



**BANK ĊENTRALI TA' MALTA**  
**EUROSISTEMA**  
**CENTRAL BANK OF MALTA**

**QUARTERLY REVIEW**

**2012**

**Vol. 45 No. 3**

© Central Bank of Malta, 2012

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*Printed by  
Gutenberg Press Ltd  
Gudja Road  
Tarxien, Malta*

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*The cut-off date for statistical information published in the Economic Survey of this Review is 22 October 2012, except where otherwise indicated. Figures in tables may not add up due to rounding.*

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

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## 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
RPI	Retail Price Index
ULC	unit labour costs

## FOREWORD

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 a new historical low of 0.75%. In parallel, the marginal lending facility and the deposit facility were cut to 1.50% and zero, respectively. This decision was taken against the background of moderating inflationary pressures, a deteriorating growth outlook and subdued underlying monetary growth. Key interest rates were left unchanged up until November.

The Eurosystem continued to implement non-standard monetary measures to support the financial sector in the euro area. In September, the Council decided on the modalities to be used to carry out Outright Monetary Transactions (OMT) in secondary markets for sovereign bonds in 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 eased the collateral eligibility requirements of certain securities issued or guaranteed by the central government of countries eligible for OMT or that are under a European Union/International Monetary Fund programme. In addition, it decided that the Eurosystem will restart accepting as collateral marketable debt instruments denominated in the US dollar, the pound sterling and the Japanese yen. A liquidity swap arrangement which the ECB had with the Bank of England was extended in September by another year.

With regard to economic activity in the euro area, during the second quarter of 2012 real gross domestic product (GDP) contracted by 0.5% in annual terms, as a decline in domestic demand offset the positive contribution of net exports. In particular, private consumption and gross fixed capital formation decreased on a year earlier. Changes in inventories also had a significant negative impact on annual GDP growth, while government consumption increased marginally.

The euro area annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) in the euro area fell to 2.4% in June from 2.7% in March. This decline was broad-based across components, but mainly reflected an easing in energy inflation. Inflation excluding energy and unprocessed food lost 0.1 percentage point between March and June, falling to 1.8%. The overall annual inflation rate began to rise again in the third quarter, however, with the annual rate returning to 2.6% in September.

According to the ECB staff macroeconomic projections published in September 2012, annual real GDP growth in the euro area is expected to be between -0.6% and -0.2% in 2012 and between -0.4% and 1.4% in 2013. Average annual inflation is expected to range between 2.4% and 2.6% this year and between 1.3% and 2.5% in 2013.

In Malta, real GDP growth recovered in the second quarter, with the annual growth rate turning positive at 0.9%. The expansion during the quarter under review reflected higher net exports. In contrast, domestic demand was down on a year earlier, as lower private consumption and investment offset an increase in government consumption. Changes in inventories, which include the statistical discrepancy, also lowered GDP growth substantially. Nominal gross value added expanded, reversing the small decline recorded in the first quarter. This development reflected stronger growth in the service sectors, as well as a more moderate fall in the energy and manufacturing sectors.

HICP inflation increased further during the second quarter of 2012, with the annual rate rising to 4.4% in June from 2.6% in March. This acceleration mainly reflected higher prices for services, particularly hotel accommodation rates, with developments in the latter also being influenced by recent methodological changes. Non-energy industrial goods inflation also increased, although moderately. In contrast, inflationary pressures stemming from energy and food prices eased. In the following quarter of the year, however, inflation decelerated to 2.9% in September. The easing between June and September was mostly due to developments in accommodation prices and fares for passenger transport.

Employment continued to grow on an annual basis during the second quarter of the year, rising by 1.9%, while, according to the Labour Force Survey, the unemployment rate declined on a year earlier, reaching 6.5% in June.

Developments in competitiveness indicators were mixed during the June quarter. The nominal Harmonised Competitiveness Indicator dropped from its March level, reflecting the depreciation of the euro against the US dollar and pound sterling. However, when measured in real terms, it increased slightly, in line with a widening inflation differential against Malta's main trading partners, thus signalling a small loss in competitiveness. Unit labour costs, measured as a four-quarter moving average, also increased on the previous quarter, as labour productivity dropped and compensation per employee rose.

In the external sector, the current account of the balance of payments recorded a surplus in the second quarter of 2012. This compares with a deficit in the same quarter of 2011. The swing to a surplus was generated mainly by a narrowing of the merchandise trade gap, though the other components of the current account also improved. Thus, lower net outflows were recorded on income transactions, while net inflows on services and current transfers were marginally higher. As a share of GDP, the current account, measured as a four-quarter sum, showed a surplus of 4.1% compared with a deficit of 7.5% in the year to June 2011.

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 second quarter of 2012, with the annual growth rate rising to 5.6% in June, from 5.3% three months earlier. Flows into more liquid assets remained the main driver behind this development. Meanwhile, the annual growth rate of credit to residents of Malta slowed down, falling to 5.9% in June from 6.4% in March, although it continued to outpace the rate of increase in the euro area as a whole.

With regard to domestic financial markets, the primary market yield on three-month Treasury bills increased to 1.04% in June. In the longer-term market, yields on ten-year government bonds dipped slightly to 4.31%.

With regard to fiscal developments, the general government deficit narrowed by EUR21.5 million on a year earlier in the second quarter, as revenue outpaced expenditure. Measured over a 12-month period, the deficit stood at 2.9% of GDP. General government debt also increased, compared with March, reaching 76.3% of GDP in June.

The narrowing in the deficit ratio in the quarter under review only partly corrects the widening recorded in the first quarter. Available information suggests that, without corrective action, the

target set in the *Update of the Stability Programme 2012 – 2015* may not be met. Fiscal policy should continue to be oriented towards consolidation to ensure sufficient progress towards the medium-term objective of a structural balanced budget and to help stabilize, and eventually reduce, the government debt ratio.

The fiscal consolidation effort should be accompanied by structural reforms aimed at increasing productivity and enhancing the economy's growth potential. To support competitiveness, it is essential that wage growth be more closely linked to productivity. Increased labour force participation and investment in education and physical infrastructure would ensure that the economy can continue to expand in a sustainable manner. As a robust financial sector is a key driver of sustainable economic growth, banks should continue to maintain healthy levels of capital and liquidity, while strengthening their provisioning policy.

## 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 second quarter of 2012. The pace of expansion recorded in the previous quarter was broadly maintained in the United States (US) but accelerated in Japan. On the other hand, output fell in annual terms in the United Kingdom (UK) for the second successive quarter, while the major emerging economies in Asia experienced a slowdown in growth, with weak demand from the euro area being one of the main causes. Inflation moderated in the world's main economies, partly as a result of an easing in food and energy price pressures.

Economic activity in the euro area contracted on a year earlier during the second quarter of 2012, driven by a decline in domestic demand. In addition, labour market conditions deteriorated further, with the unemployment rate reaching a record high. Meanwhile, the annual rate of inflation eased during the second quarter.

In this context, in the European Central Bank (ECB) staff projections published in September, gross domestic product (GDP) growth over the projection horizon was revised downwards while inflation projections were revised upwards from the June 2012 projections.

Meanwhile, the Governing Council of the ECB reduced key interest rates by 25 basis points in July, bringing the rate on the main refinancing operations (MRO) to 0.75%. During the period under review, the Council continued to implement various non-standard monetary policy measures.

#### International economic developments

##### *US economy continues to expand*

Economic activity in the US grew at an annual rate of 2.1% in the second quarter of 2012, down from 2.4% in the previous quarter (see Table 1.1). Growth was driven mainly by domestic demand, supported by private consumption and investment. Inventory changes also contributed positively. On the other hand, government consumption expenditure declined on an annual basis.

**Table 1.1**  
**REAL GDP GROWTH**

*Annual percentage changes; seasonally adjusted*

	2011			2012	
	Q2	Q3	Q4	Q1	Q2
United States	1.9	1.6	2.0	2.4	2.1
Euro area	1.6	1.3	0.6	0.0	-0.4
United Kingdom	0.7	0.6	0.7	-0.1	-0.5
Japan	-1.7	-0.7	-0.6	2.8	3.3
China	9.6	9.7	9.1	8.1	7.6
India	8.8	7.4	6.2	5.3	4.2

Sources: Eurostat; OECD.



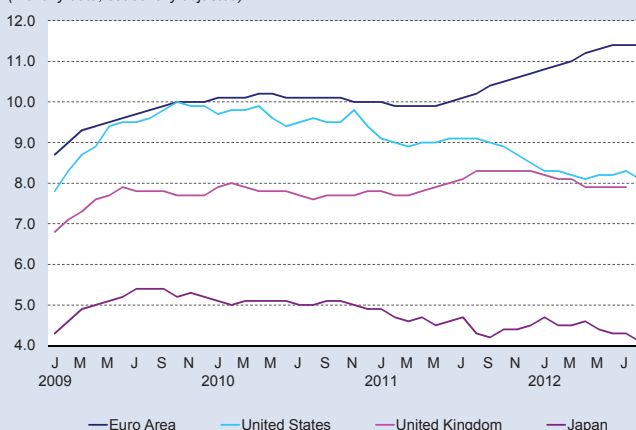
Net exports also contracted, as a rise in exports was offset by a larger increase in imports. On a quarter-on-quarter basis, GDP rose by 0.3% during the period under review.

Despite the continued economic expansion, the unemployment rate remained stable around the levels observed since the beginning of the year, standing at 8.2% in June (see Chart 1.1). More recent information points to a further easing in the unemployment rate in the third quarter, which dropped to below 8.0% in September for the first time in nearly four years.

With regard to price developments, annual consumer price inflation eased during the second quarter of the year, falling to 1.7% in June from 2.7% in March (see Chart 1.2). This moderation mainly reflected the continued fall in energy prices, which dropped by 3.9% since June 2011. However, underlying inflation persisted, with the overall index excluding food and energy standing at 2.2% in June, on account of increased services inflation. Food prices were also higher on a year earlier, although their rate of growth eased in recent months, standing at 2.7% in June. Going into the following quarter, annual inflation slightly moderated in July before picking up again to 2.0% in September.

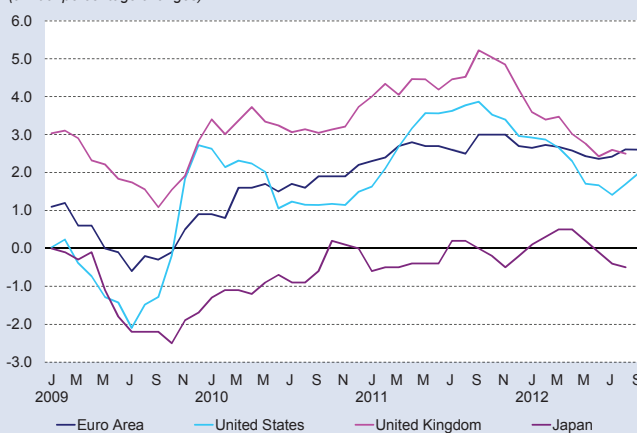
In light of these developments, the Federal Reserve kept the federal funds target rate

**Chart 1.1**  
**UNEMPLOYMENT RATE**  
(monthly data; seasonally adjusted)



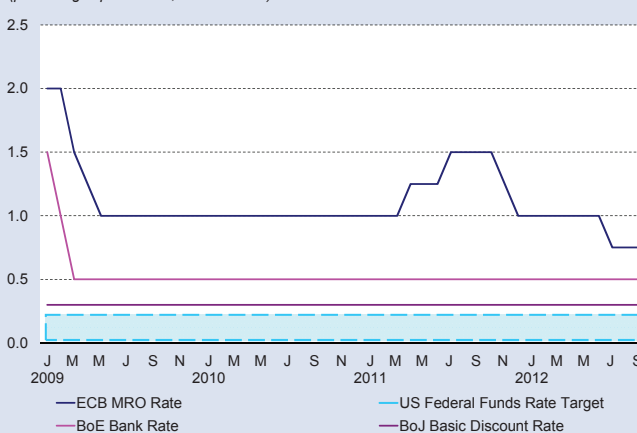
Source: Eurostat.

**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)

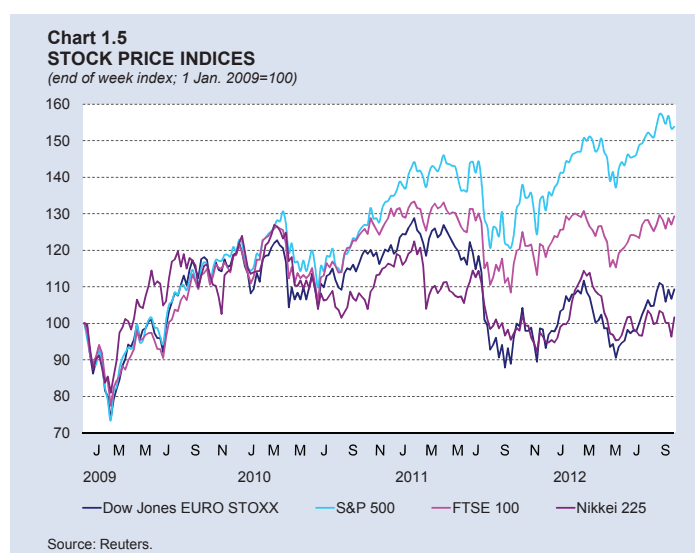
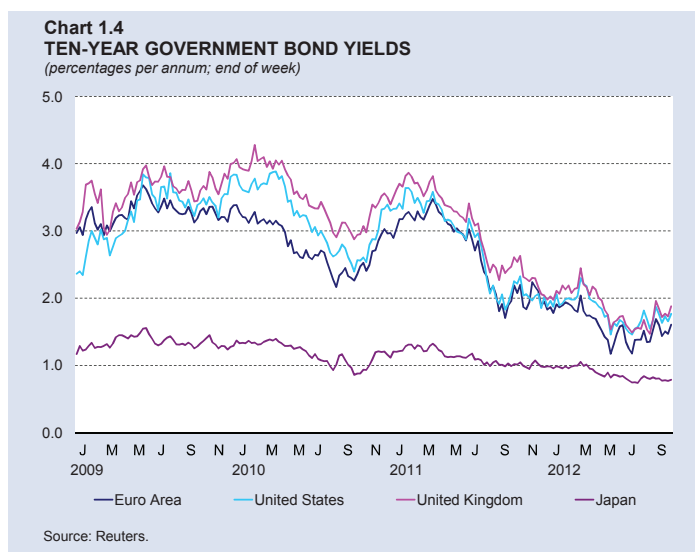


Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

unchanged, in a range between zero and 0.25%, during the second and third quarters of the year, noting that current economic conditions would likely warrant such low rates till at least mid-2015 (see Chart 1.3). In June it also announced that its programme of replacing holdings of short-term US Treasury securities with long-term ones would be extended to the end of 2012, to put downward pressure on long-term interest rates. As a result, the programme's capacity was expected to reach USD667 billion from the USD400 billion target announced in September 2011. A third round of quantitative easing, referred to as QE3, was announced in September, which will see the Federal Reserve purchasing around USD40 billion per month in mortgage-backed securities.

During the second quarter of 2012, the ten-year US government bond yield declined through April and May, but recovered in June. This rebound notwithstanding, US government bond yields ended the second quarter at 1.6%, 57 basis points lower than their end-March level (see Chart 1.4). The decline in the first two months of the quarter occurred in light of increased concerns about growth prospects, along with subdued labour market conditions and spill-over effects from the euro area crisis. The subsequent rebound arose as investors reacted positively to signs of stabilisation in housing markets and to a continuation of the accommodative monetary policy stance in the US. Bond yields fell further in July before picking up again in August, although they declined again in September, such that by the end of the third quarter US bond yields had shed 1 basis point from their value in June.

Equity prices, as measured by Standard & Poor's (S&P) 500, fell in April and May, but recovered somewhat in June, ending the quarter under review 3.3% lower compared with March but 6.7% higher than at the beginning of the year (see Chart 1.5). The S&P index recovered further in the third quarter, with equity prices ending September 5.8% higher than in June.



### *UK economy continues to decline*

In the UK economic activity declined at an annual rate of 0.5% during the second quarter of the year. This was the second successive decline, following a 0.1% drop in the previous quarter. The main contributor to this recent contraction was net exports, which dampened GDP growth by 0.8 percentage point. Changes in inventories also contributed negatively to GDP growth. In contrast, developments in government and private consumption supported GDP growth, while the contribution of investment was minimal. Activity during the quarter was reduced by the additional holiday for the Diamond Jubilee, a weak construction sector, and lower oil and gas output owing to production disruptions in the North Sea.

On a quarter-on-quarter basis, GDP in the UK contracted by 0.4% during the period under review. Nevertheless, the unemployment rate fell to 7.9% in April from 8.1% in March, and subsequently remained stable at this level through July (refer to Chart 1.1).

The inflation rate in the UK fell to 2.4% in June 2012, the lowest level in over two years. This decline mainly reflected lower contributions from petrol, commodities and food, as well as an earlier than usual start of summer sales of clothing and footwear. Weak demand in the context of bad weather conditions, along with an appreciation of the sterling against the euro, also contributed to an easing of price pressures. Meanwhile, the inflation rate rose slightly to 2.6% in July before easing again to 2.5% in August.

Against this backdrop of a contracting economy and falling inflation, the Bank of England maintained its official bank rate at 0.50% during the period under review (refer to Chart 1.3). It also decided to continue with its asset purchase programme, which in July was increased by £50 billion to £375 billion. This programme was expected to be completed in four months.

UK ten-year government bond yields fell in the second quarter of 2012, shedding 47 basis points and reaching 1.7% by end-June (refer to Chart 1.4). This decline reflected expectations of weak output growth in the long term, along with perceptions that UK government bonds were safer than those of certain euro area countries. Yields declined in July before picking up again in August and September, but still ended the third quarter 1.4 basis points lower than in June. The FTSE 100 index of stock prices also dropped during the second quarter of the year, down 3.4% from the previous quarter (refer to Chart 1.5). This decline was mostly reversed in the third quarter, with equity prices at the end of September standing 3.1% higher than in June.

### *Japan continues its recent revival*

The Japanese economy extended its recent revival during the second quarter of the year, growing by 3.3% on a year-on-year basis, up from 2.8% during the previous quarter (refer to Table 1.1). This upswing partly reflected the continued recovery in the aftermath of the earthquake that hit the country in March 2011. During the quarter under review economic growth was mainly driven by domestic demand, with private consumption, investment, and government spending all contributing positively. In addition, net export growth was positive during the second quarter of the year, thereby reversing a decline that had lasted for over a year.

On a quarter-on-quarter basis, GDP growth slowed to 0.2% in the second quarter, from 1.3% during the previous quarter. Nevertheless, labour market conditions in Japan slightly improved, with the unemployment rate standing at 4.3% in June, down from 4.5% in March. The jobless rate fell further during the following months, standing at 4.1% in August.

The annual inflation rate turned negative during the second quarter of 2012, down to -0.1% in June from 0.5% in March. This reflected a drop in the growth of both energy and consumer durable prices, as well as an easing of food price inflation. This deflationary trend persisted throughout the subsequent months, with the inflation rate standing at -0.5% in August.

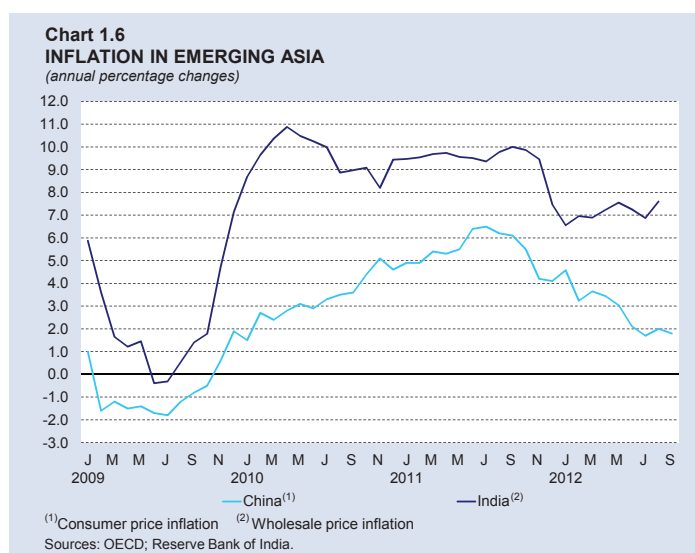
Given this scenario, the Bank of Japan kept the basic discount rate unchanged at 0.3%, while the target uncollateralized overnight call rate remained in a range of between zero and 0.1% (refer to Chart 1.3). In April the Japanese central bank increased the total size of its asset purchases by 5 trillion yen. It also made a number of changes to the composition of its holdings, while extending the remaining maturity of Japanese government bonds to be purchased under the asset purchase programme and prolonging the time frame for its implementation to June 2013. Further monetary easing was announced in September, with the Bank of Japan increasing the size of its asset purchase programme by 10 trillion yen to around 80 trillion yen.

During the second quarter of 2012, ten-year government bond yields in Japan fell by 15 basis points, reaching 0.84% as at end-June (refer to Chart 1.4). This decline persisted during the third quarter, with yields in September losing a further 6.8 basis points. Meanwhile, over the same time period, equity prices as measured by the Nikkei 225 fell by 10.7%, following a significant rise in the previous quarter (refer to Chart 1.5). This reflected the deepening of the euro area crisis and the resulting appreciation of the yen against the euro, along with concerns about slowing Chinese economic activity. The index declined further in July before picking up again in August. Equity prices fell again in mid-September, mainly on account of a territorial dispute with China which was seen as having a negative effect on Japanese exports. At the end of September, the Nikkei index was 1.5% lower than in June.

### *Growth in emerging Asia slows down further*

Economic activity in the main emerging Asian economies experienced a slowdown during the second quarter of 2012. In China GDP grew by 7.6% on a year-on-year basis, down from 8.1% in the previous quarter (refer to Table 1.1). Growth further declined during the third quarter, falling to 7.4%. This slowdown can partly be attributed to sluggish demand from the euro area, as well as the lagged impact of monetary policy tightening during the previous year.

Price pressures in China continued to ease as a result of the slowdown in economic activity and the previous year's monetary tightening, with the annual rate of consumer price inflation dropping to 2.1% in June from 3.7% in March (see Chart 1.6). While services inflation rose by a few percentage points, this was offset by a decline in goods inflation, partly reflecting a significant drop in food price infla-



tion. Food prices continued to ease during the third quarter, contributing to a decrease in the inflation rate in September to 1.9%.

Against this background, the People's Bank of China lowered its reserve requirement ratio in May. Meanwhile, the benchmark deposit and loan rates were cut by 25 basis points each in June. A further cut took place in July, with the deposit rate falling by a further 25 basis points to 3% and the loan rate declining by 31 basis points to 6%.

In India, annual GDP grew by 4.2% in June, down from 5.3% in March. The annual rate of growth in the wholesale price index rose to 7.3% in June from 6.9% in March (see Chart 1.6). A significant increase in the prices of non-food items was the main contributor to this acceleration. Inflation eased in July before rising again in August to 7.6%.

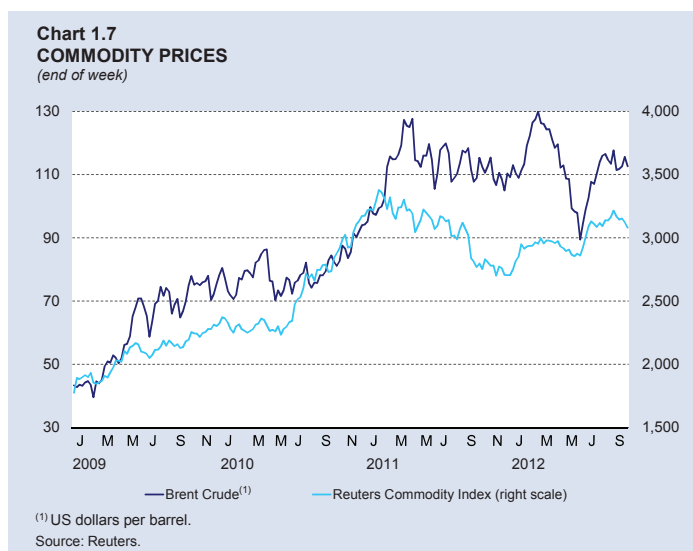
## Commodities

### *Oil prices decline during most of the second quarter*

The price of Brent crude oil fell during the second quarter, reaching a new low for the year. As at end-June, the price stood at USD94.42 per barrel, down 24.0% from its level at the end of March and 15.9% lower than at the start of the year (see Chart 1.7). The recent decline was mainly a result of increased concerns about global growth prospects, which were fuelled by the European sovereign debt crisis and slower than expected growth in emerging economies. Furthermore, an increase in global oil production and assurances by Saudi Arabia that it would maintain a steady rate of oil output eased global supply concerns, although upside price risks owing to the geopolitical tensions around Iran persisted. The drop in the oil price recorded during the second quarter was reversed in the third quarter, with the price of oil standing at USD111.8 at the end of September, 18.4% higher than in June.

### *Non-energy commodity prices fall*

As measured by the Reuters Commodity Index, prices of non-energy commodities generally mirrored developments in oil prices, falling through most of the second quarter. At the end of June, they were 1.9% lower than at the end of March (see Chart 1.7).<sup>1</sup> A rise in food prices owing to adverse weather conditions in supplier countries was offset by a decline in base metal prices, mainly as a result of increased uncertainty with regard to global economic growth. The index rose again during the third quarter by 7.6%, as the prices of both food and base metals rose.

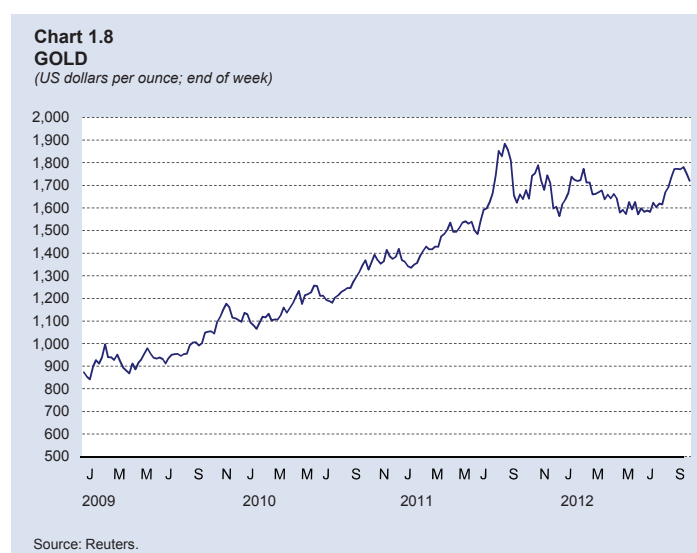


<sup>1</sup> The Reuters Commodity Index is a weighted index of the prices of 17 commodities that include food, beverages, vegetable oils, agricultural raw materials and metals but exclude oil and gold.

### Gold price declines

The price of gold fell during the quarter under review, down 4.2% from the previous quarter and ending June at USD1598.20 per ounce (see Chart 1.8). This decline reflected a weakening of physical demand from emerging Asian economies such as India, as well as an increased preference on the part of investors for other safe-haven assets, such as German bonds. However, despite these developments, gold has still performed relatively well when compared with base metals, and Central Bank

gold demand remains strong. In the third quarter, the price of gold rose once again on account of increased tensions in the euro area, ending September 10.8% higher than in June.



## Economic and monetary developments in the euro area

### Euro area economy contracts

During the second quarter of 2012, economic activity in the euro area contracted by 0.5% on the same period of 2011 (see Table 1.2). On a quarter-on-quarter basis, output contracted by 0.2%.

	Q2	2011		2012	
		Q3	Q4	Q1	Q2
<i>Annual percentage changes</i>					
Private consumption	0.3	0.2	-0.8	-1.0	-0.7
Government consumption	0.0	-0.4	-0.3	0.0	0.1
Gross fixed capital formation	1.3	0.7	0.8	-2.4	-3.0
<b>Domestic demand</b>	<b>0.9</b>	<b>0.4</b>	<b>-0.7</b>	<b>-1.6</b>	<b>-2.1</b>
Exports	6.1	5.7	3.4	2.6	3.4
Imports	4.5	3.5	0.4	-0.9	-0.3
<b>GDP</b>	<b>1.6</b>	<b>1.3</b>	<b>0.6</b>	<b>0.0</b>	<b>-0.5</b>
<i>Percentage point contributions</i>					
Private consumption	0.1	0.1	-0.5	-0.6	-0.4
Government consumption	0.0	-0.1	-0.1	0.0	0.0
Gross fixed capital formation	0.2	0.1	0.2	-0.5	-0.6
Changes in inventories	0.5	0.2	-0.3	-0.6	-1.1
<b>Domestic demand</b>	<b>0.9</b>	<b>0.3</b>	<b>-0.7</b>	<b>-1.6</b>	<b>-2.0</b>
<b>Net exports</b>	<b>0.7</b>	<b>0.9</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>
<b>GDP</b>	<b>1.6</b>	<b>1.3</b>	<b>0.6</b>	<b>0.0</b>	<b>-0.5</b>

Source: Eurostat.



Domestic demand acted as a drag, reducing annual GDP growth by 2.0 percentage points. Private consumption and gross fixed capital formation decreased on a year earlier, while government consumption grew only slightly. Changes in inventories also had a significant adverse impact on GDP growth.

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

### *Inflation declines*

The annual Harmonised Index of Consumer Prices inflation in the euro area eased during the quarter, going from 2.7% in March to 2.6% in April and then to 2.4% in May and June (see Chart 1.9). Excluding energy and unprocessed food prices, inflation edged down by 0.1 percentage point between March and June, to 1.8%.

The decline in inflation between March and June was spread across all components with the exception of unprocessed food.

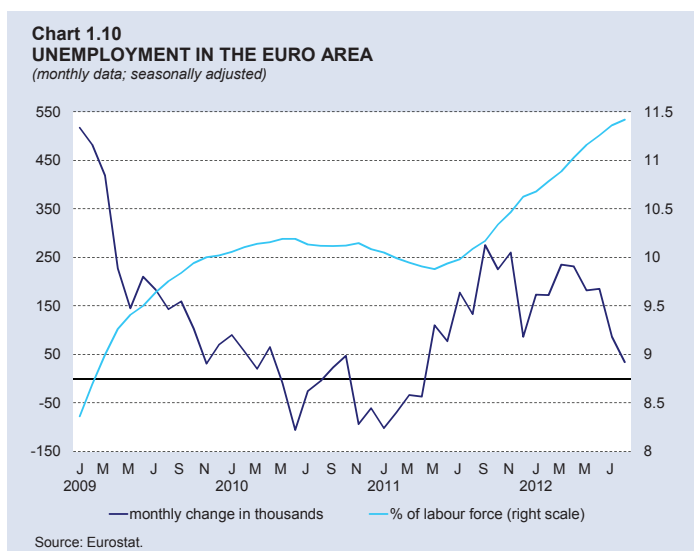
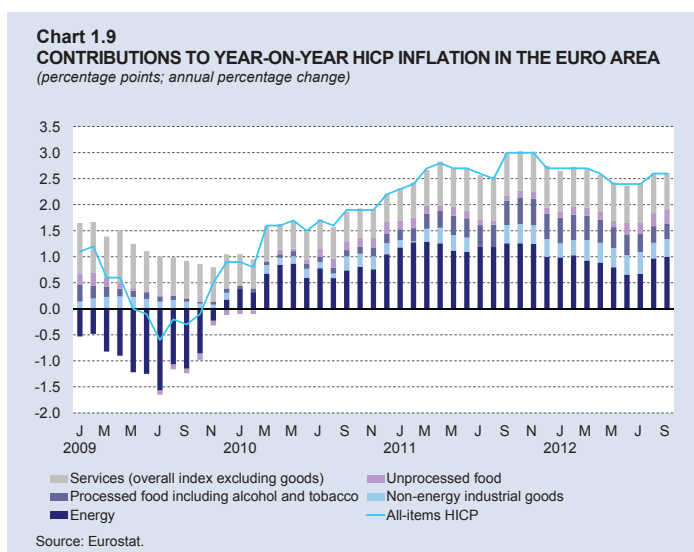
The most pronounced decrease related to the annual growth rate of energy prices, which dropped to 6.1% from 8.5%. As a result, the contribution of energy to the overall inflation rate eased to 0.66 points in June from 0.93 points in March.

Going into the following quarter, however, the annual inflation rate began to rise again, with the rate back to 2.6% in September.

### *Unemployment reaches new high*

Labour markets conditions deteriorated further in the euro area during the second quarter. Employment contracted by 0.6% on a year earlier, following a fall of 0.5% in the first quarter of the year. In addition, the unemployment rate continued to increase, reaching a new high of 11.4% in June, up from 11.0% in March (see Chart 1.10).

Going into the following quarter, the jobless rate remained at its June level in July and August.



