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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	Long-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) left key interest rates unchanged during the first half of 2012, amid expectations that price developments would remain in line with price stability over the medium term. However, on 5 July the Governing Council decided to reduce key interest rates by 25 basis points. Consequently, the interest rate on the Main Refinancing Operations (MROs) declined to a new historical low of 0.75%, while the rates on the marginal lending facility and on the deposit facility were reduced to 1.50% and to nil, respectively. These cuts reflected the expectation that inflationary pressures in the euro area would ease in the light of a further deterioration of economic conditions in the euro area.

During this period, the Eurosystem continued to implement non-standard monetary measures to support the functioning of the financial sector in the euro area. In February, the ECB allotted the second of the two 36-month long-term operations that had been announced in December. In June, it extended its commitment to carry on with the fixed rate tender procedure with full allotment in its liquidity providing operations until at least mid-January 2013. The Governing Council also relaxed the eligibility criteria for the use of asset-backed securities as collateral in Eurosystem credit operations.

During the first quarter of 2012, real gross domestic product (GDP) in the euro area was stable around the level recorded a year earlier, as growth in net exports was offset by declines in private consumption and investment. Changes in inventories also contributed negatively, while government consumption was broadly unchanged from its year-ago level.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) in the euro area was unchanged from 2.7% in December 2011 up until March 2012. This reflected the impact of accelerating prices for unprocessed food and non-industrial goods, which were offset by more subdued growth in the prices of energy, processed food and services. Meanwhile, the measure excluding energy and unprocessed food edged down by 0.1 percentage point to 1.9% in January and remained at that level until the end of the quarter. Overall inflation decreased to 2.6% in April and to 2.4% in May. It remained unchanged at that rate in June.

According to the Eurosystem staff's macroeconomic projections published in June 2012, annual GDP growth is expected to be between -0.5% and 0.3% in 2012 and between 0.0% and 2.0% in 2013. The average annual inflation rate is expected to range between 2.3% and 2.5% in 2012 and between 1.0% and 2.2% in 2013.

In Malta, real GDP declined by 1.0% in annual terms in the first quarter of 2012. The drop mainly stemmed from a negative change in inventories, which includes the statistical discrepancy, although lower private consumption also contributed. Conversely, government consumption, gross fixed capital formation, and, particularly, net exports contributed positively to GDP growth. Nominal gross value added also contracted, although this outcome was strongly influenced by developments in the energy sector and in electronics.

The annual HICP inflation rate in Malta accelerated from 1.5% in December to 2.6% in March. This reflected an upward movement in prices of services, unprocessed food and non-energy industrial goods. On the other hand, inflationary pressures arising from the energy and processed food components weakened. Going into the second quarter of the year, overall inflation rose to 3.8% in April before easing slightly to 3.7% in May. The increase between March and May resulted from developments in prices of services, particularly hotel accommodation rates and air fares.

Data on employment based on administrative records and the Labour Force Survey (LFS) both pointed to a continuation of annual growth during the first quarter of the year. Meanwhile, the LFS unemployment rate fell further, to 6.1%, its lowest level in over three years.

Developments in competitiveness indicators were mixed during the March quarter. Harmonised Competitiveness Indicators signalled an improvement in competitiveness, driven by the depreciation of the euro. In contrast, unit labour costs, measured as a four-quarter moving average, went up, reflecting a drop in productivity and an increase in compensation of employees.

In the external sector, the deficit on the current account of the balance of payments narrowed considerably compared with that recorded in the same quarter of 2011. This mainly reflected a smaller deficit on trade in goods and, to a lesser degree, marginally higher net inflows on the services component. Lower net outflows on the income and current transfers accounts also contributed to the improvement. As a result, the current account position swung to a surplus of 1.2% of GDP in the year to March 2012, from a deficit of 6.3% a year earlier.

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 first quarter of 2012, with the annual growth rate rising to 10.4% in March from 9.1% in December. Movements in more liquid monetary assets remained the main driver behind this annual increase. Meanwhile, the annual growth rate of credit to residents of Malta rose to 6.4% from 6.1% three months earlier.

With regard to domestic financial markets, the yield on three-month Treasury bills increased slightly in both the primary and secondary markets. Secondary market yields on ten-year government bonds also rose. Going into the second quarter, the three-month secondary market yield edged up slightly whereas that on ten-year government bonds decreased.

As regards fiscal developments, the general government deficit widened by EUR41 million on a year earlier, as expenditure rose more rapidly than revenue. The general government debt also increased between December and March, rising from 71.6% of GDP to 75.0%, partly due to Malta's contribution to operations of the European Financial Stability Facility, which was set up to support euro area Member States.

In its latest projections, the Bank expects real GDP growth to moderate to 1.4% in 2012 before recovering, picking up to 2.2% in 2013. Private consumption and investment are expected to be the main engines of growth over the projection horizon. Net exports are expected to contribute more moderately than domestic demand to the expansion, as import growth is projected to broadly match that of exports. This largely reflects the impact of weak foreign demand on exports in 2012 and the recovery in domestically induced imports in 2013, as private consumption and investment recover.

Average HICP inflation is projected to increase from 2.5% in 2011, to 2.7% in 2012, before falling to 1.9% in 2013. The acceleration in 2012 is mainly attributed to expected developments in prices of services. The deceleration in the annual inflation rate foreseen for 2013 is underpinned by a decline in energy prices, as well as slower growth in the prices of food and services.

Risks to the growth projections are tilted to the downside, particularly for 2012, largely as a result of uncertainty surrounding the debt crisis in the euro area. Over the projection horizon, downside risks also stem from the impact of an uncertain business outlook on private investment, and a potentially stronger pace of fiscal consolidation than that embedded in the projections. Risks to the inflation projections are tilted slightly to the upside, with the main risks arising from possibly higher than expected energy costs and possible spillovers from the new collective agreement under negotiation in the public sector.

According to the Government's latest *Update of the Stability Programme*, the general government deficit ratio is expected to narrow further in both 2012 and 2013. However, the widening of the deficit during the first quarter of the year poses risks to the achievement of this aim. Although the budgetary position on a quarterly basis may be subject to a degree of volatility and to a number of one-off factors, further fiscal consolidation needs to be undertaken in the rest of the year. Additional measures may have to be specified to ensure that official targets for 2012 and the years ahead are met. A more ambitious fiscal consolidation effort would also help place the debt ratio on a downward path.

At the same time, it is important to increase productivity and enhance the Maltese economy's growth potential. The latter requires ongoing investment in infrastructure, education and manpower training, while increased labour force participation by women and older workers would help boost employment and incomes. Banks should continue to ensure that they maintain healthy levels of capital and liquidity, a diverse mix of funding sources and a prudent provisioning policy. In this way, the domestic financial sector would be able to continue to carry out its core function of channelling savings into productive investment.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

Economic developments in major industrial countries outside the euro area were mixed in the first quarter of 2012. While the annual rate of economic growth increased in the United States and Japan, output fell in the United Kingdom. Output growth in the main emerging market economies slowed down. Inflation moderated in both the United States and United Kingdom, mostly on account of lower energy prices.

Economic activity in the euro area remained constant on a year earlier during the first quarter of 2012, with weak domestic demand dampening growth. In addition, labour market conditions deteriorated and the unemployment rate reached new highs. The annual rate of inflation measured on the basis of the Harmonised Index of Consumer Prices (HICP) remained unchanged from December through to March.

In this context, Eurosystem staff projections, published in June 2012, point to a mild contraction in real gross domestic product (GDP) during 2012 and to an improvement in 2013. Headline inflation is expected to fall in 2012 and to decline even further in 2013. Meanwhile, the Governing Council of the European Central Bank (ECB) left key interest rates unchanged during the first half of 2012, but reduced them in July by 25 basis points, bringing the rate on the Main Refinancing Operations (MRO) to 0.75%. During the same period, the Council continued to implement various non-standard monetary policy measures.

International economic developments

US economy continues to expand

Economic activity in the United States grew at an annual rate of 2.0% in the first quarter of 2012, compared with 1.6% in the previous quarter (see Table 1.1). Growth was driven mainly by domestic demand, supported by private consumption, investment and inventory changes. Government consumption contributed negatively to growth, however, as public spending contracted on a year earlier. Net exports marginally contributed to economic growth, with exports growing faster than imports.

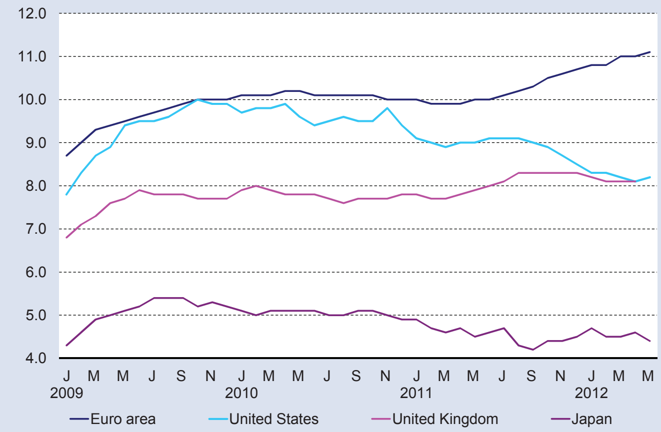
Table 1.1
REAL GDP GROWTH
Annual percentage changes; seasonally adjusted

	2011				2012
	Q1	Q2	Q3	Q4	Q1
United States	2.2	1.6	1.5	1.6	2.0
Euro area	2.4	1.7	1.3	0.7	0.0
United Kingdom	1.4	0.5	0.5	0.6	-0.2
Japan	-0.1	-1.7	-0.6	-0.5	2.7
China	9.4	9.6	9.7	9.1	8.1
India	5.8	8.6	7.4	6.4	5.7

Sources: Eurostat; ECB; Bureau of Labor Statistics, US; Statistics Bureau, Japan, National Bureau of Statistics, China; OECD.

In contrast, the pace of expansion slowed on a quarter-on-quarter basis, with the seasonally adjusted rate dropping to 0.5% from 0.7% in the last quarter of 2011.

