011									
Q1	794.7	243.8	152.9	11.6	1,202.9	1,142.1	1,178.1	-36.1	1,166.9
Q2	784.9	238.9	162.1	19.7	1,205.5	1,260.4	1,261.2	-0.9	1,204.7
Q3	800.9	233.5	165.6	-81.5	1,118.5	1,286.1	1,094.6	191.5	1,310.0
Q4	820.7	252.7	189.3	-73.1	1,189.7	1,350.4	1,274.4	76.1	1,265.7
2012									
Q1	775.0	251.0	154.6	-43.3	1,137.1	1,237.0	1,217.3	19.7	1,156.8
Q2	752.4	250.2	167.8	29.7	1,200.2	1,402.3	1,382.7	19.7	1,219.8
Q3	787.3	258.8	169.3	-79.6	1,135.8	1,365.7	1,166.1	199.6	1,335.4

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Source: NSO.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which): euro area (of which): France	Germany	Italy	Other euro area	Total	UK	Other EU	Total	All others	Total
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	145.0	1,170.6
2006	73.4	125.8	112.5	151.1	462.9	431.3	79.3	973.5	150.7	1,124.2
2007	75.1	130.1	113.7	177.8	496.7	482.4	103.5	1,082.6	160.9	1,243.5
2008	81.1	150.8	144.5	205.4	581.7	454.4	97.4	1,133.6	157.3	1,290.9
2009	71.9	127.4	161.7	197.8	558.8	398.5	87.0	1,044.3	138.1	1,182.5
2010	86.5	126.2	219.9	211.2	643.8	415.2	103.5	1,162.6	176.6	1,339.1
2011	103.3	133.9	199.9	212.6	649.7	437.7	116.8	1,204.2	208.9	1,413.1
2011										
Jan.	3.4	5.3	15.6	8.3	32.7	16.8	5.0	54.5	10.4	64.9
Feb.	5.3	4.1	9.1	7.5	26.1	24.0	3.5	53.6	11.9	65.5
Mar.	6.1	9.7	13.8	12.4	42.0	30.5	4.7	77.1	22.5	99.7
Apr.	11.3	12.2	16.6	19.8	60.0	36.8	11.5	108.3	12.1	120.5
May	12.6	10.9	14.0	23.3	60.8	41.5	11.3	113.6	16.8	130.4
June	10.3	14.7	18.2	20.5	63.7	44.5	11.9	120.0	18.7	138.7
July	11.9	12.7	21.2	27.0	72.8	45.5	17.1	135.4	27.6	163.0
Aug.	15.7	15.3	36.0	30.5	97.5	53.3	15.5	166.3	24.8	191.1
Sep.	9.8	15.6	20.6	23.1	69.1	48.7	14.4	132.2	21.8	154.0
Oct.	8.7	19.2	15.6	21.4	64.9	50.1	13.4	128.3	19.6	147.9
Nov.	4.2	10.5	9.9	12.1	36.7	27.5	6.3	70.4	13.4	83.8
Dec.	4.0	3.7	9.3	6.6	23.6	18.5	2.4	44.5	9.3	53.8
2012										
Jan.	3.0	6.6	12.4	7.9	29.9	16.6	4.6	51.1	11.1	62.3
Feb.	3.4	7.1	6.8	8.1	25.4	22.3	3.5	51.2	10.5	61.7
Mar.	4.8	9.0	11.9	11.2	36.7	26.1	6.6	69.5	11.5	81.0
Apr.	11.5	12.9	18.4	18.0	60.9	37.4	9.6	108.0	14.4	122.4
May	12.7	12.4	16.7	20.0	61.8	40.0	13.9	115.7	17.9	133.7
June	11.5	13.6	16.7	22.1	63.9	47.4	14.9	126.2	21.2	147.4
July	12.5	12.4	25.1	26.4	76.4	46.3	19.3	141.9	32.8	174.7
Aug.	18.4	14.1	36.3	31.2	100.0	53.3	17.8	171.1	28.3	199.4
Sep	11.6	15.6	21.3	24.8	73.3	49.3	16.6	139.2	24.1	163.3