**Table 1.3****REAL GDP AND INFLATION PROJECTIONS FOR THE EURO AREA<sup>(1)</sup>***Average annual percentage changes; working-day-adjusted data*

	2011	2012		2013	
Private consumption	0.2	-1.1	-0.7	-0.8	0.8
Government consumption	-0.3	-0.8	-0.2	-0.8	0.4
Gross fixed capital formation	1.5	-4.1	-2.5	-1.7	2.7
Exports	6.4	1.8	4.4	1.1	8.1
Imports	4.2	-1.3	1.3	0.3	7.1
<b>GDP</b>	<b>1.5</b>	<b>-0.6</b>	<b>-0.2</b>	<b>-0.4</b>	<b>1.4</b>
<b>HICP</b>	<b>2.7</b>	<b>2.4</b>	<b>2.6</b>	<b>1.3</b>	<b>2.5</b>

<sup>(1)</sup> ECB staff macroeconomic projections (Sep 2012).

Source: ECB.

***Euro area GDP forecasts revised downwards***

According to the ECB staff macroeconomic projections published in September 2012, real GDP growth is expected to be negative in 2012 and to gradually recover during 2013. An improving external environment and enhanced competitiveness are foreseen to support exports. The recovery is expected to be sustained by the favourable impact of the very low level of short-term interest rates on private demand, by the effects on real disposable income of the projected decline in energy and food price inflation, and by measures to restore the functioning of the financial system. The projected recovery is expected to continue to be dampened by ongoing balance sheet restructuring and by adverse financial conditions in some euro area countries. As a result, annual real GDP growth is expected to range between -0.6% and -0.2% in 2012 and between -0.4% and 1.4% in 2013 (see Table 1.3). When compared with the Eurosystem staff projections released in June, forecasts for both 2012 and 2013 were revised downwards.

Euro area average annual inflation is expected to remain above 2%, and to range between 2.4% and 2.6% in 2012, reflecting the recent acceleration in energy prices and the impact of new tax measures as a result of the ongoing fiscal consolidation process. A relatively weak euro was also expected to contribute to higher inflation in 2012.

In 2013, inflation is projected to moderate to between 1.3% and 2.5%. This decline is largely expected to be driven by developments in energy price inflation, which is foreseen to ease substantially over the projection horizon. Food price inflation is also projected to fall in 2013. The new ranges for inflation in 2012 and 2013 are both higher than in the June projections.

***ECB cuts interest rates***

After keeping key interest rates unchanged during the second quarter, the Governing Council of the ECB lowered them in July, by 25 basis points. This brought the MRO rate to a historical low of 0.75%. In parallel, the rates on the marginal lending facility and the deposit facility were cut to 1.50% and zero, respectively. 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 continued to be firmly anchored.

Between April and September 2012, the Eurosystem continued to implement non-standard monetary policy measures. On 6 June, 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 15 January 2013. This procedure will also remain in use for the Eurosystem's special-term refinancing operations with a maturity of one maintenance period, which will continue to be conducted for as long as needed. In addition, it decided to conduct the three-month long-term refinancing operations that will be allotted during the second half of 2012 as fixed rate tender procedures with full allotment.

Furthermore, on 20 June, the Council decided to reduce the rating threshold and amend the eligibility requirements for certain asset-backed securities used as collateral in Eurosystem credit operations. This decision, which broadened the scope of measures introduced on 8 December 2011 to increase collateral availability, was intended to encourage banks to extend more credit to the non-financial private sector.

In September, the Council decided on the modalities to be used for Outright Monetary Transactions (OMT) in secondary markets for sovereign bonds in 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. These include credit claims and marketable debt instruments issued or guaranteed by the central government of countries that are eligible for OMTs 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 restart the practice that was introduced in 2008 to accept as collateral marketable debt instruments denominated in the US dollar, the pound sterling, and the Japanese yen.

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

### *Growth in broad money picks up*

Annual growth in the broad monetary aggregate (M3) in the euro area continued to pick up in the second quarter of 2012, going from 2.9% in March to 3.1% three months later (see Table 1.4).<sup>2</sup>

<b>Table 1.4</b> <b>EURO AREA MONETARY AGGREGATES</b> <i>Annual percentage changes</i>		2012					
		Mar.	Apr.	May	June	July	Aug.
<b>M1</b>		<b>2.8</b>	<b>1.8</b>	<b>3.3</b>	<b>3.5</b>	<b>4.5</b>	<b>5.1</b>
Currency in circulation		5.5	5.5	5.5	5.5	5.9	5.2
Overnight deposits		2.2	1.0	2.9	3.1	4.3	5.0
<b>M2-M1 (Other short-term deposits)</b>		<b>3.2</b>	<b>3.3</b>	<b>2.3</b>	<b>2.4</b>	<b>2.2</b>	<b>0.8</b>
Deposits with an agreed maturity of up to two years		3.9	3.9	1.6	1.5	0.7	-2.3
Deposits redeemable at notice of up to three months		2.5	2.7	3.0	3.3	3.6	3.8
<b>M2</b>		<b>3.0</b>	<b>2.5</b>	<b>2.9</b>	<b>3.0</b>	<b>3.5</b>	<b>3.2</b>
<b>M3</b>		<b>2.9</b>	<b>2.4</b>	<b>2.9</b>	<b>3.1</b>	<b>3.6</b>	<b>2.9</b>

Source: ECB.

<sup>2</sup> With the September issue of its release of *Monetary developments in the euro area*, which covers data through to end of 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.

In fact, the annual growth rate of the narrow money component M1 rose significantly during the quarter, going from 2.8% to 3.5%. The current low interest rates along with heightened uncertainty both contributed to this development.

On the other hand, the annual rate of growth of other short-term deposits (i.e. M2 minus M1) declined by 0.8 of a percentage point to 2.4%. The growth rate of deposits with an agreed maturity of up to two years (short-term time deposits) decreased, while that of deposits redeemable at notice of up to three months (short-term saving deposits) edged up. These developments were mainly attributable to households that shifted funds to the latter to benefit from higher remuneration.

The annual growth rate in M3 increased further in July, but then slowed down to 2.9% in the following month.

### *Growth in private sector lending turns negative*

On the counterparts' side, credit to euro area residents expanded at a slower pace. The annual rate of credit growth dropped to 1.4% in June, from 1.8% in March.

Similarly, the annual growth rate of loans provided by monetary financial institutions (MFI) to the non-financial private sector turned negative, falling to -0.2% from 0.6% (see Chart 1.11). Lending to the non-financial private sector has remained weak by historical standards, with its growth rate following a generally declining path since October 2011. This path is evident for both household and corporate lending.

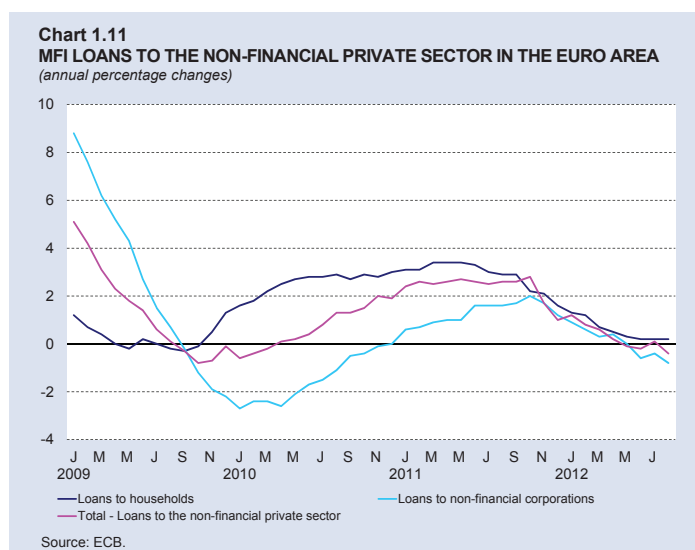
The annual growth rate of loans to households fell to 0.2% in June from 0.7% in March, as the economic outlook deteriorated and housing market prospects remained weak. In a number of euro area countries, the continuing deleveraging process also contributed.

The corresponding growth rate of lending to non-financial corporations turned negative, dropping from 0.3% to -0.6%, partly reflecting net redemption of loans.

Going into the following quarter, total lending by MFIs to the non-financial private sector declined further, as the annual growth rate edged down to -0.8% in August.

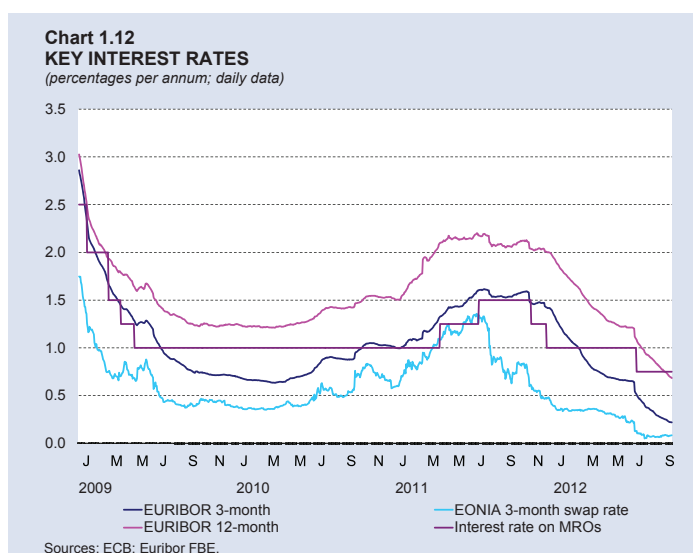
### *Money market rates decline*

Money market interest rates in the euro area continued on their downward trend during the June quarter. 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 by 12 basis points and 20 basis points, to 0.65% and 1.21%, respectively (see Chart 1.12).<sup>3</sup> EURIBOR rates at both maturities declined even further during the third quarter of 2012.

Secured rates, such as those implicit in the three-month EONIA swap index, also declined, shedding 12 basis points in the three months to June to 0.24%, the lowest level seen since mid-2010.<sup>4</sup> Going into the September quarter, the index continued its decline and approached the zero mark.

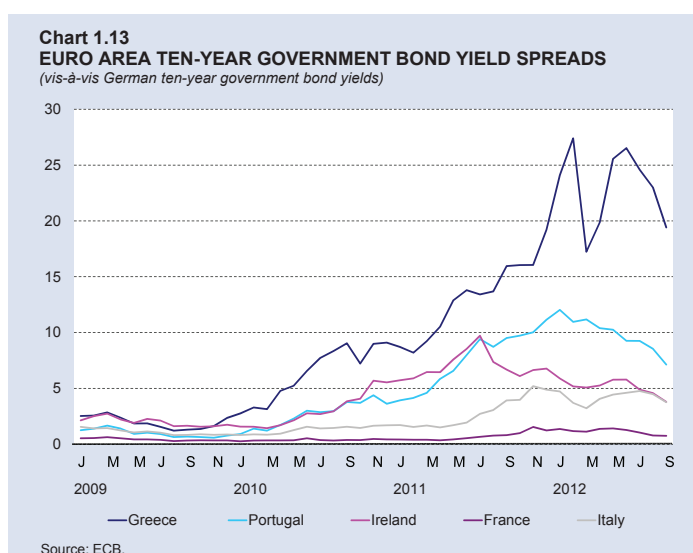


As a result, over the quarter under review the spread between unsecured EURIBOR rates and secured EONIA swap rates at the three-month maturity remained relatively unchanged, falling only to 41 basis points at end-June from 42 points three months earlier.

### *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 21 basis points to 1.60% at end-June (refer to Chart 1.4). This downward movement of yields was most pronounced in May and was mainly due to new information pointing to weakening short-term economic prospects in other advanced economies, the diverse economic conditions in euro area countries, and the renewed political and financial market tensions in the euro area.

As a result, spreads between sovereign bond yields in other euro area countries vis-à-vis their German counterpart generally widened over the quarter (see Chart 1.13). In particular, the spread of Greek bonds vis-à-vis their German counterparts widened significantly, reflecting increased political uncertainty, going from 17 to 27 basis points between March and June.



<sup>3</sup> 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.

<sup>4</sup> 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 third quarter, shedding 17 basis points to 1.44% in September, while spreads narrowed.

### *Rise in euro area equity prices comes to a halt*

The Dow Jones EURO STOXX index decreased by 8.4% during the quarter under review, almost reversing the 9.5% increase registered in the previous quarter (refer to Chart 1.5). This decline was particularly evident between March and May and occurred amid data releases pointing towards a weaker short-term economic outlook in most of the euro area economies, to negative sentiment and to the re-emergence of markets tension.

This decline, however, came to a halt in early June, with the index rising through mid-September, as positive sentiment was supported by initiatives to strengthen financial stability in the euro area. By the end of September, the index had risen by 7.9% from the end of June.

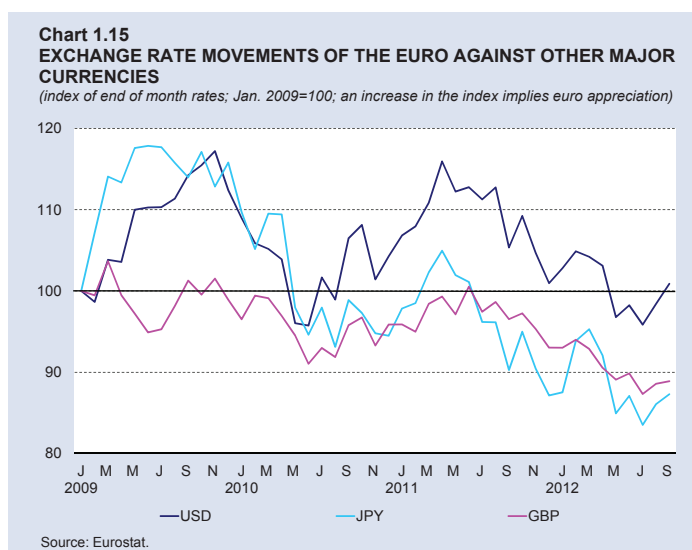
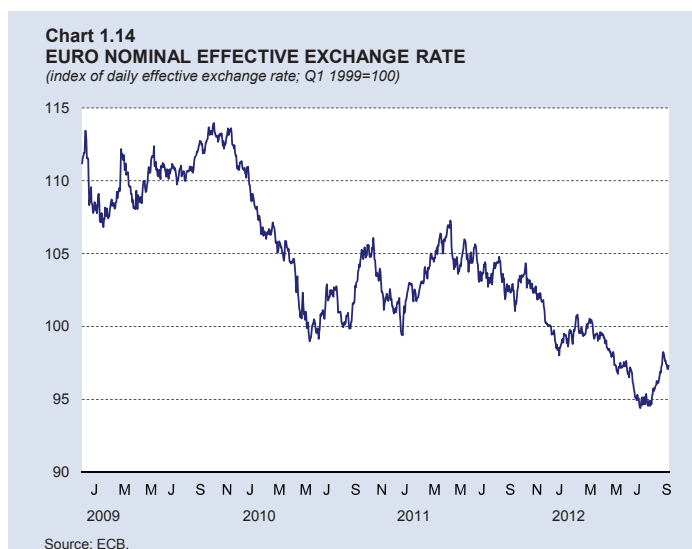
### *The euro generally depreciates*

Movements in the euro exchange rate during the June quarter continued to be mainly driven by changing market perceptions related to fiscal and economic prospects in a number of euro area countries, as well as by developments in expected yield differentials between the euro and other currencies.

After somewhat recovering in the March quarter, the euro generally depreciated especially during April and June. The nominal effective exchange rate of the euro, as measured against the currencies of 20 of the euro area's main trading partners, weakened by 3.3% over the quarter (see Chart 1.14).

On a bilateral basis, the euro lost 5.7% against the US dollar, 8.6% against the Japanese yen, and 3.2% against the pound sterling during the June quarter (see Chart 1.15).

Going into the following quarter, the euro strengthened marginally by 0.1% in nominal effective terms, reflecting contrasting developments in the bilateral exchange rates against major currencies.

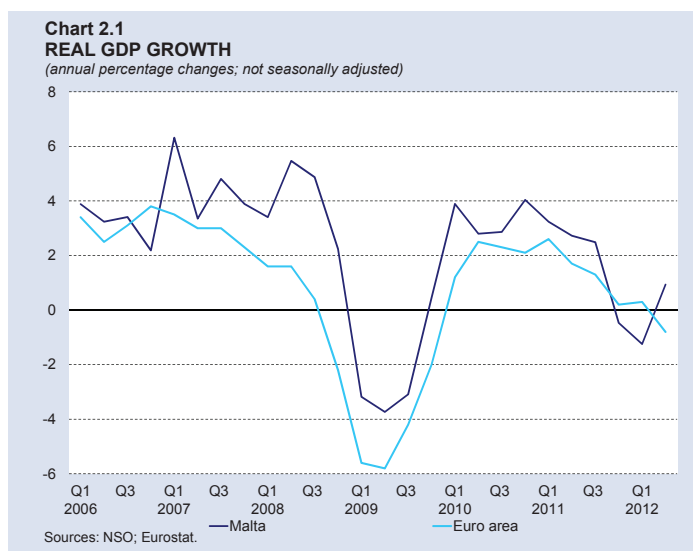


## 2. OUTPUT AND EMPLOYMENT

### Gross domestic product

#### *Real GDP growth recovers*

The Maltese economy recovered during the second quarter of 2012, following two quarters of negative growth. Real gross domestic product (GDP) expanded by 0.9% on a year earlier underpinned by further growth in net exports. In contrast, the contribution of domestic demand remained negative. Compared with real GDP developments in the euro area as a whole, Malta's GDP performance was notably stronger, as the euro area economy contracted by 0.8% on a year earlier (see Chart 2.1).<sup>1</sup>



#### *Net exports boost GDP growth*

Net exports boosted GDP growth by 7.1 percentage points as exports expanded at a faster rate than imports. In real terms, exports rose at an accelerated pace of 9.5% as exports of goods increased by 13.0%, while services' exports grew by 3.7% (see Table 2.1). In nominal terms, exports of both goods and services increased. At a disaggregated level, customs data, which reflect transactions in merchandise goods, confirm the buoyancy of the export market. Thus, even after excluding fuel, merchandise exports were higher compared with a year earlier as increased foreign sales of "manufactured goods", beverages and chemicals were only partly offset by lower machinery and food exports.

On the other hand, the annual growth rate of imports of goods and services in real terms accelerated to 3.2%, from 2.0% in the first quarter. Service imports, which grew by 6.4%, were the main driver behind the increase. Meanwhile, imports of goods rose by 1.7% in real terms, but declined in nominal terms. Customs data, in fact, show that, whereas fuel imports increased substantially, other imports fell, driven by developments in capital goods. Weaker domestic demand during the second quarter was a major factor contributing to the modest growth in imports.

#### *Domestic demand continues to decline*

Domestic demand continued to have a dampening effect on GDP growth, lowering it by 6.2 percentage points in the second quarter of the year. All components of domestic demand, except government expenditure, contracted in annual terms (see Table 2.1).

Private consumption declined by 3.2% compared with 2.3% in the previous quarter, and contributed a negative 2.1 percentage points to GDP growth. Lower consumer spending on transport, in line with a concurrent drop in motor vehicle registrations, was the main reason behind this decline.

<sup>1</sup> 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	
	Q2	Q3	Q4	Q1	Q2
	<i>Annual percentage changes</i>				
Private final consumption expenditure	6.1	4.0	1.1	-2.3	-3.2
Government final consumption expenditure	1.3	2.0	1.4	3.0	4.5
Gross fixed capital formation	-14.5	-24.2	-7.4	-0.8	-1.7
Changes in inventories (% of GDP) <sup>(1)</sup>	2.2	-6.7	-5.9	-4.2	-2.6
<b>Domestic demand</b>	<b>6.7</b>	<b>-2.6</b>	<b>-6.4</b>	<b>-6.8</b>	<b>-6.2</b>
Exports of goods & services	4.2	-6.7	3.4	7.4	9.5
Imports of goods & services	7.8	-11.7	-2.1	2.0	3.2
<b>Gross domestic product</b>	<b>2.7</b>	<b>2.5</b>	<b>-0.5</b>	<b>-1.2</b>	<b>0.9</b>
	<i>Percentage point contributions</i>				
Private final consumption expenditure	3.8	2.5	0.7	-1.5	-2.1
Government final consumption expenditure	0.3	0.4	0.3	0.6	0.9
Gross fixed capital formation	-2.3	-4.1	-1.1	-0.1	-0.2
Changes in inventories <sup>(1)</sup>	4.6	-1.1	-6.2	-5.9	-4.8
<b>Domestic demand</b>	<b>6.4</b>	<b>-2.3</b>	<b>-6.4</b>	<b>-6.9</b>	<b>-6.2</b>
Exports of goods & services	4.7	-7.8	3.7	7.9	10.8
Imports of goods & services	-8.4	12.6	2.2	-2.2	-3.7
<b>Net exports</b>	<b>-3.7</b>	<b>4.8</b>	<b>5.9</b>	<b>5.7</b>	<b>7.1</b>
<b>Gross domestic product</b>	<b>2.7</b>	<b>2.5</b>	<b>-0.5</b>	<b>-1.2</b>	<b>0.9</b>

<sup>(1)</sup> Includes acquisitions less disposal of valuables.

Source: NSO.

According to provisional data, the volume of retail sales also declined during this period. In nominal terms, consumer spending fell by 0.4% even as labour compensation increased further.

Government expenditure continued to accelerate in real terms, registering a year-on-year growth rate of 4.5%, up from 3.0% in the previous quarter and contributing nearly a percentage point to GDP growth. Nominal data suggest that higher expenditure was due to compensation of employees, which increased by 4.3% on an annual basis, and to intermediate consumption. In turn, the rise in the latter was mainly driven by spending on health and education.

Gross fixed capital formation continued to decline, dropping by 1.7% in real terms in the quarter under review, following a decrease of 0.8% in the previous quarter. Nominal data indicate that the fall in investment was concentrated in the transport and dwellings sectors, while investment in machinery, in IT equipment and software and in "other construction" increased. Nominal data also suggest that investment was sustained by general government spending, particularly on machinery, as private investment decreased. The fall in private investment was due to a reduction in outlays on transport equipment, which had increased significantly a year earlier as a result of spending on commercial vehicles and aircraft. Overall investment in construction was broadly stable as a drop in private sector investment on dwellings was counterbalanced by an increase in other construction. Private investment in other products related to IT and software rose on an annual basis.

Changes in inventories, which include the statistical discrepancy, continued to have significant negative effect on real GDP. They contributed -4.8 percentage points to real GDP growth. However, at -2.6% during the second quarter, their share in GDP was lower compared with the first quarter of the year, when it stood at -4.2%.



### Nominal GDP growth picks up

Nominal GDP expanded by an annual 3.0% in the second quarter of the year, compared with 1.0% in the previous quarter (see Chart 2.2).

On the income side, both major components of growth, namely, employee compensation and gross operating surplus, increased. Growth in compensation to employees rose at a decelerating rate of 2.6% compared with 3.7% in the first quarter of the year. On a sectoral basis, in absolute terms

employee compensation in the public administration, education & health and the wholesale & retail trade, accommodation & transportation sectors registered a notable increase. On the other hand, it declined in the manufacturing sector.

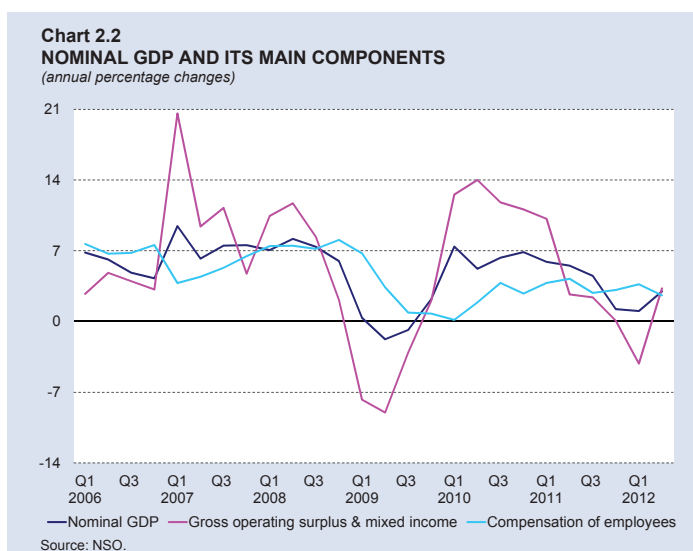
Gross operating surplus expanded by 3.3% in annual terms, reversing a contraction of 4.2% in the previous period. This recovery was driven by services, mostly financial & insurance activities, arts & entertainment and information & communication. In contrast, the gross operating surplus in the wholesale & retail trade, accommodation & transportation sector declined. Furthermore, gross operating surplus also contracted in non-service sectors, namely agriculture, quarrying, manufacturing & utilities, and construction.

### Services continue to sustain GDP growth

Gross value added (GVA) for the whole economy increased by 2.9%, reversing the marginal decline in the previous quarter and contributing 2.5 percentage points to nominal GDP growth (see Table 2.2).<sup>2</sup> GVA increased across all service sectors except the real estate sector, where it remained stable. The public administration, education & health sector, the financial & insurance activities sector and the arts & entertainment sector were the largest contributors to the increase in GVA. GVA also recovered in the wholesale & retail, accommodation & transportation sector, after the contraction of the previous quarter, contributing over 0.5 percentage point to nominal GDP growth. In total, the service sectors pushed up economic growth by 3.2 percentage points.

In contrast, GVA fell in the remaining sectors of the economy when compared with the same quarter a year earlier. Taken together, the decline in GVA across these sectors dragged nominal GDP growth down by 0.6 percentage point. The most significant drops in absolute terms arose in the mining & utilities and manufacturing sectors although GVA in the construction sector also declined.

In contrast to the fall in manufacturing GVA, the volume of industrial production recovered in the second quarter of 2012.<sup>3</sup> Industrial production expanded by 0.6% on an annual basis, following



<sup>2</sup> The difference between nominal GDP growth and the GVA contribution is made up of taxes on products net of subsidies.

<sup>3</sup> 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.

**Table 2.2**  
**CONTRIBUTION OF SECTORAL GROSS VALUE ADDED TO NOMINAL GDP**

Percentage points

	2011			2012	
	Q2	Q3	Q4	Q1	Q2
Agriculture, forestry & fishing	0.1	-0.1	-0.1	-0.1	-0.1
Mining & quarrying; utilities	-1.4	-1.7	-1.1	-1.3	-0.3
Manufacturing	0.5	0.2	-0.5	-0.6	-0.2
Construction	0.0	0.0	-0.1	0.0	-0.1
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	1.3	0.2	0.5	-0.4	0.5
Information & communication	0.3	0.4	0.4	0.2	0.4
Financial & insurance activities	0.4	1.5	1.0	0.5	0.6
Real estate activities	0.2	0.2	0.2	0.1	0.0
Professional, scientific, administrative & related activities	0.5	0.3	0.3	0.5	0.3
Public administration & defence; education; health & related activities	0.8	0.5	0.8	0.5	0.8
Arts, entertainment; household repair & related services	0.6	0.8	0.4	0.6	0.6
<b>Gross value added</b>	<b>3.1</b>	<b>2.2</b>	<b>1.7</b>	<b>-0.2</b>	<b>2.5</b>
<b>Net taxation on products</b>	<b>2.4</b>	<b>2.3</b>	<b>-0.5</b>	<b>1.2</b>	<b>0.5</b>
<b>Annual nominal GDP growth (%)</b>	<b>5.5</b>	<b>4.5</b>	<b>1.2</b>	<b>1.0</b>	<b>3.0</b>

Source: NSO.

three consecutive quarters of decline (see Table 2.3). The recovery was sustained by an increase in output of computers, electronic & optical equipment and pharmaceutical products, which had contracted for several quarters. Moreover, in the quarter under review, there were further increases in production in the food and energy sectors. On the other hand, output in sectors producing wearing apparel and those engaged in the repair & installation of machinery declined after having risen in the previous quarter. Output of rubber & plastic products and textiles fell further.

**Table 2.3**  
**INDUSTRIAL PRODUCTION**

Percentages; annual percentage changes

	Shares	2011			2012	
		Q2	Q3	Q4	Q1	Q2
<b>Industrial production</b>	<b>100</b>	<b>1.0</b>	<b>-2.4</b>	<b>-1.3</b>	<b>-1.6</b>	<b>0.6</b>
Computer, electronic & optical products	18.5	-2.0	-9.7	-8.1	-7.9	7.4
Food products	10.2	-6.4	-9.7	11.5	3.1	1.9
Energy <sup>(1)</sup>	8.0	3.5	2.7	2.1	6.0	3.7
Wearing apparel	6.5	13.8	4.2	-6.5	9.7	-11.8
Rubber & plastic products	6.2	2.6	12.0	-2.5	-7.4	-14.2
Basic pharmaceutical products & pharmaceutical preparations	5.5	-2.4	-15.1	-24.6	-18.6	1.8
Textiles	5.2	12.0	-4.8	2.6	-3.9	-8.4
Repair and installation of machinery and equipment	5.0	-24.3	-25.6	-24.5	1.6	-0.9

<sup>(1)</sup> Includes electricity, gas, steam & air conditioning supply and water collection, treatment & supply.

Source: NSO.



## BOX 1: TOURISM ACTIVITY

### Recovery in the tourism industry in the second quarter of 2012

During the second quarter of 2012 the tourism industry recorded buoyant growth, with arrivals, nights stayed and expenditure all higher on an annual basis.

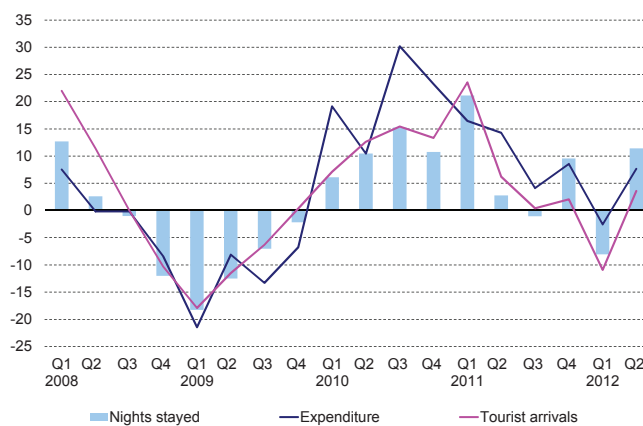
According to data published by the National Statistics Office (NSO), the number of arrivals increased by 3.6% on a year earlier, after a drop of 10.9% in the first quarter of the year (see Chart 1). In absolute terms, the increase reflected growth in the number of leisure travellers and, to a lesser extent, in visitors travelling for “other” purposes, notably language students. On the other hand, the number of business travellers dropped.

In terms of geographical distribution, most source markets registered increases during the June quarter. The number of visitors from the United Kingdom, which accounts for just below a third of total arrivals, rose by 1.6% on year-ago levels. In addition, the number of visitors from Italy, Malta’s second largest source market, increased by 3.6%, while the number of arrivals from Spain rose at an annual rate of 8.5%. Meanwhile, visitors from France were up by 4.8%, while arrivals from another established market, Germany, increased by 2.8%. Arrivals from smaller markets, such as Ireland, Switzerland and Scandinavia, were also higher. Drops were, however, registered from the Austrian and Belgian markets.

During the second quarter of 2012, total tourist expenditure outpaced the increase in the number of visitors, growing by 7.6% in annual terms.<sup>1</sup> This stemmed from a 14.9% increase in spending on package holidays and a 9.6% rise in the “other” component.<sup>2</sup> On the other hand, outlays on non-package holidays dropped, as lower spending on accommodation was partly offset by higher expenditure on airfares.

In addition, the total number of nights stayed rose by an annual 11.4% during the quarter reviewed. Nights spent in collective accommodation rose by 6.6%, while those spent in private residences increased by a substantial 25.2%.<sup>3</sup> The average length of stay of visitors to Malta rose by 0.5 nights, to 7.5 nights.

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



Source: NSO.

<sup>1</sup> Total expenditure is split into package, non-package and “other”.

<sup>2</sup> 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.

<sup>3</sup> Collective accommodation includes hotels and the “other” component. The “other” component comprises guesthouses, apart-hotels and hostels.

On the supply side, the net number of bed-places available at the end of the quarter was higher than a year earlier, with the expansion mainly registered by 4-star hotels. Despite the increase in the supply of bed-places, hotel occupancy rates still increased, going up by 0.3 percentage point on a year earlier, to 61.9%.

Thus, while occupancy rates increased in all hotel types compared with year-

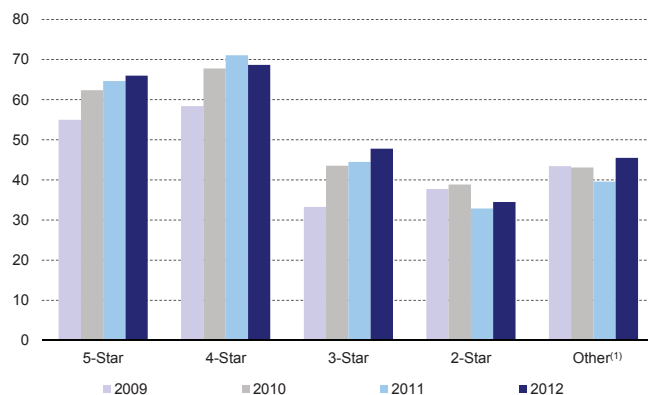
ago levels, they did not rise in 4-star hotels, possibly due to the expansion in bed-places as mentioned above. In 5-star hotels, occupancy rates rose by 1.3 percentage points during the second quarter, while they increased by 3.3 points in 3-star hotels. In 4-star hotels occupancy rates dropped by 2.4 percentage points (see Chart 2). Occupancy in “other” establishments rose to 45.5% from 39.6% in the corresponding period of the previous year.