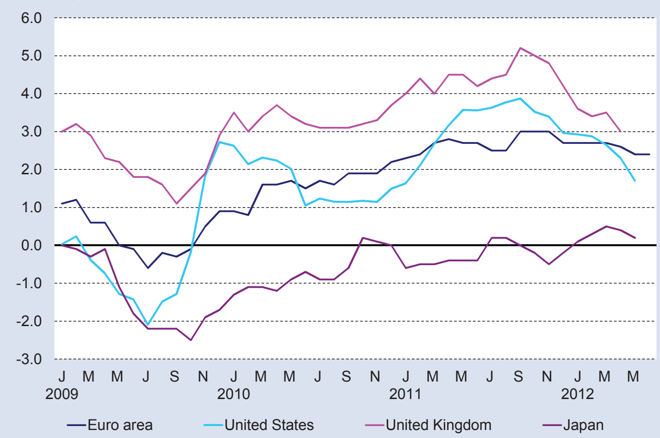
Chart 1.1
UNEMPLOYMENT RATE
(monthly data; seasonally adjusted)



Source: Eurostat.

With regard to labour market developments, the unemployment rate fell further in the quarter under review, reaching 8.2% in March from 8.5% three months earlier (see Chart 1.1). The jobless rate declined marginally in April, but rose back to 8.2% in May.

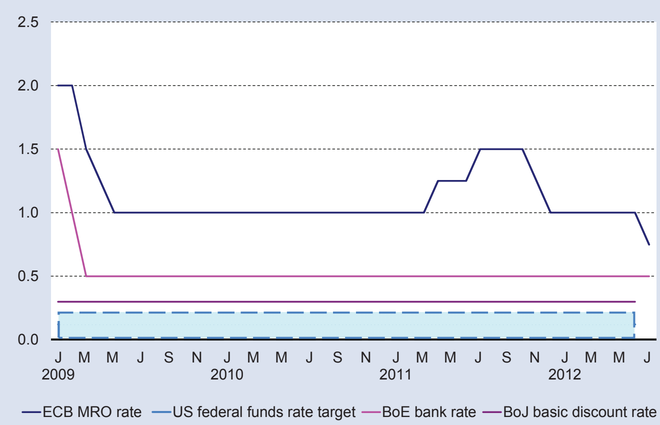
Chart 1.2
CONSUMER PRICE INFLATION IN ADVANCED ECONOMIES
(annual percentage changes)



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

With regard to price developments, annual consumer price inflation eased during the first quarter of 2012, falling from 3.0% in December to 2.7% in March - 1.2 percentage points below the peak recorded in September (see Chart 1.2). This moderation mainly reflected the continued easing in energy prices and, to a lesser extent, food prices. Going into the following quarter, annual inflation fell significantly, going to 1.7% in May.

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

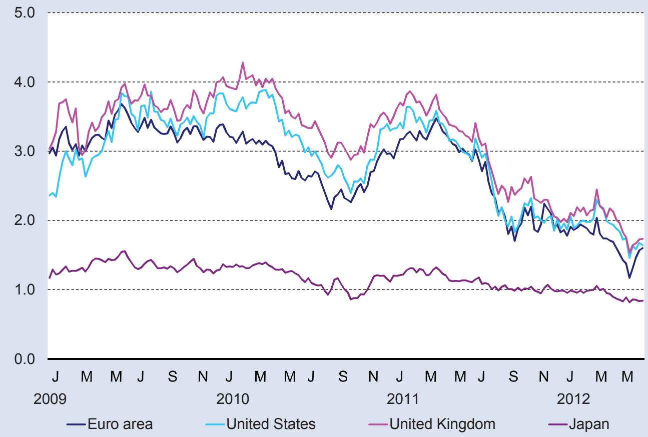


Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

During the first and second quarters of 2012, the Federal Reserve kept the federal funds rate target in a range between zero and 0.25% (see Chart 1.3). It also decided to supplement its quantitative easing programme by extending the average maturity of its holdings of securities until the end of the year, and by continuing to reinvest principal payments received on its securities holdings.

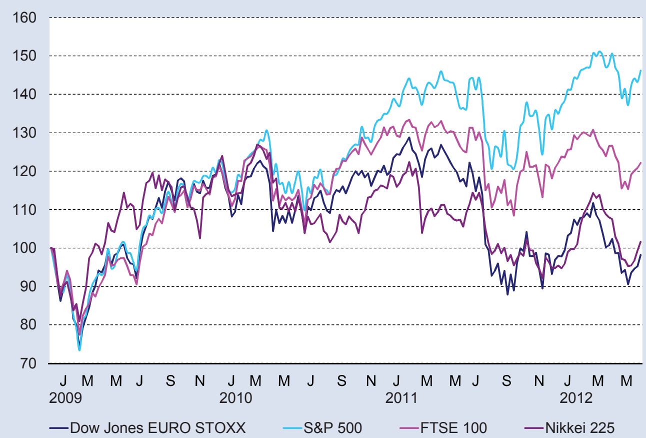
During the first quarter of 2012, US ten-year government bond yields increased, recovering after the previous quarters' declines (see Chart 1.4). Developments in US government bond markets during this period reflected positive market sentiment arising from indications that the US economy continued to recover. However, the announcement by the Federal Reserve in January that economic conditions were likely to warrant exceptionally low levels of the federal fund rate up to at least late 2014 may have dampened sentiment. Overall, US ten-year government bond yields ended the quarter at 2.21%, 34 basis points above their level three months earlier. This increase was reversed once again in the June quarter as yields shed 57 basis points, reaching 1.64% in June.

Chart 1.4
TEN-YEAR GOVERNMENT BOND YIELDS
(percentages per annum; end of week)



Source: Reuters.

Chart 1.5
STOCK PRICE INDICES
(end of week index; 1 Jan. 2009=100)



Source: Reuters.

Equity prices, as measured by Standard & Poor's 500, rose for the second consecutive quarter, gaining 12.0% during the March quarter (see Chart 1.5). This pick-up appears to have resulted from improved market sentiment arising from positive macroeconomic news, as was the case of the bond market. The rise was partly reversed in the June quarter, when the index decreased by 3.3%.

UK economic activity contracts

During the first quarter of 2012, output in the UK declined from its year-ago level, with the annual growth rate falling to -0.2% from 0.6% in the previous quarter (refer to Table 1.1). This contraction stemmed from a decline in net exports, which dampened GDP growth by 0.5 percentage point. On the other hand, domestic demand contributed only slightly to growth, with government consumption and gross fixed capital formation, which expanded by 3.0% and 1.9% on a year earlier respectively, being the only domestic components making a positive contribution. Meanwhile, private consumption and inventory changes dampened growth. On a quarter-on-quarter basis, the UK economy contracted in the first quarter by 0.3%.

Still, labour market conditions improved slightly, as the unemployment rate fell by 0.1 percentage point in the first two months of the year to 8.1% in February and then remained unchanged in March and April (refer to Chart 1.1).

After having peaked at 5.2% in September, annual consumer price inflation continued to decline during the March quarter, dropping to 3.5% in March from 4.2% in December (refer to Chart 1.2). The easing of price pressures reflected the gradual fading of one-shot factors, including past energy price increases and the higher value added tax rate introduced in January 2011. Price pressures continued to abate during the second quarter, as the inflation rate fell to 3.0% in April.

The Bank of England maintained its official bank rate at 0.50% during the first half of 2012 (refer to Chart 1.3). It also continued with its asset purchase programme. In February and subsequently in July, the programme's capacity was increased by GBP50 billion on each occasion, to a total of GBP375 billion.

Developments in UK ten-year government bond yields mirrored those in the United States, as they rose in the first quarter of 2012 after having fallen for three consecutive quarters, mainly because of a significant increase in March (refer to Chart 1.4). Overall, UK ten-year government bond yields gained 22 basis points and ended the quarter at 2.21%. They, however, lost ground in the following quarter, reaching 1.73% by end-June.

As in the United States, equity prices as measured by the FTSE 100 rose during the quarter under review. However, at 3.5%, the increase was smaller than that registered in the previous quarter (refer to Chart 1.5). The index generally rose throughout the quarter, dipping only at end of January and beginning of March. This pick-up, however, came to a halt the following quarter, falling by 3.4% and almost entirely reversing the first quarter's gain.

GDP growth in Japan turns positive

Economic growth in Japan during the quarter under review turned positive after four quarters of negative growth. The annual rate of change of real GDP swung to 2.7% (refer to Table 1.1). This pick-up partly reflects a base effect, as activity in Japan had been severely disrupted by a series of natural disasters a year earlier. Economic growth was solely driven by domestic demand, with all its components contributing positively. In contrast, net exports acted as a drag on GDP, as imports increased at a faster pace than exports.

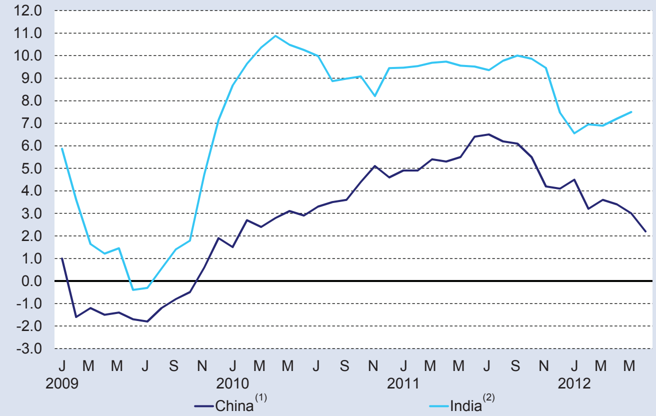
On a quarter-on-quarter basis, real GDP growth rose to 1.2% from zero in the previous quarter. Labour market conditions remained unchanged, with the unemployment rate standing at 4.5% in March (refer to Chart 1.1). Going into the following quarter, the jobless rate marginally rose in April but then fell to 4.4% in May.

The annual inflation rate in Japan again turned positive in first quarter of 2012, after three months of negative rates, mainly owing to increases in energy prices (refer to Chart 1.2). Between December and March, the inflation rate rose by 0.7 percentage point to 0.5%. However, it moderated again in the following quarter, going to 0.2% in May.

During the first two quarters of 2012, the Bank of Japan kept the basic discount rate unchanged at 0.3% and the target uncollateralized overnight call rate in a range of between zero and 0.1% (refer to Chart 1.3). Meanwhile, it continued with its asset purchase programme. In February, the

Bank increased its asset purchases by about 10 trillion yen to a total outstanding amount of around 65 trillion yen. It also quantified its medium to long-term price stability goal at 1.0% in terms of the annual change in the Consumer Price Index. In April, the Japanese central bank increased the total size of its asset purchases by another 5 trillion yen, to around 70 trillion yen. It also made a number of changes in the composition of its holdings, extended the remaining maturity of Japanese government bonds to be purchased under the asset purchase programme, and prolonged the time frame for its implementation by June 2013.