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

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	103.6	42.6	146.2	97.8	41.0	138.8	5.7	5.5	1.6	3.7	7.3	5.0
2006	103.7	43.8	147.5	98.1	42.1	140.2	5.5	5.3	1.7	3.8	7.1	4.8
2007	103.9	45.3	149.3	98.9	43.8	142.7	4.9	4.7	1.5	3.4	6.4	4.3
2008	104.7	47.4	152.1	99.9	46.0	145.9	4.8	4.5	1.4	2.9	6.1	4.0
2009	104.3	48.5	152.7	98.6	46.8	145.3	5.7	5.5	1.7	3.5	7.4	4.8
2010	103.8	49.5	153.3	98.3	48.0	146.3	5.5	5.3	1.5	3.1	7.1	4.6
2011[3]	104.2	51.8	155.9	99.0	50.4	149.4	5.2	5.0	1.4	2.7	6.6	4.2
2011[3]												
Jan.	104.1	50.4	154.5	98.7	49.0	147.7	5.4	5.2	1.4	2.8	6.8	4.4
Feb.	104.2	50.7	154.8	98.7	49.2	147.9	5.5	5.3	1.5	2.9	7.0	4.5
Mar.	103.9	50.7	154.6	98.6	49.3	147.9	5.3	5.1	1.4	2.7	6.7	4.3
Apr.	103.8	51.3	155.1	98.6	50.0	148.5	5.3	5.1	1.3	2.6	6.6	4.2
May	103.9	51.6	155.5	98.8	50.4	149.2	5.1	4.9	1.3	2.5	6.4	4.1
June	104.2	52.1	156.3	99.3	50.8	150.1	4.9	4.7	1.3	2.5	6.2	4.0
July	104.7	52.4	157.1	99.6	51.0	150.6	5.1	4.9	1.4	2.7	6.5	4.1
Aug.	104.6	52.4	157.0	99.6	51.0	150.6	5.1	4.8	1.4	2.7	6.5	4.1
Sept.	104.4	52.5	156.9	99.3	51.0	150.4	5.1	4.9	1.4	2.7	6.6	4.2
Oct.	104.1	52.3	156.4	98.9	50.9	149.8	5.1	4.9	1.4	2.7	6.5	4.2
Nov.	104.2	52.5	156.7	99.0	51.1	150.1	5.2	5.0	1.4	2.7	6.6	4.2
Dec.	103.9	52.5	156.4	98.7	51.1	149.8	5.2	5.0	1.4	2.7	6.6	4.2
2012[3]												
Jan.	104.0	52.7	156.7	98.8	51.2	149.9	5.2	5.0	1.5	2.8	6.7	4.3
Feb.	104.2	52.8	157.1	98.8	51.4	150.2	5.4	5.2	1.5	2.8	6.9	4.4
Mar.	104.3	53.1	157.4	98.9	51.5	150.4	5.4	5.2	1.5	2.9	7.0	4.4
Apr.	104.3	53.2	157.5	99.0	51.7	150.7	5.4	5.2	1.5	2.9	7.0	4.4
May	104.4	53.4	157.8	99.2	51.9	151.1	5.2	5.0	1.5	2.7	6.7	4.2
June	104.6	53.7	158.3	99.4	52.2	151.6	5.2	5.0	1.5	2.7	6.7	4.2
July	105.1	54.2	159.3	99.9	52.7	152.6	5.2	4.9	1.5	2.8	6.7	4.2
Aug.	105.1	54.4	159.5	99.9	52.8	152.7	5.2	5.0	1.6	2.9	6.8	4.3

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

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	113.0	54.2	167.2	106.3	50.0	156.4	6.7	5.9	4.1	7.6	10.8	6.5
2008	113.5	57.2	170.7	107.1	53.2	160.4	6.4	5.7	3.9	6.9	10.4	6.1
2009	115.0	58.3	173.3	107.4	53.9	161.3	7.6	6.6	4.4	7.6	12.0	6.9
2010	116.2	60.5	176.7	108.3	56.2	164.4	7.9	6.8	4.3	7.1	12.2	6.9
2011[3]	117.0	64.1	181.2	109.8	59.7	169.5	7.2	6.1	4.4	6.9	11.6	6.4
2011[3]												
Q1	117.2	62.3	179.5	110.2	57.8	168.0	7.0	6.0	4.5	7.2	11.5	6.4
Q2	118.1	62.2	180.3	110.4	57.8	168.1	7.8	6.6	4.4	7.1	12.2	6.7
Q3	118.3	63.4	181.7	111.3	59.2	170.5	7.0	5.9	4.2	6.7	11.2	6.2
Q4	116.3	63.1	179.4	109.1	58.5	167.6	7.2	6.2	4.6	7.3	11.8	6.6
2012[3]												
Q1	115.4	66.9	182.3	108.9	62.3	171.3	6.5	5.6	4.5	6.8	11.0	6.1
Q2	116.6	67.1	183.7	109.1	62.6	171.7	7.6	6.5	4.4	6.6	12.0	6.5
Q3	118.1	68.3	186.4	111.6	62.5	174.1	6.4	5.4	5.9	8.6	12.3	6.6

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

Table 4.5 Property prices index based on advertised prices *(base 2000 = 100)*

Period	Total	Apartments	Maisonettes	Terraced houses	Others[1]
2005	170.9	173.7	176.7	188.9	160.3
2006	177.0	178.3	187.0	196.2	175.0
2007	178.9	183.3	181.4	205.3	171.9
2008	174.1	172.7	181.4	201.5	173.7
2009	165.3	162.2	173.7	207.8	169.6
2010	167.1	166.4	171.8	199.4	178.5
2011	169.3	173.0	174.5	197.6	172.5
2011					
Q1	164.0	166.5	174.5	194.3	159.6
Q2	167.3	174.4	170.9	197.2	180.5
Q3	173.0	176.5	174.4	204.9	172.8
Q4	173.1	174.6	178.1	194.1	177.0
2012					
Q1	172.9	181.0	173.2	177.8	166.0
Q2	167.4	166.4	163.1	191.0	184.1
Q3	170.8	173.6	176.9	177.4	164.2

[1] Consists of town houses, houses of character and villas.
Source: Central Bank of Malta estimates.