An industry survey broadly corroborates these trends, with increases in the 5 and 3-star hotel categories and a drop in the 4-star category.<sup>4</sup> This source, however, generally shows higher occupancy rates compared with those from NSO data.

This survey also shows that during the second quarter of 2012 there was an increase in average achieved room rates in all hotel categories, although to a significantly lesser extent than that reflected in the accommodation sub-index of the Harmonised Index of Consumer Prices over the same period.

During the second quarter, day visitors arriving on cruise liners were almost 15% higher than year-ago levels (see Chart 3). The frequency

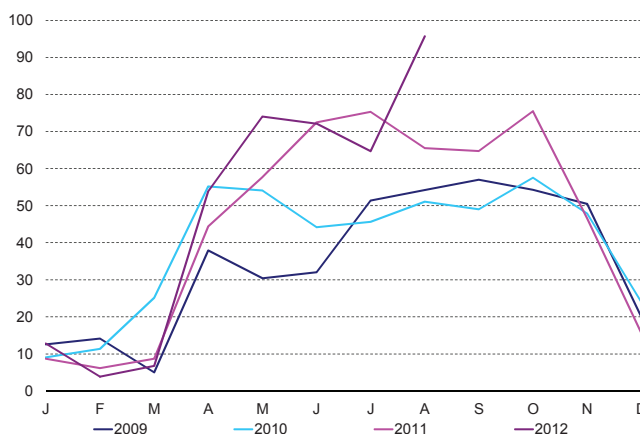
**Chart 2**  
AVERAGE OCCUPANCY RATES IN THE SECOND QUARTER  
(per cent)



<sup>(1)</sup> Comprises of guesthouses, aparthotels and hostels.

Source: NSO.

**Chart 3**  
CRUISE LINER PASSENGERS  
(thousands)



Source: NSO.

<sup>4</sup> See BOV-MHRA Survey – Q2 2012.

of port calls by cruise liners was also higher: 113 calls compared with 99 in the same period of 2011.

NSO data for July and August show that the situation in the tourism sector improved further, with the number of visitors to Malta rising by an average of 5.7% on a year earlier. Total nights stayed were on average 9.1% higher on year-ago levels. Meanwhile, total expenditure increased by 8.6%, with the rise coming mainly from non-package holidays. By August, the decline seen in the number of visitors in the first quarter of the year was reversed, raising the level for January to August 2012 marginally above that recorded in the same period of 2011. The total number of nights stayed was 5.9% higher, while spending was up by 6.7% on a year earlier.

Meanwhile, the number of cruise liner passengers during July and August 2012 also rose by an average of almost 15% over the same period a year earlier.

### **The labour market<sup>4</sup>**

Labour market statistics for the second quarter showed that employment continued to expand. Meanwhile, developments regarding unemployment were mixed, with some indications of a pick-up in more recent months.

#### *Employment growth rises further*

On the basis of the labour force survey (LFS) for the second quarter of the year, the labour supply, which includes all persons in the labour market aged 15 and over, went up by 1.9% compared with the same quarter a year earlier (see Table 2.4). Employment rose by 2.1%, following an increase of 1.9% in the first quarter. Jobs on a full-time basis increased by 2,105 in absolute terms, or 1.4%, and part-time jobs were up by 1,198, or 7.0%. Full-time jobs on reduced hours also rose on a year earlier after having declined on a year-on-year basis in the preceding quarter.

With employment expanding more rapidly than the working age population, the employment rate rose further. At 58.5%, the employment rate for the second quarter of 2012 was 1.2 percentage points higher than its year-ago level.<sup>5</sup> The rise was once again completely driven by females as their employment rate increased to 43.9% from 40.5% a year earlier. Among women, the strongest increase was registered in the 45 – 54 age bracket. Increased female participation in the labour market continued to be incentivised by tax-related relief schemes. At the same time, the male employment rate fell by 1.0 percentage point to 72.5%, with the biggest decline reported in the 45 – 54 age bracket.

The activity rate rose to 62.6% from 61.5% a year earlier, with the increase being completely driven by the female category.<sup>6</sup>

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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.

**Table 2.4**  
**LABOUR MARKET INDICATORS BASED ON THE LFS**

Persons; annual percentage changes

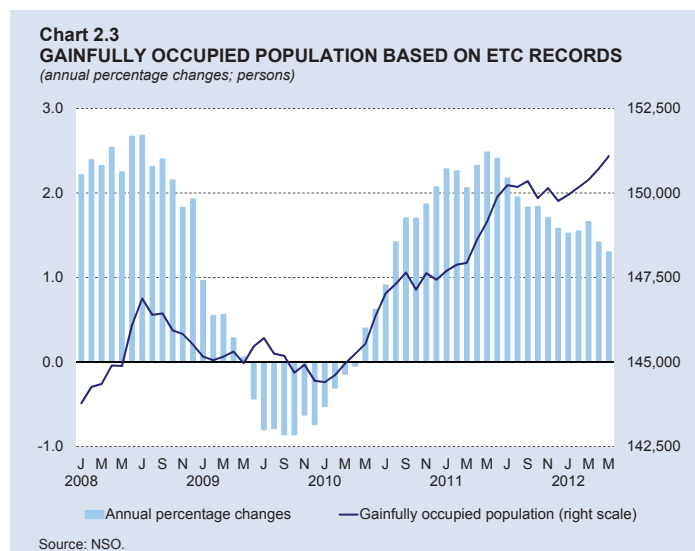
	2011			2012		Annual change %
	Q2	Q3	Q4	Q1	Q2	
<b>Labour supply</b>	<b>180,291</b>	<b>181,684</b>	<b>179,405</b>	<b>182,310</b>	<b>183,705</b>	<b>1.9</b>
Employed	168,125	170,466	167,627	171,270	171,728	2.1
<i>By type of employment:</i>						
Full-time	146,333	146,855	146,129	147,789	148,438	1.4
Full-time with reduced hours	4,576	4,044	3,163	3,422	4,876	6.6
Part-time	17,216	19,567	18,335	20,059	18,414	7.0
Unemployed	12,166	11,218	11,778	11,040	11,977	-1.6
<b>Activity rate (%)</b>	<b>61.5</b>	<b>62.0</b>	<b>61.4</b>	<b>62.4</b>	<b>62.6</b>	
Male	78.8	78.8	77.9	77.4	77.7	
Female	43.6	44.6	44.3	46.8	47.0	
<b>Employment rate (%)</b>	<b>57.3</b>	<b>58.1</b>	<b>57.3</b>	<b>58.6</b>	<b>58.5</b>	
Male	73.5	74.0	73.0	73.0	72.5	
Female	40.5	41.6	41.1	43.6	43.9	
<b>Unemployment rate (%)</b>	<b>6.7</b>	<b>6.2</b>	<b>6.6</b>	<b>6.1</b>	<b>6.5</b>	
Male	6.6	5.9	6.2	5.6	6.5	
Female	7.1	6.7	7.3	6.8	6.6	

Source: NSO.

Employment and Training Corporation (ETC) records available up to May broadly corroborate the LFS results. The gainfully occupied population, defined to include all those persons in full-time employment, generally increased, but at a slower rate compared with the previous months (see Chart 2.3). The annual growth rate decelerated to 1.3% in May from 1.7% in March.

Employment growth was completely driven by the private sector (see Table 2.5). In May, the number of full-time employees in this sector rose by 2,371, or 2.2%, on May 2011. Employment in the market services sector expanded by 3.7%. On the other hand, jobs in direct production fell by 1.4%.

The largest addition to employment in the services category on a year earlier was registered in the land transport sector. Notable increases were also recorded in business support activities; arts, entertainment & recreation; education and residential care activities. On the other hand, jobs decreased in sectors related to



**Table 2.5**  
**LABOUR MARKET INDICATORS BASED ON ETC ADMINISTRATIVE RECORDS**

*Persons; annual percentage changes*

	2011			2012		Annual change %
	May	Sep.	Dec.	Mar.	May	
<b>Labour supply</b>	<b>155,517</b>	<b>156,906</b>	<b>156,351</b>	<b>157,355</b>	<b>157,787</b>	<b>1.5</b>
Gainfully occupied <sup>(1)</sup>	149,151	150,352	149,764	150,389	151,089	1.3
Registered unemployed	6,366	6,554	6,587	6,966	6,698	5.2
<b>Unemployment rate (%)</b>	<b>4.1</b>	<b>4.2</b>	<b>4.2</b>	<b>4.4</b>	<b>4.2</b>	
<b>Private sector</b>	<b>107,391</b>	<b>108,825</b>	<b>108,140</b>	<b>109,100</b>	<b>109,762</b>	<b>2.2</b>
Direct production	31,138	31,338	31,015	31,471	30,687	-1.4
Market services	76,253	77,487	77,125	77,629	79,075	3.7
<b>Public sector</b>	<b>41,079</b>	<b>40,927</b>	<b>40,992</b>	<b>40,658</b>	<b>40,713</b>	<b>-0.9</b>
<b>Temporary employment</b>	<b>681</b>	<b>600</b>	<b>632</b>	<b>631</b>	<b>614</b>	<b>-9.8</b>
<b>Part-time jobs</b>	<b>51,243</b>	<b>53,639</b>	<b>53,440</b>	<b>53,271</b>	<b>54,370</b>	<b>6.1</b>
Primary	28,976	30,355	30,201	30,142	31,102	7.3
Secondary <sup>(2)</sup>	22,267	23,284	23,239	23,129	23,268	4.5

<sup>(1)</sup> This category measures full-time employment.

<sup>(2)</sup> This category includes employees holding both a full-time and a part-time job.

Source: NSO.

warehousing & support activities for transport and accommodation. The loss of jobs in direct production in the private sector mainly stemmed from construction and the manufacture of computer, electronic & optical products. Conversely, the pharmaceutical sector registered gains.

In the public sector, employment fell to 40,713 in May, a drop of 0.9% on a year earlier. Job losses were recorded both in services and in direct production. The number of full-timers fell in the areas of air transport, which continued to be influenced by the ongoing restructuring at Air Malta, the national airline, and in the public administration & defence category. However, these losses were partly offset by job gains in social & health activities. Turning to direct production in the public sector, jobs primarily decreased in construction.

Part-time employment increased by an annual 6.1% in May, compared with 6.0% in March. Gains were mostly due to a rise of 7.3% in workers with a part-time job as their primary occupation. Over the same period, workers with a part-time job in addition to their full-time employment rose by 4.5%. Female workers were once again the main drivers behind both increases. Within the pool of part-timers, the most significant addition was registered in accommodation & food service activities.

### *The unemployment rate rises, but remains below year-ago levels*

The LFS unemployment rate rose by 0.4 percentage point from the previous quarter, to 6.5% in the second quarter.<sup>7</sup> Compared with a year earlier, however, the rate dropped by 0.2 percentage

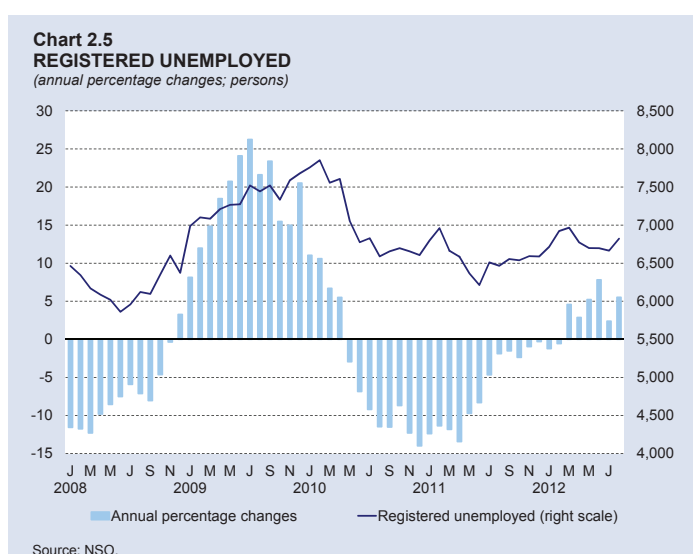
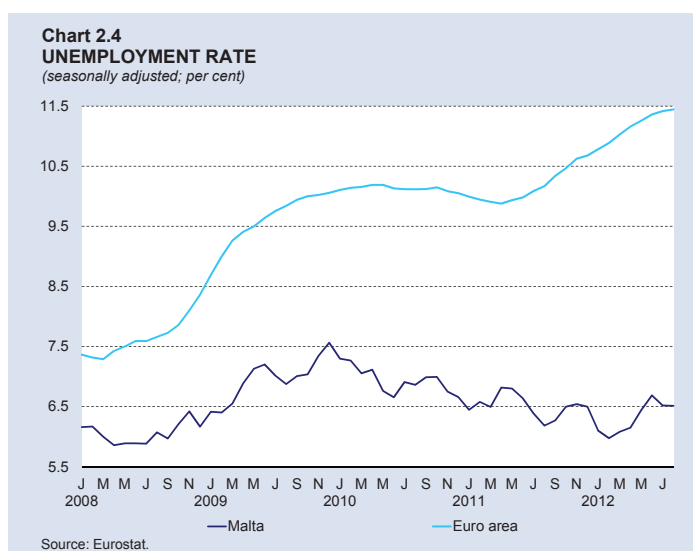
<sup>7</sup> According to the LFS, the unemployed comprise all persons above 15 years of age who are without work, available for work and who have actively sought work during the four weeks preceding the survey. In contrast, the number of unemployed on the basis of ETC data includes only those persons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

point. The fall mainly stemmed from lower unemployment among women, though male unemployment also fell, albeit at a slower rate.

Similar developments were observed in the seasonally adjusted unemployment rate, which averaged 6.4% in the second quarter of 2012, up by 0.4 percentage point from the previous quarter but 0.3 percentage point lower compared with the same period of 2011 (see Chart 2.4).<sup>8</sup> The unemployment rate in Malta was almost 5.0 percentage points lower than the euro area average.

The administrative records of the ETC show a drop in the number of registered unemployed between March and June (see Chart 2.5). However, the number of unemployed was above the level recorded a year earlier. In May, the unemployment rate based on ETC data stood at 4.2%, slightly above the 4.1% rate registered in the same month of 2011.

Going into the third quarter, the seasonally adjusted unemployment rate stood at 6.5% in both July and August, marginally above the average for the previous quarter. Meanwhile, ETC data show that, on a monthly basis, the number of claimants for unemployment benefits fell in July before rising in August. Compared with a year earlier, the number of registered unemployed rose further.



<sup>8</sup> Based on Eurostat calculations.

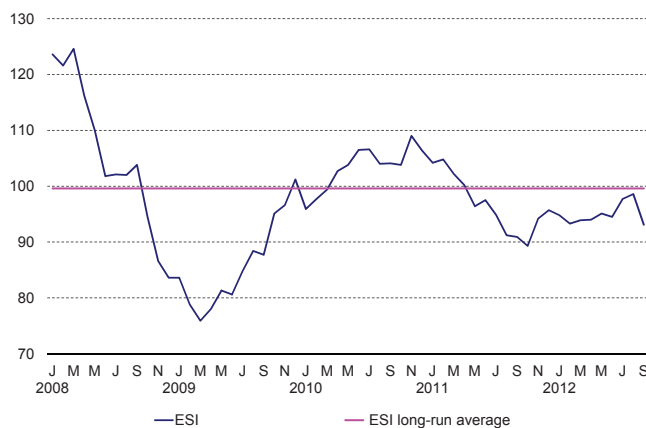
## BOX 2: BUSINESS AND CONSUMER SURVEYS<sup>1</sup>

Survey data for the third quarter of 2012 indicate a deterioration in confidence among firms operating in the manufacturing sector.<sup>2</sup> Conversely, confidence improved in the construction and service sectors and among consumers. As a result of these movements, the overall economic sentiment indicator (ESI), which is an aggregate, fell to 93.1 in September from 94.5 in June and remained below its long-term average of 99.6 (see Chart 1).<sup>3</sup>

### Industrial confidence deteriorates<sup>4</sup>

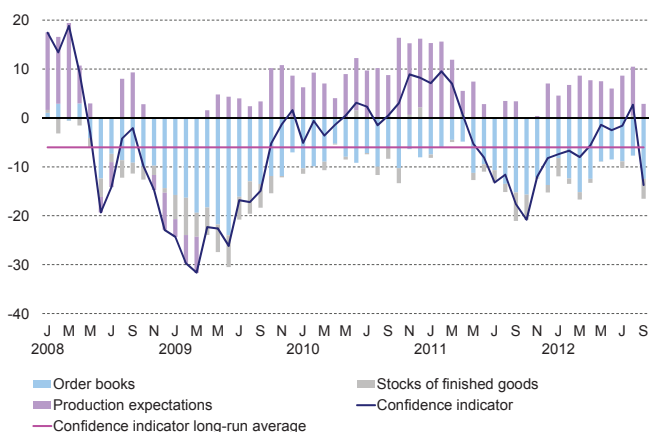
The steady recovery in industrial confidence seen since November 2011 extended up to August 2012, when the indicator turned positive and exceeded its long-term average.<sup>5</sup> However, this was followed by a sharp fall in September. Consequently, in quarterly terms the industrial confidence indicator fell to -14 in September from -3 in June (see Chart 2).

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



Source: European Commission.

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



Source: European Commission.

<sup>1</sup> The cut-off date for data in this Box is 30 October 2012.

<sup>2</sup> 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.

<sup>3</sup> The ESI summarizes developments in confidence in the four surveyed sectors (industry, services, construction and consumers).

<sup>4</sup> 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.

<sup>5</sup> Long-term averages are calculated over the entire period for which data are available. For the industrial confidence indicator and consumer confidence indicator, data became first available in November 2002, while the services confidence indicator and the construction confidence indicator data became available in May 2007 and in May 2008, respectively.



All components of the index contributed to the overall drop during the September quarter. A higher number of respondents reported that order books were weaker, stocks of finished goods had increased, while production expectations had deteriorated. In September, the order book and production expectation sub-indices were below their long-term averages and the stock of finished goods index was marginally above it.

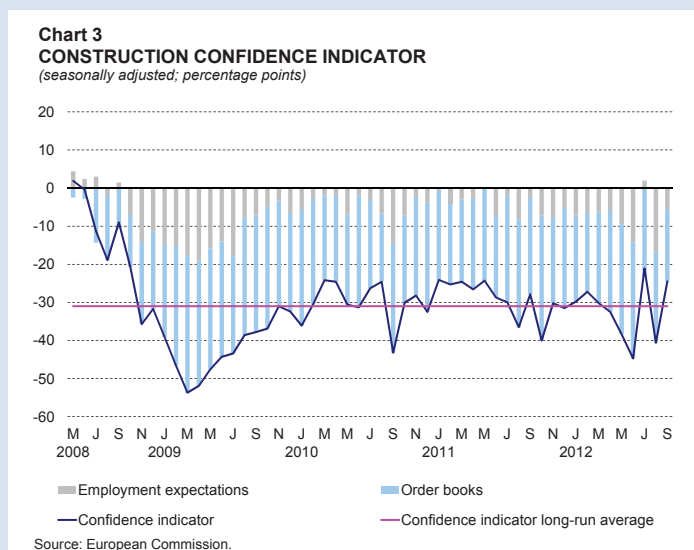
Further survey data show that a large number of respondents continued to indicate insufficient demand as the main inhibitor to business activity. Moreover, a small majority of participants were expecting a fall in their employment levels, whereas they had foreseen an increase in the previous quarter. Selling prices were expected to increase at a slower pace compared with June.

On the basis of seasonally unadjusted data, which provide information on a sectoral level, the overall index fell to -18 in September from -1 in June. Confidence turned negative among firms producing consumer and investment goods while those producing intermediate goods were even more pessimistic, compared with the previous quarter. More specifically, the balance of replies turned negative among producers of pharmaceutical products and computer & electronic equipment. Meanwhile, firms operating in the repair and installation of machinery & equipment sector reported a further loss in confidence. In contrast, confidence turned positive among firms in the wearing apparel, printing & reproduction of recorded media and food sectors.

### Confidence in the construction industry improves<sup>6</sup>

Confidence among firms operating in the construction industry rose to -25 in September from -45 in June, amid considerable volatility over the quarter (see Chart 3). Thus, at this level the index stood above its long-term average of -31.

Both components of the index reported gains. In particular, the proportion of firms that considered their current order books to be below normal decreased and a lower share of respondents expressed an intention to reduce their labour complement in the subsequent three months. Both sub-components stood above their respective long-term average.

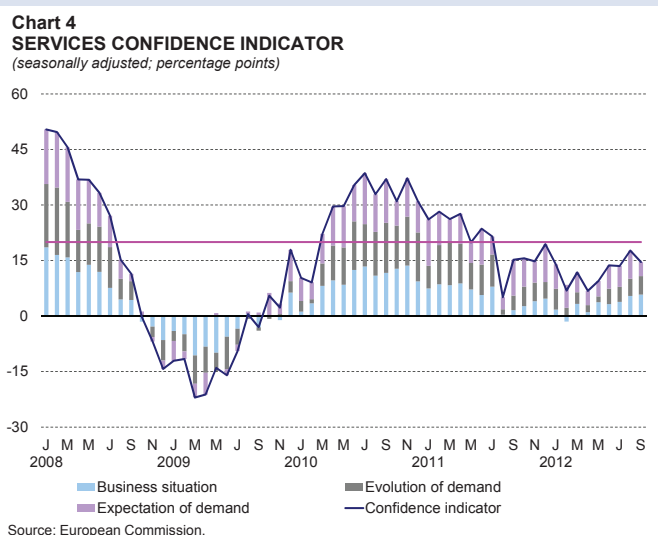


<sup>6</sup> The construction confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.



## Confidence in the services sector improves marginally<sup>7</sup>

The services confidence indicator continued to show gains, rising marginally from 14 in June to 15 in September (see Chart 4). Nevertheless, the index remained below its long-term average of 20. The rise in confidence was spurred by increased demand in the previous quarter and by a higher share of respondents registering an improved business situation over the preceding three months. On the other hand, respondents reported a deterioration in expected demand for the subsequent three months, with demand projected to increase to a lesser degree than before. All components of the index, however, remained below their respective long-term averages.



Expectations with respect to manpower levels continued to rise, as a larger number of respondents thought that employment in their firms would increase over the subsequent three months. On balance, prices charged by service providers were expected to decrease in the subsequent quarter.

In seasonally unadjusted terms, the overall index fell by 8.0 percentage points to 18 in September compared with June. Confidence turned negative among firms operating in the arts, entertainment & recreation, rental & leasing, real estate and food & beverage sectors. Moreover, firms offering travel-related, accommodation and warehousing & support services were less optimistic, compared with three months earlier. On the other hand, the balance of replies moved into positive territory among firms in the land transport and financial intermediation sectors.

## Consumer confidence rises but remains at low levels<sup>8</sup>

In September, consumer confidence increased to -37 from -39, in June (see Chart 5). The indicator, however, remained below its long-term average of -27.

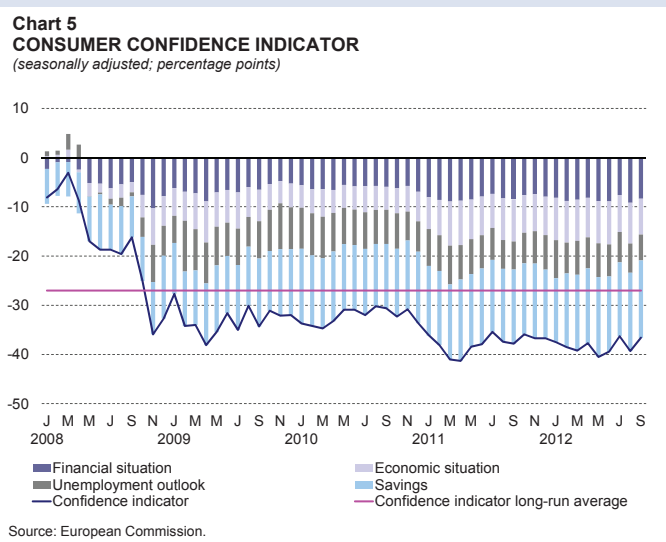
Between June and September, consumers became less pessimistic about their own financial position. Moreover, the share of respondents expecting a rise in unemployment decreased,

<sup>7</sup> 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.

<sup>8</sup> The consumer confidence indicator is an 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.

while their assessment of the general economic situation in the subsequent 12 months improved. On the other hand, consumers were more pessimistic about their ability to save in the subsequent 12 months. All components remained weak from a long-term perspective.

Supplementary survey information shows that the proportion of respondents considering that the timing was right to make major purchases, given the existing economic situation, slightly increased compared with June. In September, on balance, a smaller number of respondents expected prices to rise over the subsequent 12 months compared with June.

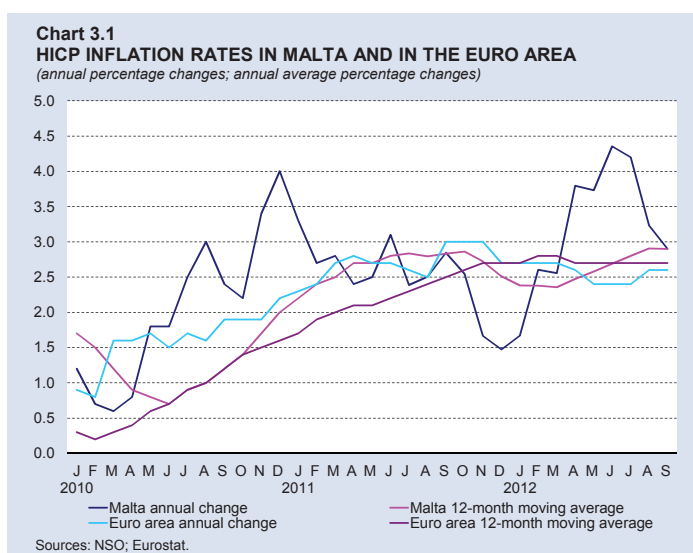


### 3. PRICES, COSTS AND COMPETITIVENESS

#### HICP inflation

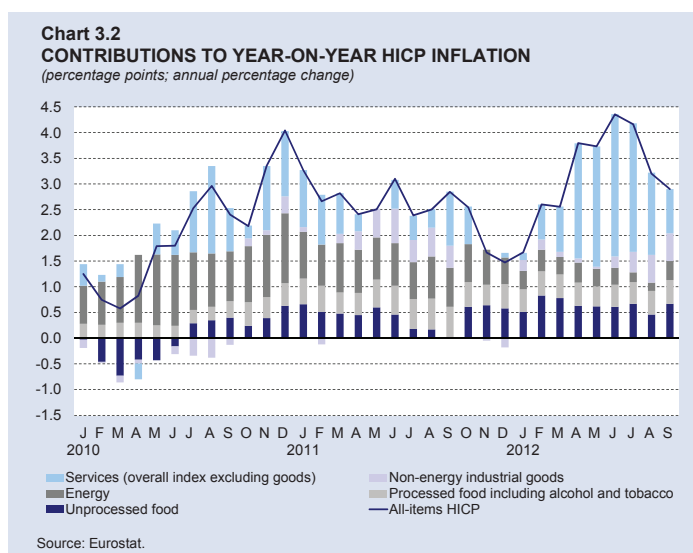
##### *HICP inflation rate up in the second quarter*

The Harmonised Index of Consumer Prices (HICP) inflation rate rose further during the second quarter of 2012, with the annual rate going to 4.4% in June from 2.6% in March.<sup>1</sup> The increase in the headline inflation rate during the June quarter was mainly the result of higher prices for services, more particularly hotel accommodation rates. During the quarter, inflationary pressures emanating from energy and food eased, although they increased modestly in the case of non-energy industrial goods.



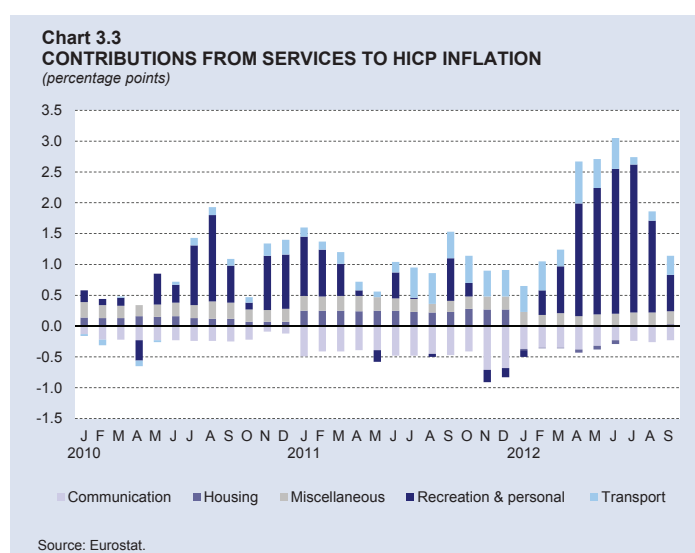
As a result of these movements, the 12-month moving average rate in Malta edged up by a further 0.3 percentage point to 2.7% in June. This was in line with that of the euro area, although the year-on-year rate of inflation in the euro area decelerated to 2.4% (see Chart 3.1).

As stated above, service prices contributed substantially to the rise in the inflation rate in the second quarter, with their annual rate of change rising to 5.9% in June from 2.0% in March (see Chart 3.2). As a result, the contribution of this component to the overall inflation rate reached 2.8 percentage points in June from 0.9 percentage point three months earlier (see Table 3.1



<sup>1</sup> In January 2012 the HICP weights were revised to reflect changes in household consumption patterns. The weight of non-energy industrial goods took the largest drop, down by 1.6 percentage points to 29.9%. In addition, the weight related to food dropped by 0.2 percentage point to 20.3%. In contrast, the share allotted to energy rose from 6.7% to 7.3% in 2012. Weights related to services rose by 1.2 percentage points, to 42.5%.

and Chart 3.3). The sharp acceleration in the services inflation rate between March and June mainly reflected increases in the recreational services component, which contributed 2.4 percentage points to overall inflation, 1.6 percentage points more than in March. Developments in this component showed a strong acceleration in hotel accommodation rates and in the prices of transport services. In annual terms, hotel accommodation rates went up by 15.3% in June after they had increased by 4.3% in March, thus contributing



2.1 percentage points to the overall HICP inflation rate. Other sources, including a survey of selected hotel categories conducted by the Malta Hotels and Restaurants Association, point to a much slower acceleration in accommodation prices.<sup>2</sup>

The rise in the transportation sub-index was mainly due to developments in the prices of land transport, more specifically the upward revision in bus fares as a result of the application of different pricing arrangements for residents and non-residents as from July 2011. Higher airfares also contributed to the increase, albeit to a lesser extent.

Non-energy industrial goods prices rose slightly, mostly reflecting higher prices of non-durable household goods and of books. As a result, the inflation rate of this component edged up to 0.8% in June from 0.3% in March. Meanwhile, the contribution of non-energy industrial goods to overall inflation rose by 0.1 percentage point, to 0.2 percentage point in June.

In contrast to previous months, the annual rate of change of food prices moderated to 5.2% in June from 6.1% in March. This component contributed 1.0 percentage point to overall inflation,

**Table 3.1**  
**YEAR-ON-YEAR HICP INFLATION**

*Percentage change*

	2012					
	Jan.	Feb.	Mar.	Apr.	May	June
Unprocessed food	6.6	11.1	10.5	8.5	8.5	8.4
Processed food including alcohol and tobacco	3.4	3.6	3.5	3.6	3.1	3.4
Energy	5.3	6.0	4.9	5.5	4.8	4.7
Non-energy industrial goods	0.6	0.6	0.3	0.3	0.1	0.8
Services (overall index excluding goods)	0.4	1.6	2.0	4.9	5.0	5.9
<b>All Items HICP</b>	<b>1.7</b>	<b>2.6</b>	<b>2.6</b>	<b>3.8</b>	<b>3.7</b>	<b>4.4</b>

Source: NSO.

<sup>2</sup> Recent National Statistics Office methodological changes are likely to have had a significant impact on the accommodation component in the HICP. The Office is examining the issue.

compared with 1.2 percentage points three months earlier. The easing in food price inflation over this period mainly reflected movements in prices of unprocessed food, where the annual rate of change decelerated from 10.5% in March to 8.4% in June. Consequently, the contribution of unprocessed food to overall inflation dropped to 0.6 percentage point, while processed food price inflation fell slightly to 3.4% in June from 3.5% three months earlier.

The annual rise in energy prices slowed to 4.7% in June from 4.9% in March, reflecting developments in fuel prices. As a result, the share of the energy category in overall inflation remained unchanged at 0.3 percentage point.

The annual HICP inflation rate decelerated to 2.9% in September. The easing between June and September was mostly due to developments in the services index, particularly to a drop in accommodation prices and the elimination of the base effect concerning the revision of the bus fare structure from July 2011.