Chart 1.6
INFLATION IN EMERGING ASIA
(annual percentage changes)



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

Ten-year government bond yields in Japan rose by just 1 basis point, to 0.99% by end-March (refer to Chart 1.4). However, they declined by 15 basis points to 0.84% in the following quarter. Meanwhile, over the first quarter, equity prices, as measured by the Nikkei 225, increased significantly, gaining 19.3% after having dropped in the two previous quarters (refer to Chart 1.5). The rally reflected the depreciation of the yen and strong exports of cars. Over the following quarter, however, stock prices lost 10.7%.

Growth in emerging Asia slows down further

Economic activity in the main emerging Asian economies continued to grow at a slower pace in the first quarter of 2012. Compared with the previous quarter, annual real GDP growth in China dropped by 1.0 percentage point to 8.1%, while in India it declined by 0.7 percentage point to 5.7% (refer to Table 1.1).

The annual rate of consumer price inflation in China moderated during the quarter under review, going to 3.6% in March from 4.1% in December. This decline partly reflects the slowdown in economic activity. Subsequently, price pressures continued to ease, with inflation declining to 2.2% in June. In India, wholesale price inflation also moderated, falling to 6.9% in March from 7.5% in December (see Chart 1.6). However, price pressures subsequently picked up, with the inflation rate rising to 7.5% again in May.

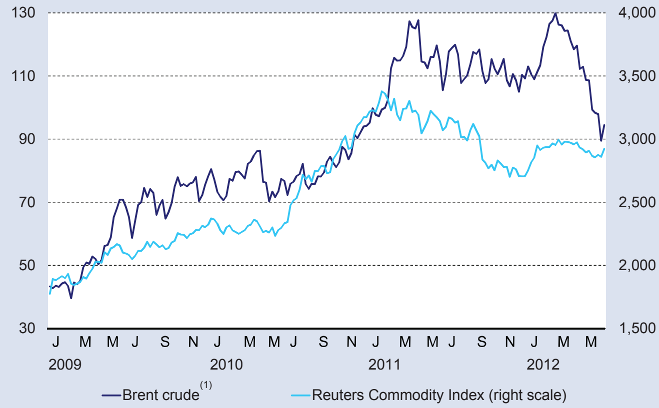
Commodities

Oil prices peak

The price of Brent crude oil sharply increased in the first quarter of the year (see Chart 1.7). The price rose for most of the quarter as a result of a combination of factors, including unusually cold weather in Northern Europe and concerns about a possible supply disruption owing to a European Union embargo on oil imports from Iran. Brent crude peaked at almost USD130 per barrel on 9 March, the highest level since July 2008, but subsequently declined. Between end-December and end-March, the price of oil rose by 13.8%, ending the quarter at USD124.26 per barrel.

In marked contrast, oil prices dropped by 24.0% during the following quarter, and ended the June quarter at USD94.42 per barrel as supply concerns eased and the global economic outlook deteriorated.

Chart 1.7
COMMODITY PRICES
(end of week)



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

Commodity prices increase

As measured by the Reuters Commodity Index, prices of non-energy commodities rose in the first three months of the year, after having fallen in the previous three quarters (see Chart 1.7).[1] The pick-up stemmed from a general improvement in market sentiment, as strong demand from emerging market economies supported metal prices, while dry weather conditions sustained the price of grains and soybeans.

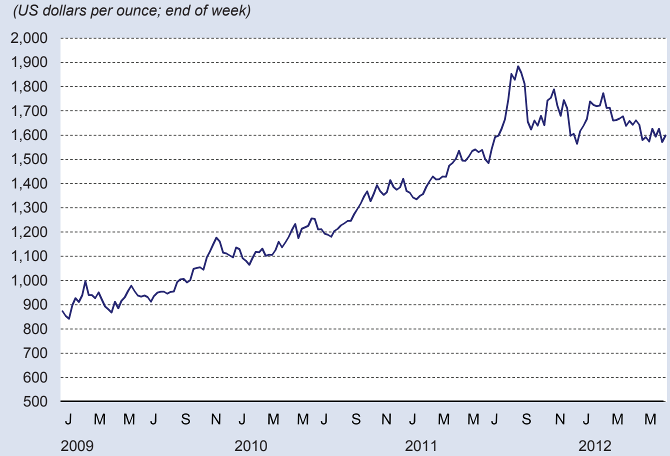
In total, non-energy commodity prices gained 10.1% during the March quarter, but then lost 1.9% in the subsequent quarter.

Gold price increases

The price of gold rose during the quarter under review. In particular, it increased during the first two months of the year, driven by safe haven concerns. These, however, abated in March following agreement on a second bailout for Greece and the additional liquidity provided by the ECB through its three-year refinancing operations, which triggered a sell-off in gold. At the end of the quarter, gold stood at USD1,668.29 per ounce, 6.7% higher than three months earlier (see Chart 1.8).

In the second quarter, the price of gold decreased by 4.2%, and ended June at USD1,598.20 per ounce.

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



Source: Reuters.

[1] 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.

Economic and monetary developments in the euro area

Euro area economy remains unchanged

During the first quarter of 2012, economic activity in the euro area remained unchanged from the corresponding period in 2011; this followed a growth rate of 0.7% in the December quarter (see Table 1.2). At the same time, when measured on a quarter-on-quarter basis, output was unchanged, whereas it had contracted by 0.3% in the final quarter of 2011.

Domestic demand acted as a drag on the overall growth rate, reducing annual growth by 1.7 percentage points. Private consumption and gross fixed capital formation decreased on a year earlier, while government consumption was unchanged. Changes in inventories also had a substantial adverse impact on GDP growth.

On the external side, net exports added 1.6 percentage points to GDP growth, higher than in the preceding quarter. Exports increased on an annual basis, though at a slower pace than in the previous quarter, while growth in imports turned negative.

HICP inflation remains unchanged

Annual HICP inflation in the euro area remained unchanged through March, standing at the 2.7% rate recorded in December (see Chart 1.9). In contrast, core inflation, measured by excluding energy and unprocessed food prices from the index, edged down by 0.1 percentage point to 1.9% in January and remained constant at that rate until March.

Although the overall inflation rate remained unchanged, there were significant differences between the major components. Growth in the prices of energy, processed food and services declined. The most pronounced change was in energy price growth, which dropped from 9.7% in December to 8.5% in March. In contrast, prices of processed food and non-energy industrial goods increased

Table 1.2
REAL GDP GROWTH IN THE EURO AREA
Seasonally adjusted

	2011				2012
	Q1	Q2	Q3	Q4	Q1
	Annual percentage changes				
Private consumption	1.0	0.2	0.2	-0.7	-0.7
Government consumption	0.0	-0.2	-0.4	-0.7	0.0
Gross fixed capital formation	3.7	1.2	0.8	0.7	-2.6
Domestic demand	**1.7**	**0.8**	**0.4**	**-0.7**	**-1.7**
Exports	10.0	6.4	5.7	3.5	3.0
Imports	8.3	4.5	3.6	0.3	-0.7
GDP	**2.4**	**1.7**	**1.3**	**0.7**	**0.0**
	Percentage point contributions				
Private consumption	0.6	0.1	0.1	-0.4	-0.4
Government consumption	0.0	-0.1	-0.1	-0.1	0.0
Gross fixed capital formation	0.7	0.2	0.1	0.1	-0.5
Changes in inventories	0.4	0.5	0.2	-0.3	-0.7
Domestic demand	**1.7**	**0.8**	**0.4**	**-0.7**	**-1.7**
Net exports	**0.8**	**0.8**	**0.9**	**1.4**	**1.6**
GDP	**2.4**	**1.7**	**1.3**	**0.7**	**0.0**

Source: Eurostat.

at faster annual rates than in the previous quarter.

Going into the following quarter, the annual inflation rate decreased to 2.6% in April and then to 2.4% in May and June.

Euro area unemployment reaches new high

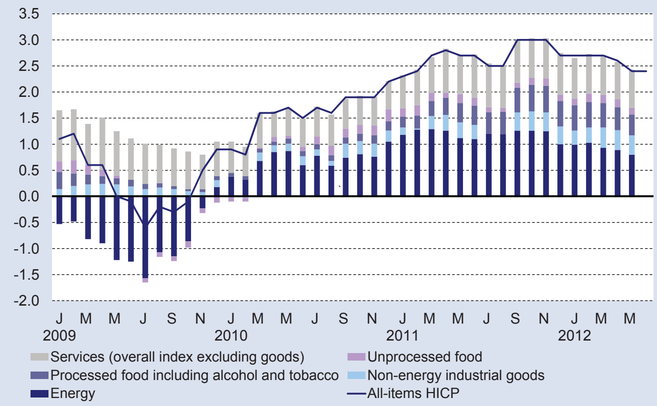
After some improvement during early 2011, conditions in euro area labour markets deteriorated in the latter part of the year and worsened further at the beginning of 2012. During the March quarter employment contracted by 0.5% on a year earlier following a fall of 0.2% in the final quarter of 2011.

In addition, the unemployment rate continued to edge up, reaching the 11.0% mark in March from 10.6% in December (see Chart 1.10).

Going into the following quarter, the jobless rate increased marginally, reaching 11.1% in May.

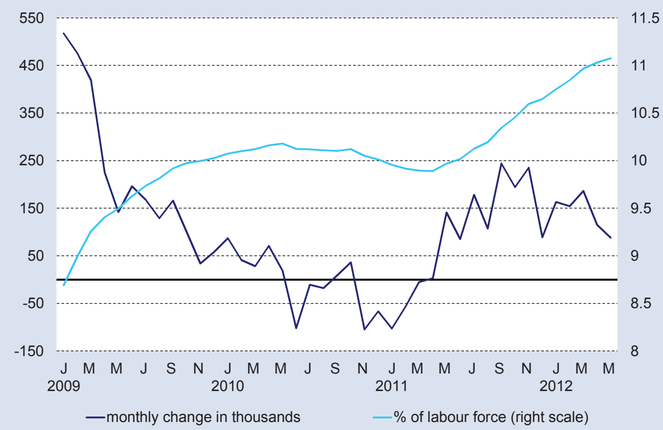
Euro area GDP forecasts remain broadly unchanged

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



Source: Eurostat.

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



Source: Eurostat.

According to the Eurosystem staff macroeconomic projections published in June 2012, real GDP growth is forecast to recover gradually over the course of 2012 and 2013, reflecting higher foreign demand and a gradual strengthening of domestic demand. The latter is expected to be increasingly supported by the favourable impact of low short-term interest rates, by rising households' real disposable income and by measures that restore the functioning of the financial system. The projected recovery, which depends on the assumption that the financial crisis does not intensify further, is expected to be dampened by ongoing public and private sector balance sheet restructuring. As a result, annual real GDP growth is expected to be between -0.5% and 0.3% in 2012 and between 0.0% and 2.0% in 2013 (see Table 1.3). When compared with the ECB staff projections released in March, the forecast for 2012 remained unchanged while that for 2013 was revised marginally downwards.