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

Period	Commercial and social								Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking	Total		
2005	293	33	217	16	25	43	103	730	2,980	3,710
2006	267	38	169	9	26	30	84	623	3,129	3,752
2007	325	27	185	8	14	30	60	649	3,018	3,667
2008	182	29	137	6	14	8	66	442	2,475	2,917
2009	160	31	123	6	20	23	47	410	2,281	2,691
2010	293	55	231	10	46	118	79	832	1,522	2,354
2011	192	33	256	4	47	74	49	655	1,065	1,720

[1] Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis. Excludes applications for dwellings and minor works on dwellings.

[2] Includes quarrying.

[3] Including the construction of offices, shops and retail outlets, warehouses, mixed offices and retail outlets, mixed residential premises, offices and retail outlets, mixed residential premises and retail outlets.

[4] Including the construction of premises related to the provision of community and health, recreational and educational services.

[5] Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works, infrastructure, monuments, embellishment projects, boathouses and yacht marinas, light industry, waste management facilities and others.

Source: Malta Environment & Planning Authority.

Table 4.7 Development permits for dwellings, by type[1]

Period	Number of permits[2]			Number of units[3]				
	New dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2005	1,852	570	2,422	7,539	1,058	363	121	9,081
2006	2,502	492	2,994	8,961	932	375	141	10,409
2007	2,636	411	3,047	10,252	696	257	138	11,343
2008	1,770	375	2,145	6,184	361	164	127	6,836
2009	1,241	368	1,609	4,616	400	182	100	5,298
2010	1,499	1,020	2,519	3,736	375	227	106	4,444
2011	1,159	832	1,991	3,276	401	191	87	3,955

[1] Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis.

[2] Total for permits granted is irrespective of the number of units.

[3] Data comprise the actual number of units (e.g. a block of apartments may consist of several units).

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Table 4.8 Inflation rates measured by the Retail Price Index[1] *(base 1946 = 100)*

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
			(continued)		
1946	100.00	-	1979	316.21	7.14
1947	104.90	4.90	1980	366.06	15.76
1948	113.90	8.58	1981	408.16	11.50
1949	109.70	-3.69	1982	431.83	5.80
1950	116.90	6.56	1983	428.06	-0.87
1951	130.10	11.29	1984	426.18	-0.44
1952	140.30	7.84	1985	425.17	-0.24
1953	139.10	-0.86	1986	433.67	2.00
1954	141.20	1.51	1987	435.47	0.42
1955	138.80	-1.70	1988	439.62	0.95
1956	142.00	2.31	1989	443.39	0.86
1957	145.70	2.61	1990	456.61	2.98
1958	148.30	1.78	1991	468.21	2.54
1959	151.10	1.89	1992	475.89	1.64
1960	158.80	5.10	1993	495.59	4.14
1961	164.84	3.80	1994	516.06	4.13
1962	165.16	0.19	1995	536.61	3.98
1963	168.18	1.83	1996	549.95	2.49
1964	172.00	2.27	1997[2]	567.95	3.27
1965	174.70	1.57	1998	580.61	2.23
1966	175.65	0.54	1999	593.00	2.13
1967	176.76	0.63	2000	607.07	2.37
1968	180.42	2.07	2001	624.85	2.93
1969	184.71	2.38	2002	638.54	2.19
1970	191.55	3.70	2003	646.84	1.30
1971	196.00	2.32	2004	664.88	2.79
1972	202.52	3.33	2005	684.88	3.01
1973	218.26	7.77	2006	703.88	2.77
1974	234.16	7.28	2007	712.68	1.25
1975	254.77	8.80	2008	743.05	4.26
1976	256.20	0.56	2009	758.58	2.09
1977	281.84	10.01	2010	770.07	1.51
1978	295.14	4.72	2011	791.02	2.72

[1] The Index of Inflation (1946 = 100) is compiled by the NSO on the basis of the Retail Price Index in terms of Article 13 of the Housing (Decontrol) Ordinance, Cap. 158.

[2] Following the revision of utility rates in November 1998, the index and the rate of inflation for the year 1997 were revised to 567.08 and 3.11% respectively. Consequently, the rate of inflation for 1998 would stand at 2.39%.