### RPI inflation<sup>3</sup>

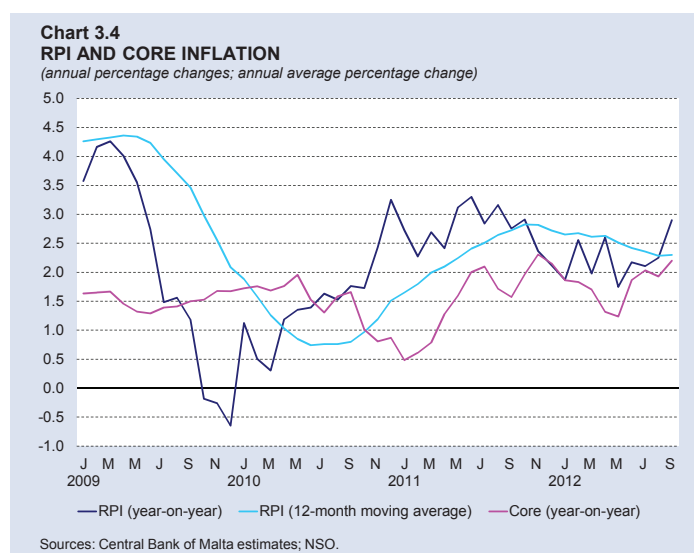
#### *RPI inflation remains almost unchanged*

The annual rate of inflation based on the Retail Price Index (RPI) recorded a significantly less pronounced rise than the HICP. The RPI inflation rate edged up to 2.2% in June from 2.0% in March. Meanwhile, the 12-month moving average inflation rate of the RPI slowed down slightly, to 2.4% from 2.6% three months earlier (refer to Table 3.2 and Chart 3.4).

Much of the acceleration in the overall RPI inflation between March and June reflects developments in transport & communication sub-index. The annual inflation rate for this category rose to 2.9% in June from 0.9% in March. As a result, its contribution increased by half a percentage point to 0.7 point.

In contrast, inflation in the food category dropped to 3.2% in June from 5.4% in March.<sup>4</sup> As a result its contribution was also reduced by half a percentage point to 0.7 percentage point.

Negative price movements continued to be recorded by the clothing & footwear category. The related sub-index declined by 2.9% on a year earlier in June after a more pronounced fall of 5.6% in March. As a result, this



<sup>3</sup> 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.

<sup>4</sup> 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.

**Table 3.2**  
**CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION**

*Percentage points*

	2012					
	Jan.	Feb.	Mar.	Apr.	May	June
Food	0.7	1.2	1.2	1.0	0.7	0.7
Beverages & tobacco	0.2	0.3	0.3	0.3	0.3	0.3
Clothing & footwear	-0.1	-0.2	-0.4	-0.3	-0.3	-0.2
Housing	0.0	0.0	0.0	0.0	0.0	0.0
Water, electricity, gas & fuels	0.0	0.0	0.0	0.1	0.1	0.1
Household equipment & house maintenance costs	0.2	0.2	0.2	0.1	0.1	0.2
Transport & communications	0.2	0.5	0.2	1.0	0.4	0.7
Personal care & health	0.1	0.1	0.1	0.1	0.1	0.1
Recreation & culture	0.0	0.0	0.0	0.0	0.1	0.1
Other goods & services	0.4	0.4	0.4	0.4	0.3	0.3
<b>RPI (annual percentage change)</b>	<b>1.9</b>	<b>2.6</b>	<b>2.0</b>	<b>2.6</b>	<b>1.7</b>	<b>2.2</b>

Sources: Central Bank of Malta; NSO.

category had a smaller dampening effect on the overall RPI rate compared with three months earlier.

There were little or no significant changes in the contributions of other major RPI sub-indices to the overall RPI inflation rate over this period.

Data for the third quarter of 2012 show that RPI inflation rose to 2.9% in September, owing to faster growth in food prices.

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.<sup>5</sup> This rose to 1.9% in June from 1.7% in March, primarily driven by the recreation & culture component.

## Costs and competitiveness

### *Producer price inflation remains negative<sup>6</sup>*

During the second quarter of 2012 producer price inflation remained negative, although the rate of decline moderated. In June the rate stood at -4.1% from -5.1% three months earlier (see Chart 3.5).

This followed prices of intermediate goods, which include semiconductors and which account for a significant share of industrial production in Malta, which continued to drop in annual terms to 8.1% in June from -9.9% three months earlier. They contributed a negative 4.4 percentage points to the overall rate from -5.5 points in March.

<sup>5</sup> 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.

<sup>6</sup> 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 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.

As electricity tariffs remained unchanged, energy prices had no effect on producer price inflation, with the contribution to overall inflation remaining at zero.

Meanwhile, producer prices of consumer goods decelerated slightly, registering an annual increase of 1.7% in June from 1.9% in March. This category contributed an unchanged 0.3 percentage point to the producer price inflation rate.

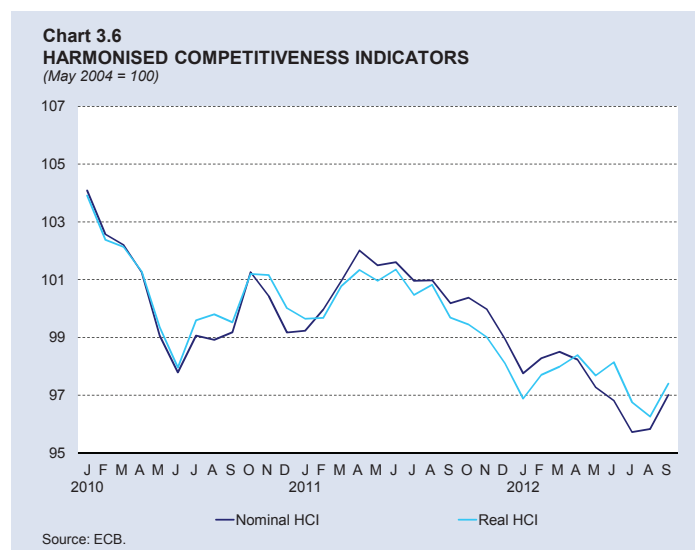
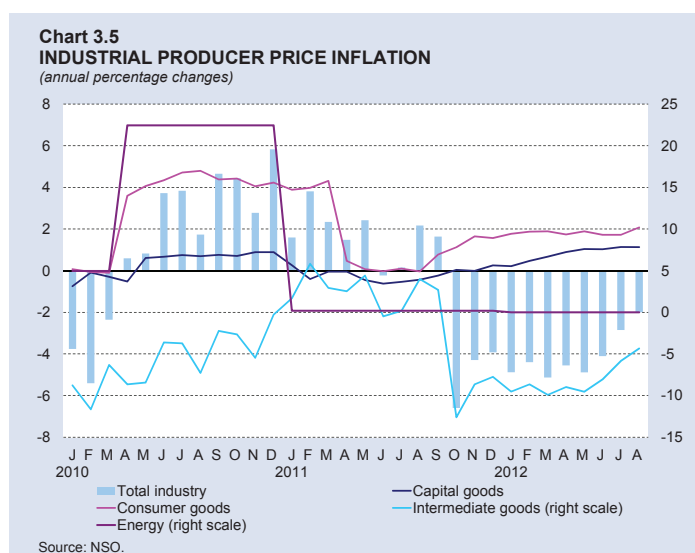
Capital goods continued to have a slight upward effect on the overall inflation rate, as prices rose marginally by 1.0% in June.

During August producer price inflation remained negative, although to a lesser extent than in June. The inflation rate stood at -2.0%, reflecting once again a less sharp decline in intermediate goods prices.

### *The HCIs temporarily diverge*

During the second quarter the nominal harmonised competitiveness indicator (HCI) and its real counterpart moved in opposite directions.<sup>7</sup> In June, the nominal index dropped by 1.7% from its March level, while the real index increased by 0.2% over the same period (see Chart 3.6).<sup>8</sup> As a result, the nominal index fell below the real index.

The decrease in the nominal HCI reflected the effect of exchange rate movements, namely the depreciation of the euro against the dollar, and, to a lesser extent,



<sup>7</sup> 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.

<sup>8</sup> 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.



against the pound sterling. Owing to the size of Malta's trade with the United States and the United Kingdom, changes in the exchange rate between the euro and these two currencies had a significant downward impact on Malta's HCI. The increase in the real index reflects a widening in Malta's inflation differential compared with the 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, cancelling out the competitive advantage conferred by the depreciation of the euro.

Thus, in June the nominal HCI was 4.1% lower in annual terms, while the real HCI was 2.3% lower.

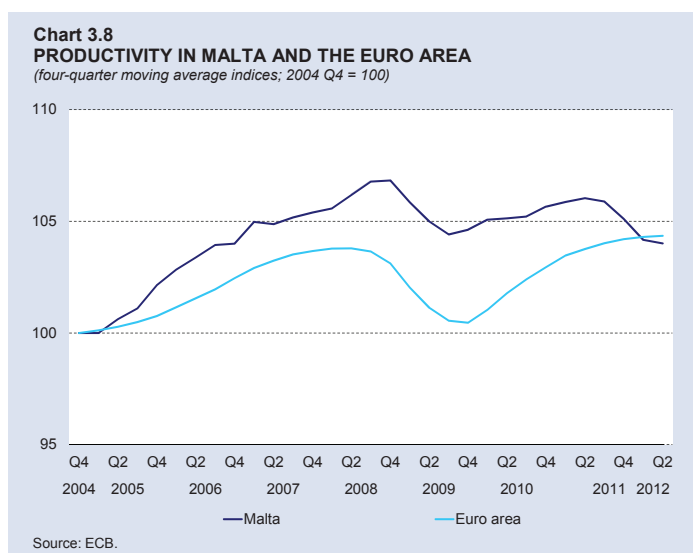
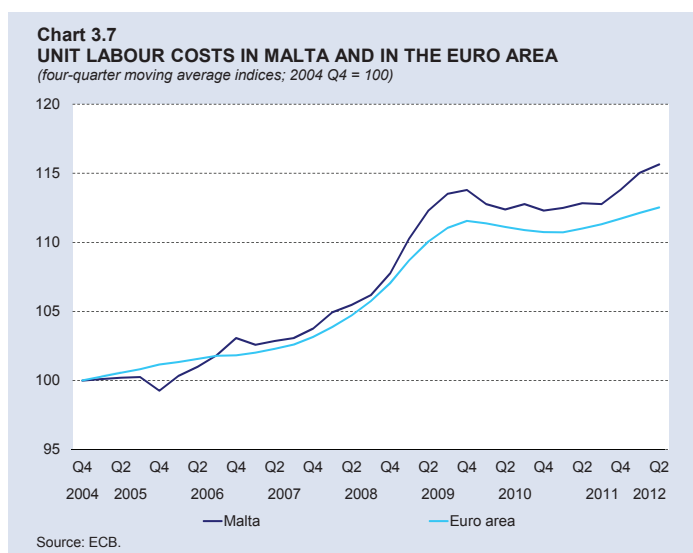
HCI data for the third quarter of 2012 show that the real index declined between June and September, while the nominal index rose by 0.2%. In contrast, the former was 0.8% lower, as a favourable inflation differential outweighed the loss in competitiveness arising from an increase in the value of the euro. The latest developments imply a slight reversal of the downward trend seen in the previous quarter.

### ULC increase further

In the second quarter of 2012 Malta's unit labour costs (ULC) recorded a further rise. Measured as a four-quarter moving average, ULC increased by 2.5% in annual terms, compared with a 2.3% rise in the year to March (see Chart 3.7).<sup>9</sup>

Meanwhile, compared with the previous quarter, ULC were 0.5% higher in the June quarter. The increase stemmed from a reduction of 0.2% in labour productivity that was amplified by a rise of 0.3% in employee compensation.

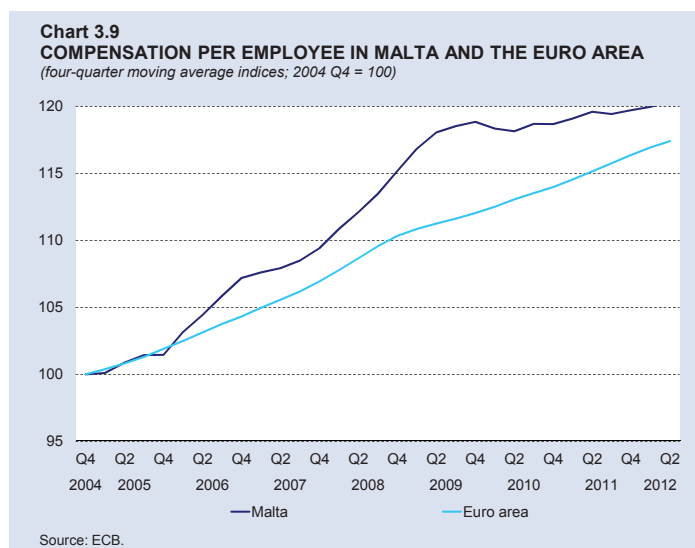
Chart 3.8 and 3.9 track the two components of ULC



<sup>9</sup> ULC 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.



– compensation per employee and labour productivity – in Malta and in the euro area since 2004. For the entire period, statistics indicate that productivity growth in Malta was 4.0%, below the 4.4% rise in the euro area. Meanwhile, compensation per employee in Malta went up by 20.4%, while that of the euro area grew by 17.4%. As a result of these movements, ULC growth in Malta exceeded that of the euro area over most of the period.



### BOX 3: RESIDENTIAL PROPERTY PRICES

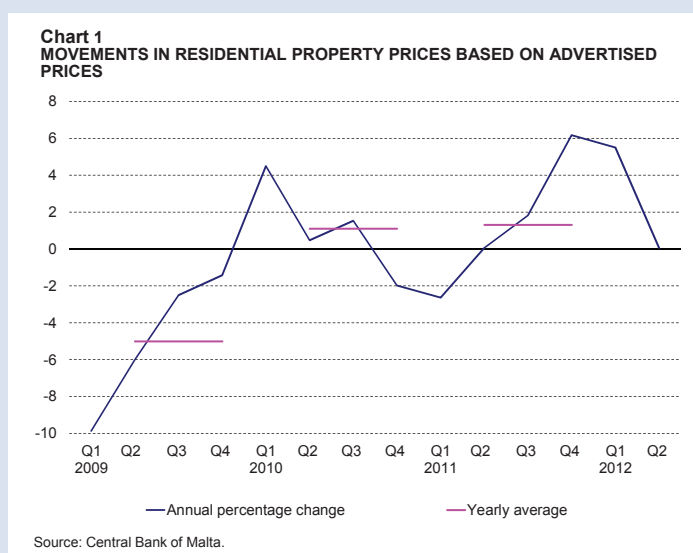
#### Residential property prices stable in the second quarter<sup>1</sup>

The Central Bank of Malta property price index, based on advertised prices, was unchanged in the second quarter of 2012 over year-ago levels, after rising by 5.5% in the previous quarter (see Chart 1).

The relative stability in the overall index during the quarter under review reflects contrasting developments between, on the one hand, apartments, maisonettes and terraced houses, and, on the other, property in the “other category”.

Thus, asking prices for apartments, which make up almost two-thirds of properties in the sample, saw an annual drop of 4.6%, following five quarters of consecutive increases. This category made the largest negative contribution to the overall movement in property prices (see Chart 2).

In addition, asking prices for maisonettes dropped by



<sup>1</sup> 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.

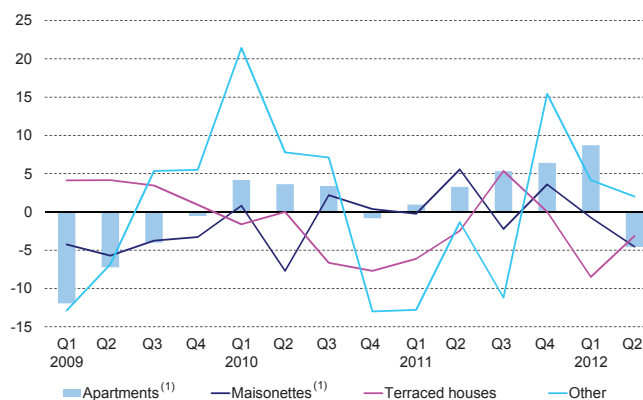
4.5% over their year-ago levels, while prices for terraced houses dropped by 3.1% in annual terms in the second quarter of 2012. However, given the relatively low weight of maisonettes and terraced houses in the Bank's sample, the downward impact on the overall index was smaller.

On the other hand, during the second quarter advertised prices in the "other" category, which consists of town houses, houses of character and villas, rose by 2.0% as a result of higher asking prices for houses of character and town houses. In contrast, advertised prices for villas fell.

A measure of activity in the housing market is provided by the number of advertised properties captured in the Bank's survey and by the number of permits approved for development. Both variables contracted significantly in the quarter under review. The number of advertised properties in the Bank's survey fell by 29.3% on a year earlier in the second quarter of 2012, compared with a 3.1% decline in the previous quarter. Apartments accounted for more than half of the annual decline in the quarter under review, although all advertised dwellings fell.

Meanwhile, the number of building permits issued by the Malta Environment & Planning Authority (MEPA) also continued to decrease, going down by 45.3% year-on-year in the June quarter, following a drop of 16.5% in the previous quarter. This may reflect the new screening process introduced by MEPA in January 2011, whereby applicants could receive a negative reply earlier on in the process, thus resulting in a smaller number of requests being converted to a full application. In absolute terms, the decline was almost entirely due to a lower number of permits issued for apartments, although development permits for maisonettes also registered drops. Permits for other property categories were almost unchanged.

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



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

## 4. THE BALANCE OF PAYMENTS

In the second quarter of 2012 the current account of the balance of payments recorded a surplus compared with a shortfall in the same quarter of 2011. This was primarily due to a narrower merchandise trade gap. However, the net balances on the other components of the current account also improved. Thus, lower net outflows were recorded on income transactions, while net inflows on services and current transfers were marginally higher.

Contemporarily, the capital and financial account registered a negative balance, reversing a surplus in same period of 2011. This mainly reflected developments on the financial account, where a shift to net outflows was recorded.<sup>1</sup> Moreover, the positive balance on the capital account was smaller.

In the second quarter, reserve assets – movements of which are recorded on the financial account – expanded. Meanwhile, net errors and omissions remained positive and increased significantly on a year earlier.<sup>2</sup>

### The current account

#### *The current account registers a surplus*

In the June quarter, the current account surplus amounted to EUR53.7 million, compared with a deficit of EUR104.8 in the second quarter of 2011 (see Table 4.1).

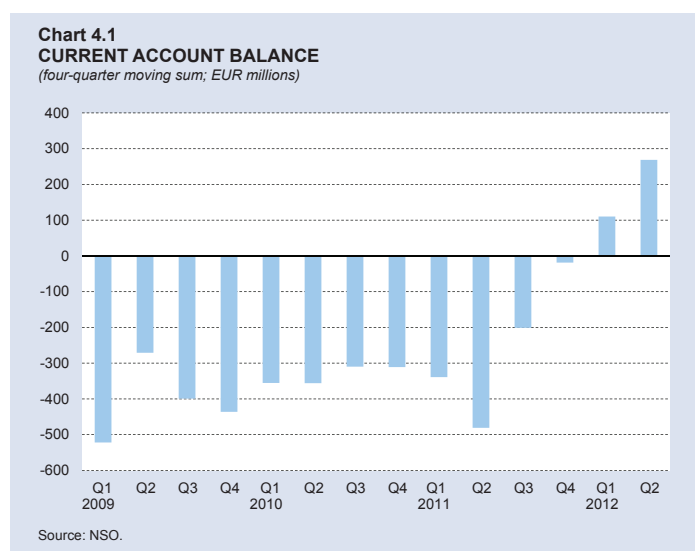
	2011	2012	four-quarter moving sum <sup>(1)</sup>				
	Q2	Q2	Q2	Q3	Q4	Q1	Q2
<b>Current account</b>	<b>-104.8</b>	<b>53.7</b>	<b>-480.8</b>	<b>-201.3</b>	<b>-18.6</b>	<b>110.1</b>	<b>268.6</b>
Goods	-348.9	-255.5	-1,264.9	-1,168.7	-1,012.0	-911.8	-818.5
Services	372.6	378.7	1,364.3	1,397.3	1,377.1	1,379.0	1,385.1
Income	-157.8	-101.6	-618.7	-473.6	-408.9	-388.2	-332.0
Current transfers	29.4	32.2	38.5	43.8	25.3	31.1	34.0
<b>Capital and financial account</b>	<b>92.2</b>	<b>-206.3</b>	<b>183.2</b>	<b>271.4</b>	<b>8.0</b>	<b>-157.8</b>	<b>-456.3</b>
Capital account	29.2	10.6	86.7	105.6	63.2	75.4	56.8
Financial account	63.0	-216.9	96.6	165.8	-55.3	-233.2	-513.1
Direct investment	44.0	-104.9	316.6	263.3	306.9	152.8	3.9
Portfolio investment	-30.3	-749.1	-1,341.9	-1,712.5	-3,105.5	-2,808.1	-3,526.9
Financial derivatives	29.2	12.9	35.5	37.6	24.3	78.9	62.6
Other investment	-28.2	642.4	1,156.6	1,513.9	2,666.2	2,403.8	3,074.5
Reserve assets	48.3	-18.2	-70.2	63.6	52.9	-60.5	-127.1
Errors and omissions	12.6	152.6	297.5	-70.1	10.6	47.6	187.7

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

<sup>1</sup> 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 enter with a positive sign.

<sup>2</sup> 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.

The current account balance expressed as a four-quarter moving sum improved further, registering a surplus of EUR268.6 million as against a deficit of EUR480.8 million a year earlier (see Chart 4.1). For the second consecutive quarter, a positive balance was recorded on the current account when calculated on a cumulative basis. Thus, as a proportion of gross domestic product, the current account showed a surplus of 4.1% compared with 1.7% in the previous quarter and with a deficit of 7.5% in the year to June 2011.



### *The merchandise trade gap narrows*

During the second quarter of 2012, the merchandise trade deficit narrowed by EUR93.3 million on a year earlier, falling to EUR255.5 million. This was mostly the result of an increase in exports, though lower imports also contributed. The value of exports of goods rose by EUR82.0 million, or 10.7%, over the comparable period of 2011, while imports of goods dropped by EUR11.3 million, or 1.0%.

Customs data indicate that the increase in exports was driven to a large extent by trade in fuel, and to a lesser extent by pharmaceuticals. Meanwhile, exports of machinery and transport equipment registered a decline.<sup>3</sup>

On the imports side, Customs data point to an overall increase which was entirely driven by fuel-related products. The latter more than doubled on a year earlier, mirroring the growth of fuel re-exports. However, non-fuel imports dropped by EUR8.3 million as imports of capital goods declined by EUR15.8 million. Imports of industrial goods were broadly unchanged, as lower inflows of semi-finished goods, which include components used in the semiconductor industry, were balanced by an increase in primary supplies. At the same time, imports of consumer goods rose by EUR6.7 million, mainly reflecting higher imports of food & beverages.

When measured on a four-quarter cumulative basis, the merchandise trade deficit based on balance of payments data further contracted during the quarter under review. At EUR818.5 million it was more than one-third lower than in the year to June 2011, as a rise of 8.8% in exports was accompanied by a drop of 4.5% in imports (see Chart 4.2).

More recent Customs data show that, on average, over July and August the visible trade gap widened considerably on a year earlier as imports grew faster than exports, driven by a sharp rise

<sup>3</sup> 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 payments data only capture transactions that entail a change of ownership between residents and non-residents. These differences are especially pronounced in the case of trade in fuel.

in fuel imports. Excluding trade in fuel, imports declined, whereas exports increased.

### *Increase in the surplus on services*

During the June quarter, the surplus on services stood at EUR378.7 million, up by EUR6.1 million over the same quarter of 2011. The rise reflected an expansion in exports, which outweighed an increase in imports.

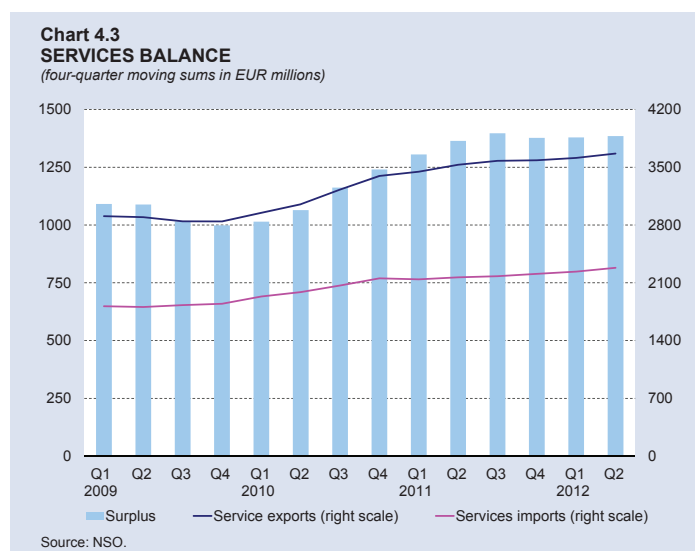
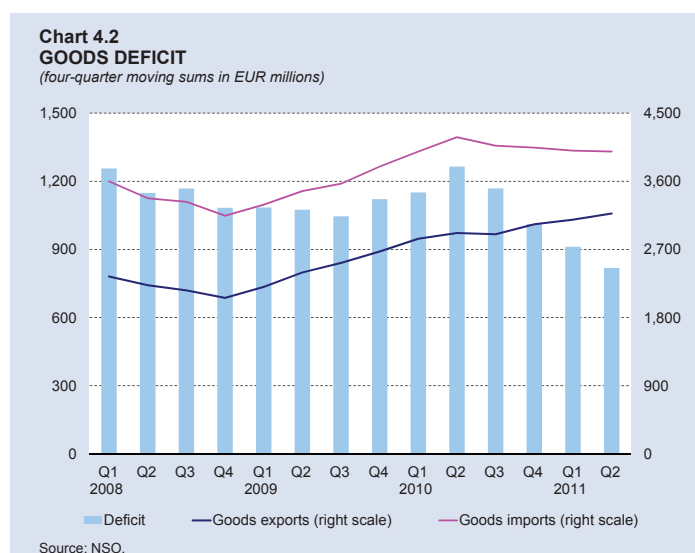
Favourable developments in the services component were mainly attributable to higher net tourism earnings and, to a lesser extent, to increased net receipts from “other services”. The positive performance of the tourism industry resulted in an expansion of EUR19.3 million in net receipts from travel-related services. Meanwhile, the net surplus on “other services” rose by EUR2.7 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. In contrast, business, professional & technical services recorded a rise in net payments.

The balance on the transportation component deteriorated over the three-month survey period, with net outflows rising by EUR15.9 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 rose by EUR20.8 million on a year earlier, with receipts increasing by EUR135.6 million and payments rising by EUR114.8 million. This positive trend was also evident in the previous quarter (see Chart 4.3).

### *Net outflows on the income account contract*

In the June quarter, net outflows on the income account declined to EUR101.6 million, a drop of EUR56.2 million from the corresponding quarter of 2011. The fall in net outflows was mainly generated by higher interest income on holdings of cross-border debt instruments primarily held by banks. These earnings offset a rise in profits recorded by foreign-owned firms operating in Malta,



which are recorded as outflows on this account. Flows on the income account continued to be influenced by activities of internationally-oriented banks that predominantly conduct their operations with non-residents.

### *Current transfers rise*

During the quarter reviewed the deficit on current transfers rose to EUR32.2 million from EUR29.4 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. Higher official transfers related to EU budgetary transactions also contributed.

## **The capital and financial account**

### *Net outflows recorded on the capital and financial account*

The capital and financial account registered net outflows of EUR206.3 million during the June quarter, as against net inflows of EUR92.2 million a year earlier (see Table 4.1).

The shift in the balance mostly reflected movements on the financial account, which swung to a deficit position of EUR216.9 million from a surplus of EUR63.0 million a year earlier. Meanwhile, the capital account registered a lower positive balance of EUR10.6 million compared with EUR29.2 million a year earlier. This was largely attributable to lower transfers to Government, which mostly emanated from the European Union.

Overall, movements in the financial account largely mirrored portfolio investment outflows and to a lesser extent, direct investment. On the other hand, the account recorded substantial net inflows related to “other investment” transactions.

Portfolio investment by residents abroad rose by a substantial EUR718.8 million to EUR749.1 million during the quarter compared with EUR30.6 million in the same quarter of 2011. This was largely the result of activities of internationally-oriented banking institutions, which added to their portfolio holdings of foreign bonds and notes.

Meanwhile, net direct investment outflows of EUR104.9 million were recorded in the quarter under review, as against net inflows of EUR43.9 million in the June quarter of 2011. This reflected an increase in receivables from parent companies of local manufacturing subsidiaries, mainly trade credits, which increase was reinforced by a drawdown of retained earnings by foreign-owned non-financial corporations and non-bank financial intermediaries.

These movements were partly offset by strong inward flows related to “other investment”, which rose to EUR642.4 million in the second quarter of 2012. “Other investment” net inflows were reflected in higher cross-border holdings of debt securities by residents.

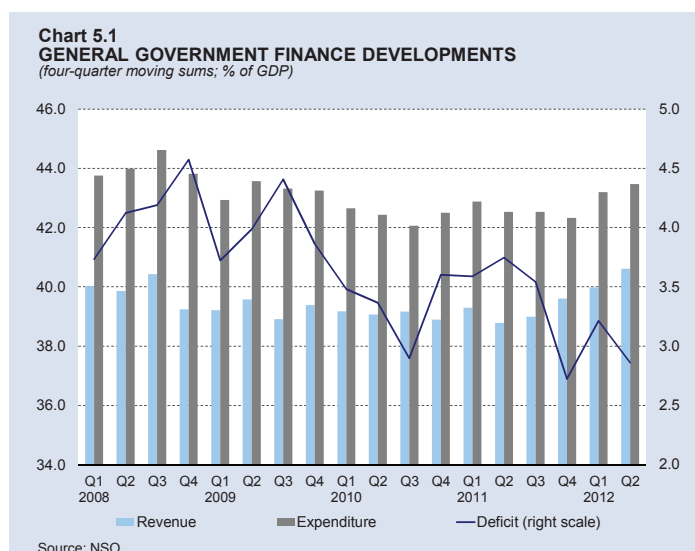
Lower net inflows arising from financial derivatives also contributed to the rise in net outflows on the financial account.

In the second quarter of 2012, reserve assets increased by EUR18.3 million, compared with a decrease EUR48.3 million in the corresponding period of 2011. At the same time, substantial positive errors and omissions amounting to EUR152.6 million were recorded.

## 5. GOVERNMENT FINANCE

In the second quarter of 2012, the general government deficit decreased on a year-on-year basis, as revenue grew at a faster pace than expenditure. Measured over a four-quarter period, the deficit ratio to gross domestic product (GDP) stood at 2.9% at the end of June compared with 3.2% at the end of March (see Chart 5.1). On the other hand, the deficit on the Consolidated Fund rose in the same period.<sup>1</sup> General government debt as a percentage of GDP increased to 76.3% at the end of June, compared with 74.3% at the end of

March. Part of this increase arose from Government's commitment to provide loans to euro area countries through the European Financial Stability Facility (EFSF).



### General government

#### *General government deficit narrows in second quarter*

Between April and June 2012, the general government deficit declined by EUR21.5 million compared with the same period in 2011, to EUR69.4 million (see Table 5.1).

This decline partly offset the increase in the deficit observed in the previous quarter. Overall, during the first half of the year, the deficit widened by EUR10.9 million compared with the first six months of 2011, to reach EUR149.3 million. The primary deficit, which excludes interest payments from expenditure, slightly improved to stand at EUR38.6 million from EUR40.3 million a year earlier.

#### *Revenue increases*

The narrowing of the deficit during the quarter reviewed reflected strong revenue growth. General government revenue expanded by EUR60.4 million, or 10.2%, in the second quarter of the year compared with the same period in 2011. Around three-fourths of this increase was due to a EUR45.1 million surge in current taxes on income and wealth, emanating from higher income tax receipts. Concurrently, inflows from taxes on production and imports rose by EUR9.5 million, as higher proceeds from value added tax (VAT) offset a decline in income from customs and excise duties. Revenue from social contributions and from capital and current transfers also increased, though to a lesser degree, in absolute terms.