Euro area average annual inflation is expected to range between 2.3% and 2.5% in 2012 and between 1.0% and 2.2% in 2013. The range for 2012 is relatively high due to pressures from

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

	2011	2012	2013
Private consumption	0.2	-0.7 — -0.1	-0.4 — 1.4
Government consumption	-0.3	-0.7 — 0.3	-0.7 — 0.7
Gross fixed capital formation	1.6	-3.2 — -1.0	-0.8 — 3.8
Exports	6.3	1.2 — 5.0	1.1 — 8.9
Imports	4.1	-0.7 — 2.9	0.9 — 7.9
Real GDP	**1.5**	**-0.5 — 0.3**	**0.0 — 2.0**
HICP	**2.7**	**2.3 — 2.5**	**1.0 — 2.2**

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

elevated energy prices, a weakened euro exchange rate and rises in indirect taxes. Inflation is then expected to ease considerably in 2013, as the impact of high commodity prices gradually fades away. HICP inflation, excluding food and energy, is projected to remain broadly stable over the forecast horizon. The new ranges for inflation in 2012 and 2013 are both narrower around an unchanged central projection than the March projections.

ECB continues to implement non-standard monetary policy measures

The Governing Council of the ECB left key interest rates unchanged during the first half of 2012, with the MRO rate standing at 1.00%, matching its historical low. The Governing Council indicated that it expected price developments to remain in line with price stability over the medium term, although inflation was likely to stay above 2.0% for the remainder of 2012. In addition, inflation expectations remained firmly anchored in line with the objective of maintaining inflation below, but close to, 2.0% over the medium term.

Between January and June 2012, the Eurosystem continued to implement non-standard monetary policy measures. On 9 February the Council approved, for the seven national central banks that put forward relevant proposals, specific national eligibility criteria and risk control measures for the temporary acceptance of additional credit claims as collateral in Eurosystem credit operations.[2] This followed the Council's decision in December 2011 to increase collateral availability by allowing Eurosystem central banks to accept additional performing credit claims as collateral as a temporary measure.

In February 2012, the Eurosystem also implemented the second of two three-year longer-term refinancing operations (LTRO) that were announced in December 2011.

Subsequently, 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 LTROs to be allotted during the second half of 2012 as fixed rate tender procedures with full allotment.

[2] The seven national central banks are those of Austria, Cyprus, France, Ireland, Italy, Portugal and Spain.

Furthermore, on 20 June, the Council decided on additional measures to improve the access to Eurosystem operations for the banking sector to further support the provision of credit to households and non-financial corporations. This was done by reducing the rating threshold and amending the eligibility requirements for certain asset-backed securities. Thus, this broadened the scope of the measures introduced on 8 December 2011 to increase collateral availability.

Going into the following quarter, on 5 July the Governing Council reduced key interest rates by 25 basis points, bringing the MRO rate to 0.75%, a new historical low. 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.

Growth in broad money picks up

After having slowed down in the December quarter, annual growth in the broad monetary aggregate (M3) in the euro area gained momentum in the first quarter of 2012, doubling from 1.5% in December to 3.0% three months later (see Table 1.4). This strong recovery is attributable to large monthly inflows of funds, which most likely were an indirect effect of the substantial injection of liquidity by the Eurosystem into the banking system, particularly through the two three-year LTROs conducted in December 2011 and February 2012.

The increase in the annual growth rate of M3 was broad based. In fact, the annual growth rate of the narrow money component M1 almost doubled too, going from 1.7% to 2.8% over the quarter. This, however, masks different developments in its two components. While the annual growth rate of the smaller of the two components, currency in circulation, decreased, that of overnight deposits more than tripled.

Similarly, there was a pick-up in the annual rate of growth of other short-term deposits (i.e. M2 minus M1), going to 3.2%. The growth rates of both deposits with an agreed maturity of up to and including two years (short-term time deposits) and of deposits redeemable at notice of up to three months (short-term savings deposits) edged up. These developments were mainly attributable to households, which shifted funds predominantly towards short-term time deposits, reflecting the higher remuneration paid by some credit institutions on such deposits.

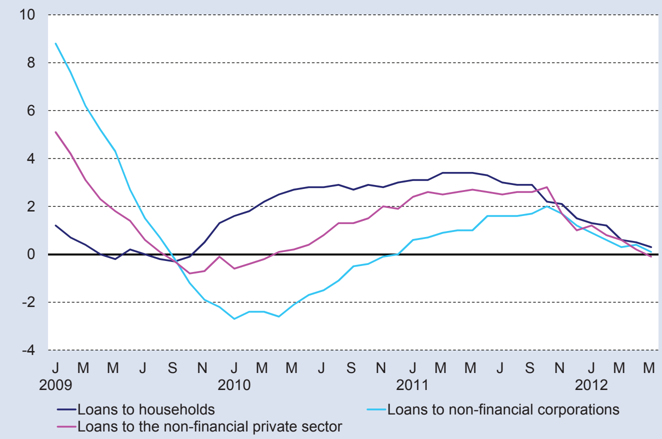
Table 1.4
EURO AREA MONETARY AGGREGATES
Annual percentage changes

	2011			2012		
	Dec.	Jan.	Feb.	Mar.	Apr.	May
M1	**1.7**	**2.1**	**2.6**	**2.8**	**1.8**	**3.3**
Currency in circulation	6.2	6.2	6.2	5.5	5.5	5.5
Overnight deposits	0.7	1.2	1.8	2.2	1.0	2.9
M2-M1 (Other short-term deposits)	**2.1**	**2.5**	**3.0**	**3.2**	**3.3**	**2.3**
Deposits with an agreed maturity of up to two years	2.2	3.2	3.9	3.9	3.9	1.6
Deposits redeemable at notice of up to three months	1.9	1.9	2.3	2.5	2.7	3.0
M2	**1.8**	**2.3**	**2.8**	**3.0**	**2.5**	**2.9**
M3	**1.5**	**2.3**	**2.7**	**3.0**	**2.5**	**2.9**

Source: ECB.

The acceleration in M3 came to a temporary halt the following quarter, when the annual growth rate went down to 2.5% in April, before picking up again to 2.9% in May.

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



Source: ECB.

Growth in private sector lending moderates

On the counterparts' side, credit to euro area residents expanded at a faster pace. The annual rate of credit growth picked up to 1.8% in March, driven by higher bank holdings of government securities. However, the annual growth rate of credit to the private sector remained unchanged at 0.5% between December and March.

The annual growth rate of loans provided by monetary financial institutions (MFI) to the non-financial private sector declined further, to 0.6% from 1.0% (see Chart 1.11). This growth rate has been weak by historical standards. This deterioration mainly resulted from worsening economic and housing market prospects, as well as balance sheet corrections. In turn, the annual growth rate of loans to non-financial corporations declined to 0.3% from 1.2%. At the same time, the corresponding growth rate of lending to households dropped to 0.6% from 1.5%. In contrast, the annual rate of growth of bank holdings of securities issued by the private sector picked up.

Cross-country differences remain significant, most probably reflecting divergent economic and housing market prospects, as well as differences in banking sector conditions.

Going into the following quarter, the annual growth rate in MFI loans to the non-financial private sector decreased further and turned negative, going to -0.1% in May. This rate has followed a generally declining path since October 2011.

Money market rates decline

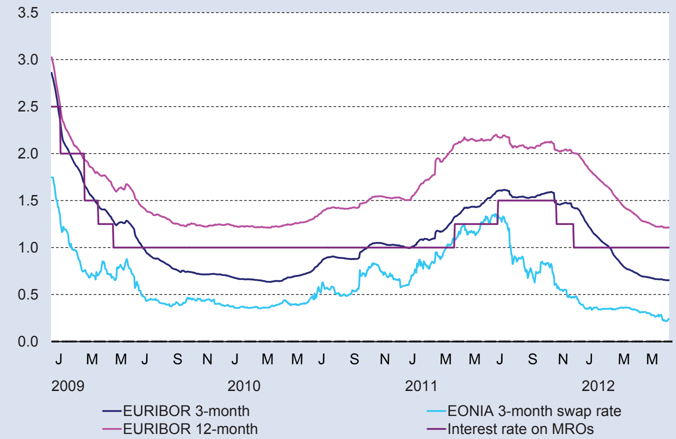
Money market interest rates in the euro area declined during the March quarter, reflecting the downward revision of short-term interest rate expectations, the Governing Council's decision in December 2011 to reduce official interest rates by 25 basis points, and the injection of substantial amounts of liquidity into the financial system through the two three-year LTROs.

Unsecured money market interest rates in the euro area as measured by EURIBOR generally decreased. Over the quarter, at the three-month and 12-month maturities, EURIBOR declined by 57 basis points and 53 basis points, to 0.78% and 1.42%, respectively (see Chart 1.12).[3] During the second quarter of 2012, EURIBOR rates at both maturities declined further.

[3] 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.

Secured rates, such as those implicit in the three-month EONIA swap index, also declined, but to a much lesser extent, shedding just 3 basis points in the three months to March to 0.36%, the lowest level seen since mid-2010.[4] Going into the June quarter, the EONIA swap index at the three-month maturity continued to decline.

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



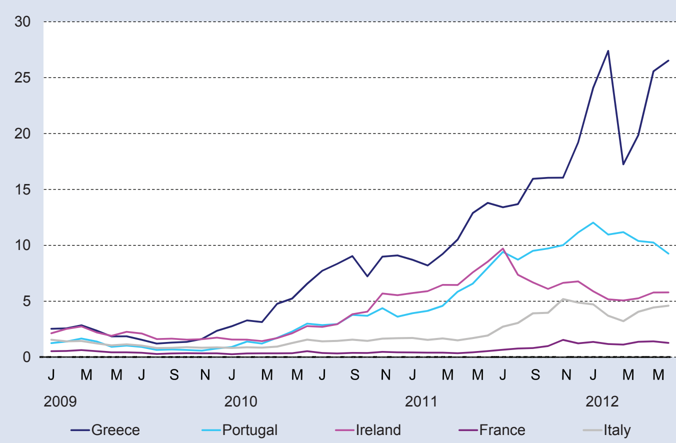
Sources: ECB; Euribor FBE.

As a result, the spread between unsecured EURIBOR rates and secured EONIA swap rates at the three-month maturity more than halved over the quarter, to 42 basis points at end-March from 96 points three months earlier, signalling improved confidence in the interbank market.