Table 4.9 Main categories of Retail Price Index ***(base December 2009 = 100)***

Period	All Items Index	12-month moving average rates of change (%)[1]										
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2005	90.1	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	92.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	93.8	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008	97.8	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
2009	99.8	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
2010	101.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
2011	104.1	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2011												
Jan.	102.2	1.6	1.4	1.9	-4.1	2.3	23.0	0.2	0.6	1.8	1.7	1.7
Feb.	102.1	1.8	2.0	1.9	-4.2	2.6	21.6	-0.2	0.9	1.8	1.6	1.9
Mar.	103.1	2.0	2.5	1.8	-3.9	2.8	20.3	-0.7	1.2	1.8	1.6	2.1
Apr.	103.9	2.1	2.9	1.8	-3.5	3.0	18.1	-0.9	1.5	1.7	1.5	2.3
May	104.8	2.2	3.5	1.7	-3.2	3.3	16.0	-1.1	1.7	1.7	1.4	2.5
June	104.6	2.4	4.0	1.7	-2.4	3.6	14.0	-1.3	1.8	1.7	1.5	2.7
July	103.9	2.5	4.0	1.7	-1.8	3.9	11.7	-1.2	2.3	1.7	1.4	3.0
Aug.	104.2	2.6	3.9	1.8	-0.7	4.2	9.8	-1.3	2.8	1.7	1.3	3.1
Sep.	104.5	2.7	3.8	1.9	0.4	4.5	8.0	-1.5	3.1	1.7	1.2	3.3
Oct.	105.4	2.8	3.9	2.0	0.5	4.9	6.2	-1.5	3.5	1.7	1.2	3.6
Nov.	105.1	2.8	3.9	2.1	0.4	5.4	4.4	-1.5	3.5	1.7	1.2	4.0
Dec.	105.4	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2012												
Jan.	104.1	2.7	3.7	2.4	0.1	5.4	2.3	-0.9	3.1	1.6	1.1	4.6
Feb.	104.7	2.7	3.7	2.6	0.2	4.9	2.1	-0.3	3.0	1.5	1.0	4.8
Mar.	105.2	2.6	3.9	2.9	-0.3	4.5	1.9	0.3	2.7	1.4	0.8	5.0
Apr.	106.6	2.6	4.0	3.2	-0.8	4.0	1.8	0.6	2.9	1.4	0.7	5.1
May	106.6	2.5	3.8	3.4	-1.3	3.5	1.6	0.8	2.8	1.4	0.7	5.0
June	106.8	2.4	3.7	3.7	-1.9	2.9	1.4	1.0	2.8	1.3	0.7	5.1
July	106.1	2.4	3.8	3.9	-2.0	2.5	1.4	1.2	2.4	1.2	0.7	5.1
Aug.	106.5	2.3	4.0	4.1	-2.3	2.2	1.3	1.4	2.1	1.2	0.7	5.0
Sep.	107.5	2.3	4.3	4.2	-3.0	1.7	1.2	1.7	2.1	1.1	0.8	5.0

[1] 12-month moving average rates of change in the RPI sub-indices are compiled by the Central Bank of Malta.

Source: NSO.

Table 4.10 Main categories of Harmonised Index of Consumer Prices ***(base 2005 = 100)***

Period	All Items Index	12-month moving average rates of change (%)												
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2008	108.1	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
2009	110.1	1.8	6.4	3.6	-0.4	7.0	1.0	4.4	-4.3	-1.3	-0.6	6.9	1.3	2.2
2010	112.4	2.0	1.1	3.3	-2.3	10.1	1.1	2.0	2.2	-6.0	-1.7	7.8	5.5	3.4
2011	115.2	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2011														
Jan.	111.3	2.2	1.5	3.3	-2.4	9.7	0.8	1.6	2.9	-6.4	-1.6	7.4	5.9	3.5
Feb.	111.0	2.4	2.1	3.3	-2.7	9.4	0.5	1.6	3.4	-6.5	-1.6	6.9	6.3	3.6
Mar.	112.7	2.5	2.8	3.3	-2.5	9.0	0.3	1.5	4.0	-6.5	-1.5	6.5	6.5	3.8
Apr.	115.1	2.7	3.3	3.2	-2.3	8.3	0.2	1.4	4.4	-6.6	-1.5	6.1	6.6	3.9
May	116.6	2.7	4.0	3.2	-2.0	7.7	0.1	1.4	4.7	-6.6	-1.4	5.7	6.0	4.0
June	117.1	2.8	4.5	3.2	-1.5	7.0	0.2	1.3	5.1	-6.8	-1.1	5.2	5.7	4.0
July	117.0	2.8	4.6	3.3	-1.2	6.3	0.3	1.3	5.8	-7.0	-0.7	4.8	4.8	4.1
Aug.	118.3	2.8	4.7	3.3	-0.3	5.6	0.3	1.3	6.5	-7.2	-0.4	4.4	3.6	4.0
Sep.	117.8	2.8	4.6	3.4	0.4	5.1	0.1	1.4	7.1	-7.4	-0.1	3.9	3.3	4.0
Oct.	116.8	2.9	4.9	3.5	-0.1	4.6	0.1	1.4	7.5	-7.7	0.2	4.1	3.0	4.1
Nov	114.1	2.7	5.0	3.5	-0.6	4.1	0.2	1.4	7.8	-8.7	0.3	4.2	2.4	4.2
Dec.	114.4	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2012														
Jan.	113.2	2.4	4.8	3.6	-1.3	3.2	0.7	1.4	7.5	-9.6	0.4	4.5	1.3	4.1
Feb.	113.9	2.4	5.0	3.7	-1.2	2.9	1.1	1.3	7.5	-9.6	0.4	4.6	1.2	4.0
Mar.	115.6	2.4	5.1	3.8	-1.6	2.6	1.5	1.3	7.2	-9.5	0.3	4.8	1.3	3.9
Apr.	119.5	2.5	5.2	3.9	-2.0	2.3	1.7	1.3	7.2	-9.6	0.4	4.7	1.9	3.7
May	120.9	2.6	5.1	3.9	-2.5	2.0	1.7	1.3	7.1	-9.6	0.4	4.7	2.8	3.5
June	122.2	2.7	5.1	4.0	-3.0	1.7	1.9	1.3	6.9	-9.2	0.4	4.6	3.5	3.4
July	121.9	2.8	5.3	4.1	-3.0	1.5	2.0	1.4	6.3	-8.9	0.3	4.6	4.5	3.2
Aug.	122.1	2.9	5.3	4.1	-3.1	1.4	2.3	1.4	5.7	-8.6	0.3	4.5	5.0	3.0
Sep.	121.3	2.9	5.6	4.1	-3.5	1.1	2.7	1.4	5.5	-8.2	0.3	4.5	4.8	2.8