<sup>1</sup> 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	2012	Change		2011	2012	Change	
	Q2	Q2	Amount	%	Q1-Q2	Q1-Q2	Amount	%
<b>Revenue</b>	<b>594.3</b>	<b>654.8</b>	<b>60.4</b>	<b>10.2</b>	<b>1,225.4</b>	<b>1,316.8</b>	<b>91.4</b>	<b>7.5</b>
Taxes on production and imports	205.3	214.8	9.5	4.6	405.0	435.3	30.3	7.5
Current taxes on income and wealth	196.1	241.1	45.1	23.0	425.7	458.9	33.2	7.8
Social contributions	115.5	119.0	3.5	3.0	233.8	239.4	5.6	2.4
Capital and current transfers	24.1	27.0	2.9	12.0	48.8	52.3	3.5	7.2
Other <sup>(1)</sup>	53.4	52.9	-0.5	-1.0	112.1	130.9	18.8	16.8
<b>Expenditure</b>	<b>685.2</b>	<b>724.2</b>	<b>38.9</b>	<b>5.7</b>	<b>1,363.8</b>	<b>1,466.2</b>	<b>102.4</b>	<b>7.5</b>
Compensation of employees	218.8	228.4	9.6	4.4	435.0	449.3	14.2	3.3
Intermediate consumption	98.8	111.0	12.2	12.3	196.0	231.4	35.4	18.1
Social benefits	218.5	249.9	31.4	14.4	448.2	471.2	23.1	5.1
Subsidies	22.4	21.4	-1.0	-4.5	33.4	36.9	3.5	10.5
Interest	50.5	54.4	3.9	7.7	98.1	110.7	12.7	12.9
Current transfers payable	25.8	32.5	6.7	26.2	55.4	68.5	13.1	23.6
Gross fixed capital formation	35.0	46.6	11.6	33.1	73.3	82.7	9.4	12.8
Capital transfers payable	12.1	17.0	4.9	40.9	20.5	47.0	26.4	128.7
Other <sup>(2)</sup>	3.3	-37.0	-40.4	-	3.9	-31.5	-35.4	-
<b>Primary balance</b>	<b>-40.4</b>	<b>-15.0</b>	<b>25.4</b>	<b>-</b>	<b>-40.3</b>	<b>-38.6</b>	<b>1.7</b>	<b>-</b>
<b>General government balance</b>	<b>-90.9</b>	<b>-69.4</b>	<b>21.5</b>	<b>-</b>	<b>-138.4</b>	<b>-149.3</b>	<b>-10.9</b>	<b>-</b>

<sup>(1)</sup> "Other" revenue includes market output as well as income derived from property and investments.

<sup>(2)</sup> "Other" expenditure reflects changes in the value of inventories and in the net acquisition of valuables and other assets.

Source: NSO.

Over the first two quarters of 2012, total revenue added EUR91.4 million, or 7.5%, compared with the same period a year earlier. Increased intake from income tax and from VAT was the main factor behind the upswing in total revenue. In particular, VAT proceeds in the six months under review were boosted by a scheme offering reduced interest and lower administrative penalties on arrears payable. At the same time, "other" revenue increased substantially, mainly owing to additional sales of market output reported by extra-budgetary units during the first quarter. Inflows from capital and current transfers and receipts from social security contributions also rose.

### Expenditure rises

Expenditure in the second quarter of 2012 went up by EUR38.9 million, or 5.7%, compared with the same period a year earlier. The highest recorded outlays included those on social benefits, which increased by EUR31.4 million, driven by higher spending on retirement pensions. Spending on intermediate consumption rose by EUR12.2 million, mainly owing to higher expenditure in the health sector. At the same time, outlays on gross fixed capital formation went up by EUR11.6 million, largely as a result of spending on roads, most of which is co-financed by the European Union. Employee compensation, interest, and both capital and current transfers payable also increased.

During the quarter under review, these increases were partly offset by a reduction in "other" expenditure, which fell by EUR40.4 million. This drop reflects the concession fee paid by a private firm to operate the National Lottery.<sup>2</sup> Outlays on subsidies also fell marginally.

<sup>2</sup> In line with ESA95 methodology, such revenue, which is related to the disposal of assets, is deducted from expenditure.



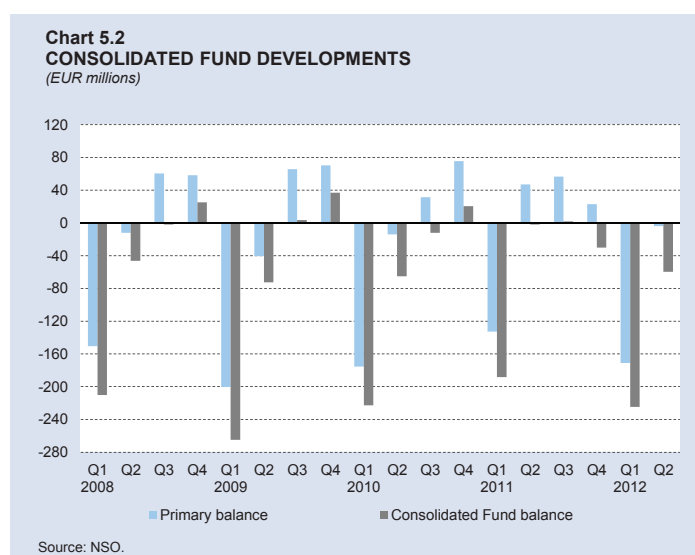
Over the first half of 2012, total expenditure increased by EUR102.4 million, or 7.5%. Recurrent spending was mainly driven by higher outlays on intermediate consumption and social benefits, as mentioned above, which went up by 18.1% and 5.1%, respectively. Concurrently, compensation of employees increased by 3.3%, mainly owing to higher outlays on personal emoluments in health and education. At the same time, capital transfers more than doubled, as a result of a EUR20 million injection of equity capital by the Government into Air Malta at the beginning of the year.

## Consolidated Fund

### The Consolidated Fund deficit increases

Between April and June 2012, the deficit on the Consolidated Fund widened by EUR57.7 million compared with the same period of 2011 to stand at EUR59.8 million (see Table 5.2 and Chart 5.2). Concurrently, the primary balance deteriorated by EUR51.0 million, as it swung from a surplus of EUR3.9 million into a deficit of EUR3.9 million.

Revenue increased by 4.8% as a result of higher receipts from direct taxation, which went up by 10.1%, on the back of increased inflows from income tax on enterprises and individuals. Indirect taxes yielded a marginal 0.1% more, as higher VAT proceeds were offset by lower takings from



**Table 5.2**  
**CONSOLIDATED FUND BALANCE**

EUR millions

	2011	2012	Change		2011	2012	Change	
	Q2	Q2	Amount	%	Q1-Q2	Q1-Q2	Amount	%
<b>Revenue</b>	<b>603.8</b>	<b>632.6</b>	<b>28.7</b>	<b>4.8</b>	<b>1,066.1</b>	<b>1,123.9</b>	<b>57.8</b>	<b>5.4</b>
Direct tax <sup>(1)</sup>	305.9	337.0	31.0	10.1	473.1	540.5	67.3	14.2
Indirect tax	220.8	220.9	0.1	0.1	442.9	446.3	3.4	0.8
Non-tax <sup>(2)</sup>	77.1	74.7	-2.4	-3.1	150.1	137.2	-12.9	-8.6
<b>Expenditure</b>	<b>605.9</b>	<b>692.3</b>	<b>86.5</b>	<b>14.3</b>	<b>1,256.4</b>	<b>1,408.3</b>	<b>151.9</b>	<b>12.1</b>
Recurrent <sup>(1)</sup>	539.3	611.3	72.1	13.4	1,134.4	1,251.9	117.4	10.4
Of which: Interest payments	49.2	55.9	6.8	13.7	104.7	109.4	4.7	4.5
Capital	66.6	81.0	14.4	21.7	121.9	156.4	34.4	28.2
<b>Primary balance<sup>(3)</sup></b>	<b>47.1</b>	<b>-3.9</b>	<b>-51.0</b>	<b>-</b>	<b>-85.5</b>	<b>-175.0</b>	<b>-89.4</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>-2.1</b>	<b>-59.8</b>	<b>-57.7</b>	<b>-</b>	<b>-190.2</b>	<b>-284.3</b>	<b>-94.1</b>	<b>-</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

<sup>(3)</sup> Revenue less expenditure excluding interest payments.

Source: NSO.

customs and excise duties. Meanwhile, non-tax revenue declined by 3.1%, mainly owing to a drop in foreign grants.

At the same time, total expenditure rose by 14.3% largely as a result of higher recurrent spending. The latter increased by 13.4%, partly owing to higher spending on social benefits and on health, but mostly due to transfers made by Government to Enemalta during this period. At the same time, capital expenditure increased by 21.7%, owing to the above-mentioned road works and the equity capital contribution to Air Malta.

In the first half of 2012, therefore, the Consolidated Fund deficit expanded by EUR94.1 million compared with the same period a year earlier to EUR284.3 million. This was brought about by a 12.1% rise in expenditure, which outweighed a 5.4% increase in revenue.

## General government debt

### *General government debt boosted by frontloading operations and extension of EFSF loans*

By end-June 2012 outstanding general government debt amounted to EUR5,008.2 million, EUR170.5 million higher than at the end of March (see Table 5.3). Apart from financing the deficit sustained in the second quarter, the increase reflected the frontloading of borrowing needs for the year and was mirrored in a build-up of Government's financial assets. In fact, more than two-thirds of total Malta Government Stocks (MGS) for 2012 were issued by June. In the quarter under review, debt was also augmented by the accounting treatment of loans to euro area countries granted through the EFSF. Consequently, the debt-to-GDP ratio went up to 76.3% from 74.3% at end-March (see Chart 5.3).

During the quarter under review, reflecting a change from the pattern seen in the previous four quarters, the share of short-term debt in the total increased at the expense of the share of long-term debt. The latter declined by 0.6 percentage point to 92.9%, while the proportion of short-term debt went up to 6.2% from 5.6% at end-March.

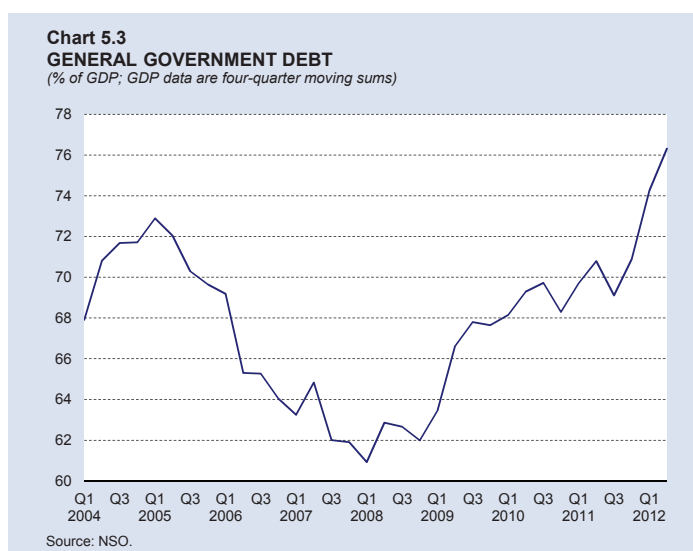
	2011			2012	
	Q2	Q3	Q4	Q1	Q2
<b>General government debt<sup>(1)</sup></b>	<b>4,535.0</b>	<b>4,477.7</b>	<b>4,607.4</b>	<b>4,837.7</b>	<b>5,008.2</b>
<b>Currency &amp; deposits</b>	<b>42.6</b>	<b>44.5</b>	<b>45.8</b>	<b>45.2</b>	<b>47.0</b>
<b>Securities</b>	<b>4,252.1</b>	<b>4,184.8</b>	<b>4,303.5</b>	<b>4,489.2</b>	<b>4,621.0</b>
Short-term	337.1	304.3	257.1	216.4	255.1
Long-term	3,914.9	3,880.4	4,046.3	4,272.8	4,366.0
<b>Loans</b>	<b>240.4</b>	<b>248.4</b>	<b>258.0</b>	<b>303.3</b>	<b>340.2</b>
Short-term	34.0	42.1	51.4	53.1	55.0
Long-term	206.4	206.4	206.6	250.2	285.1

<sup>(1)</sup> 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.

Long-term securities increased by EUR93.1 million as a result of new issues of MGS in the quarter under review. However, the share of long-term securities in the total declined to 87.2% in June from 88.3% in March. At the same time, short-term securities in the form of Treasury bills increased by EUR38.7 million, with their share in total debt going up by 0.6 percentage point to 5.1%.

Meanwhile, borrowing through loans rose by EUR36.9 million, accounting for 6.8% of total debt outstanding. Almost all of this increase mirrors loans granted to other euro area member states through the EFSF.<sup>3</sup>

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.



<sup>3</sup> 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 remaining member states weighted in accordance with their capital key.

## 6. MONETARY AND FINANCIAL DEVELOPMENTS

During the second quarter of 2012, the contribution of Maltese monetary financial institutions (MFI) to the euro area's broad money stock accelerated further.<sup>1</sup> Deposits held by Maltese residents grew at a faster pace than in the previous quarter, whereas credit granted to them lost momentum.

Domestic primary money market yields rose, as did those on five-year Maltese government securities, while ten-year government bond yields declined.

Over the quarter, the Malta Stock Exchange (MSE) share index recovered, after having bottomed out in March.

Going into the third quarter of 2012, domestic money market rates increased further while government bond yields declined. The MSE share index rose between the end of June and end of September.

### 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) continued to gather pace in the second quarter of 2012, with the annual growth rate accelerating to 5.6% in June, from 5.3% three months earlier (see Table 6.1).<sup>2</sup> Growth stemmed predominantly from the narrow money (M1) component.

Considerable quarterly flows into M1 boosted the latter's annual growth rate to 12.3% in June from 7.8% in March. This development mainly reflected a shift in private non-financial companies' (NFC) preferences towards more liquid monetary assets in the current environment of low interest rates. Overall, during the 12 months to June 2012, higher balances belonging to households and non-bank financial intermediaries also contributed to the acceleration in M1.

	EUR millions 2012 June	Annual percentage changes				
		2011		2012		
		June	Sep.	Dec.	Mar.	June
Narrow money (M1)	5,778.4	5.3	9.2	8.5	7.8	12.3
Intermediate money (M2)	9,804.4	3.7	5.9	3.8	5.4	5.7
<b>Broad money (M3)</b>	<b>10,014.0</b>	<b>3.9</b>	<b>5.7</b>	<b>3.3</b>	<b>5.3</b>	<b>5.6</b>

<sup>(1)</sup> 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.

<sup>1</sup> 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.

<sup>2</sup> From the reference month of October 2011, M3 excludes repo operations conducted via central counterparties. The latter were reclassified in the residual category named "other counterparts". More detailed information regarding this data adjustment is available within the Statistical Tables section of this Review.

Meanwhile, growth in intermediate money (M2) was more subdued than that in M1 though its year-on-year increase edged to 5.7% in June, from 5.4% three months earlier. This was entirely driven by the narrow money component, since short-term deposits contracted significantly on a year earlier on account of the aforementioned shift into overnight deposits.

#### *Maltese residents' deposits pick up speed*

Turning to deposits held by Maltese residents with Maltese MFIs, annual growth in overnight deposits continued to accelerate, rising to 12.4% in June from 7.7% in March (see Table 6.2). The increase was mainly driven by balances belonging to households, private NFCs and non-bank financial intermediaries as depositors opted for a more liquid portfolio. At the end of June, overnight deposits accounted for 56% 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 turned positive, rising to 12.2% in June from -5.6% three months earlier, following a sharp increase during the quarter reviewed. Nevertheless, in absolute terms, these account for a small proportion of residents' total deposits and tend to be volatile.

Meanwhile, following the marginal recovery observed during the year to March, annual growth in residents' deposits with an agreed maturity of up to two years turned negative once again, reaching -1.2% in June.

As in previous quarters, these changes reflected two major developments, namely a shift towards more liquid monetary assets by households and NFCs, and movements into longer-term assets outside M3, which attracted money-holding investors, mainly households, in search of higher yields.

Overall, therefore, the annual growth rate of total residents' deposits included in M3 gathered momentum, rising to 6.2% in June from 4.1% in March, stemming almost entirely from growth in overnight deposits. Going into the third quarter of 2012, deposit growth edged down to 6.1% in July.

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 within it (see Chart 6.1). Nevertheless, the annual growth rate of such deposits slowed down to 14.4% in June, from 17.3% in March. These double-digit growth rates may be explained by portfolio flows towards longer-term assets outside M3 as investors sought higher yields.

**Table 6.2**  
**DEPOSITS OF MALTESE RESIDENTS**

	EUR millions 2012 June	Annual percentage changes				
		2011		2012		
		June	Sep.	Dec.	Mar.	June
Overnight deposits	4,885.0	5.3	9.5	8.7	7.7	12.4
Deposits redeemable at notice up to 3 months	144.2	14.9	10.2	-0.8	-5.6	12.2
Deposits with agreed maturity up to 2 years	3,632.6	-4.4	-1.6	-4.0	0.2	-1.2
<b>Total residents' deposits</b>	<b>8,661.9</b>	<b>0.8</b>	<b>4.2</b>	<b>2.6</b>	<b>4.1</b>	<b>6.2</b>

Source: Central Bank of Malta.

Subsequently, these deposits increased at a slower pace, with their annual growth rate falling to 13.6% in August.

### *Interest rates on Maltese residents' deposits remain stable*

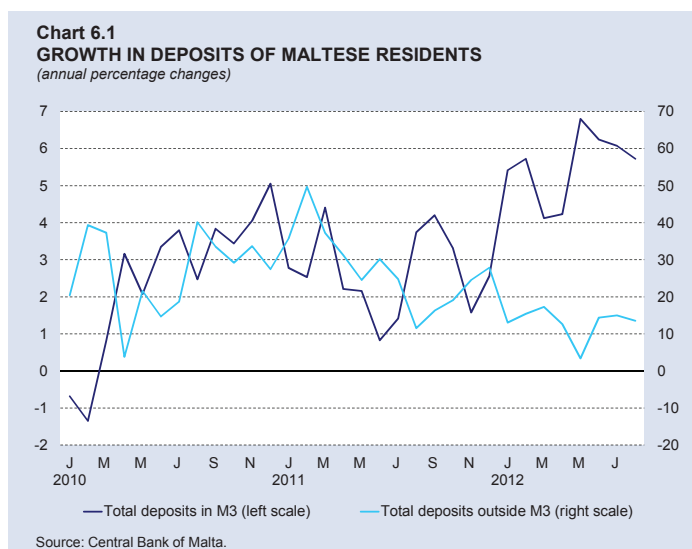
In tandem with unchanged official interest rates during the second quarter of 2012, the weighted average interest rate paid by MFIs on all deposits belonging to households and NFCs resident in Malta remained constant at 1.41% in June. With regard to deposits with an agreed maturity of up to two years, rates received

by households edged up by 2 basis points, while those earned by NFCs were down by 4 basis points. Rates rose also on deposits with an agreed maturity of over two years, which are excluded from M3 (see Table 6.3).<sup>3</sup>

Going into the third quarter, MFI rates on outstanding deposits belonging to households and NFCs rose slightly, with the exception of rates on households' time deposits with an agreed maturity of up to two years, which remained constant at their end-June level.

### *Growth in credit to residents of Malta decelerates*

The annual growth rate of credit to residents of Malta, which had been on a generally upward path, slowed down somewhat, falling to 5.9% in June from 6.4% three months earlier (see



**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		
	June	Sep.	Dec.	Mar.	June
<b>Total deposits belonging to households and non-financial corporations</b>	1.38	1.39	1.41	1.41	1.41
<b>Time deposits with agreed maturity up to 2 years<sup>(1)</sup></b>					
Households	2.04	2.06	2.05	2.04	2.06
Non-financial corporations	1.99	1.98	2.00	1.96	1.92
<b>Time deposits with agreed maturity over 2 years<sup>(1)</sup></b>					
Households	3.20	3.18	3.21	3.22	3.27
Non-financial corporations	3.12	3.14	3.13	3.16	3.23

<sup>(1)</sup> Annualised agreed rates on euro-denominated deposits.

Source: Central Bank of Malta.

<sup>3</sup> 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). Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all economic sectors.

**Table 6.4**  
**CREDIT TO RESIDENTS OF MALTA**

	EUR millions 2012 June	Annual percentage changes				
		2011 June	Sep.	Dec.	2012 Mar. June	
<b>Total credit</b>	<b>11,097.3</b>	<b>3.9</b>	<b>5.1</b>	<b>6.1</b>	<b>6.4</b>	<b>5.9</b>
Credit to general government	2,450.4	3.9	5.6	12.5	12.9	10.6
Credit to other residents <sup>(1)</sup>	8,646.9	3.9	4.9	4.4	4.6	4.7
Credit to non-bank private sector	7,895.3	4.0	3.9	4.0	3.9	3.4
Credit to public non-financial corporations	751.6	3.2	17.8	8.9	14.1	19.6
<b>Total loans to other residents</b>	<b>8,386.0</b>	<b>4.2</b>	<b>4.7</b>	<b>4.2</b>	<b>4.4</b>	<b>4.3</b>

<sup>(1)</sup> 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.

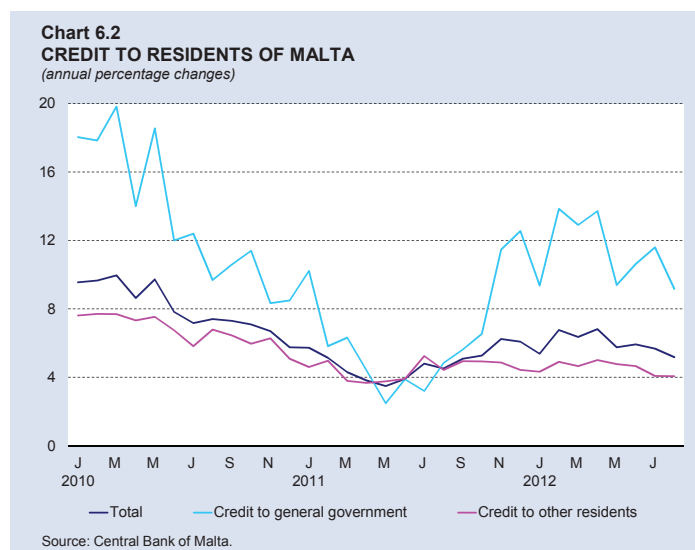
Source: Central Bank of Malta.

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 residents of the euro area grew by 1.4% during the year to June 2012.

Domestically, the annual growth rate of credit to general government slowed down to 10.6% in June, from 12.9% in March (see Chart 6.2). During the 12 months to June 2012, growth, which was reinforced following the June primary market issue, mostly stemmed from a substantial increase in Malta Government Stocks (MGS) held by resident banks. In contrast, resident MFIs reduced their Treasury bill portfolio during the same period. Monthly flows into MGS and out of Treasury bills reflect a change in the maturity structure of government debt issued on the market. Meanwhile, growth in credit to residents other than general government, which in absolute terms makes up about 78% of the total, was the main factor driving the overall expansion in credit. Its year-on-year growth rate edged up to 4.7% in June from 4.6% in March. Credit to these sectors contributed more than three-fifths of the overall annual increase in credit (see Table 6.4).<sup>4</sup>

In absolute terms, more than 90% of credit to other residents consists of credit to the non-bank private sector. The latter continued to grow moderately, mostly owing to a higher volume of loans granted to households – primarily to finance house purchases. However, the annual growth rate continued to decelerate, falling to 3.4% in June.

At the same time, credit flows to public NFCs grew at a faster pace, reaching 19.6% in June. This pick-up reflected higher loans granted to public NFCs



<sup>4</sup> 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.



operating in the electricity, gas & air-conditioning supply sector and in the transportation & storage sector.

Loans, which at the end of June accounted for 97% of all credit to residents of Malta excluding general government, grew at a marginally slower pace than in the previous quarter, expanding at an annual rate of 4.3% as opposed to 4.4% in March (see Table 6.4).

Year-on-year growth in loans to the non-bank private sector fell steadily during the second quarter, reaching 3.1% in June, with growth being once again almost entirely driven by lending to households – mostly for mortgage financing (see Chart 6.3). The annual rate of growth of loans to NFCs levelled off at 0.2% in June, mainly as higher loans to manufacturing were offset by lower loans to the wholesale & retail trade sector.

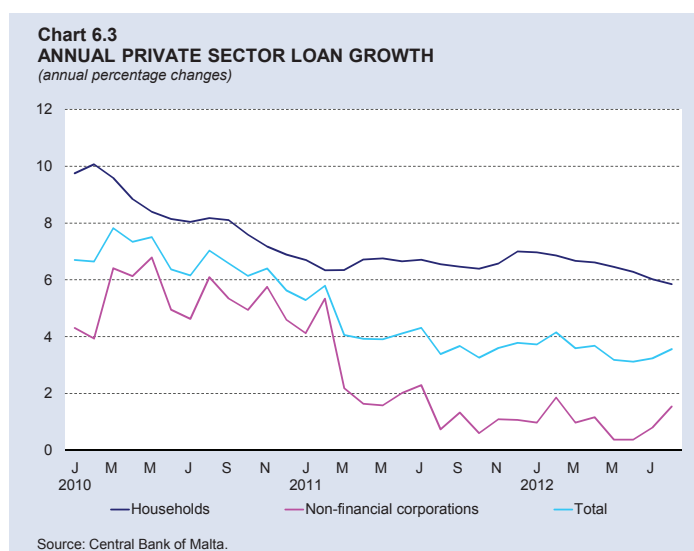
The low rates of growth observed in lending to private NFCs during the past quarters may be related to weak activity in construction and real estate, which account for around one-fifth of total MFI credit to the private sector, coupled with a decline in dwelling investment. The assessment of weak credit demand is substantiated by the results of the July Bank Lending Survey (BLS), which indicated that demand for loans by enterprises dropped during the second quarter, while bank lending standards remained tight.

Loans to households remained by far the largest single category of bank borrowing, making up almost half of total lending granted to the private sector. Year-on-year growth in household lending stood at 6.3% in June compared with 6.7% in March. Mortgage lending, which makes up more than four-fifths of loans to households, expanded at a rate of 7.5% in June, down from 8.1% in March. The remaining one-fifth, which consists of consumer credit and other lending to households, grew at an annual rate of 1.5% in June after having increased by 1.1% three months earlier.

Going into the third quarter of 2012, the annual growth rate of credit to residents of Malta declined to 5.2% in August. While credit to general government decelerated to 9.2%, that to other residents slowed down to 4.1%.

### *Rates on loans to Maltese residents generally decline*

The weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs fell by 2 basis points when compared with the end-March level, to reach 4.35% in June. Since bank base rates were constant during the period, this minor movement most likely reflects changes to the composition of banks' loan portfolios. Rates charged by MFIs on mortgages and loans to NFCs fell by



**Table 6.5**  
**MFI INTEREST RATES ON OUTSTANDING LOANS TO MALTESE RESIDENTS<sup>(1)</sup>**

*Percentages per annum; weighted average rates as at end of period*

	2011			2012	
	June	Sep.	Dec.	Mar.	June
<b>Total loans to households and non-financial corporations</b>	4.40	4.40	4.44	4.37	4.35
Households and NPISH					
Lending for house purchases	3.44	3.43	3.43	3.42	3.41
Consumer credit and other lending <sup>(2)</sup>	5.59	5.59	5.66	5.56	5.58
Non-financial corporations <sup>(2)</sup>	4.77	4.78	4.85	4.76	4.73

<sup>(1)</sup> Annualised agreed rates on euro-denominated loans to households and non-financial corporations.

<sup>(2)</sup> Includes bank overdrafts.

Source: Central Bank of Malta.

1 and 3 basis points, respectively. In contrast, rates charged on consumer and other credit to households edged up by 2 basis points to 5.58% (see Table 6.5).<sup>5</sup>

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

#### *Credit standards for enterprises and households remain unchanged*

The BLS conducted in July 2012 revealed that credit standards applied to lending to enterprises and households remained unchanged during the second quarter of 2012.<sup>6</sup> Demand for loans by both business and households dropped slightly during the quarter. One particular bank reported lower demand for loans across all components and sectors, while another bank reported lower demand by enterprises.

With regard to reporting banks' expectations for the third quarter of 2012, credit standards applied to NFCs and households were expected to somewhat tighten, reflecting the response of one bank. Similarly, replies by the same bank revealed a slight decline in the expected demand for loans by both firms and households.

#### *Credit granted to euro area residents outside Malta decelerates further*

Credit granted by resident MFIs to residents of euro area countries except Malta continued to expand, albeit at a slower pace, during the quarter reviewed. The annual rate of growth more than halved, falling to 5.9% in June from 14.9% in March. This slowdown stemmed from a sharp drop in MFI holdings of euro area sovereign bonds. In contrast, credit institutions further increased their holdings of private debt securities, while granting a higher volume of loans to the private sector. Thus, at the end of June, credit extended by resident MFIs to residents of other euro area countries stood at EUR4.5 billion.

<sup>5</sup> 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. The household sector also includes NPISH. NFCs include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all sectors of the economy.

<sup>6</sup> The BLS gauges credit demand and supply conditions. The Central Bank of Malta began to survey a sample of Maltese banks in 2004. Since January 2008, the BLS 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<sup>(1)</sup>**

EUR millions; changes on a year earlier

	2011	2012	Change	
	June	June	Amount	%
<b>External counterpart</b>	<b>8,824.4</b>	<b>10,819.5</b>	<b>1,995.2</b>	<b>22.6</b>
Claims on non-residents of the euro area	29,555.2	33,712.0	4,156.8	14.1
Liabilities to non-residents of the euro area	20,730.9	22,892.4	2,161.6	10.4
<b>Other counterparts (net)<sup>(2)</sup></b>	<b>14,074.1</b>	<b>16,410.2</b>	<b>2,336.1</b>	<b>16.6</b>

<sup>(1)</sup> Figures show the contribution of Maltese MFIs to the euro area totals.

<sup>(2)</sup> Includes net interbank claims/liabilities.

Source: Central Bank of Malta.

### Net claims on non-residents of the euro area rise

During the year to June 2012, resident MFIs' net claims on non-residents of the euro area expanded by 22.6% (see Table 6.6). 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 14.1% 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 10.4% in June. This stemmed from an increase in repurchase agreements coupled with a rise in deposits belonging to non-euro area banks held with resident credit institutions.

Other counterparts (net), which tend to be heavily influenced by interbank transactions within the euro area, expanded by 16.6% during the year to June. In addition, growth reflected a new issue of bonds by Bank of Valletta p.l.c. in April, which boosted the longer-term financial liabilities of the domestic banking sector. Other counterparts (net) had increased at an annual rate of 18.6% three months earlier.

## The money market

### Domestic yields increase while euro area yields decline

The European Central Bank (ECB) kept the interest rate on its main refinancing operations (MRO) unchanged during the second quarter of 2012. Meanwhile, the three-month EURIBOR continued on its downward trend, reflecting significant injections of liquidity by the Eurosystem. It declined by 12 basis points to 0.65% at end-June. The three-month EURIBOR remained below the MRO rate (see Chart 6.4).<sup>7</sup>

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



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

<sup>7</sup> The Euro Interbank Offered Rate (EURIBOR) refers to the rates at which a prime bank is willing to lend funds to another prime bank in euro on an unsecured basis.

In contrast, the primary market yield on Maltese three-month Treasury bills rose by 20 basis points, reaching 1.04% by end-June, reflecting a combination of reduced bids and increased issuance in the domestic market. During the second quarter of 2012, a total of EUR176.1 million worth of Treasury bills were issued by the Maltese Government, EUR32.7 million more than in the previous quarter. Around two-thirds of the amount issued was due to mature in three months, while the remainder mainly consisted of six-month bills. Resident banks were the main players involved in the primary market and bought around three-fourths of the total.

At the same time, turnover in the secondary Treasury bill market, which exhibits substantial volatility, amounted to EUR0.8 million, down from EUR2.9 million in the previous quarter. All transactions involved the Central Bank of Malta in its capacity as market-maker.

In the euro area, the yield in the secondary market on benchmark three-month government securities turned negative, falling by 15 basis points and reaching -0.10% by end-June.<sup>8</sup> Conversely, the corresponding domestic yield increased during the same period, rising by 4 basis points, to 1.05%. As a result, the spread over the euro area benchmark widened to 115 points (see Chart 6.4).

In July the ECB cut the interest rate on its MROs by 25 basis points, taking it to 0.75%. Meanwhile, the three-month EURIBOR declined by a further 37 basis points, reaching 0.28% by end-August. The yield on benchmark money market securities issued by governments in the euro area remained unchanged at -0.10% by end-August. Domestically, the secondary market rate on three-month Treasury bills rose by 16 basis points during the same period, so that the spread against the corresponding benchmark yield widened to 131 points by end-August.

## The capital market

### *Government bond yields generally decline*

During the second quarter of 2012, the Government raised additional funds through three MGS issues in June with a total value of EUR179.7 million. The bonds had terms to maturity of 5, 10, and 17 years, and offered coupon rates of 3.75%, 4.30% and 5.10%, respectively. Around 54% of the total amount issued was bought at fixed prices, mainly by households. The remainder was acquired by auction and was predominantly taken up by resident banks and insurance companies. The issue was well received by the public, with the initial offer of EUR120 million worth of MGS being oversubscribed. The over-allotment option of an additional EUR60 million was almost exercised in full.

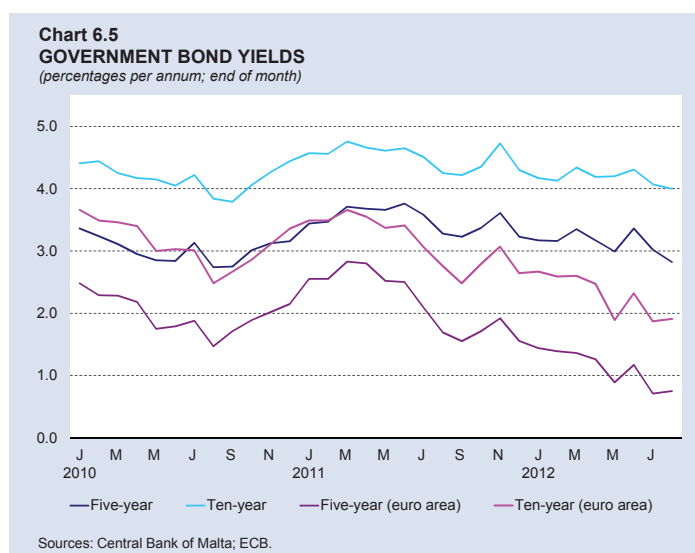
Meanwhile, in the corporate bond market, Bank of Valletta p.l.c. issued EUR40 million worth of bonds in April. The bonds mature in 2019 and offer a coupon rate of 4.25%. The issue was oversubscribed.