Spreads of euro area long-term government bond yields narrow

During the quarter under review, ten-year German government bond yields, which are often taken as a benchmark for the euro area, marginally declined. Over the quarter, they fell by just 2 basis points to 1.81% at end-March (refer to Chart 1.4). Mixed economic and financial news during the quarter, including the credit ratings downgrade of several euro area countries, may have been counteracted by the perception that positive policy steps – involving a "fiscal compact", the European Stability Mechanism and a new multilateral adjustment programme for Greece – were being taken towards a resolution of the sovereign debt crisis. These factors also contributed to the slight narrowing of spreads of sovereign bonds in other euro area countries vis-à-vis their German counterpart over the quarter (see Chart 1.13).

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



Source: ECB.

Ten-year German government bond yields declined significantly in the June quarter, dropping to 1.60%. At the same time, spreads widened again, notably in the case of Greece, reflecting increased political uncertainty in that country.

[4] 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.

Euro area equity prices rise further

The Dow Jones EURO STOXX index increased by 9.5% during the March quarter, as opposed to a 5.1% rise in the previous quarter (refer to Chart 1.5). The downgrade of several euro area countries and major financial companies did not appear to have weighed significantly on market sentiment. On the contrary, euro area equity markets fared positively amid renewed hope of a durable solution to the sovereign debt crisis. This was also supported by an easing in funding pressures following the three-year refinancing operations conducted by the Eurosystem.

This rally, however, came to a halt in the June quarter, when the index fell by 8.4%.

The euro temporarily strengthens amid volatility

Movements in the euro exchange rate during the quarter under review continued to be mainly driven by changing market perceptions related to fiscal and economic prospects in the euro area relative to other advanced economies, as well as by developments in expected yield differentials between the euro and other currencies.

After considerable depreciation during the December quarter, the euro generally recovered between January and March 2012. Its nominal effective exchange rate (NEER), as measured against the currencies of 20 of the euro area's main trading partners, appreciated slightly, gaining 0.9% (see Chart 1.14).

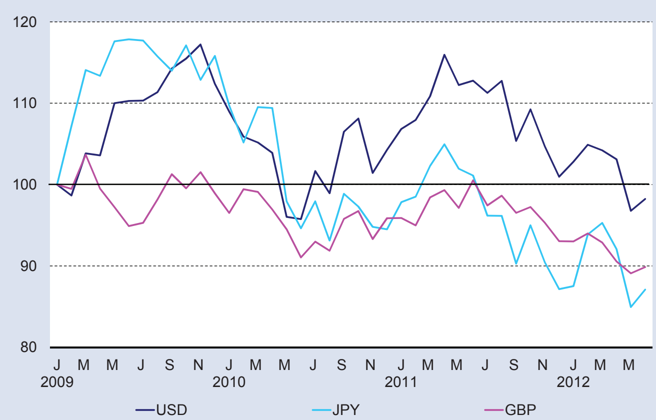
On a bilateral basis, the euro gained 3.2% against the US dollar and 9.3% against the Japanese yen during the quarter, while it lost just 0.2% against the pound sterling (see Chart 1.15).

Going into the following quarter, the euro lost 3.3% in nominal effective terms, while weakening against all three major currencies as market perceptions of economic prospects for the euro area worsened.

Chart 1.14
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

Chart 1.15
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2009=100; an increase in the index implies euro appreciation)



Source: Eurostat.

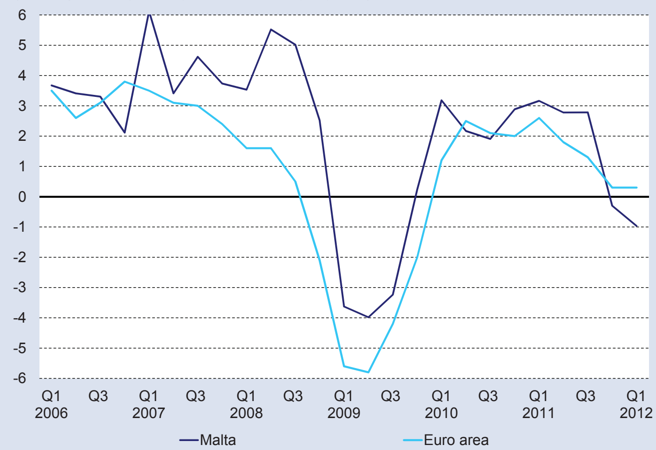
2. OUTPUT AND EMPLOYMENT

Gross domestic product

Real gross domestic product growth negative in the first quarter

The latest official data show that following a 0.3% contraction in the last quarter of 2011, real gross domestic product (GDP) declined by 1.0% in annual terms in the first quarter of 2012 (see Chart 2.1). This drop mainly stemmed from a negative change in inventories, which includes the statistical discrepancy, although lower private consumption expenditure also contributed. Conversely, net exports made a significant positive contribution to GDP growth (see Table 2.1). Meanwhile, annual real GDP growth in the euro area over the same period was moderately positive, at 0.3% in non-seasonally adjusted terms.[1]

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



Source: NSO; Eurostat.

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2011				2012
	Q1	Q2	Q3	Q4	Q1
	Annual percentage changes				
Private final consumption expenditure	5.3	5.2	3.2	1.0	-4.4
Government final consumption expenditure	7.8	2.3	2.5	2.8	10.3
Gross fixed capital formation	-10.8	-14.9	-24.0	-6.5	5.1
Changes in inventories (% of GDP)(1)	2.1	2.3	-6.9	-6.3	-6.1
Domestic demand	**1.2**	**7.0**	**-2.3**	**-5.9**	**-8.0**
Exports of goods & services	9.3	3.4	-6.1	3.1	0.8
Imports of goods & services	7.0	7.2	-11.2	-2.1	-5.8
Gross domestic product	**3.2**	**2.8**	**2.8**	**-0.3**	**-1.0**
	Percentage point contributions				
Private final consumption expenditure	3.5	3.3	2.0	0.7	-3.0
Government final consumption expenditure	1.6	0.5	0.5	0.6	2.2
Gross fixed capital formation	-1.6	-2.3	-4.1	-1.0	0.6
Changes in inventories(1)	-2.3	5.4	-0.6	-6.1	-8.2
Domestic demand	**1.3**	**6.8**	**-2.1**	**-5.9**	**-8.4**
Exports of goods & services	9.5	3.8	-7.1	3.3	0.9
Imports of goods & services	-7.6	-7.9	12.0	2.3	6.5
Net exports	**1.9**	**-4.1**	**4.9**	**5.6**	**7.4**
Gross domestic product	**3.2**	**2.8**	**2.8**	**-0.3**	**-1.0**

(1) Includes acquisitions less disposal of valuables.
Source: NSO.

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

Net exports continue to support growth

Net exports were positive in the quarter under review. This contrasts with a negative balance of comparable size in the same period last year. The improvement came about as exports rose marginally while imports declined. As a result, the contribution of net exports to GDP growth increased from 5.6 percentage points in the final quarter of 2011 to 7.4 percentage points (see Table 2.1).

Exports were 0.8% higher on an annual basis in the first quarter of 2012, slowing down from 3.1% in the previous quarter. Both goods and services contributed to the growth in real exports, increasing by 0.6% and 1.1% respectively. Additional information on international transactions suggests that, in nominal terms, the main drivers of these increases were fuel re-exports and exports of financial services, although receipts of royalties also contributed. On the other hand, most other categories of exports, particularly chemicals and machinery and equipment, declined.

Partly reflecting a reduction in domestic demand, imports contracted for the third consecutive quarter, falling by 5.8% year-on-year in the first quarter of 2012. This contraction was entirely attributable to imported goods, which declined by 8.2%. Nominal data for goods imports suggest that the decline was driven by lower purchases of capital and consumer goods, although a fall in industrial supplies was also registered. At the same time, imports of fuel increased as the volume of fuel re-exports continued to rise. Conversely, service imports were marginally higher than last year.

Domestic demand contracts

Domestic demand continued to decrease and its contribution to GDP was a negative 8.4 percentage points. Developments in domestic demand were heavily influenced by substantial changes in inventories. Indeed, the contribution of the other components of domestic demand was on aggregate only mildly negative as growth in investment and government consumption partly offset the impact of a drop in private consumption (see Table 2.1).

The decline in private consumption by 4.4% on a year-on-year basis in the first quarter of 2012 lowered real GDP growth by 3.0 percentage points. In nominal terms, consumer spending fell by 3.1%, in spite of an annual increase of 3.4% in nominal compensation of employees, a rate slightly above that registered in the last quarter of 2011. In the absence of a significant fall in other sources of disposable income, this suggests that household savings are on the rise possibly in the light of uncertain economic conditions in the broader international environment.

Government consumption accelerated considerably in the first quarter of the year, expanding by 10.3% in real terms and adding 2.2 percentage points to GDP growth. Nominal data suggest that this expansion was mainly driven by intermediate consumption, with health and public administration being the main contributors. In contrast, compensation to government employees increased moderately.

Gross fixed capital formation (GFCF) was 5.1% higher on a year earlier, after having declined throughout 2011. It contributed 0.6 percentage point to real GDP growth. In nominal terms private investment expanded by 7.0%, whereas government investment declined by 2.1%. On a sectoral basis, nominal private investment was boosted by construction, both of dwellings and other buildings, as well as by purchases of transport equipment and enhancements to I.T. systems. In contrast, spending on metal products and machinery declined. The drop in government investment largely reflected lower outlays on transport equipment. Developments in this component were influenced by an extraordinary purchase of a maritime patrol aircraft in the first quarter of 2011.

As in the previous two quarters, changes in inventories continued to exert a strong downward impact on GDP growth. They stood at -6.1% of GDP in the first quarter of 2012, which contrasts with a 2.1% share a year earlier. This item, which includes the statistical discrepancy, was thus the largest contributor to the contraction in GDP, dragging growth down by 8.2 percentage points. Changes in inventories were negative for the third successive quarter, implying either a persistently large statistical error over the last three quarters or a continuous running down of inventories, presumably stocks related to the manufacturing sector. However, it could also imply a mix of these two factors. A more in-depth analysis may be required to understand the implication of these trends for the economy's growth path over the year.