Sources: NSO; Eurostat.

GENERAL NOTES

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR 1 = MTL 0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese lira into euro' which was published in the 2007:3 issue of the *Quarterly Review*, while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*.

Part 1 Monetary, Banking, Investment Funds and Financial Markets

General monetary statistical standards

Since January 2008, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2008/32 (Recast) concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the *European System of Accounts (ESA 1995)*. Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's *Monetary and Financial Statistics Manual* (2000).

Institutional balance sheets and financial statements

The financial statement of the Central Bank of Malta published in Table 1.1 is based on accounting principles as established in ECB Guideline 2006/16 (as amended) of 10 November 2006 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in Table 1.2, which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast) of 19 December 2008. Important changes to data on currency issued and reserve assets following the adoption of the euro are explained below in the 'measures of money' and in the 'external statistics' section, respectively.

The aggregated balance sheet of the other monetary financial institutions is also based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast).

Determination of 'residence'

Monetary data are based on the classification of transactions and positions by the residence of the transactor or holder. A transactor is an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. The internationally agreed residence criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'. The term 'centre of economic interest' usually indicates that there exists some location within an economic territory on or from which a unit engages, and intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). Transactors with their 'centre of economic interest' outside the said territory are considered to be non-residents. Diplomatic bodies, embassies, consulates and other entities of foreign governments are considered to be residents of the country they represent.

In national monetary statistics, the key distinction up to December 2007 was between residents and non-residents of Malta. Although that distinction remains relevant for national statistical purposes, the key distinction now, in particular for the purposes of Malta's contribution to euro area monetary aggregates shown in Table 1.4 and in other tables, is between residence in Malta or elsewhere in the euro area and residence outside the euro area.

Sector classification

In accordance with ESA 95 and ECB Regulation 2008/32 (Recast), the main sectors of the Maltese (and euro area) economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Monetary financial institutions (MFIs)
(b) Other financial intermediaries and financial auxiliaries
(c) Insurance corporations and pension funds
(d) General government
(e) Non-financial corporations
(f) Households and non-profit institutions serving households (NPISH).

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

(a) **Monetary financial institutions** (MFIs) consist of:

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

ii. **Other monetary financial institutions** (OMFIs), consist almost entirely of credit institutions. The business of OMFIs is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. Credit institutions licensed in Malta comprise banks licensed by the competent authority under the Banking Act (Cap. 371). In accordance with the Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006, a credit institution is "an undertaking whose business is to receive deposits or other repayable funds from the public - including the proceeds arising from the sales of bank bonds to the public - and to grant credit for its own account". OMFIs include the Maltese branches and subsidiaries of banks with headquarters abroad. Money Market Funds (MMFs) fulfil the MFI definition and the agreed conditions for liquidity and are therefore included in the OMFI sector. MMFs are defined as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments.

(b) **Other financial intermediaries and financial auxiliaries**

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: long-term financing, financial leasing, factoring, security and derivative dealing, receiving deposits and/or close substitutes for deposits from MFIs only (and not from the public), and managing investment trusts, unit trusts and other collective investment schemes (collectively termed investment funds).

Financial auxiliaries are companies that are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediaries themselves. The following are examples of companies classified in this sector: insurance, loan and securities brokers, investment advisers, flotation companies that manage issues of securities, central supervisory authorities of financial intermediaries and financial markets when these are separate institutional units, managers of pension funds and mutual funds and companies providing stock exchange and insurance exchange services.