Turnover in the secondary market for government bonds increased by EUR39.2 million to EUR224.9 million during the second quarter. This was mostly attributable to higher trading in short-term securities.<sup>9</sup> Transactions involving the Central Bank of Malta as market-maker accounted for more than four-fifths of the value traded.

<sup>8</sup> The benchmark euro area yield is a representative rate covering the main secondary market three-month securities issued within the euro area, including those issued by the German and French Governments.

<sup>9</sup> Short-term bonds are those with a residual maturity of up to five years, medium-term bonds have a residual term to maturity of between five and ten years, while long-term bonds are those with a residual term to maturity exceeding ten years.

Yields on five-year domestic government bonds edged up during the quarter, rising by 1 basis point to 3.36%, while yields on ten-year government securities dipped by 3 basis points, reaching 4.31% at end-June (see Chart 6.5). The equivalent benchmark yields for the euro area declined by 19 basis points and 28 basis points, respectively. Consequently, the spread on five-year domestic bonds increased by 20 basis points to 219 points, while the ten-year differential widened by 25 basis points to 199 points.<sup>10</sup>



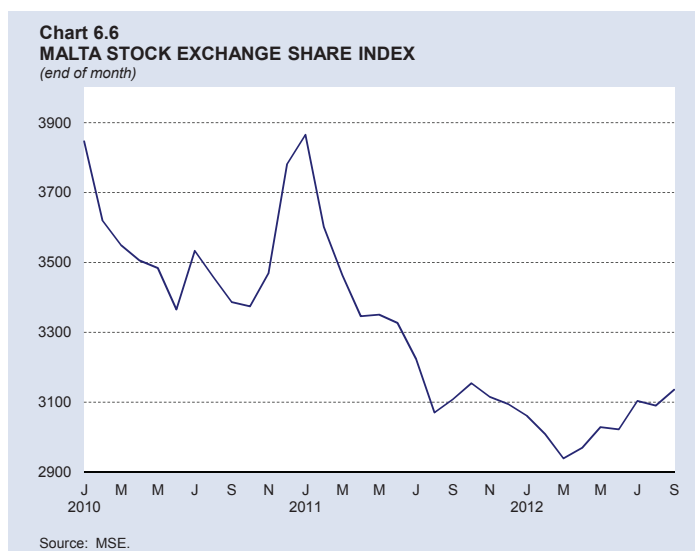
In the two months up to August 2012, yields on domestic five and ten-year government bonds decreased further, falling to 2.82% and 4.00%, respectively. Euro area benchmark yields also fell as investors continued to show strong demand for “safe-haven” bonds in the euro area. At the end of August, the spread on five-year bonds amounted to 207 points while the ten-year differential stood at 209 points.

In the secondary corporate bond market, turnover rose to EUR11.8 million from EUR10.8 million in the previous quarter. More than three-fourths of total trading was concentrated around 11 securities. Movements in corporate bond yields were mixed.

### The MSE share index recovers

Activity in the domestic equity market recovered during the period, with the value of transactions reaching EUR9.1 million from EUR7.2 million in the previous quarter. Movements in equity prices were mixed. However, price increases in a relatively small number of equities pushed up the MSE share index, which rose by 2.8% from its end-March value, ending June at 3,022.17 (see Chart 6.6).

During the third quarter, equity prices rose again. By the end of September, the MSE share index increased by 3.8% from its end-June level, reaching 3,135.82.



<sup>10</sup> Euro area yields are based on AAA-rated central government bonds.

## NEWS NOTES

### DOMESTIC

#### Monetary policy decisions

On 6 September the Governing Council of the European Central Bank (ECB) decided on a number of technical features regarding the Eurosystem's outright transactions in secondary sovereign bond markets. These transactions, which will be known as Outright Monetary Transactions (OMT), aim at safeguarding monetary policy transmission and the singleness of monetary policy in the euro area. Through OMT, the ECB will purchase government-issued bonds that mature in the one to three-year range, provided the issuing countries agree to certain domestic economic measures - the latter being referred to as "conditionality". The ECB will, however, only conduct OMT if they are warranted from a monetary policy perspective, and as long as programme conditionality by the countries concerned is fully respected. The aim of OMT is to increase investor confidence in the integrity of the euro area. This would bring long-term bond yields down, lowering borrowing costs for countries that face problems selling debt.

#### Central Bank of Malta: Report on counterfeits

On 25 July the Central Bank of Malta announced that, in the first half of 2012, the number of counterfeit euro banknotes reported was 951. Consequently, the overall quantity of counterfeits withdrawn from circulation from January to June 2012 was 10.2% lower than the aggregate figure for the previous six months. However, the quantity rose compared with the corresponding period of 2011. The number of euro counterfeits remains insignificant as a proportion of the estimated number of euro banknotes in circulation in Malta (around 20 million on average for the first half of 2012). The quantity of counterfeits reported in Malta was 0.38% of the total seized in the euro area during the same period.

#### Central Bank of Malta: Issue of numismatic coins

On 20 August the Bank issued a new euro coin set dated 2012, which incorporates the eight Maltese euro coins. The set also includes a EUR2 commemorative coin, the second in a series of five coins commemorating Malta's constitutional history, with the inscription "Majority Representation – 1887". The commemorative coin was minted by the Royal Dutch Mint. In addition, the set includes a replica of a Roman coin, the original of which is currently held in the Bank's museum.

#### Participation of Malta in the European Stability Mechanism

Through Act No. XII of 2012 (see below), Malta became a participant in the European Stability Mechanism (ESM) with effect from 17 July. The ESM is a permanent intergovernmental institution set up by the European Union (EU) to assist in preserving the financial stability of the single currency area by supporting euro area Member States. It will have a total subscribed capital provided by euro area Member States of EUR700 billion. An amount of EUR80 billion of this total will be in the form of paid-in capital, with the remaining EUR620 billion as callable capital. This subscribed capital will provide a lending capacity for the ESM of EUR500 billion.

#### Credit ratings

On 4 September Moody's Investors Service affirmed Malta's A3 government bond rating. The outlook remained negative. The credit strengths of Malta include a strong institutional framework, deep domestic capital markets, and a relatively favourable debt structure. The credit challenges



for Malta include the very small and relatively concentrated economy, the maintenance of competitiveness and comparatively large government financing needs. The key drivers for the affirmation of Malta's credit rating are the Government's successful consolidation strategy, which brought the 2011 fiscal imbalance below the 3% of gross domestic product (GDP) ceiling under the excessive deficit procedure, and the expectation that debt ratios will stabilise in 2013. Notwithstanding this, Malta faced significant macroeconomic and fiscal downside risks. In a related rating action, Moody's also affirmed the foreign and local currency debt ratings of Malta Freeport Corporation Limited at A3, given its status as a government-guaranteed entity.

On 25 September Fitch Ratings affirmed Malta's long-term foreign and local currency Issuer Default Ratings at A+. The outlook was stable. The affirmation reflects the demonstrated resilience of Malta's economy and financial sector, the relatively strong budgetary position and the secure domestic investor base for fiscal funding. The current account deficit narrowed significantly in recent years and the economy was a net external creditor. Moreover, with a headline budget deficit below 3% of GDP and Fitch's forecast for a primary budget surplus in 2012-14, the government debt-to-GDP ratio was projected to fall from 2013. According to Fitch, the government debt, at 72% of GDP, is Malta's main rating weakness. However, the public debt ratio was close to stabilisation.

### **The Global Competitiveness Report 2012-2013**

On 5 September the World Economic Forum published *The Global Competitiveness Report 2012-2013*, which includes a detailed profile of various indicators for 144 countries in which Malta was ranked 47<sup>th</sup> overall, up four places from the previous edition.

### **Capital market developments**

#### *(i) Issue of Malta Government Stocks*

On 17 August the Government, through Legal Notice 273 of 2012, announced the issue of EUR50 million worth of floating rate bonds subject to an overallotment option of a maximum of EUR25 million. The issue consisted of a Floating Rate Malta Government Stock 2017 (V) and a Floating Rate Malta Government Stock 2018 (IV), both linked to the six-month EURIBOR with a spread of 90 basis points and 110 basis points, respectively. The Treasury received bids for a total nominal value of EUR66.9 million, of which it accepted EUR56.4 million.

On 21 August the Government, through Legal Notice 275 of 2012, announced the issue of EUR1,318,800 worth of 7% Malta Government Stock 2022 (III) under the Local Loans (Registered Stock and Securities) Ordinance (Cap. 161), which was issued directly to the Foundation for Church Schools.

#### *(ii) Issue of equity*

On 23 July shares issued by Malita Investments p.l.c., a special purpose vehicle set up by the Government, were launched for subscription. These consisted of 20 million ordinary B shares, with a further overallotment of 10 million ordinary B shares, all at a nominal value of EUR0.50 each. On 26 July Malita Investments p.l.c. announced that it had exercised the overallotment option of the additional 10 million shares, and it thus issued 30 million shares. The shares were listed on the Malta Stock Exchange on 7 August.



### **Pre-Budget Document 2013**

On 4 August the Government launched the *Pre-Budget Document 2013*. The *Document*, which forms the basis of discussions on the Budget between the Government and the various social partners, stresses the Government's commitment to achieving the medium-term budgetary objective of a balanced budget by reducing the structural deficit by 0.5 of a percentage point of GDP per annum as a benchmark. The Government also aims to reduce and maintain public debt below 60% of GDP. The *Document* also indicates Government's key policy thrusts in the labour market to address skill mismatches and achieve employment growth and opportunities for more and better jobs.

### **Double taxation relief agreements**

#### *Legal Notice 321 of 2012*

This Legal Notice entitled Double Taxation Relief (Taxes on Income) (The Hong Kong Special Administrative Region of the People's Republic of China) Order, 2012, was issued on 28 September following the signing of an agreement between the Government of Malta and the Hong Kong SAR that entered into force on 18 July 2012. The agreement affords relief from double taxation on tax on profits, salaries and property imposed by the Hong Kong SAR and from income tax in Malta.

#### *Legal Notice 322 of 2012*

This Legal Notice entitled Double Taxation Relief (Taxes on Income) (The Swiss Confederation) Order, 2012, was issued on 28 September. Malta and the Swiss Confederation signed a convention to afford relief from double taxation on federal, cantonal and communal taxes on income and, in Malta's case, on income tax. The Convention entered into force on 6 July 2012.

### **Legislation related to banking and finance**

#### *Participation in the European Stability Mechanism*

On 10 July Act No. XII of 2012, entitled the Participation and Granting of Financial Stability Support under the European Stability Mechanism Act, 2012, was enacted. The Act authorises the participation of Malta in the ESM and the possibility to grant financial stability support through financial instruments, or by entering into financial or other agreements or arrangements with members of the ESM, financial institutions or other third parties.

#### *Amendment of the Banking Act*

Legal Notice 278 of 2012 issued on 28 August, entitled Banking Act (Capital Adequacy) (Amendment) Regulations, 2012, implements paragraphs (4) and (5) of Article 10 of Directive 2010/78/EU, which amends several directives in respect of powers of the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority. The Legal Notice introduces several changes into national law, which include cooperation between the Malta Financial Services Authority (MFSA) and the EBA on capital adequacy matters, and the provision of all information necessary under this Directive by the MFSA to the EBA.

#### *Amendment to rules on high net worth individuals*

Legal Notice 319 of 2012 issued on 28 September entitled High Net Worth Individuals - Non-EU/Non-EEA/Non-Swiss Nationals (Amendment) (No.2) Rules, 2012, includes a provision for the

issuance, by the Commissioner for Revenue, of a certificate which shall constitute a residence permit and shall also cover the person's dependants. These rules shall be deemed to have come into force on 1 January 2011.

### **New bank licensed**

On 12 September Ferratum Bank (Malta) Limited, was granted a licence as a credit institution by the MFSA. The bank is a subsidiary of the Ferratum Group, which is a company based in Finland providing unsecured consumer credits distributed via highly developed mobile solutions or the internet. Besides banking business, Ferratum Bank (Malta) Limited will offer payment services, as defined in the Financial Institutions Act, trading for own account in money market instruments, foreign exchange, financial futures and options, exchange and interest rate instruments and transferable securities.

## **INTERNATIONAL**

### **ECOFIN Council developments**

On 4 July the Economic and Financial Affairs (ECOFIN) Council adopted a regulation to increase transparency in derivatives and reduce risk in the over-the-counter (OTC) derivatives market. The regulation requires the clearing of standardised OTC derivative contracts through central counterparties to reduce the risk of default by one party to the contract. It also covers the reporting of all derivative contracts and requires the publishing of aggregate positions by class of derivatives.

On 10 July the ECOFIN Council issued country-specific recommendations to Member States regarding their economic and fiscal policies. It also issued a specific recommendation for the euro area as a whole. Moreover, the Council issued explanations about cases on which it modified recommendations or opinions proposed by the Commission. In particular, it issued a revised recommendation on measures to be taken by Spain to correct its government deficit. The Council also gave the go-ahead to the pilot phase of an initiative aimed at mobilising, via the use of project bonds, up to EUR4.5 billion of private sector funding for key infrastructure projects.

On 24 July the Council adopted its position on the 2013 EU draft budget, limiting the increase in payments to 2.79% compared with 2012. This reconciled the necessity of avoiding an undue burden on national public finances in times of fiscal consolidation with the need for growth-enhancing measures. It also took account of the fact that 2013 would be the last year of the current multi-annual financial framework. In absolute figures, the Council's position on the draft budget for 2013 amounted to EUR132.7 billion in payments, corresponding to 0.99% of the EU's gross national income.

On 14 and 15 September the EU's Economy and Finance Ministers and Central Bank Governors held discussions in Cyprus on the reform of the financial sector. The discussions were directed at the creation of a banking union, particularly the setting up of a single supervisory mechanism.

### **Eurogroup developments**

On 9 July the Eurogroup announced that the ECB and the European Financial Stability Facility (EFSF) had signed a technical agency agreement creating the possibility of an efficient conduct of market operations by the EFSF.

### **Banking supervision proposals**

On 12 September the European Commission announced proposals for a single supervisory mechanism for banks in the euro area. In the new mechanism, ultimate responsibility for specific supervisory tasks related to financial stability of all euro area banks will rest on the ECB. National supervisors will continue to play an important role in day-to-day supervision and in preparing and implementing ECB decisions. The Commission also proposed that the EBA develop a Single Supervisory Handbook to preserve the integrity of the single market and to ensure coherence in banking supervision for all 27 EU countries. The Commission called on the Council and European Parliament to adopt the proposed regulations by the end of 2012, together with the other three components of an integrated banking union – the single rulebook in the form of capital requirements, harmonised deposit protection schemes and a single European recovery and resolution framework.

### **European Systemic Risk Board**

On 20 September the General Board of the European Systemic Risk Board (ESRB) called for full and consistent implementation of policies aimed at fiscal consolidation and structural reform. From a macro-prudential perspective, it noted the need to assess forbearance policies and their implications for provisioning. It also identified the need to move forward with banks' balance sheet repair and to consider the implications of the ongoing balance sheet adjustments for a smooth provision of credit to the economy.

The ESRB also published the first issue of its risk dashboard, which is a set of quantitative and qualitative indicators to measure systemic risk. Work was also proceeding on the treatment of long-term guarantees in insurance, on vulnerabilities linked to bank funding, on interconnectedness and contagion.



# STATISTICAL TABLES



## The Maltese Islands - Key information, social and economic statistics

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

CAPITAL CITY	Valletta		
AREA	316 km <sup>2</sup>		
CURRENCY UNIT	Euro exchange rates <sup>1</sup> :	EUR 1 = USD 1.259 EUR 1 = GBP 0.8068	
CLIMATE	Average temperature (2008-2011):	Dec. - Feb. 13.6° C	
		June - Aug. 25.8° C	
	Average annual rainfall (2008-2011)	571.3 mm	
SELECTED GENERAL	GDP growth at constant 2000 prices <sup>2</sup>	0.9%	
ECONOMIC STATISTICS	GDP per capita at current market prices <sup>2</sup>	EUR15,500	
	GDP per capita in PPS relative to the EU-27 average (2011)	83.0%	
	Ratio of gross general government debt to GDP <sup>2</sup> (2011)	70.9%	
	Ratio of general government deficit to GDP <sup>2</sup> (2011)	2.7%	
	RPI inflation rate	2.4%	
	HICP inflation rate	2.7%	
	Ratio of exports of goods and services to GDP <sup>2</sup>	109.0%	
	Ratio of current account surplus to GDP <sup>2</sup>	3.2%	
	Employment rate	58.5%	
	Unemployment rate	6.5%	
	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%	
	Average annual growth rate (2008-2011)	0.4%	
	Density per km <sup>2</sup> (2010)	1,317	
HEALTH	Life expectancy at birth (2011)		
	Males	78	
	Females	83	
	Crude birth rate, per 1,000 Maltese inhabitants (2011)	10.3	
	Crude mortality rate, per 1,000 Maltese inhabitants (2011)	7.9	
	Doctors (2011)	1,488	
EDUCATION	Gross enrolment ratio (2010/2011)	70.9%	
	Number of educational institutions (2007/2008)	296	
	Teachers per 1,000 students (2009/2010) <sup>2</sup>	130	
	Adult literacy rate: age 10+ (2005)		
	Males	91.7%	
Females	93.9%		
LIVING STANDARDS	Human Development Index: rank out of 187 countries (2011)	36	
	Mobile phone subscriptions per 100 population	130.15	
	Private motor vehicle licences per 1,000 population	580	
	Internet subscribers per 100 population	32.20	

<sup>1</sup> End of month ECB reference rates.

<sup>2</sup> Provisional.

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 June 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.  
Voiccash 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](http://www.centralbankmalta.org).

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## Monetary, Banking and Financial Markets

**Table 1.1 Financial statement of the Central Bank of Malta<sup>1</sup> (assets)**

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/liabilities
	Gold	IMF- related assets <sup>2</sup>	Other <sup>3</sup>	Total				
2003	1.2	83.1	2,095.0	2,179.2	73.2	18.1	42.5	2,313.1
2004	1.2	81.8	1,921.5	2,004.6	71.1	49.7	55.2	2,180.6
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 <sup>4</sup>	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
<b>2011</b>									
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
<b>2012</b>									
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

<sup>1</sup> 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.

<sup>2</sup> Includes IMF reserve position and holdings of SDRs.

<sup>3</sup> Mainly includes cash and bank balances, placements with banks and securities.

<sup>4</sup> Including items in course of settlement.

## Monetary, Banking and Financial Markets

**Table 1.1 Financial statement of the Central Bank of Malta<sup>1</sup> (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			
2003	1,130.6	73.3	564.1	193.8	19.7	777.6	205.5	59.4	66.7
2004	1,179.6	71.2	387.4	269.4	26.0	682.8	200.4	-	46.7
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 <sup>2</sup>	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 <sup>3</sup>	Capital and reserves <sup>4</sup>
			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	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010	701.2	501.2	410.9	97.0	96.5	0.0	110.4	1,327.1	129.2	272.7
<b>2011</b>										
Jan.	681.7	497.4	381.7	94.2	98.9	0.0	110.4	1,438.3	113.1	272.3
Feb.	680.8	518.4	509.3	94.3	130.9	0.0	110.4	1,386.5	99.4	280.1
Mar.	684.0	481.5	382.6	87.5	146.4	0.0	106.5	1,418.5	87.6	277.2
Apr.	692.5	479.3	403.7	88.7	155.7	0.0	106.5	1,523.4	79.2	277.8
May	695.5	471.9	482.0	88.4	134.3	0.0	106.5	1,381.1	83.5	278.2
June	703.0	492.6	485.0	81.4	121.2	0.0	105.6	1,998.9	85.7	279.7
July	710.2	579.4	370.8	89.7	141.0	0.0	105.6	1,585.7	90.0	281.0
Aug.	705.3	1,236.8	485.3	83.1	129.5	0.0	105.6	577.4	96.0	281.4
Sep.	711.6	1,188.5	426.2	90.0	131.6	0.0	110.3	694.1	110.4	287.9
Oct.	717.4	822.8	339.2	93.7	138.5	0.0	110.3	803.1	114.5	288.0
Nov.	720.3	1,139.2	534.6	96.4	123.9	0.0	110.3	458.4	116.6	288.1
Dec.	737.6	1,101.1	438.6	86.5	122.5	0.0	113.2	552.5	118.4	287.7
<b>2012</b>										
Jan.	721.1	1,054.7	272.1	88.8	121.5	0.0	113.2	874.7	106.5	287.2
Feb.	719.9	895.0	542.2	83.3	145.9	0.0	113.2	725.5	93.9	296.3
Mar.	722.1	554.6	440.8	89.7	151.1	0.1	110.7	1,245.1	96.5	298.4
Apr.	725.3	1,049.0	386.7	90.2	144.7	0.1	110.7	842.9	83.7	299.0
May	732.9	636.2	361.9	90.3	99.3	0.0	110.7	1,356.4	91.1	299.5
June	741.8	581.7	518.0	91.3	128.7	0.0	115.0	1,269.9	96.6	299.1

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Includes items in course of settlement.

<sup>4</sup> Includes provisions and revaluation accounts.

## Monetary, Banking and Financial Markets

**Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles<sup>1</sup> (assets)**

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets <sup>3</sup>	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 <sup>2</sup>	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
<b>2012</b>										
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

**Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles<sup>1</sup> (liabilities)**

EUR millions

End of period	Currency issued <sup>4</sup>	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities <sup>3</sup>
		Withdrawable on demand <sup>5</sup>	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities <sup>2</sup>	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
<b>2012</b>										
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

<sup>1</sup> Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast).

<sup>2</sup> If the Central Bank issues less currency than the amount attributed to it under the banknote allocation key, the shortfall will be reflected in intra-Eurosystem claims. Conversely, if the Central Bank issues more currency than the amount attributed to it under the banknote allocation key, the excess will be reflected in intra-Eurosystem liabilities (refer to General Notes for more details).

<sup>3</sup> Includes resident interbank transactions.

<sup>4</sup> 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.

<sup>5</sup> For the purposes of this table deposits withdrawable on demand include deposits redeemable at notice.

## Monetary, Banking and Financial Markets

**Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles<sup>1</sup> (assets)**

EUR millions

End of period	Balances held with Central Bank of Malta <sup>2</sup>	Claims on residents of Malta			External assets				Other assets <sup>3</sup>	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
<b>2011</b>										
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	10,520.8	27,554.6	642.4	38,717.7	867.9	51,298.0
Oct.	918.6	8,318.4	1,955.2	169.1	10,661.2	27,705.7	587.6	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	668.4	38,701.2	912.7	51,347.5
<b>2012</b>										
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	781.4	40,711.9	917.9	53,067.6

<sup>1</sup> 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.

<sup>2</sup> Include holdings of Maltese lira banknotes and coins up to 2008.

<sup>3</sup> Includes resident interbank claims.

## Monetary, Banking and Financial Markets

**Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles<sup>1</sup> (*liabilities*)**

EUR millions

End of period	Deposits from residents of Malta <sup>2</sup>				External liabilities				Debt securities issued <sup>3</sup>	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable 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 <sup>3</sup>	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
<b>2011</b>											
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	9,815.4	1,801.1
<b>2012</b>											
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	10,001.1	1,938.2
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	9,985.3	1,902.0
Mar.	4,798.9	124.1	5,141.0	10,064.1	6,199.1	17,041.9	5,754.4	28,995.4	353.8	9,799.8	1,887.1
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	2,078.3

<sup>1</sup> 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.

<sup>2</sup> Excludes inter-bank deposits. These are included, together with other resident inter-bank liabilities, in 'other liabilities'.

<sup>3</sup> 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.

## Monetary, Banking and Financial Markets

**Table 1.4a Monetary base and monetary aggregates**

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							Total (M3) <sup>1</sup>
				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	
Demand	Savings										
2003	1,130.6	321.2	1,451.8	1,072.5	637.5	1,763.0	3,473.0	67.0	3,096.9	6,636.9	6,637.0
2004	1,179.6	338.5	1,518.1	1,132.1	700.8	1,849.8	3,682.6	70.0	3,045.3	6,797.9	6,797.9
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 <sup>4</sup>	Total (M3) <sup>5</sup>
	Narrow money (M1)			Deposits redeemable at notice up to 3 months <sup>3</sup>		Deposits with agreed maturity up to 2 years <sup>3</sup>			
	Currency issued <sup>2</sup>	Overnight deposits <sup>3</sup>		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
<b>2011</b>									
July	686.5	4,448.9	128.9	129.3	1.5	3,688.6	153.9	210.8	9,448.5
Aug.	685.1	4,453.8	129.7	132.8	2.0	3,733.8	233.1	213.7	9,584.0
Sep.	690.1	4,477.6	143.1	125.3	2.0	3,754.5	263.8	216.5	9,672.9
Oct.	701.6	4,620.0	133.9	123.9	2.0	3,673.8	347.2	611.3	10,213.6
Nov.	702.6	4,491.3	142.8	127.6	1.9	3,675.4	285.4	704.3	10,131.2
Dec.	710.6	4,590.9	124.1	122.5	2.6	3,693.1	228.2	749.3	10,221.3
<b>2012</b>									
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

<sup>1</sup> M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years.

<sup>2</sup> 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.

<sup>3</sup> Deposits with MFIs exclude interbank deposits and deposits held by central government.

<sup>4</sup> 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.

<sup>5</sup> This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate.



## Monetary, Banking and Financial Markets

**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) <sup>2</sup>
	Net claims on central government <sup>1</sup>	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2003	1,324.1	4,423.4	5,747.5	2,279.5	136.9	10,493.3	8,912.8	3,723.1	6,637.0	2,833.6
2004	1,269.8	4,793.9	6,063.7	2,105.7	78.5	13,208.0	11,448.3	3,786.9	6,797.9	3,052.8
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) <sup>4</sup>	Credit counterpart <sup>3</sup>					External counterpart			Other counterparts (net) <sup>2</sup>
		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
<b>2011</b>										
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	2,529.9	2,833.1	16,105.7	28,865.7	21,130.6	7,735.1	14,168.0
Oct.	10,213.6	2,335.9	8,432.1	2,426.4	2,841.6	16,036.0	28,935.4	20,604.7	8,330.7	14,153.1
Nov.	10,131.2	2,378.4	8,498.1	2,258.7	2,941.1	16,076.3	29,291.8	21,511.8	7,780.0	13,725.1
Dec.	10,221.3	2,353.4	8,550.5	2,240.9	2,929.5	16,074.3	29,302.6	21,460.0	7,842.6	13,695.5
<b>2012</b>										
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	30,542.6	21,704.2	8,838.4	14,917.6
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	33,712.0	22,892.4	10,819.5	16,410.2

<sup>1</sup> Central government deposits held with MFIs are netted from this figure.

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

<sup>3</sup> Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

<sup>4</sup> 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.

## Monetary, Banking and Financial Markets

**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		
2003	1,088.0	42.6	1,130.6	58.1	1,072.5
2004	1,134.8	44.8	1,179.6	47.5	1,132.1
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 <sup>3</sup>
	Notional amount of banknotes issued by the Central Bank of Malta <sup>1</sup>	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins <sup>2</sup>	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
<b>2011</b>						
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
<b>2012</b>						
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

<sup>1</sup> 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).

<sup>2</sup> 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).

<sup>3</sup> 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.

## Monetary, Banking and Financial Markets

**Table 1.7a Denominations of Maltese currency issued and outstanding**

*EUR millions*

End of period	Total notes & coins <sup>1</sup>	Currency notes					Total
		Lm20	Lm10 <sup>2</sup>	Lm5	Lm2		
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
<b>2012</b>							
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

<sup>1</sup> The denominations of coins consist of Lm1, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.

<sup>2</sup> 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<sup>1</sup>**

*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
<b>2012</b>								
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

<sup>1</sup> 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
<b>2012</b>									
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

## Monetary, Banking and Financial Markets

Table 1.8 Deposits held with other monetary financial institutions by sector<sup>1</sup>

End of period	Resident deposits										Deposits held by non-residents of Malta		Total deposits
	General government <sup>1</sup>	Monetary financial institutions <sup>2</sup>	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			
<b>2011</b>													
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			
<b>2012</b>													
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			

<sup>1</sup> Including extra-budgetary units.

<sup>2</sup> For the purposes of this Table, deposits include interbank loans and uncleared effects.

## Monetary, Banking and Financial Markets

**Table 1.9 Deposits held with other monetary financial institutions by currency<sup>1</sup>**

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 <sup>2</sup>	EUR	GBP	USD	Other	MTL <sup>2</sup>	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
<b>2011</b>										
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
<b>2012</b>										
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

<sup>1</sup> Also includes loans granted to the reporting MFIs.

<sup>2</sup> Maltese lira-denominated deposits were redenominated as euro deposits from the beginning of 2008.

## Monetary, Banking and Financial Markets

**Table 1.10 Other monetary financial institutions' loans by size class<sup>1</sup>**

EUR millions

End of period	Size classes <sup>2</sup>				
	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
<b>2011</b>					
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
<b>2012</b>					
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	2,228.9	16,386.8	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

<sup>1</sup> 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.

<sup>2</sup> Amounts in euro are approximations.

## Monetary, Banking and Financial Markets

**Table 1.11 Other monetary financial institutions' loans to residents of Malta by economic activity<sup>1</sup>**

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 <sup>2</sup>				Other <sup>3</sup>	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
<b>2011</b>														
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
<b>2012</b>														
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

<sup>1</sup> As from 2010, the statistical classification of loans by economic activity is based on NACE rev 2.

<sup>2</sup> Excluding loans to unincorporated bodies such as partnerships, sole proprietors and non-profit institutions. Loans to such bodies are classified by their main activity.

<sup>3</sup> 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.

## Monetary, Banking and Financial Markets

Table 1.12 Other monetary financial institutions' loans by sector

End of Period	Lending to residents of Malta										Lending to non-residents of Malta		Total lending
	General government <sup>2</sup>	Monetary financial institutions <sup>1</sup>	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			
<b>2011</b>													
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			
<b>2012</b>													
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			

<sup>1</sup> For the purposes of this Table, loans include interbank deposits.

<sup>2</sup> Including extra-budgetary units.



## Monetary, Banking and Financial Markets

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

End of period	Lending to residents of Malta														Total lending	
	Non-financial corporations						Households & non-profit institutions						Other sectors <sup>1</sup>			
	MTL <sup>2</sup>		EUR		Other		MTL <sup>2</sup>		EUR		Other		MTL <sup>2</sup>	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	Less than 1 year	Over 1 year		Less than 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
<b>2011</b>																
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
<b>2012</b>																
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

<sup>1</sup> For the purposes of this Table, loans include interbank deposits.

<sup>2</sup> Maltese lira-denominated loans were redenominated as euro loans from the beginning of 2008.

## Monetary, Banking and Financial Markets

**Table 1.14 Aggregated statement of assets and liabilities - investment funds<sup>1</sup> (assets)**

<i>EUR millions</i>								
End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets <sup>2</sup>	Fixed and other assets <sup>3</sup>	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
<b>2012</b>								
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

**Table 1.14 Aggregated statement of assets and liabilities - investment funds<sup>1</sup> (liabilities)**

<i>EUR millions</i>					
End of period	Loans	Shareholders' units/ funds <sup>4</sup>	External liabilities <sup>5</sup>	Other liabilities <sup>6</sup>	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
<b>2012</b>					
Mar.	0.8	827.1	40.4	5.2	873.5
June	1.0	860.9	31.1	5.2	898.1

<sup>1</sup> Comprising the resident investment funds. As from 2006, data for those investment funds with a net asset value of less than 2% of the total assets of the sector are estimated.

<sup>2</sup> Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.

<sup>3</sup> Includes debtors, currency (both euro and foreign), prepayments and other assets.

<sup>4</sup> Includes share capital and reserves.

<sup>5</sup> Includes loans, creditors, accruals, shareholders' units/ funds and other liabilities to non-resident counterparties.

<sup>6</sup> Includes creditors, accruals and other liabilities.

## Monetary, Banking and Financial Markets

**Table 1.15 Aggregated statement of assets and liabilities - insurance corporations<sup>1</sup> (assets)**

EUR millions

End of period	Currency and Deposits <sup>2</sup>	Holdings of securities other than shares	Holdings of shares and other equity		External assets <sup>3,8</sup>	Fixed and other assets <sup>4,8</sup>	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
<b>2012</b>							
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

**Table 1.15 Aggregated statement of assets and liabilities - insurance corporations<sup>1</sup> (liabilities)**

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves <sup>5</sup>	External liabilities <sup>6,8</sup>	Other liabilities <sup>7,8</sup>	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
<b>2012</b>						
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

<sup>1</sup> Comprising the resident insurance companies.

<sup>2</sup> Includes loans.