Gross operating surplus declines, compensation of employees increases

Nominal GDP increased by 1.0% following a rise of 1.6% in the fourth quarter of 2011 (see Chart 2.2). Based on the income side, the gross operating surplus component of GDP declined by 4.1% after a rise of nearly half a percentage point in the previous quarter. The deterioration in this component mainly reflected developments in the sector that consists of mining, utilities & manufacturing, and the sector comprising wholesale & retail, transportation, accommodation & related activities. On the other hand, a notable increase was registered in the financial & insurance sector, in the professional, scientific & technical activities sector and in the arts & entertainment sector. In other sectors gross operating surplus dropped marginally. Nominal compensation of employees, the other main component of GDP based on the income approach, accelerated to 3.4% from 3.2% in the last quarter of 2011. This increase was reflected in all sectors except those related to agriculture, construction and real estate. At current levels, the rate of growth of nominal compensation of employees was unchanged from the average rate for 2011.

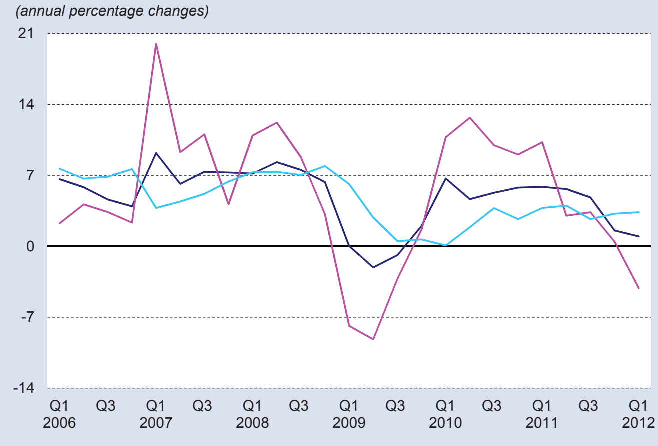
Services continue to support nominal GDP growth

Gross value added (GVA) declined by 0.3% on an annual basis after having increased by 2.2% in the previous quarter. Its contribution to nominal GDP growth was a negative 0.2 percentage point (see Table 2.2).[2] Meanwhile net taxes rose by 9.6%.

In turn, the contraction in nominal GVA was driven by developments in the non-service sectors, which lowered nominal GDP growth by 2.5 percentage points. The continued absorption of rising fuel costs by the national energy provider, which is included in the mining & utilities sector, strongly influenced this outcome, although value added in manufacturing also dropped, partly reflecting developments in the electronics sector.

Services boosted nominal GDP growth by 2.3 percentage points. In annual terms, GVA expanded in all service sectors, except in the sector comprising wholesale

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



Source: NSO.

[2] The difference between nominal GDP and GVA is net taxes defined as taxes minus subsidies.

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

	2011				2012
	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry & fishing	0.2	0.1	0.0	-0.1	-0.1
Mining & quarrying; utilities	-0.9	-1.4	-1.7	-1.1	-1.6
Manufacturing	1.6	0.5	0.2	-0.5	-0.8
Construction	0.0	0.0	0.0	-0.1	0.0
Wholesale & retail trade; repair of motor vehicles; transportation; accomodation & related activities	1.9	1.3	0.2	0.5	-0.2
Information & communication	0.3	0.3	0.4	0.4	0.2
Financial & insurance activities	0.5	0.4	1.7	1.2	0.6
Real estate activities	0.2	0.2	0.2	0.2	0.1
Professional, scientific, administrative & related activities	0.6	0.5	0.3	0.3	0.7
Public administration & defence; education; health & related activities	0.7	0.9	0.6	0.9	0.5
Arts, entertainment; household repair & related services	0.6	0.5	0.7	0.4	0.5
Gross value added	**5.8**	**3.2**	**2.5**	**1.9**	**-0.2**
Net taxation on products	**0.1**	**2.4**	**2.3**	**-0.3**	**1.2**
Annual nominal GDP growth (%)	**5.9**	**5.6**	**4.8**	**1.6**	**1.0**

Source: NSO.

& retail, transportation, accommodation & related activities. In absolute terms, the largest increases were recorded in the professional, scientific & technical activities sector and in the financial & insurance sector, which together contributed more than 1 percentage point to nominal GDP growth. The sectors comprising public administration & defence and arts, entertainment & recreation together contributed another percentage point to nominal GDP growth, while the information & communication sector added 0.2 percentage point.

Meanwhile, the decline in the GVA of the manufacturing sector as shown in Table 2.2 was further evidenced by industrial production data issued by the National Statistics Office (NSO).[3] According

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

		2011				2012
	Shares	Q1	Q2	Q3	Q4	Q1
Industrial production	**100**	**10.0**	**0.9**	**-2.7**	**-0.8**	**-1.5**
Computer, electronic & optical products	18.5	24.7	-1.9	-9.8	-8.0	-8.3
Food products	10.2	12.4	-6.4	-9.7	11.3	2.4
Energy(1)	8.0	2.4	3.5	2.7	2.1	5.7
Wearing apparel	6.5	7.6	13.8	4.2	-6.5	9.7
Rubber & plastic products	6.2	16.1	2.7	12.1	-2.5	-7.2
Basic pharmaceutical products & pharmaceutical preparations	5.5	18.6	-2.4	-15.1	-24.6	-18.6
Textiles	5.2	11.7	12.0	-4.8	2.6	-3.9
Repair and installation of machinery and equipment	5.0	-38.0	-24.3	-25.6	-24.5	0.1

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

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

to this data, industrial output declined by 1.5% in the first quarter of the year compared with a 0.8% fall in the previous quarter. This contraction was fuelled by developments in the sectors engaged in the production of computer, electronic & optical equipment, rubber & plastic products, pharmaceuticals and textiles. Conversely, output from the energy sector grew at a faster rate compared with the previous quarter while food production continued to expand, though at a slower pace. The annual growth rate of output turned positive in the wearing apparel sector and in the sector engaged in the repair and installation of machinery and equipment (see Table 2.3).

BOX 1: TOURISM ACTIVITY

Slowdown in the tourism industry in the first quarter of 2012

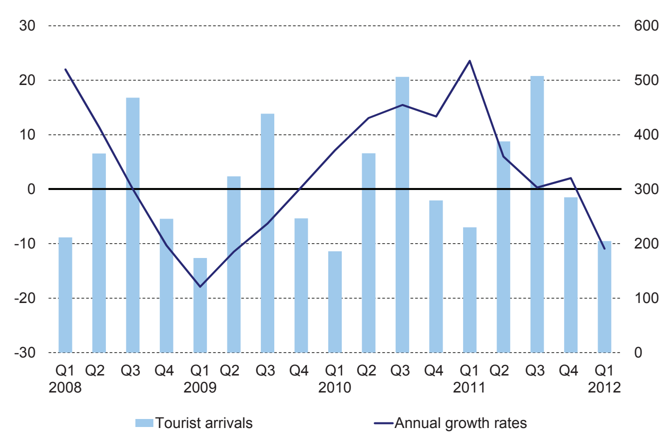
During the first quarter of 2012, both tourist arrivals in Malta and the number of nights stayed were lower than the level recorded a year earlier.

The drop in tourist numbers was due to a substantial decline in the volume of leisure travellers as the total of business travellers was higher.

Developments in tourist movements in February and March reflected base effects occurring in the same months of 2011, when heavy visitor traffic from Libya, in particular sea passenger traffic, was registered as a result of political developments there. If this effect is excluded from last year's figures, the overall number of visitors to Malta and nights stayed during the first quarter of 2012 would have contracted by 5.5% and 6.0%, respectively. The corresponding unadjusted rates are 10.9% and 8.0% (see Chart 1 and Chart 2). The drop on the previous year was also influenced by a reduction in seat capacity, which was also reflected in the number of aircraft landings in Malta. In the first quarter, these were down by 6.4% in annual terms.

In terms of the geographical distribution of tourist arrivals, most source markets registered a loss, although results differed across countries. The decline in visitors from these countries may reflect the recessionary conditions that prevailed in their economies. Thus, the number of visitors from the United Kingdom, which accounts for just below a third of total arrivals, fell by 8.8% on year-ago levels. Those from Italy, Malta's second largest source market, contracted by 19.2%, while those from France dropped by

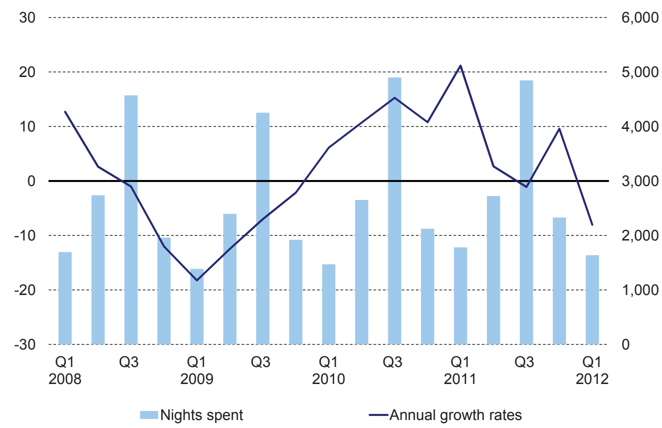
Chart 1
TOURIST ARRIVALS
(annual percentage changes; tourist arrivals in thousands)



Source: NSO.

a quarter. In addition, the number of arrivals from Spain declined by 6.2% in annual terms. On the other hand, arrivals from another established market, Germany, increased by 18.3%, while arrivals from smaller markets, such as Austria, Ireland and Scandinavia were also higher.

Chart 2
TOTAL NIGHTS SPENT BY TOURISTS
(annual percentage changes; nights spent in thousands)

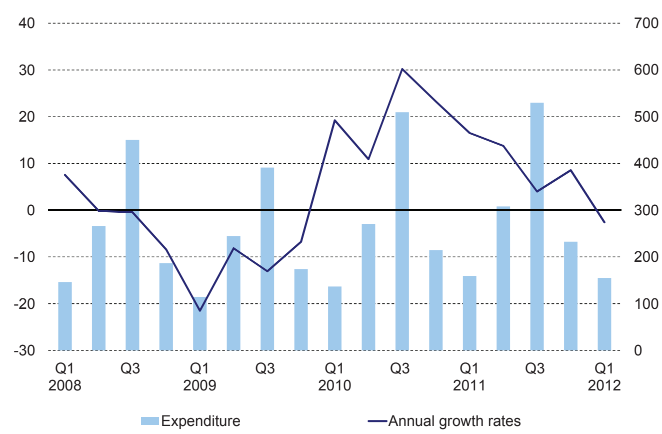


Source: NSO.

During the first quarter of 2012, the annual drop in total tourist expenditure, at -2.6%, was more contained than the decline in nights stayed and number of visitors (see Chart 3).[1] However, the comparative figures for the previous year may be inflated by the special effect of a substantial increase in arrivals from Libya as a result of the conflict in that country. The drop in expenditure in the March quarter stemmed from a 1.2% decrease in spending on package holidays and a 5.7% drop on the "other" component.[2] On the other hand, spending on non-package holidays marginally increased, with gains entirely registered in travel fares.