(c) **Insurance corporations and pension funds**

This sector comprises non-monetary financial corporations principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance corporations consist of incorporated, mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or groups of units. Pension funds provide retirement benefits for specific groups of employees.

The sector **financial corporations** consists of all corporations which are principally engaged in financial intermediation and/or in anxiliary financial activities i.e. they include monetary financial institutions, other financial intermediaries/financial auxiliaries and insurance corporations/pension funds.

(d) **General government**

General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Broadly speaking, non-market production means that the entity does not charge "economically significant" prices such that sales cover at least 50% of production costs. The sector is sub-divided into:

i. **Central government**, which includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory of the country. Central government thus includes departments, ministries, and offices of government located in the country together with embassies, consulates, military establishments and other institutions of government located outside the country. Also included in the central government sector are extra-budgetary units, also termed public non-market units. These comprise institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or that are involved in the redistribution of national income and wealth.

ii. **Other general government**, which in Malta comprises the local government sector only. Local government includes administrative departments, councils or agencies whose competence covers only a restricted part of the economic territory of the country.

The **public sector** (which is not an institutional sector in the ESA 95) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 95), the latter being those companies that are owned by government or are subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging "economically significant" prices such that sales cover at least 50% of production costs).

(e) **Non-financial corporations**

This sector comprises corporations engaged principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities, which are subdivided into:

i. **Public non-financial corporations**, i.e. companies that are subject to control by government units - see the notes on financial corporations for a definition of control.

ii. **Private non-financial corporations,** i.e. companies that are controlled by non-government units, whether resident or non-resident.

(f) **Households and non-profit institutions serving households (NPISH)**

This sector comprises individuals or groups of individuals that are consumers and producers of goods and non-financial services exclusively intended for their own final consumption. It includes also non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households (churches, clubs, societies, trade unions, etc.) and market-producing cooperatives, partnerships and sole proprietorships that are not recognised as independent legal entities. Thus many small businesses are included in the household sector.

Classification of economic activities

The classification of economic activities follows the standards of Regulation EC No 1893/2006 of the European Parliament and of the Council of 20 December 2006, entitled "Statistical classification of economic activities in the European Community'', known by the acronym NACE Rev. 2.

Measures of money

Until the end of 2007, the Central Bank of Malta compiled data on the following monetary aggregates: the monetary base (M0), narrow money (M1), intermediate money (M2) and broad money (M3). The **monetary base (M0)** consisted of currency in issue and OMFI deposits with the Bank. **Narrow money (M1)** included the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. **Intermediate money (M2)** comprised M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years. **Broad money (M3)** comprised M2 and the

OMFIs' repurchase agreements with the non-bank sector and their debt securities issued with an agreed maturity of up to and including two years and held by the non-bank sector.

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Maltese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem[1] in the total issue of banknotes in the area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column 'Banknotes in circulation' in the Financial Statements of the Bank will be a notional amount conforming to the banknote allocation key, and may be quite different from the amount of euro banknotes in the hands of Maltese residents. Moreover, Maltese residents' holdings of M3 within the euro area aggregate will include their holdings of deposits and other monetary instruments issued by MFIs anywhere in the euro area, the amount of which is not known.

The *Quarterly Review* Table 1.4b shows the contribution of Maltese MFIs to the euro area totals. This comprises the notional issue of euro currency attributed to the Bank according to the banknote allocation key, plus the issue of coins (where the Central Bank acts as agent of the Treasury), and, for 2008 only, remaining amounts of Maltese lira currency notes outstanding *less* holdings of euro banknotes and coins and, for 2008 only, of Maltese lira currency reported by MFIs in Malta; deposits held by Maltese residents and by residents of other euro area countries with MFIs in Malta excluding any holdings belonging to central governments (since central government holdings of deposits are excluded from the ECB's monetary aggregates) and any interbank deposits; repurchase agreements that are not conducted through central counterparties; any marketable instruments of the kind included in euro area M3 issued by MFIs in Malta *less* holdings by Maltese MFIs of such instruments issued by MFIs resident anywhere in the euro area (because Maltese MFIs may hold more of these instruments than they issued, this part of the Maltese contribution to euro area M3 may be negative); and MMFs shares/units issued *less* holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro-area. Similarly, the 'credit counterpart' to euro area M3 contributed by Maltese MFIs (Table 1.5b) comprises all Maltese MFI lending (including through the acquisition of securities in any form) to Maltese and all other euro area residents (other than MFIs). The so-called 'external counterpart' will be limited to their net claims on non-residents of the euro area[2]. 'Other counterparts (net)' comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs (Tables 1.2-1.3), with details of OMFIs' deposits and loans in Tables

[1] The Eurosystem comprises the ECB and the national central banks of the other EU Member States in the euro area.

[2] This is Maltese MFIs' (including the Central Bank of Malta's) claims on non-residents of the euro area, minus their liabilities to non-residents of the euro area, in all forms and in foreign currency as well as in euro.