<sup>3</sup> Includes deposits, securities, investment fund shares/units, financial derivatives and other assets with non-resident counterparties.

<sup>4</sup> Mainly includes financial derivatives with resident counterparties, non-financial assets including fixed assets, other assets and accruals.

<sup>5</sup> Comprising investment linked life-assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves.

<sup>6</sup> Includes loans, securities, financial derivatives and other accounts payable to non-resident counterparties.

<sup>7</sup> Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.

<sup>8</sup> Following a reclassification exercise, as from Q1 2009, certain instruments were shifted from "External Assets" to the "Fixed and other assets" column.

## Monetary, Banking and Financial Markets

**Table 1.16 Debt securities, by sector of resident issuers<sup>1</sup>**

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	General government	Financial Corporations	Non-financial companies	Total	General government	Financial Corporations	Non-financial companies	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
<b>2012<sup>2</sup></b>									
Q1 <sup>3</sup>	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

<sup>1</sup> Amounts are at nominal prices. Outstanding amounts of debt securities denominated in foreign currency reflect exchange rate changes.

<sup>2</sup> Figures are provisional.

<sup>3</sup> 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<sup>1</sup>**

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
<b>2012<sup>2</sup></b>							
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

<sup>1</sup> Amounts are at market prices. Outstanding amounts of quoted shares reflect market and exchange rate changes.

<sup>2</sup> Figures are provisional.

Source: MSE.

## Monetary, Banking and Financial Markets

**Table 1.18 Monetary financial institutions' interest rates on deposits and loans to residents of Malta<sup>1</sup>**

% per annum	2008	2009	2010	2011	2012					
					Jan.	Feb.	Mar.	Apr.	May	June
<b>NEW BUSINESS</b>										
<b>Deposits</b>	<b>3.04</b>	<b>1.74</b>	<b>2.10</b>	<b>2.55</b>	<b>2.29</b>	<b>2.34</b>	<b>1.96</b>	<b>2.11</b>	<b>2.06</b>	<b>1.97</b>
<i>Households and NPISH</i>										
<i>Time deposits with agreed maturity</i>										
up to 1 year	3.31	2.23	2.50	2.85	2.52	2.40	2.19	2.49	2.36	2.24
over 1 and up to 2 years	3.06	1.95	2.03	1.99	1.98	1.89	1.91	1.87	1.89	1.86
over 2 years	4.60	3.00	3.00	3.41	3.01	3.43	3.49	3.33	3.58	3.28
over 2 years	4.77	3.44	3.86	3.65	3.53	3.42	3.10	4.08	4.27	4.58
<i>Non-financial corporations</i>										
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.85	2.18	1.72	1.74	1.71	1.64
<b>Loans (excluding credit card debt, revolving loans &amp; overdrafts)</b>	<b>4.88</b>	<b>4.49</b>	<b>4.71</b>	<b>4.10</b>	<b>4.40</b>	<b>4.25</b>	<b>4.50</b>	<b>4.34</b>	<b>4.32</b>	<b>4.52</b>
<i>Households and NPISH</i>										
Lending for house purchase	4.88	4.49	4.20	3.82	3.83	3.80	3.82	3.87	3.84	4.10
Consumer credit	3.84	3.51	3.43	3.38	3.38	3.27	3.28	3.29	3.33	3.48
Other lending	6.12	6.02	5.81	5.04	5.59	5.87	5.79	5.75	5.74	5.81
Other lending	6.44	5.56	5.86	5.60	5.27	5.60	5.58	5.74	5.47	5.57
APRC <sup>2</sup> for loans to households and NPISH	4.63	4.05	3.94	3.78	3.75	3.72	3.80	3.75	3.94	3.98
Lending for house purchase	4.35	3.70	3.63	3.60	3.58	3.51	3.58	3.58	3.55	3.66
Consumer credit	6.25	6.10	5.89	5.12	5.67	5.92	5.86	5.85	5.52	5.85
<i>Non-financial corporations</i>										
Loans	5.50	4.95	4.86	4.28	5.80	5.59	5.46	4.78	4.74	4.90
<b>OUTSTANDING AMOUNTS</b>										
<b>Deposits</b>	<b>2.60</b>	<b>1.46</b>	<b>1.38</b>	<b>1.41</b>	<b>1.41</b>	<b>1.43</b>	<b>1.41</b>	<b>1.41</b>	<b>1.41</b>	<b>1.41</b>
<i>Households and NPISH</i>										
Overnight deposits <sup>3</sup>	2.74	1.57	1.50	1.54	1.55	1.55	1.54	1.55	1.54	1.55
Savings deposits redeemable at notice <sup>3,4</sup>	0.57	0.30	0.28	0.31	0.30	0.31	0.31	0.31	0.32	0.32
up to 3 months	2.05	1.68	1.59	1.51	1.55	1.52	1.50	1.51	1.51	1.53
up to 3 months	2.09	1.70	1.69	1.61	1.65	1.63	1.57	1.59	1.59	1.58
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.41	2.40	2.39	2.40	2.41	2.41
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.05	2.04	2.05	2.05	2.06
over 2 years	3.19	3.06	3.16	3.21	3.26	3.24	3.22	3.25	3.27	3.27
<i>Non-financial corporations</i>										
Overnight deposits <sup>3</sup>	1.73	0.86	0.81	0.84	0.81	0.87	0.84	0.80	0.79	0.73
Overnight deposits <sup>3</sup>	0.64	0.23	0.24	0.30	0.26	0.30	0.29	0.29	0.29	0.29
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.09	2.06	2.09	2.09	2.09	2.06
up to 2 years	3.39	1.89	1.97	2.00	1.97	2.00	1.96	1.98	1.98	1.92
over 2 years	3.26	3.35	3.24	3.13	3.34	3.16	3.16	3.23	3.22	3.23
<b>Loans</b>	<b>5.03</b>	<b>4.58</b>	<b>4.38</b>	<b>4.44</b>	<b>4.37</b>	<b>4.37</b>	<b>4.37</b>	<b>4.36</b>	<b>4.36</b>	<b>4.35</b>
<i>Households and NPISH</i>										
Lending for house purchase	4.57	4.15	4.06	4.02	3.99	3.98	3.98	3.98	3.97	3.97
Consumer credit and other lending <sup>5</sup>	4.03	3.51	3.46	3.43	3.43	3.43	3.42	3.41	3.41	3.41
Consumer credit and other lending <sup>5</sup>	5.80	5.67	5.58	5.66	5.56	5.55	5.56	5.58	5.58	5.58
<i>Non-financial corporations</i> <sup>5</sup>										
Loans	5.43	4.96	4.67	4.85	4.74	4.75	4.76	4.73	4.74	4.73
<i>Revolving loans and overdrafts</i>										
Households and NPISH	7.16	6.44	5.75	6.12	5.80	5.79	5.72	5.89	5.89	5.89
Non-financial corporations	5.30	5.08	5.03	5.07	5.09	5.12	4.98	5.19	5.13	5.16

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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'.

<sup>5</sup> Includes bank overdrafts.

## Monetary, Banking and Financial Markets

**Table 1.19 Monetary financial institutions' interest rates on deposits and loans to euro area residents<sup>1</sup>**

% per annum	2008	2009	2010	2011	2012					
					Jan.	Feb.	Mar.	Apr.	May	June
<b>NEW BUSINESS</b>										
<b>Deposits</b>	<b>2.72</b>	<b>1.90</b>	<b>1.65</b>	<b>2.57</b>	<b>2.58</b>	<b>2.37</b>	<b>1.98</b>	<b>2.12</b>	<b>2.23</b>	<b>2.24</b>
<i>Households and NPISH</i>	3.31	2.24	2.44	2.83	2.49	2.39	2.20	2.43	2.51	2.62
<i>Time deposits with agreed maturity</i>	3.31	2.24	2.44	2.83	2.49	2.39	2.20	2.43	2.51	2.62
up to 1 year	3.05	1.97	1.96	1.99	1.96	1.89	1.92	1.83	2.10	2.39
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.02	3.43	3.74	2.96	3.61	3.29
over 2 years	4.77	3.44	3.86	3.65	3.53	3.42	3.10	4.11	4.28	4.58
<i>Non-financial corporations</i>	2.06	1.44	1.11	2.17	2.68	2.33	1.76	1.83	1.97	1.65
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	2.68	2.33	1.76	1.83	1.97	1.65
<b>Loans (excluding credit card debt, revolving loans &amp; overdrafts)</b>	<b>4.88</b>	<b>4.48</b>	<b>4.45</b>	<b>4.09</b>	<b>3.91</b>	<b>4.00</b>	<b>3.83</b>	<b>4.15</b>	<b>4.17</b>	<b>4.35</b>
<i>Households and NPISH</i>	4.88	4.48	4.20	3.81	3.82	3.80	3.82	3.87	3.85	4.09
Lending for house purchase	3.84	3.51	3.42	3.38	3.38	3.27	3.28	3.29	3.34	3.48
Consumer credit	6.12	6.01	5.81	5.04	5.59	5.69	5.79	5.75	5.74	5.81
Other lending	6.43	5.56	5.86	5.60	5.26	5.60	5.58	5.74	5.48	5.57
<i>APRC<sup>2</sup> for loans to households and NPISH</i>	4.63	4.05	3.94	3.78	3.75	3.72	3.80	3.75	3.95	3.98
Lending for house purchase	4.35	3.70	3.63	3.60	3.58	3.52	3.58	3.59	3.56	3.66
Consumer credit	6.25	6.09	5.89	5.12	5.67	5.74	5.86	5.85	5.52	5.85
<i>Non-financial corporations</i>	4.93	4.42	4.52	4.20	3.99	4.10	3.84	4.30	4.39	4.55
Loans	4.93	4.42	4.52	4.20	3.99	4.10	3.84	4.30	4.39	4.55
<b>OUTSTANDING AMOUNTS</b>										
<b>Deposits</b>	<b>2.62</b>	<b>1.47</b>	<b>1.37</b>	<b>1.41</b>	<b>1.42</b>	<b>1.42</b>	<b>1.41</b>	<b>1.41</b>	<b>1.40</b>	<b>1.41</b>
<i>Households and NPISH</i>	2.74	1.58	1.49	1.54	1.55	1.55	1.53	1.55	1.55	1.56
Overnight deposits <sup>3</sup>	0.57	0.30	0.28	0.30	0.30	0.31	0.32	0.32	0.32	0.32
<i>Savings deposits redeemable at notice<sup>3,4</sup></i>	2.09	1.70	1.69	1.63	1.66	1.65	1.59	1.59	1.59	1.59
up to 3 months	2.09	1.70	1.69	1.63	1.66	1.65	1.59	1.59	1.59	1.59
<i>Time deposits with agreed maturity</i>	3.82	2.36	2.29	2.39	2.41	2.40	2.39	2.41	2.42	2.44
up to 2 years	3.89	2.21	2.08	2.05	2.07	2.06	2.05	2.05	2.07	2.09
over 2 years	3.24	3.10	3.16	3.22	3.27	3.25	3.24	3.26	3.28	3.29
<i>Non-financial corporations</i>	2.00	0.92	0.84	0.90	0.92	0.90	0.86	0.85	0.80	0.75
Overnight deposits <sup>3</sup>	0.65	0.23	0.25	0.30	0.27	0.31	0.30	0.30	0.30	0.29
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.20	2.03	2.02	2.06	1.97	1.92
up to 2 years	3.57	1.93	1.71	1.93	2.11	1.93	1.91	1.95	1.84	1.78
over 2 years	3.28	3.13	3.33	2.99	3.15	3.01	3.01	3.07	3.06	3.07
<b>Loans</b>	<b>4.94</b>	<b>4.29</b>	<b>4.32</b>	<b>4.38</b>	<b>4.30</b>	<b>4.32</b>	<b>4.30</b>	<b>4.28</b>	<b>4.28</b>	<b>4.27</b>
<i>Households and NPISH</i>	4.57	4.15	4.06	4.02	3.99	3.99	3.98	3.98	3.98	3.97
Lending for house purchase	4.03	3.51	3.46	3.43	3.43	3.43	3.42	3.41	3.41	3.41
Consumer credit and other lending <sup>5</sup>	5.79	5.67	5.58	5.66	5.56	5.55	5.56	5.57	5.58	5.58
<i>Non-financial corporations<sup>5</sup></i>	5.20	4.40	4.54	4.66	4.55	4.59	4.56	4.52	4.52	4.51
<i>Revolving loans and overdrafts</i>										
Households and NPISH	7.16	6.45	5.76	6.12	5.80	5.79	5.73	5.89	5.89	5.89
Non-financial corporations	5.14	5.08	5.02	5.07	5.09	5.12	4.99	5.18	5.12	5.16

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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'.

<sup>5</sup> Includes bank overdrafts.

## Monetary, Banking and Financial Markets

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

	2008	2009	2010	2011	2012	
					Mar.	June
<b>INTEREST RATES (%)<sup>1</sup></b>						
<b>Key ECB interest rates<sup>2</sup></b>						
Marginal lending facility	3.00	1.75	1.75	1.75	1.75	1.75
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	1.00	1.00
Deposit facility	2.00	0.25	0.25	0.25	0.25	0.25
<b>Money market rates (period averages)</b>						
Overnight deposit (EONIA)	3.86	0.72	0.44	0.79	0.37	0.33
Rates for fixed term deposits (EURIBOR)						
1 month	4.27	0.90	0.57	1.24	0.65	0.38
3 months	4.63	1.23	0.81	1.50	1.04	0.66
6 months	4.72	1.44	1.08	1.72	1.34	0.93
1 year	4.81	1.62	1.35	2.05	1.67	1.22
<b>Central Bank of Malta<sup>2</sup></b>						
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						

<sup>1</sup> End of period rates unless otherwise indicated.

<sup>2</sup> 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.

## Monetary, Banking and Financial Markets

**Table 1.21 Other rates and indicators**

	2008	2009	2010	2011	2012	
					Mar.	June
<b>INTEREST RATES (%)<sup>1</sup></b>						
<b>Other monetary financial institutions<sup>2</sup></b>						
Weighted average deposit rate	2.57	1.44	1.37	1.41	1.39	1.39
Current deposits	0.51	0.29	0.28	0.32	0.29	0.31
Savings deposits	0.73	0.33	0.35	0.35	0.36	0.36
Time deposits	3.74	2.30	2.27	2.35	2.33	2.36
Weighted average lending rate	4.96	4.46	4.72	4.71	4.71	4.68
Non-financial companies	5.31	4.93	5.31	5.34	5.37	5.32
Households and individuals	4.51	3.91	4.05	3.98	3.95	3.93
Consumer credit	7.15	5.90	5.97	5.99	6.00	6.01
House purchase	3.98	3.47	3.63	3.58	3.57	3.54
Other lending	5.54	4.96	5.35	5.29	5.06	5.14
<b>Government securities</b>						
Treasury bills (primary market)						
1 month	-	-	-	1.20	-	-
3 month	3.65	1.40	0.99	0.82	0.84	1.04
6 month	2.75	1.52	1.10	1.33	1.05	1.19
1 year	-	-	-	-	-	-
Treasury bills (secondary market)						
1 month	2.64	1.36	0.77	0.85	0.96	1.00
3 month	2.64	1.40	0.94	0.97	1.01	1.05
6 month	2.65	1.46	1.23	0.99	1.04	1.18
1 year	2.73	1.69	1.28	1.26	1.40	1.41
<b>Government long-term debt securities (period averages)</b>						
2 year	3.43	2.41	1.88	2.31	2.01	2.20
5 year	4.01	3.66	3.05	3.36	3.24	3.31
10 year	4.53	4.54	4.19	4.35	4.26	4.27
15 year	4.76	4.96	n/a	n/a	n/a	n/a
<b>MALTA STOCK EXCHANGE SHARE INDEX</b>	3,208	3,461	3,781	3,095	2,939	3,022

<sup>1</sup> End of period rates unless otherwise indicated.

<sup>2</sup> 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. 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<sup>1</sup>**

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+) <sup>2</sup>
	Current	Capital	Total	Current	Capital	Total		
2005	1,835.7	172.9	2,008.6	1,909.4	241.3	2,150.7	-142.1	35.8
2006	1,937.5	167.8	2,105.4	2,002.1	244.3	2,246.3	-140.9	38.8
2007	2,129.3	70.6	2,199.9	2,106.7	221.6	2,328.3	-128.4	52.9
2008	2,252.8	46.5	2,299.2	2,372.1	195.2	2,567.2	-268.0	-81.3
2009	2,245.0	62.2	2,307.2	2,351.3	182.1	2,533.5	-226.3	-42.9
2010	2,314.1	111.1	2,425.2	2,435.1	214.6	2,649.7	-224.5	-38.2
2011	2,460.7	113.2	2,573.9	2,542.9	208.0	2,750.9	-177.0	23.9
<b>2011</b>								
Q1	608.9	22.2	631.0	631.3	47.3	678.6	-47.6	0.0
Q2	575.6	18.7	594.3	634.9	50.4	685.2	-90.9	-40.4
Q3	581.8	36.5	618.3	598.8	52.3	651.1	-32.8	17.4
Q4	694.5	35.8	730.2	677.9	58.1	735.9	-5.7	46.9
<b>2012</b>								
Q1	641.6	20.4	662.1	670.5	71.5	742.0	-79.9	-23.6
Q2	635.3	19.5	654.8	697.7	26.4	724.2	-69.4	-15.0

**Table 2.2 General government revenue by main components<sup>1</sup>**

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden <sup>3</sup>
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2005	559.5	718.2	380.2	94.4	69.5	14.0	1,835.7	17.5	155.4	172.9	2,008.6	1,675.3
2006	609.8	759.3	389.8	96.4	63.5	18.9	1,937.5	14.7	153.2	167.8	2,105.4	1,773.4
2007	726.0	801.2	398.3	109.5	72.8	21.6	2,129.3	15.7	54.9	70.6	2,199.9	1,941.2
2008	742.8	829.7	432.0	152.2	70.4	25.6	2,252.8	15.1	31.4	46.5	2,299.2	2,019.5
2009	795.4	809.5	434.9	116.3	69.2	19.6	2,245.0	14.0	48.2	62.2	2,307.2	2,053.8
2010	807.8	842.6	456.4	102.7	84.3	20.3	2,314.1	14.7	96.4	111.1	2,425.2	2,121.5
2011	849.4	905.7	486.6	122.8	79.4	16.8	2,460.7	14.8	98.4	113.2	2,573.9	2,256.5
<b>2011</b>												
Q1	229.6	199.7	118.4	24.1	34.6	2.5	608.9	3.0	19.2	22.2	631.0	550.7
Q2	196.1	205.3	115.5	30.9	22.5	5.3	575.6	4.2	14.6	18.7	594.3	521.0
Q3	180.7	241.8	118.1	28.2	8.8	4.2	581.8	3.6	32.9	36.5	618.3	544.2
Q4	243.0	258.9	134.7	39.6	13.5	4.7	694.5	4.1	31.7	35.8	730.2	640.7
<b>2012</b>												
Q1	217.8	220.5	120.4	40.5	37.5	4.9	641.6	3.7	16.7	20.4	662.1	562.5
Q2	241.1	214.8	119.0	28.9	24.0	7.5	635.3	3.8	15.6	19.5	654.8	578.7

<sup>1</sup> Based on ESA95 methodology. Data are provisional.

<sup>2</sup> Deficit(-)/surplus(+) excluding interest paid.

<sup>3</sup> The fiscal burden comprises taxes and social security contributions.

Sources: Eurostat; NSO.

## Government Finance

**Table 2.3 General government expenditure by main components<sup>1</sup>**

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total <sup>2</sup>	
2005	668.3	642.7	177.8	238.2	101.2	81.2	1,909.4	227.1	48.7	241.3	2,150.7
2006	678.4	666.5	179.7	285.6	109.4	82.4	2,002.1	204.3	47.9	244.3	2,246.3
2007	706.9	718.6	181.3	295.8	112.1	92.1	2,106.7	205.6	43.2	221.6	2,328.3
2008	831.4	756.6	186.6	376.8	125.1	95.6	2,372.1	138.6	48.3	195.2	2,567.2
2009	829.5	809.4	183.4	354.8	64.0	110.3	2,351.3	136.0	58.7	182.1	2,533.5
2010	840.6	847.0	186.3	374.6	66.8	119.8	2,435.1	132.2	78.0	214.6	2,649.7
2011	871.1	880.5	200.9	411.7	64.9	113.8	2,542.9	164.0	48.0	208.0	2,750.9
<b>2011</b>											
Q1	216.2	229.7	47.5	97.1	11.0	29.8	631.3	38.3	8.5	47.3	678.6
Q2	218.8	218.5	50.5	98.8	22.4	25.8	634.9	35.0	12.1	50.4	685.2
Q3	217.9	203.1	50.2	89.9	11.0	26.8	598.8	44.6	13.2	52.3	651.1
Q4	218.2	229.3	52.6	125.9	20.5	31.4	677.9	46.1	14.3	58.1	735.9
<b>2012</b>											
Q1	220.9	221.4	56.3	120.4	15.5	36.1	670.5	36.1	30.0	71.5	742.0
Q2	228.4	249.9	54.4	111.0	21.4	32.7	697.7	46.6	17.0	26.4	724.2

<sup>1</sup> Based on ESA95 methodology. Data are provisional.

<sup>2</sup> Includes acquisitions less disposals of non-financial non-produced assets.

Sources: Eurostat; NSO.

**Table 2.4 General government expenditure by function<sup>1</sup>**

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	326.5	43.7	76.2	304.8	73.7	35.8	309.0	31.6	272.5	677.0	2,150.7
2006	347.9	37.1	75.9	310.3	82.0	37.1	325.6	29.1	286.9	714.4	2,246.3
2007	351.2	35.6	80.2	324.9	87.5	33.6	315.6	31.6	295.7	772.5	2,328.3
2008	395.3	38.1	86.2	434.6	93.9	40.1	316.0	36.2	311.4	815.5	2,567.2
2009	423.4	54.1	90.5	287.6	101.9	17.0	323.2	42.3	321.3	872.9	2,533.5
2010	404.4	50.8	92.7	296.0	132.3	14.2	349.6	47.2	358.5	904.1	2,649.7

<sup>1</sup> Based on Classification of Functions of Government (COFOG). Data are provisional.

Sources: Eurostat; NSO.

## Government Finance

Table 2.5 General government financial balance sheet<sup>1</sup>

Period	Financial assets						Financial liabilities					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
<b>2011</b>												
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
<b>2012</b>												
Mar.	662.5	0.0	189.2	852.3	680.3	2,384.2	45.2	4,789.1	305.8	671.1	5,811.1	-3,427.0
June	727.5	0.0	233.4	892.3	700.4	2,553.6	47.0	4,933.7	341.6	720.5	6,042.8	-3,489.2

<sup>1</sup> Based on ESA95 methodology. Data are quoted at market prices and should be considered as provisional.  
Sources: Eurostat; NSO.

## Government Finance

**Table 2.6 General government deficit-debt adjustment<sup>1</sup>**

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other <sup>2</sup>	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
<b>2011</b>									
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
<b>2012</b>									
Q1	230.3	-79.9	8.9	41.3	0.0	0.9	-6.0	105.3	150.4
Q2	170.5	-69.4	58.8	44.2	0.0	11.2	1.5	-14.6	101.1

<sup>1</sup> Based on ESA95 methodology. Data are provisional.

<sup>2</sup> 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 <sup>1</sup>	Government guaranteed debt <sup>2</sup>
		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	45.8	257.1	4,046.3	4,303.5	51.4	206.6	258.0	4,607.4	1,068.9
<b>2011</b>									
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
<b>2012</b>									
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	340.2	5,008.2	1,065.8

<sup>1</sup> 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.

<sup>2</sup> Represents outstanding balances on general government guaranteed debt.

Sources: Eurostat; NSO.

## Government Finance

**Table 2.8 Treasury bills issued and outstanding<sup>1</sup>**

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs <sup>4</sup>	Others <sup>2</sup>	Total	MFIs	Others <sup>2</sup>	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
<b>2011</b>							
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
<b>2012</b>							
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

<sup>1</sup> Amounts are at nominal prices.

<sup>2</sup> Includes the Malta Government sinking fund.

<sup>3</sup> 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).

<sup>4</sup> As from December 2008, issues in the primary market taken up by money market funds were reclassified from 'Others' to 'OMFIs'.

Sources: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.9 Treasury bills issued and outstanding<sup>1</sup> (as at end-June 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 <sup>3</sup>
				OMFIs <sup>4</sup>	Others <sup>2</sup>	MFIs	Others <sup>2</sup>	
05/Apr/2012	06/Jul/2012	0.878	0.999	23.3	0.0	21.3	2.0	23.3
06/Jan/2012	06/Jul/2012	1.000	0.999	5.0	0.0	5.0	0.0	5.0
14/Oct/2011	13/Jul/2012	1.576	0.999	30.0	0.0	30.0	0.0	30.0
20/Apr/2012	20/Jul/2012	0.887	1.000	11.8	0.0	10.3	1.5	11.8
20/Jan/2012	20/Jul/2012	1.000	1.000	5.0	0.0	5.0	0.0	5.0
27/Apr/2012	27/Jul/2012	0.891	1.001	11.4	0.2	8.3	3.3	11.6
27/Jan/2012	27/Jul/2012	1.017	1.001	15.0	0.0	15.0	0.0	15.0
04/May/2012	03/Aug/2012	0.945	1.007	18.6	1.3	14.2	5.7	19.9
03/Feb/2012	03/Aug/2012	1.005	1.007	10.0	0.0	10.0	0.0	10.0
11/May/2012	10/Aug/2012	0.989	1.012	12.0	0.0	8.3	3.8	12.0
18/May/2012	17/Aug/2012	1.009	1.018	5.5	0.0	3.3	2.3	5.5
25/May/2012	24/Aug/2012	1.027	1.024	4.6	0.0	4.0	0.6	4.6
24/Feb/2012	24/Aug/2012	1.000	1.024	2.0	0.0	2.0	0.0	2.0
01/Jun/2012	31/Aug/2012	1.039	1.030	7.5	0.5	7.5	0.5	8.0
08/Jun/2012	07/Sep/2012	0.964	1.035	8.2	0.0	0.0	8.2	8.2
15/Jun/2012	14/Sep/2012	1.029	1.041	2.7	1.0	2.0	1.7	3.7
22/Jun/2012	20/Sep/2012	1.041	1.046	3.0	0.0	2.0	1.0	3.0
23/Mar/2012	20/Sep/2012	1.050	1.046	3.0	0.0	0.0	3.0	3.0
28/Jun/2012	28/Sep/2012	1.040	1.053	2.9	0.0	2.0	0.9	2.9
13/Jan/2012	12/Oct/2012	1.399	1.073	5.0	0.0	5.0	0.0	5.0
20/Apr/2012	19/Oct/2012	1.093	1.083	8.0	0.2	8.1	0.1	8.2
27/Apr/2012	26/Oct/2012	1.104	1.093	7.0	0.0	7.0	0.0	7.0
04/May/2012	02/Nov/2012	1.116	1.103	11.0	0.0	11.0	0.0	11.0
11/May/2012	09/Nov/2012	1.148	1.112	9.0	0.0	7.0	2.0	9.0
09/Feb/2012	09/Nov/2012	1.323	1.112	5.0	0.0	0.0	5.0	5.0
18/May/2012	16/Nov/2012	1.190	1.122	4.0	0.0	4.0	0.0	4.0
25/May/2012	23/Nov/2012	1.197	1.132	4.0	0.0	2.0	2.0	4.0
15/Jun/2012	14/Dec/2012	1.235	1.162	0.0	1.0	0.0	1.0	1.0
22/Jun/2012	21/Dec/2012	1.200	1.172	0.0	0.3	0.0	0.4	0.4
28/Jun/2012	28/Dec/2012	1.190	1.181	2.0	0.0	2.0	0.0	2.0
05/Apr/2012	04/Jan/2013	1.298	1.187	3.0	0.1	2.0	1.1	3.1
13/Apr/2012	11/Jan/2013	1.307	1.193	8.0	0.0	8.0	0.0	8.0
13/Apr/2012	12/Apr/2013	1.400	1.284	4.0	0.0	4.0	0.0	4.0
<b>Total</b>				<b>251.5</b>	<b>4.6</b>	<b>210.1</b>	<b>46.0</b>	<b>256.1</b>

<sup>1</sup> Amounts are at nominal prices.

<sup>2</sup> Includes the Malta Government sinking fund.

<sup>3</sup> 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).

<sup>4</sup> OMFIs include the money market funds.

Sources: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.10 Malta government long-term debt securities outstanding<sup>1</sup> (as at end-June 2012)**

EUR millions									
Coupon rate (%)	Year of maturity	Year of issue	Issue price <sup>2</sup>	ISMA Yield (%) <sup>5</sup>	Interest dates	Held by		Amount	
						MFIs <sup>6</sup>	Others		
7.00	2012 (II) <sup>3</sup>	2002	100	N/A	30/06 - 30/12	0.0	0.4	0.4	
5.70	2012 (III) <sup>4</sup>	2005/2007	100 / 102.75/ 103.85/105.95/ 108/108.5/109.7	N/A	30/03 - 30/09	152.3	116.6	268.9	
7.80	2013 (I)	1997	100	2.28	18/04 - 18/10	48.3	31.5	79.8	
6.35	2013 (II) <sup>4</sup>	2001	100	1.44	19/05 - 19/11	11.2	49.3	60.5	
7.00	2013 (III) <sup>3</sup>	2003	100	2.28	30/06 - 30/12	0.0	0.2	0.2	
3.60	2013 (IV) <sup>4</sup>	2009	100	2.28	18/04 - 18/10	231.4	55.6	287.0	
6.60	2014 (I) <sup>4</sup>	2000	100	2.28	30/03 - 30/09	10.2	14.3	24.5	
6.45	2014 (II) <sup>4</sup>	2001	100	2.33	24/05 - 24/11	21.5	48.4	69.9	
5.10	2014 (III) <sup>4</sup>	03/04/06/07/08	100/103.25/ 103.64/105.5	2.27	06/01 - 06/07	168.9	220.0	388.9	
7.00	2014 (IV) <sup>3</sup>	26/06/1905	100	2.35	30/06 - 30/12	0.0	4.0	4.0	
6.10	2015 (I) <sup>4</sup>	2000	100	2.42	10/06 - 10/12	37.5	32.4	69.9	
5.90	2015 (II) <sup>4</sup>	02/03/07	100/102/105	2.51	09/04 - 09/10	31.5	85.0	116.5	
7.00	2015 (III) <sup>3</sup>	2005	100	2.56	30/06 - 30/12	0.0	0.7	0.7	
7.00	2015 (IV) <sup>3</sup>	2005	100	2.56	03/05 - 03/11	0.0	0.8	0.8	
3.75	2015 (V) <sup>4</sup>	2010	100	2.53	03/06 - 03/12	95.3	36.2	131.5	
6.65	2016 (I) <sup>4</sup>	2001	100	2.66	28/03 - 28/09	11.0	58.8	69.8	
4.80	2016 (II) <sup>4</sup>	03/04/06	100/101/104	2.96	26/05 - 26/11	75.8	110.6	186.4	
7.00	2016 (III) <sup>3</sup>	28/06/1905	100	3.00	30/06 - 30/12	0.0	3.4	3.4	
4.30	2016 (IV) <sup>3</sup>	2011	100.93	2.82	16/02 - 16/08	129.1	29.0	158.1	
7.00	2017 (I) <sup>3</sup>	2007	100	3.39	18/02 - 18/08	0.0	0.7	0.7	
7.00	2017 (II) <sup>3</sup>	2007	100	3.39	30/06 - 30/12	0.0	10.3	10.3	
4.25	2017 (III) <sup>4</sup>	11/12	100/100.75/104.97/ 103.75/104.01	3.36	06/05 - 06/11	162.5	101.3	263.8	
3.75	2017 (IV) I	2012	102.04	N/A	20/02 - 20/08	30.0	13.5	43.5	
3.75	2017 (IV) R	2012	102	N/A	20/02 - 20/08	0.0	4.7	4.7	
7.80	2018 (I)	1998	100	3.49	15/01 - 15/07	88.1	75.0	163.1	
7.00	2018 (II) <sup>3</sup>	2008	100	3.58	18/04 - 18/10	0.0	0.3	0.3	
7.00	2018 (III) <sup>3</sup>	2008	100	3.58	30/06 - 30/12	0.0	6.5	6.5	
6.60	2019 (I)	1999	100	3.72	01/03 - 01/09	46.1	56.4	102.5	
7.00	2019 (II) <sup>3</sup>	2009	100	3.77	30/06 - 30/12	0.0	13.7	13.7	
5.20	2020 (I) <sup>4</sup>	2007	100	3.86	10/06 - 10/12	10.8	41.6	52.4	
4.60	2020 (II) <sup>4</sup>	2009	100	3.83	25/04 - 25/10	84.3	74.0	158.3	
7.00	2020 (III) <sup>3</sup>	2010	100	3.98	30/06 - 30/12	0.0	0.4	0.4	
5.00	2021 (I) <sup>4</sup>	04/05/07/08	98.5/100	4.10	08/02 - 08/08	144.1	314.7	458.8	
7.00	2021 (II) <sup>4</sup>	2011	100	4.20	18/06 - 18/12	0.0	0.5	0.5	
7.00	2021 (III) <sup>4</sup>	2011	100	4.20	30/06 - 30/12	0.0	2.9	2.9	
5.10	2022 (I) <sup>4</sup>	2004	100	4.31	16/02 - 16/08	8.9	62.1	71.0	
4.30	2022 (II) R	2012	100.31	4.31	15/05 - 15/11	4.0	13.5	17.5	
4.30	2022 (II) FI Jun 12 I	2012	100/100.34	N/A	15/05 - 15/11	82.8	75.7	158.5	
4.30	2022 (II) FI Jun 12 R	2012	100.25	N/A	15/05 - 15/11	0.0	35.1	35.1	
5.50	2023 (I) <sup>4</sup>	2003	100	4.34	06/01 - 06/07	19.5	59.3	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	0.0	58.0	58.0	
5.25	2030 (I) <sup>4</sup>	2010	100	5.11	23/06 - 23/12	97.4	342.7	440.1	
5.20	2031 (I) <sup>4</sup> I	2011	102.88	5.19	16/03 - 16/09	11.9	189.4	201.3	
F.R. 6-mth Euribor <sup>7</sup>	2013 (V) <sup>4</sup>	2010	100	1.7710/ 1.9867	24/02 - 24/08	7.0	0.3	7.3	
F.R. 6-mth Euribor <sup>7</sup>	2013 (VI) <sup>4</sup>	2010	100	1.827/ 9.0127	11/02 - 11/08	30.0	0.0	30.0	
F.R. 6-mth Euribor <sup>7</sup>	2013 (VII) <sup>4</sup>	2011	100.22	1.424/7.006	18/05 - 18/11	51.8	0.3	52.0	
F.R. 6-mth Euribor <sup>7</sup>	2014 (V) <sup>4</sup>	2011	100.28	1.419/14.1	23/05 - 23/11	24.0	0.0	24.0	
F.R. 6-mth Euribor <sup>7</sup>	2015 (V) <sup>4</sup>	2009	100	1.829/ 11.457	25/04 - 25/10	12.5	17.3	29.8	
<b>Total</b>						<b>1,945.7</b>	<b>2,482.5</b>	<b>4,428.2</b>	

<sup>1</sup> Amounts are at nominal prices.