As the number of visitors dropped more strongly than total nights stayed, the average length of visitor stay rose by 0.3 night compared with the first quarter of 2011, to 8.0 nights. However, this increase reflects the Libya effect, which had pushed down the average for the first quarter of 2011. The average length of visitor stay was unchanged on a year-on-year basis when adjusting for this effect.

Chart 3
TOURIST EXPENDITURE
(annual percentage changes; tourist expenditure in millions)

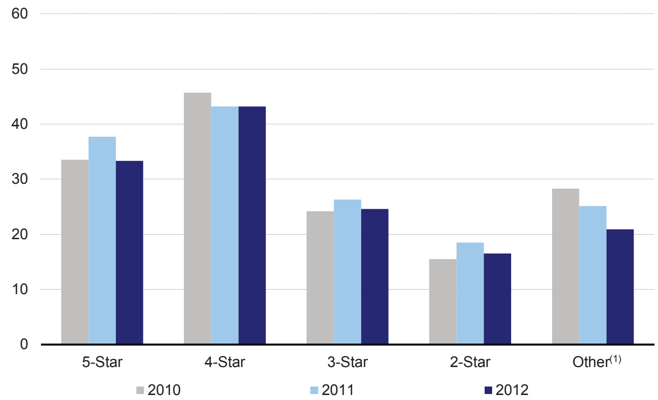


Source: NSO.

1 Total expenditure is split into package, non-package and "other".
2 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.

A survey conducted by the industry shows that during the first quarter of 2012 there was a small increase in average achieved room rates in all hotel categories.[3] Nonetheless, the survey suggests that all hotel categories recorded a gross operating loss per available room, in line with regular seasonal patterns, with the loss being more pronounced in 5-star hotels.

Chart 4
AVERAGE OCCUPANCY RATES IN THE FIRST QUARTER
(percent)



(1) Includes guesthouses, hostels & aparthotels.
Source: NSO.

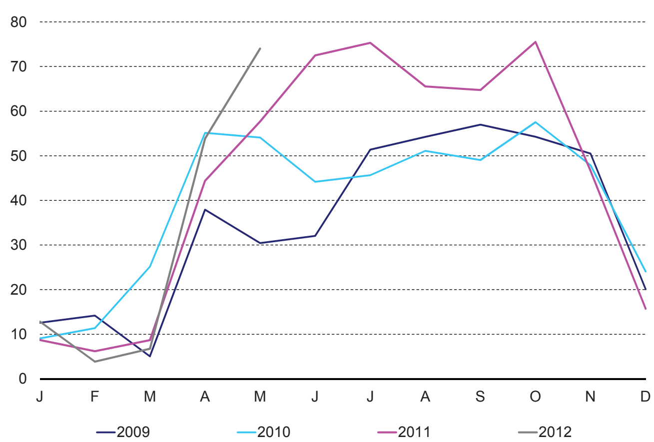
On the supply side, in the March quarter the net number of bed-places was lower than a year earlier.[4] However, nights stayed declined more strongly. This led to a decrease in overall occupancy rates during the quarter of 1.6 percentage points on a year earlier, to 33.1%.

Occupancy in 5-star hotels fell by 4.4 percentage points during the first quarter while that in 4-star hotels was unchanged over year-ago levels. In 3-star hotels occupancy declined by 1.7 percentage points (see Chart 4), whereas the “other” category recorded a 4.2 percentage point drop.[5]

Meanwhile, according to the industry survey, all hotel categories registered a drop in occupancy rates.

The number of day visitors arriving on cruise liners was marginally lower than year-ago levels (see Chart 5). The frequency of port calls by cruise liners was also lower: 12 calls compared with 14 in the same period of 2011.

Chart 5
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

3 See BOV-MHRA *Survey – Q1 2012.*
4 Net use of bed-places is the occupancy rate calculated for all active accommodation establishments net of seasonal and other temporary closures for decoration, etc. The net use of bed-places is the percentage of total nights spent divided by net bed-places and the number of days of the month under review.
5 The “other” category consists of guesthouses, holiday complexes and hostels.

Going into the second quarter of 2012, available information with regard to tourist arrivals and cruise passengers shows that in April the situation improved. While the number of visitors to Malta rose by 1.6%, average nights stayed also increased, so that total nights stayed were 9.0% higher on year-ago levels. Meanwhile, total expenditure increased by 6.6%, with the rise coming from package holidays and the "other" component of expenditure.

Furthermore, the number of cruise liner passengers during April and May 2012 also grew, on average, by over a quarter over the same period a year earlier.

The labour market[4]

Labour market statistics for the first quarter of 2012 show that employment continued to rise in annual terms, while the unemployment rate fell further from year-ago levels.

Employment continues to rise

Labour Force Survey (LFS) data show that, in the first quarter of 2012, the annual rate of employment growth rose slightly to 1.9%, from 1.8% in the final quarter of 2011 (see Table 2.4). Full-time

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

	2011				2012	Annual change
	Q1	Q2	Q3	Q4	Q1	%
Working age population	353,815	354,645	355,363	356,188	357,115	0.9
Labour supply	179,540	180,291	181,684	179,405	182,310	1.5
Employed	168,023	168,222	170,466	167,627	171,270	1.9
By type of employment:						
Full-time	145,757	146,328	146,855	146,129	147,789	1.4
Full-time with reduced hours	3,525	4,576	4,044	3,163	3,422	-2.9
Part-time	18,741	17,318	19,567	18,335	20,059	7.0
Unemployed	11,517	12,069	11,218	11,778	11,040	-4.1
Activity rate (%)	**61.4**	**61.5**	**62.0**	**61.4**	**62.4**	
Male	78.6	78.8	78.8	77.9	77.4	
Female	43.7	43.6	44.6	44.3	46.8	
Employment rate (%)	**57.4**	**57.3**	**58.1**	**57.3**	**58.6**	
Male	73.8	73.6	74.0	73.0	73.0	
Female	40.5	40.6	41.6	41.1	43.6	
Unemployment rate (%)	**6.4**	**6.7**	**6.2**	**6.6**	**6.1**	
Male	6.0	6.5	5.9	6.2	5.6	
Female	7.2	7.0	6.7	7.3	6.8	

Source: NSO.

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

jobs increased considerably, rising by 2,032 in absolute terms, or 1.4%. Part-time jobs were up by 1,318. On the other hand, the number of full-timers on reduced hours fell by 103.

During the quarter under review, the working-age population grew by 0.9% over the same period a year earlier, while the labour force went up by 1.5%.[5] Available information suggests that a faster growth in the labour force is also visible in the 15–64 age bracket.

The total employment rate in the first quarter of 2012 stood at 58.6%, 1.2 percentage points higher compared with the same period a year earlier.[6] This rise was completely driven by females, as their employment rate increased to 43.6% from 40.5% a year earlier. Among female workers, the strongest increase was reported in the 35–44 age bracket. Higher female participation in the labour market continued to be incentivised by tax-related relief schemes. Meanwhile, the male employment rate fell by 0.8 percentage point to 73.0%, with the largest decline being registered in the 15–24 age bracket. At this rate, the male employment rate was unchanged from the level recorded in the last quarter of 2011.

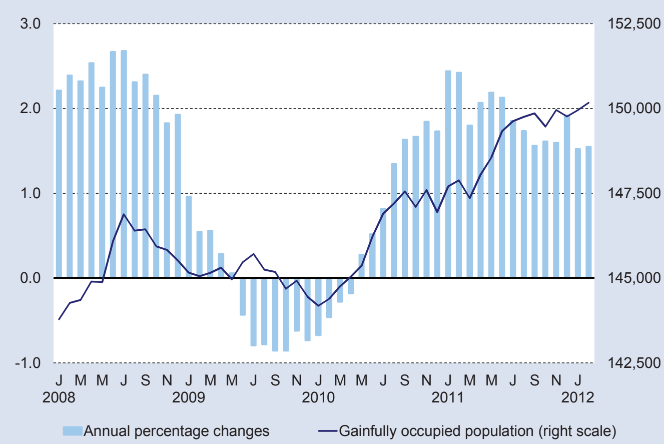
The activity rate rose by 1.0 percentage point, to 62.4%.[7] This increase stemmed entirely from the female category.

Employment and Training Corporation (ETC) records available up to February show that the gainfully occupied population, defined to include all persons with full-time employment, generally rose, albeit at a slower pace than in previous months (see Chart 2.3). Thus, the annual growth rate decelerated to 1.5% in January and remained unchanged in February.

From a sectoral perspective, growth in the number of full-time employees was mainly driven by the private sector (see Table 2.5). In February, the number of full-time employees in the sector increased by 2,076, or 1.9%, on a year earlier. Job creation mainly occurred in market services, where jobs increased by 2.7%, while employment in direct production grew by a more modest 0.2%.

A notable increase in the number of employed persons in the service sectors was registered in transport & storage, arts, entertainment & recreation and administrative & support service activities. Compared with a year earlier, job creation was also

Chart 2.3
GAINFULLY OCCUPIED POPULATION BASED ON ETC RECORDS
(annual percentage changes; persons)



Source: NSO.

5 NSO data for the working age population, the labour force and the unemployment rate refer to all persons aged 15 and over. On the other hand, the employment rate and the activity rate are calculated using data for persons aged between 15 and 64 years.

6 The employment rate measures the number of persons employed on a full-time or part-time basis as a proportion of the working age population.

7 The activity rate measures the number of persons in the labour force as a proportion of the working-age population.

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

	2011				2012	Annual change
	Feb.	June	Sep.	Dec.	Feb.	%
Labour supply	**154,838**	**155,543**	**156,413**	**156,351**	**157,087**	**1.5**
Gainfully occupied (1)	147,878	149,331	149,859	149,764	150,166	1.5
Registered unemployed	6,960	6,212	6,554	6,587	6,921	-0.6
Unemployment rate (%)	**4.5**	**4.0**	**4.2**	**4.2**	**4.4**	
Private sector	**106,744**	**107,618**	**108,332**	**108,140**	**108,820**	**1.9**
Direct production	31,431	32,256	32,112	31,932	31,504	0.2
Market services	75,313	75,362	76,220	76,208	77,316	2.7
Public sector	**40,441**	**41,041**	**40,927**	**40,992**	**40,712**	**0.7**
Temporary employment	**693**	**672**	**600**	**632**	**634**	**-8.5**
Part-time jobs	**50,337**	**53,051**	**53,639**	**53,440**	**53,005**	**5.3**
Primary	28,103	30,088	30,355	30,201	29,995	6.7
Secondary (2)	22,234	22,963	23,284	23,239	23,010	3.5

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

recorded in health & social work activities, professional, scientific and technical activities and education. These additions were, however, offset to some degree by job losses in wholesale & retail trade. Turning to direct production in the private sector, the manufacturing sub-sector registered gains while losses were recorded in construction and mining & quarrying.