1.8-1.13. The local credit institutions must submit data to the Central Bank of Malta not later than fifteen calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions compile monthly financial information in line with ECB Regulation 2008/32 (Recast). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

MFIs report stock positions, which are outstanding balances as at the end of the reference period, and for certain items transactions during the period. They show separately positions and transactions with residents of Malta, with residents of other euro area countries, and with non-residents of the euro area. Assets and liabilities are generally reported at market or fair value and on an accruals basis; deposits and loans are reported at nominal value. Thus, the effects of transactions and other events are recognised when they occur rather than when cash is received or paid. Transactions are recorded at the time of change in ownership of a financial asset. In this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by another. Instruments are reported in accordance with their maturity at issue, i.e. by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed, or can be redeemed only with some significant penalty.

All financial assets and liabilities are reported on a gross basis. Loans - which include overdrafts, bills discounted and any other facility whereby funds are lent - are reported gross of all related provisions, both general and specific. Financial assets and liabilities that have demonstrable value - as well as non-financial assets - are considered as on-balance sheet items. Other financial instruments, whose value is conditional on the occurrence of uncertain future events, such as contingent instruments, are not recorded on the statistical balance sheet.

Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19th working day of the month following the reference month. The ECB also publishes a more detailed monetary data on a quarterly basis. The Maltese contribution to the monthly aggregates is then posted on the Central Bank of Malta's website. When first published, monetary statistics are considered provisional since the Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting procedures. The ECB accepts revisions to the previous month's data with each monthly submission; revisions to earlier periods are normally submitted with the next provision of quarterly data. Malta's contributions to the euro area aggregates published by the Central Bank of Malta must be consistent with the latest euro area aggregates published by the ECB. Subsequently, such provisional data are released to the press by the Central Bank of Malta on a monthly basis and in more detail in the Central Bank of Malta's *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. When major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

Investment funds

The investment funds sector consists of collective investment schemes licensed by the MFSA; the data in Table 1.14 comprise all those funds whose centre of economic interest is based locally. It excludes all money market funds as according to ECB Regulation 2008/32 (Recast) these form part of the MFI sector. The balance sheet is aggregated, not consolidated, and therefore includes, among the assets and liabilities, holdings by investment funds of shares/units issued by other investment funds.

Insurance corporations

Table 1.15 shows the aggregated statement of assets and liabilities of the insurance corporations resident in Malta. The statistical information excludes those corporations dealing predominantly with non-residents. The insurance corporations sector comprises non-monetary financial institutions principally engaged in financial intermediation as the consequence of the pooling of risk. Therefore, the principal function of insurance corporations is the provision of life, accident, health, fire and/or other forms of insurance. Such statistics are based on standards specified in ESA 1995, while accounting rules are those laid down in the relevant national law implementing the European Council Directive 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings. All financial assets and liabilities are reported on a gross basis and are generally valued at market or fair value.

Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.18 and 1.19 relate to the interest rates which are applied by resident credit institutions to euro denominated deposits and loans vis-à-vis non-financial corporations and households (including non-profit organisations) resident in Malta and in the euro area. MIR statistics are compiled in accordance with Regulation ECB/2009/7 (as amended) of 31 March 2009 and are therefore harmonised across the euro area. Interest rates are shown for both outstanding amounts and new business. Outstanding amounts cover the stock of all kinds of deposits and loans granted to households and non-financial corporations. New business consists of any new agreement between the household or non-financial corporation and the bank during the period under review. Two types of interest rates are quoted: (a) the Annualised Agreed Rate (AAR) and (b) the Annual Percentage Rate of Charge (APRC). The AAR is the rate which is agreed between the customer and the bank, quoted in percentage per annum. This rate covers all interest payments, excluding any other charges that may apply on deposits and loans. The APRC covers only two categories, namely lending for house purchase and consumer credit. It is the annual percentage rate that covers the total costs of the credit to the consumer such as the cost of inquiries, administration, guarantees, legal fees and other additional costs associated with the transaction. The older series of deposit and lending rates compiled by the Central Bank of Malta will be retained in Table 1.21 (see details below).

Up to 31 December 2007, Table 1.20 showed the statutory interest rates determined by the Central Bank of Malta and other indicative benchmark money market rates on instruments denominated in Maltese lira as end-of-period rates and as a percentage per annum. The repurchase agreement/term deposit rates were the rates actually dealt in at the end of the month or the rates offered by the Central Bank of Malta. The interbank market offered rates were the rates prevailing in the last dealings between banks in the official interbank market during the last month of the period being reported on. When no deals were transacted, the Central Bank of Malta fixing rate average was shown.

As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates for its operations as the Maltese money market became part of the integrated euro area-wide interbank market. Thus, as from that date (and with some earlier data for convenience), the financial market interest rates shown in Table 1.20 are the key interest rates determined by the ECB for central bank operations throughout the euro area, and overnight (EONIA) and fixed-term (EURIBOR) rates on wholesale business in euro-denominated deposits as reported daily by a panel of active institutions in the euro area interbank market. Table 1.21 also shows the weighted average rates paid on resident current, savings and time deposits by MFIs in Malta (in Maltese lira to end-2007, in euro since), calculated by multiplying each amount by the different rates on each type of deposit and dividing by the total amount of each type of deposit. The weighted average rate on time deposits is calculated on all time deposits. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents by the interest rate applied thereto and dividing by the total amount.