<sup>2</sup> The price for new issues prior to 2008 is denominated in Maltese lira.

<sup>3</sup> Coupons are reviewable every 2 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.

<sup>4</sup> 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.

<sup>5</sup> 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).

<sup>6</sup> Comprising of Resident of Malta MFIs.

<sup>7</sup> Floating Rate (F.R.) MGS linked to the 6-month Euribor plus a fixed spread until maturity (quoted margin). The interest rate will be reset semi-annually in accordance with the applicable 6-month Euribor rate in effect 2 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<sup>1</sup>**

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
<b>2011</b>						
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
<b>2012</b>						
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

<sup>1</sup> 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<sup>1</sup> and remaining term to maturity<sup>2</sup>**

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 <sup>3</sup>	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009 <sup>3</sup>	1.7	98.9	0.0	1.0	0.0	0.7	102.3
2010 <sup>3</sup>	0.5	85.6	0.0	0.9	0.0	0.7	87.7
<b>2011<sup>3</sup></b>							
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
<b>2012<sup>3</sup></b>							
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

<sup>1</sup> Converted into euro using the ECB official rate as at end of reference period.

<sup>2</sup> Including external loans of extra budgetary units. Short-term maturity refers to loans falling due within 1 year from the end of the reference quarter, whereas long-term maturity refers to loans falling due after more than 1 year from the end of the reference quarter.

<sup>3</sup> Provisional.



## Exchange Rates, External Transactions and Positions

**Table 3.1a Euro exchange rates against the major currencies<sup>1</sup> (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
<b>2011</b>						
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
<b>2012</b>						
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

<sup>1</sup> 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)<sup>1</sup>**

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
<b>2011</b>						
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
<b>2012</b>						
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

<sup>1</sup> 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 <sup>2</sup>	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 <sup>2</sup>	2,699.8	3,623.6	2,451.9	1,595.6	1,973.9	2,122.0	639.5	668.5	-244.6	75.4	6.8
2008 <sup>2</sup>	2,526.0	3,759.7	2,937.8	1,816.7	2,210.7	2,385.0	903.8	910.3	-293.3	36.1	11.6
2009 <sup>2</sup>	2,060.8	3,144.3	2,843.8	1,845.1	1,649.6	2,043.7	1,431.0	1,388.3	-436.2	108.2	9.1
2010 <sup>2</sup>	2,673.2	3,794.5	3,394.4	2,153.9	1,604.5	2,060.9	1,296.5	1,270.2	-310.9	118.6	11.3
2011 <sup>2</sup>	3,032.9	4,044.9	3,584.9	2,207.8	1,634.1	2,043.0	901.8	876.6	-18.6	90.1	26.9
<b>2011<sup>2</sup></b>											
Q1	773.2	1,027.4	761.8	511.6	378.4	557.0	189.2	210.6	-203.8	14.9	17.2
Q2	763.5	1,112.4	910.8	538.2	384.8	542.6	243.1	213.8	-104.8	32.9	3.8
Q3	651.1	887.7	1,077.4	577.2	420.2	421.6	222.8	223.4	261.5	31.3	2.9
Q4	845.1	1,017.5	834.9	580.8	450.7	521.8	246.7	228.8	28.5	10.9	3.0
<b>2012<sup>2</sup></b>											
Q1	832.8	986.8	790.8	538.7	460.4	618.2	211.8	227.3	-75.1	12.9	3.0
Q2	845.5	1,101.1	963.1	584.5	485.5	587.1	256.6	224.4	53.7	13.6	3.1

EUR millions

Period	Financial account <sup>1</sup>									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 <sup>2</sup>	-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 <sup>2</sup>	-5.0	587.0	366.2	-0.2	-127.9	251.1	-7,599.3	7,029.9	-326.5	175.4	0.5
2008 <sup>2</sup>	-203.1	545.9	201.6	167.0	27.9	-372.2	-4,269.1	4,155.4	108.7	362.0	-93.1
2009 <sup>2</sup>	-46.7	534.7	-1,908.2	-25.7	-6.7	-112.1	3,718.0	-2,127.9	-2.4	22.9	314.2
2010 <sup>2</sup>	-38.4	732.3	-3,212.0	1.5	-40.0	67.8	568.3	1,791.7	-23.6	-152.4	356.0
2011 <sup>2</sup>	-0.6	307.5	-3,105.2	-0.3	-13.3	37.6	1,602.3	1,063.9	52.9	-55.3	10.6
<b>2011<sup>2</sup></b>											
Q1	-0.7	23.5	-148.6	6.9	27.5	-26.2	773.4	-603.8	-12.7	39.2	166.9
Q2	-9.5	53.5	-48.5	18.2	14.2	15.0	-2,977.4	2,949.2	48.3	63.0	12.6
Q3	-8.3	43.7	-957.7	-12.0	-28.4	66.7	1,358.7	-471.6	10.9	1.9	-291.8
Q4	18.0	186.8	-1,950.3	-13.4	-26.7	-17.9	2,447.6	-809.9	6.4	-159.4	123.0
<b>2012<sup>2</sup></b>											
Q1	-4.1	-127.4	159.7	-4.0	62.2	-6.3	-385.5	292.7	-126.1	-138.7	203.9
Q2	-7.3	-97.6	-746.3	-2.8	-42.2	55.1	-65.0	707.4	-18.3	-216.9	152.6

<sup>1</sup> 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.

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.3 Official reserve assets<sup>1</sup>**

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 <sup>2</sup>	
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 <sup>3</sup>	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010 <sup>3</sup>	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011 <sup>3</sup>	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
<b>2012<sup>3</sup></b>							
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

<sup>1</sup> 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.

<sup>2</sup> Comprising net gains or losses on financial derivatives.

<sup>3</sup> 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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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
<b>2011<sup>1</sup></b>										
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

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.5a Gross external debt by sector, maturity and instrument<sup>1</sup>**

EUR millions

	2008 <sup>2</sup>	2009 <sup>2</sup>	2010 <sup>2</sup>	2011 <sup>2</sup>	2012 <sup>2</sup>	
					Mar.	June
<b>General Government</b>	292.9	264.3	231.1	248.4	293.4	331.8
<i>Short-term</i>	84.0	63.8	39.6	50.0	49.9	52.2
Money market instruments	76.6	31.4	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	7.4	32.4	39.6	50.0	49.9	52.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	208.9	200.4	191.6	198.3	243.5	279.6
Bonds and notes	89.9	98.1	103.9	106.6	111.4	112.5
Loans	119.0	102.3	87.7	90.3	130.8	165.8
Trade credits	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
<b>Monetary Authorities</b>	677.8	826.3	1,228.9	426.0	1,105.1	1,141.7
<i>Short-term</i>	677.8	826.3	1,228.9	426.0	1,105.1	1,141.7
Money market instruments	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
Currency and deposits	677.8	826.3	1,228.9	426.0	1,105.1	1,141.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	0.0	0.0	0.0	0.0	0.0	0.0
<b>OMFIs<sup>3</sup></b>	28,503.4	25,835.3	28,068.4	29,077.6	28,618.7	30,007.7
<i>Short-term</i>	23,271.7	20,616.8	21,558.3	22,525.7	21,943.8	24,386.3
Money market instruments	0.0	3.4	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
Currency and deposits	13,116.8	13,181.4	16,623.0	15,544.7	16,330.6	17,521.6
Other debt liabilities	863.9	132.1	181.6	115.2	108.8	123.5
<i>Long-term</i>	5,231.7	5,218.5	6,510.1	6,551.9	6,674.9	5,621.4
Bonds and notes	13.7	13.9	14.9	4.0	4.0	4.2
Loans	4,986.1	5,111.1	6,495.2	6,548.0	6,670.9	5,617.2
Currency and deposits	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
<b>Other Sectors<sup>4</sup></b>	1,557.4	1,623.4	1,723.8	1,848.3	1,910.2	1,922.0
<i>Short-term</i>	830.4	849.0	893.4	1,027.8	1,077.6	1,083.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	74.1	38.8	43.5	48.6	53.7	50.8
Currency and deposits	130.6	179.8	112.9	113.7	114.0	114.2
Trade credits	625.7	630.4	737.1	865.5	909.9	918.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	726.9	774.4	830.3	820.5	832.6	838.2
Bonds and notes	212.8	210.6	212.4	218.6	221.6	217.5
Loans	493.8	500.2	604.2	591.1	598.7	606.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	20.4	63.6	13.8	10.8	12.3	14.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Direct Investment: Intercompany lending</b>	1,099.5	1,305.2	1,749.0	1,764.9	1,806.4	1,853.1
Debt liabilities to affiliated enterprises	71.8	97.5	125.8	155.8	150.7	155.8
Debt liabilities to direct investors	1,027.7	1,207.7	1,623.1	1,609.1	1,655.7	1,697.3
<b>Gross External Debt</b>	<b>32,131.0</b>	<b>29,854.4</b>	<b>33,001.2</b>	<b>33,365.2</b>	<b>33,733.8</b>	<b>35,256.3</b>
<b>of which: OMFIs</b>	<b>28,503.4</b>	<b>25,835.3</b>	<b>28,068.4</b>	<b>29,077.6</b>	<b>28,618.7</b>	<b>30,007.7</b>
<b>Gross External Debt excluding OMFIs' debt liabilities</b>	<b>3,627.6</b>	<b>4,019.1</b>	<b>4,932.8</b>	<b>4,287.6</b>	<b>5,115.1</b>	<b>5,248.6</b>

<sup>1</sup> 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.

<sup>2</sup> Provisional.

<sup>3</sup> The debt of the OMFIs is fully backed by foreign assets.

<sup>4</sup> Comprising the non-monetary financial institutions, insurance companies, non-financial corporations, households and NPISH.

## Exchange Rates, External Transactions and Positions

Table 3.5b Net external debt by sector, maturity and instrument<sup>1</sup>

EUR millions

	2008 <sup>2</sup>	2009 <sup>2</sup>	2010 <sup>2</sup>	2011 <sup>2</sup>	2012 <sup>2</sup>	
					Mar.	June
<b>General Government</b>	291.3	251.8	190.8	217.3	223.5	217.6
<i>Short-term</i>	82.4	51.4	32.4	49.3	49.2	52.0
Money market instruments	76.6	31.4	0.0	0.0	0.0	0.0
Loans	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
Trade credits	5.9	20.0	32.7	49.5	49.4	52.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	208.9	200.4	158.4	168.0	174.3	165.6
Bonds and notes	89.9	98.1	103.9	106.6	111.4	112.5
Loans	119.0	102.3	67.9	74.4	74.2	65.4
Currency and deposits	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
Other Debt Liabilities	0.0	0.0	0.0	-0.3	0.7	-0.7
<b>Monetary Authorities</b>	-852.6	-678.4	-754.8	-1,942.8	-1,329.5	-1,383.2
<i>Short-term</i>	212.4	557.2	968.6	119.4	877.1	886.8
Money market instruments	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
Currency and deposits	213.2	557.2	968.6	119.4	877.1	886.8
Other debt liabilities	-0.8	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	-1,065.0	-1,235.5	-1,723.4	-2,062.2	-2,206.6	-2,270.0
Bonds and notes	-1,053.5	-1,222.3	-1,709.2	-2,045.8	-2,183.8	-2,256.0
Loans	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
Other debt liabilities	-11.5	-13.2	-14.2	-16.3	-22.8	-14.0
<b>OMFIs</b>	-3,262.7	-4,047.9	-9,690.0	-8,377.4	-9,620.5	-9,942.9
<i>Short-term</i>	17,057.8	14,057.2	12,029.9	13,046.0	12,069.8	321.2
Money market instruments	-9.2	-198.8	-173.3	-2.0	-2.4	-7.1
Loans	7,769.0	6,049.5	3,669.3	6,458.6	5,215.3	-17,239.4
Currency and deposits	8,476.1	8,167.8	8,457.6	6,523.1	6,799.8	17,521.6
Other debt liabilities	821.9	38.7	76.3	66.4	57.1	46.0
<i>Long-term</i>	-20,320.5	-18,105.1	-21,719.9	-21,423.5	-21,690.3	-10,264.1
Bonds and notes	-7,748.8	-9,535.1	-12,141.3	-13,557.7	-14,194.7	-15,370.1
Loans	-12,698.7	-8,598.3	-9,578.6	-7,865.7	-7,495.6	5,106.0
Currency and deposits	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
<b>Other Sectors<sup>3</sup></b>	-646.4	-912.4	-436.2	-456.4	-453.5	-496.8
<i>Short-term</i>	-608.4	-742.8	-385.7	-332.9	-318.0	-358.4
Money market instruments	0.0	-0.8	-0.9	0.0	-0.1	-0.3
Loans	-29.2	-7.2	-11.1	-25.0	-13.2	-15.4
Currency and deposits	-463.1	-436.9	-564.2	-583.7	-588.8	-591.0
Trade credits	-116.1	-297.9	190.4	275.7	284.0	248.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	-38.0	-169.6	-50.5	-123.5	-135.5	-138.4
Bonds and notes	-430.1	-561.7	-585.8	-642.5	-664.4	-673.4
Loans	460.8	426.1	529.9	516.3	524.8	528.8
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	-62.1	-27.3	12.0	9.3	10.7	12.9
Other debt liabilities	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6
<b>Direct Investment: Intercompany Lending</b>	211.7	269.9	241.2	270.6	161.4	141.1
Debt Liabilities to affiliated enterprises	-243.1	-260.8	-350.0	-322.8	-336.8	-341.1
Debt Liabilities to direct investors	454.8	530.7	591.2	593.3	498.2	482.1
<b>Net External Debt</b>	<b>-4,258.7</b>	<b>-5,116.9</b>	<b>-10,449.0</b>	<b>-10,288.8</b>	<b>-11,018.7</b>	<b>-11,464.3</b>
<b>of which: OMFIs</b>	<b>-3,262.7</b>	<b>-4,047.9</b>	<b>-9,690.0</b>	<b>-8,377.4</b>	<b>-9,620.5</b>	<b>-9,942.9</b>
<b>Net External Debt Excluding OMFIs</b>	<b>-996.1</b>	<b>-1,069.0</b>	<b>-759.0</b>	<b>-1,911.4</b>	<b>-1,398.1</b>	<b>-1,521.3</b>

<sup>1</sup> A negative figure denotes a net asset position.

<sup>2</sup> Provisional.

<sup>3</sup> Comprising the non-monetary financial institutions, insurance corporations, non-financial corporations, households and NPISH.

## Exchange Rates, External Transactions and Positions

**Table 3.6 Malta's foreign trade<sup>1</sup>**

*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 <sup>2</sup>	2,597.4	3603.9	(1,006.5)
2008 <sup>2</sup>	2,455.7	3897.1	(1,441.5)
2009 <sup>2</sup>	2,086.0	3,454.4	(1,368.4)
2010 <sup>2</sup>	2,806.0	4,328.1	(1,522.1)
2011 <sup>2</sup>	3,815.4	5,325.4	(1,510.0)
<b>2011<sup>2</sup></b>			
Jan.	285.6	345.1	(59.6)
Feb.	207.4	413.5	(206.1)
Mar.	271.2	409.2	(138.0)
Apr.	270.0	480.7	(210.7)
May	196.7	414.0	(217.3)
June	295.5	368.7	(73.2)
July	214.3	387.6	(173.3)
Aug.	214.9	354.6	(139.7)
Sep.	418.9	434.5	(15.6)
Oct.	447.2	491.0	(43.8)
Nov.	669.6	833.1	(163.5)
Dec.	324.1	393.4	(69.4)
<b>2012<sup>2</sup></b>			
Jan.	316.5	426.2	(109.7)
Feb.	409.3	498.7	(89.5)
Mar.	298.1	404.8	(106.7)
Apr.	307.2	399.4	(92.2)
May	347.8	607.3	(259.5)
June	330.6	588.8	(258.2)

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.7 Direction of trade - exports<sup>1</sup>**

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 <sup>2</sup>	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 <sup>2</sup>	237.3	270.4	114.6	99.9	722.2	165.3	66.5	954.0	713.9	183.0	604.7	2,455.7
2009 <sup>2</sup>	187.4	222.0	105.2	141.9	656.5	99.1	63.8	819.3	528.1	152.3	586.2	2,086.0
2010 <sup>2</sup>	238.6	281.6	157.5	229.0	906.7	128.1	111.0	1,145.8	686.5	196.1	777.6	2,806.0
2011 <sup>2</sup>	244.9	326.2	171.1	291.3	1,033.4	146.9	118.0	1,298.4	1,092.1	169.0	1,255.8	3,815.4
<b>2011<sup>2</sup></b>												
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	17.2	12.3	105.7	77.0	20.8	67.7	271.2
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
<b>2012<sup>2</sup></b>												
Jan.	19.5	36.3	9.9	9.5	75.3	7.0	6.3	88.5	56.4	11.8	159.8	316.5
Feb.	28.4	31.5	12.6	22.1	94.6	8.1	8.4	111.2	65.6	12.4	220.2	409.3
Mar.	27.3	41.3	10.4	9.5	88.5	11.1	7.8	107.3	68.7	17.8	104.2	298.1
Apr.	23.2	29.1	32.9	12.7	97.9	11.7	12.5	122.0	55.2	13.9	116.1	307.2
May	21.8	28.5	11.7	10.2	72.3	13.5	9.4	95.1	65.8	18.6	168.3	347.8
June	24.2	23.8	7.3	27.1	82.3	9.1	10.8	102.3	61.8	13.2	153.4	330.6

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

<sup>2</sup> Provisional.

Source: NSO.



## Exchange Rates, External Transactions and Positions

**Table 3.8 Direction of trade - imports<sup>1</sup>**

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	291.3	280.1	956.7	334.8	1,862.9	335.9	67.1	2,266.0	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 <sup>2</sup>	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 <sup>2</sup>	381.4	267.6	1,027.4	484.6	2,161.0	457.5	137.2	2,755.7	597.8	86.8	456.8	3,897.1
2009 <sup>2</sup>	338.9	272.4	843.2	463.0	1,917.4	378.0	109.6	2,405.0	457.7	124.7	467.0	3,454.4
2010 <sup>2</sup>	338.5	295.2	1,065.7	495.1	2,194.5	358.1	161.8	2,714.4	611.7	92.8	909.2	4,328.1
2011 <sup>2</sup>	374.9	311.3	1,442.6	524.2	2,652.9	360.9	329.6	3,343.4	641.9	225.3	1,114.7	5,325.4
<b>2011<sup>2</sup></b>												
Jan.	37.6	28.2	75.7	37.0	178.6	23.0	25.1	226.6	55.6	22.2	40.7	345.1
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	27.7	123.3	36.6	223.4	45.3	10.8	279.5	47.8	4.0	77.9	409.2
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	34.7	22.1	105.1	33.1	195.0	21.7	11.5	228.2	48.8	16.0	75.7	368.7
July	19.5	26.4	86.1	66.5	198.5	23.7	19.0	241.3	61.0	4.4	80.9	387.6
Aug.	39.1	27.6	91.7	40.1	198.6	21.1	14.3	234.0	45.9	17.7	57.0	354.6
Sep.	23.4	25.6	110.0	29.6	188.6	21.8	43.9	254.4	53.3	46.1	80.7	434.5
Oct.	34.4	25.9	183.0	48.9	292.3	26.1	46.7	365.1	43.2	16.1	66.6	491.0
Nov.	23.5	25.2	198.7	33.5	280.9	25.5	113.1	419.6	79.6	5.7	328.3	833.1
Dec.	26.4	18.5	126.6	85.7	257.1	24.0	8.8	289.9	37.9	10.9	54.8	393.4
<b>2012<sup>2</sup></b>												
Jan.	17.7	18.7	87.4	28.9	152.6	19.1	9.9	181.6	139.9	10.4	94.2	426.2
Feb.	25.4	27.0	267.9	29.5	349.9	28.5	7.3	385.7	35.9	22.6	54.6	498.7
Mar.	36.7	34.4	118.9	50.2	240.2	47.1	30.3	317.6	44.0	4.4	38.8	404.8
Apr.	28.8	25.7	140.7	45.1	240.3	24.5	20.3	285.1	46.4	4.4	63.5	399.4
May	46.0	31.3	180.3	45.8	303.5	49.5	26.7	379.7	56.6	4.6	166.4	607.3
June	21.4	18.5	105.6	103.2	248.8	38.7	9.2	296.6	92.2	6.8	193.2	588.8

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

<sup>2</sup> Provisional.

Source: NSO.

## Real Economy Indicators

**Table 4.1a Gross domestic product, gross national income and expenditure components (at current market prices)<sup>1</sup>**

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net		
2005	3,153.9	941.4	1,050.2	-179.2	4,966.2	3,700.3	3,849.3	-148.9	4,817.2	4,599.3
2006	3,295.3	1,011.8	1,116.5	-96.0	5,327.7	4,621.5	4,868.8	-247.3	5,080.4	4,889.2
2007	3,376.0	1,043.2	1,181.6	-64.9	5,535.9	5,151.8	5,219.3	-67.5	5,468.4	5,302.5
2008	3,681.3	1,218.6	1,043.2	29.3	5,972.3	5,457.9	5,571.0	-113.1	5,859.2	5,662.1
2009	3,733.9	1,241.4	917.0	50.0	5,942.3	4,904.5	4,989.4	-84.9	5,857.4	5,452.4
2010	3,783.7	1,293.7	1,082.0	-50.2	6,109.2	6,065.6	5,940.3	125.3	6,234.6	5,774.6
2011	3,970.6	1,344.9	958.8	-147.2	6,127.1	6,614.0	6,242.0	372.0	6,499.2	6,074.3
<b>2011</b>										
Q1	975.7	335.9	225.8	27.6	1,565.1	1,533.9	1,536.2	-2.4	1,562.7	1,385.7
Q2	974.1	332.7	243.9	34.8	1,585.5	1,673.2	1,647.9	25.3	1,610.8	1,441.7
Q3	993.2	327.0	229.8	-112.0	1,438.0	1,728.2	1,462.2	266.0	1,704.0	1,698.8
Q4	1,027.6	349.2	259.2	-97.6	1,538.5	1,678.7	1,595.6	83.1	1,621.6	1,548.1
<b>2012</b>										
Q1	967.5	351.1	226.4	-66.6	1,478.4	1,625.7	1,525.2	100.5	1,578.9	1,419.4
Q2	970.4	355.7	252.7	-43.9	1,534.9	1,809.9	1,686.0	123.9	1,658.8	1,670.3

<sup>1</sup> Provisional.

<sup>2</sup> Consumption by households and NPISH.

<sup>3</sup> Including acquisitions less disposals of valuables.

Source: NSO.

**Table 4.1b Gross domestic product and expenditure components (at constant 2000 prices)<sup>1</sup>**

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net	
2005	2,849.6	766.8	967.5	-163.9	4,420.0	3,735.8	3,933.5	-197.7	4,222.3
2006	2,944.4	836.3	966.0	-85.9	4,660.9	4,387.5	4,692.8	-305.3	4,355.6
2007	2,958.5	841.0	974.8	-58.1	4,716.2	4,825.5	4,987.2	-161.7	4,554.5
2008	3,124.6	944.0	782.4	24.8	4,875.8	4,855.6	4,995.4	-139.8	4,736.0
2009	3,089.2	929.8	652.9	40.1	4,712.0	4,403.3	4,491.7	-88.3	4,623.7
2010	3,035.3	938.1	737.9	-36.5	4,674.8	5,217.8	5,111.9	105.9	4,780.7
2011	3,156.2	968.3	630.0	-112.2	4,642.3	5,348.2	5,116.8	231.4	4,873.7
<b>2011</b>									
Q1	785.5	243.7	142.8	20.7	1,192.7	1,250.0	1,273.2	-23.2	1,169.5
Q2	771.5	238.9	153.9	25.6	1,189.9	1,342.5	1,349.0	-6.5	1,183.3
Q3	785.7	233.7	157.2	-85.0	1,091.7	1,355.5	1,176.4	179.1	1,270.8
Q4	813.6	252.0	176.0	-73.5	1,168.1	1,400.2	1,318.2	82.0	1,250.1
<b>2012</b>									
Q1	767.7	251.0	141.7	-48.6	1,111.8	1,342.1	1,298.9	43.2	1,155.0
Q2	746.6	249.5	151.3	-30.9	1,116.5	1,470.4	1,392.5	77.9	1,194.4

<sup>1</sup> Provisional.

<sup>2</sup> Consumption by households and NPISH.

<sup>3</sup> Including acquisitions less disposals of valuables.

Source: NSO.

## Real Economy Indicators

**Table 4.2 Tourist departures by nationality<sup>1</sup>**

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	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	220.0	211.2	643.9	415.2	103.5	1,162.7	176.6	1,339.2
2011	103.6	134.5	200.6	212.3	651.1	439.2	115.5	1,205.8	207.6	1,413.4
<b>2011</b>										
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.	9.9	15.8	21.3	23.2	70.2	49.3	13.6	133.1	21.4	154.5
Oct.	8.8	19.6	15.7	21.0	65.2	51.0	12.8	128.9	18.8	147.7
Nov.	4.2	10.5	9.9	12.1	36.6	27.5	6.3	70.4	13.3	83.7
Dec.	4.0	3.7	9.3	6.6	23.6	18.5	2.4	44.5	9.3	53.8
<b>2012</b>										
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

<sup>1</sup> Based on the NSO's inbound tourism survey. Data refer to tourist departures by air and sea.  
Source: NSO.

## Real Economy Indicators

**Table 4.3 Labour market indicators based on administrative records**

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
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 <sup>3</sup>	104.1	51.8	155.9	98.9	50.4	149.3	5.2	5.0	1.4	2.7	6.6	4.2
<b>2011<sup>3</sup></b>												
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	104.1	52.0	156.1	99.2	50.7	149.9	4.9	4.7	1.3	2.5	6.2	4.0
July	104.4	52.4	156.7	99.3	50.9	150.2	5.1	4.9	1.4	2.7	6.5	4.2
Aug.	104.3	52.4	156.6	99.2	51.0	150.2	5.1	4.8	1.4	2.7	6.5	4.1
Sep.	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
<b>2012<sup>3</sup></b>												
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

<sup>1</sup> Annual figures reflect the average for the year.

<sup>2</sup> As a percentage of male, female and total labour supply, respectively.

<sup>3</sup> Provisional.

Source: ETC.

## Real Economy Indicators

**Table 4.4 Labour market indicators based on the Labour Force Survey**

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
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 <sup>3</sup>	117.0	64.1	181.2	109.8	59.7	169.5	7.2	6.1	4.4	6.9	11.6	6.4
<b>2011<sup>3</sup></b>												
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
<b>2012<sup>3</sup></b>												
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

<sup>1</sup> Annual figures reflect the average for the year.

<sup>2</sup> As a percentage of male, female and total labour supply, respectively.

<sup>3</sup> Provisional.

Source: NSO.

**Table 4.5 Property prices index based on advertised prices (base 2000 = 100)**

Period	Total	Apartments	Maisonettes	Terraced houses	Others <sup>1</sup>
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
<b>2011</b>					
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
<b>2012</b>					
Q1	172.9	181.0	173.2	177.8	166.0
Q2	167.4	166.4	163.1	191.0	184.1

<sup>1</sup> Consists of town houses, houses of character and villas.

Source: Central Bank of Malta estimates.

## Real Economy Indicators

**Table 4.6 Development permits for commercial, social and other purposes<sup>1</sup>**

Period	Commercial and social								Other permits <sup>5</sup>	Total permits
	Agriculture	Manufacturing <sup>2</sup>	Warehousing, retail & offices <sup>3</sup>	Hotels & tourism related	Restaurants & bars	Social <sup>4</sup>	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

<sup>1</sup> 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.

<sup>2</sup> Includes quarrying.

<sup>3</sup> 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.

<sup>4</sup> Including the construction of premises related to the provision of community and health, recreational and educational services.

<sup>5</sup> 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<sup>1</sup>**

Period	Number of permits <sup>2</sup>			Number of units <sup>3</sup>				
	New dwellings <sup>4</sup>	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

<sup>1</sup> Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis.

<sup>2</sup> Total for permits granted is irrespective of the number of units.

<sup>3</sup> Data comprise the actual number of units (e.g. a block of apartments may consist of several units).

<sup>4</sup> Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

## Real Economy Indicators

**Table 4.8 Inflation rates measured by the Retail Price Index<sup>1</sup> (base 1946 = 100)**

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
1946	100.00	-	<i>(continued)</i>		
1947	104.90	4.90	1979	316.21	7.14
1948	113.90	8.58	1980	366.06	15.76
1949	109.70	-3.69	1981	408.16	11.50
1950	116.90	6.56	1982	431.83	5.80
1951	130.10	11.29	1983	428.06	-0.87
1952	140.30	7.84	1984	426.18	-0.44
1953	139.10	-0.86	1985	425.17	-0.24
1954	141.20	1.51	1986	433.67	2.00
1955	138.80	-1.70	1987	435.47	0.42
1956	142.00	2.31	1988	439.62	0.95
1957	145.70	2.61	1989	443.39	0.86
1958	148.30	1.78	1990	456.61	2.98
1959	151.10	1.89	1991	468.21	2.54
1960	158.80	5.10	1992	475.89	1.64
1961	164.84	3.80	1993	495.59	4.14
1962	165.16	0.19	1994	516.06	4.13
1963	168.18	1.83	1995	536.61	3.98
1964	172.00	2.27	1996	549.95	2.49
1965	174.70	1.57	1997 <sup>2</sup>	567.95	3.27
1966	175.65	0.54	1998	580.61	2.23
1967	176.76	0.63	1999	593.00	2.13
1968	180.42	2.07	2000	607.07	2.37
1969	184.71	2.38	2001	624.85	2.93
1970	191.55	3.70	2002	638.54	2.19
1971	196.00	2.32	2003	646.84	1.30
1972	202.52	3.33	2004	664.88	2.79
1973	218.26	7.77	2005	684.88	3.01
1974	234.16	7.28	2006	703.88	2.77
1975	254.77	8.80	2007	712.68	1.25
1976	256.20	0.56	2008	743.05	4.26
1977	281.84	10.01	2009	758.58	2.09
1978	295.14	4.72	2010	770.07	1.51
			2011	791.02	2.72

<sup>1</sup> 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.

<sup>2</sup> 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%.

## Real Economy Indicators

**Table 4.9 Main categories of Retail Price Index (base December 2009 = 100)**

Period	12-month moving average rates of change (%) <sup>1</sup>											
	All Items Index	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
<b>2011</b>												
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
<b>2012</b>												
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

<sup>1</sup> 12-month moving average rates of change in the RPI sub-indices are compiled by the Central Bank of Malta.  
Source: NSO.



## Real Economy Indicators

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	Communications	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
<b>2011</b>														
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
<b>2012</b>														
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

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 auxiliary 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<sup>1</sup> 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<sup>2</sup>. '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

<sup>1</sup> The Eurosystem comprises the ECB and the national central banks of the other EU Member States in the euro area.

<sup>2</sup> 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 19<sup>th</sup> 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.