Yields on Treasury bills and government securities up to end-2007 are rates on instruments denominated in Maltese lira. All outstanding Treasury bills and government securities denominated in Maltese lira were redenominated in euro at the beginning of 2008. The primary market rates on Treasury bills are the weighted averages of the rates attached to the bills that are taken up by bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign means that no transactions occurred during the reference period. Until end-2007, the secondary market yields represented the selling rates quoted by the Central Bank of Malta at the end of the reference period for each respective tenor.

Interest rates on Malta Government long-term debt securities represent average International Securities Market Association (ISMA) redemption yields on applicable stocks with the periods specified referring to the remaining term to maturity. ISMA yields are quoted on the basis of an annual compounding period, irrespective of how many coupon periods per annum the stock has. The MSE share index is based on the last closing trade prices of the shares of all eligible companies weighted by their current market capitalisation. The index has a base of 1,000 on 27 December 1995.

Debt securities as presented in Table 1.16 comprise all financial assets that are usually negotiable and traded on recognized stock exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares included in Table 1.17 cover all shares whose prices are quoted on the Malta Stock Exchange. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Part 2 Government Finance

Tables in this section show the general government fiscal position compiled on the basis of ESA 95 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function (Table 2.4) is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays.

Table 2.6 on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatisation receipts or the utilisation of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government (Table 2.7), which mainly relate to the debts of non-financial public sector corporations. Government-guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government, which loans already feature in the calculation of government external debt. Government-guaranteed debt includes guarantees issued by the extra-budgetary units but excludes guarantees issued to them as they already feature in the general government debt. The methodology underlying the compilation of data on the external loans of general government sector in Table 2.12 is generally consistent with the IMF's "External debt statistics - guide for compilers and users". Debt is recognised when disbursement of funds is effected.

Part 3 Exchange Rates, External Transactions and Positions

From 2008, statistics on exchange rates (Tables 3.1a-3.1b) show the end-of-period and the average bilateral exchange rates of the euro against other selected major currencies. The euro exchange reference rates are published by the ECB on a daily basis normally at 1415hrs.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics (Tables 3.2-3.4) are generally in line with the *IMF Balance of Payments Manual* (BPM5) and in accordance with ECB Guideline 2004/15 (as amended). Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices. Up to the end of 2007, official reserve assets (Table 3.3) comprised gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside Malta, mainly central banks, other banks and governments, in line with the *IMF's Balance of Payments Manual* (BPM5). From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

Latest trade data are based on the respective NSO press release.

The concepts used in the compilation of gross and net external debt generally comply with the IMF's *"External debt statistics – guide for compilers and users (2003)"*. Gross external debt data are fully reconcilable with the data shown in the IIP. The external debt of the MFIs is also being shown separately as a memorandum item as such debt is fully backed by foreign assets of these institutions. The net external debt position is equal to gross external debt less gross external assets in the form of debt instruments.

Part 4 Real Economy

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 95 standards except for the labour market indicators in Table 4.3, which are based on the ETC's administrative records, and the RPI (Tables 4.8-4.9). Data on development permits (Tables 4.6-4.7) are taken from the Malta Environment and Planning Authority (MEPA).

Labour market statistics comprise those compiled on the basis of the NSO's Labour Force Survey (LFS) and the ETC's administrative records. The LFS is based on a random sample of private households using concepts and definitions outlined by Eurostat according to methodologies established by the International Labour Organisation (ILO). From March 2004, data are based on a weekly survey carried out throughout the reference quarter; from June 2005 data are weighted using a new procedure and are thus not strictly comparable with earlier figures. The labour market data based on the administrative records of the ETC represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with the ETC itself. ETC data on unemployment are based on the number of persons registering for work under Parts 1 and 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2008/9. The HICP, by contrast, (Table 4.10) covers all household final consumption expenditure irrespective of nationality or residence status. Consequently, the HICP uses weights that cover not only resident private and institutional household expenditure but also expenditure by tourists in Malta. The differences in these weighting schemes account for the significant monthly disparities between the RPI and the HICP. The sources of data used in the compilation of the Central Bank of Malta's property prices index (Table 4.5) are the advertisements for the sale of properties in all localities in Malta and Gozo carried in the property section of a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month of that quarter. The property types include flats and maisonettes, both in shell and in finished form, together with terraced houses, townhouses, houses of character and villas. Indices for each property type are derived on the basis of median prices weighted by the number of observations in each property category. The overall index is a Fischer chained index, calculated as the square root of the product of the chained Laspeyres and the chained Paasche indices. Annual data are derived as an average of the quarterly indices. Prices of commercial properties are excluded from the index.