Within the public sector, jobs went up by 271 to 40,712 in February, compared with the same month in 2011. Thus, full-time employment increased in sectors related to health & social work, arts, entertainment & recreation and education while they declined in the areas of public administration and defence, construction and transportation & storage sector, where developments continued to be influenced by the ongoing restructuring of the national airline.

On an annual basis, part-time employment rose by 5.3% in February, compared with an increase of 5.8% in December. Workers with a part-time job as their primary employment rose by 6.7%, while those with a part-time job in addition to their full-time employment rose by 3.5%. Once again, female workers were behind most of the increase in both categories. Within the pool of part-timers, the most significant additions were registered in accommodation & food service activities, wholesale & retail trade and professional activities.

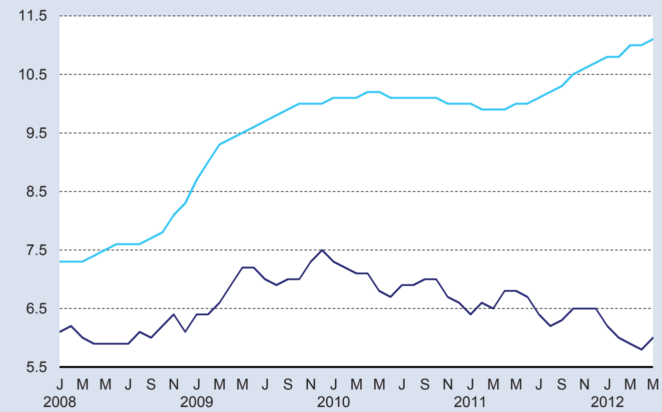
The unemployment rate declines

The unemployment rate based on LFS results fell by half a percentage point in the three months to March, to end the first quarter of 2012 at 6.1%.[8] This is the lowest rate in three and a half years. Compared with the same period of 2011, the unemployment rate was 0.3 percentage point lower,

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

reflecting a drop in both male and female categories.

Chart 2.4
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)

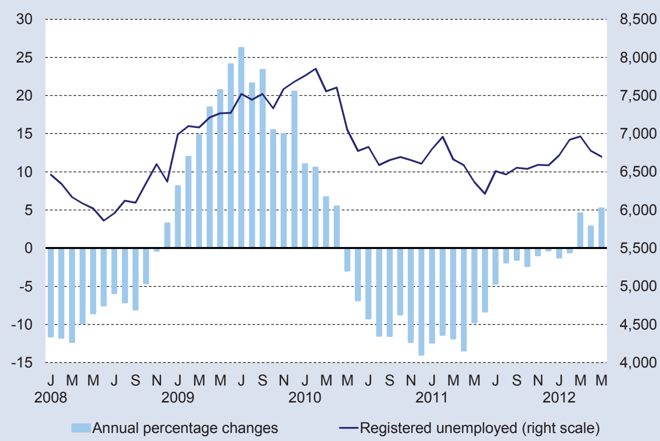


Source: Eurostat.

Similarly, the seasonally adjusted unemployment rate averaged 6.0% in the first quarter of 2012, half a percentage point lower when compared both with the previous quarter and with the year-ago level.[9] At this level it was almost 5 percentage points lower than the average unemployment rate in the euro area as a whole (see Chart 2.4).

The administrative records of the ETC indicate that the number of registered job-seekers increased between December 2011 and March 2012. However, in the first two months of 2012 the number of claimants for unemployment benefits was below that recorded a year earlier, with the annual rate of growth only turning positive in March (see Chart 2.5). In February, the unemployment rate based on ETC data stood at 4.4%, 0.1 percentage point lower than the rate recorded in February 2011.

Chart 2.5
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

In May, the seasonally adjusted unemployment rate rose by 0.1 percentage point compared with March, to 6.0%, but nonetheless was below the 6.8% recorded in May 2011. The latest ETC data show that the number of registered unemployed fell in April and May, compared with the preceding month, but was above year-ago levels.

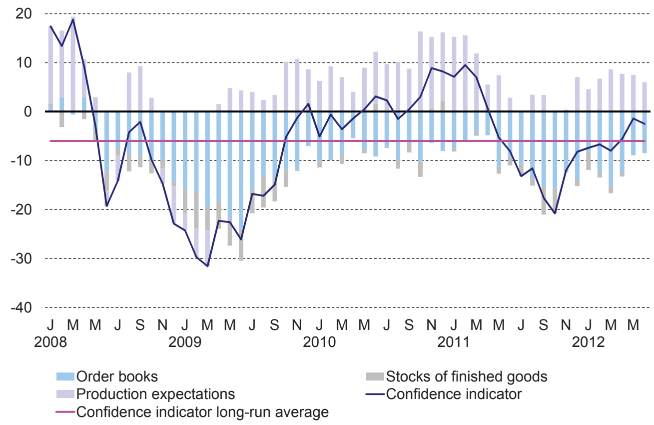
[9] Based on Eurostat calculations.

BOX 2: BUSINESS AND CONSUMER SURVEYS[1]

Industrial sentiment improves[2]

Confidence among firms operating in the manufacturing sector improved in the second quarter of 2012, with the industrial confidence indicator standing at -3 in June compared with -8 in March (see Chart 1). Thus, this indicator extended the recovery seen since late 2011, rising above its long-term average of -6 in both May and June.[3]

Chart 1
INDUSTRIAL CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

The rise in confidence in the second quarter was mainly spurred by fewer respondents reporting weak order book levels relative to what one would expect for the period covered by the survey. Meanwhile, a decrease in stocks of finished goods also had a positive impact on the confidence indicator. On the other hand, production expectations deteriorated. In June, compared with their respective long-term averages, the order book sub-index was exactly equal to its average, whereas the stock of finished goods index was lower than the average and production expectations were marginally below the average.

In line with the pick-up in confidence, additional information obtained from the survey points to a marginal improvement in employment expectations. However, the number of respondents anticipating their selling prices to increase over the subsequent three months fell slightly. With regard to factors inhibiting business activity, a large number of participants continued to indicate insufficient demand as the main element, with respondents generally stating that current production capacity was more than sufficient to meet demand.

Turning to seasonally unadjusted data, which provide information on a sectoral level, the overall index rose to -1 in June, from -3 in March. Sentiment improved among firms

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

2 The industrial confidence indicator is the 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.

3 Long-term averages are calculated over the entire period for which data are available. For the industrial 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. In the case of the consumer confidence indicator, data first became available in November 2002.

producing consumer and intermediate goods, but worsened among those producing investment goods. Confidence levels strongly increased among manufacturers of pharmaceutical products, while the indicator turned positive among those producing computer & electronic equipment. Sentiment rose, but remained in negative territory, among manufacturers of wearing apparel. On the other hand, the balance of replies turned negative among firms operating in the repair and installation of machinery & equipment sector, as well as in printing & reproduction of recorded media. Those producing food and rubber & plastic products reported a further loss in sentiment. In the food sector, the deterioration in sentiment was mainly driven by production expectations for the next three months, whereas in the rubber & plastic products sector it reflected weak orders and increasing stocks.

Sentiment among construction firms deteriorates[4]

Confidence among construction firms deteriorated during the quarter under review. In seasonally adjusted terms the relevant index declined to -45 in June from -30 in March. At this level it was below the respective long-term average of -31, falling below its average mark last April and continuing to lose ground going forward (see Chart 2).

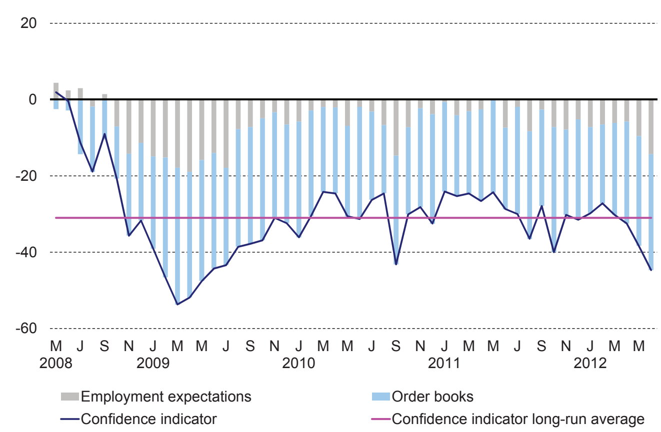
Both components of the index fell. In particular, a higher share of respondents expressed an intention to reduce their labour force in the following three months. Similarly, the proportion of firms that considered their current order books to be below normal increased. Both sub-components stood below their respective long-term average.

Confidence among service providers improves[5]

In contrast, following a quarter-on-quarter deterioration in the previous quarter, the services confidence indicator rose to 14 in June from 12 in March (see Chart 3). Nonetheless, the index stands below its long-term average of 20 and has been below this level since August 2011.

The rise in sentiment was attributable to increased demand in the preceding quarter and to an improvement in expected demand for the subsequent three months. These responses suggest that actual

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



Source: European Commission.

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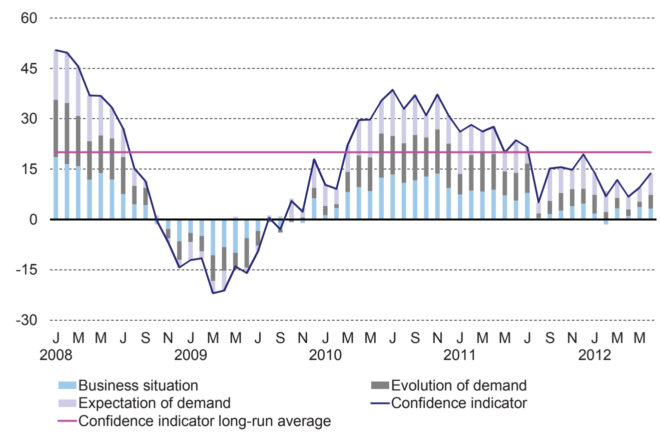
[4] The construction confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.

[5] 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.

developments during the preceding quarter were better than respondents' previous expectations. On the other hand, the share of respondents reporting an improved business situation over the preceding three months remained unchanged. All the components of the index, however, stood below their respective long-term averages.

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

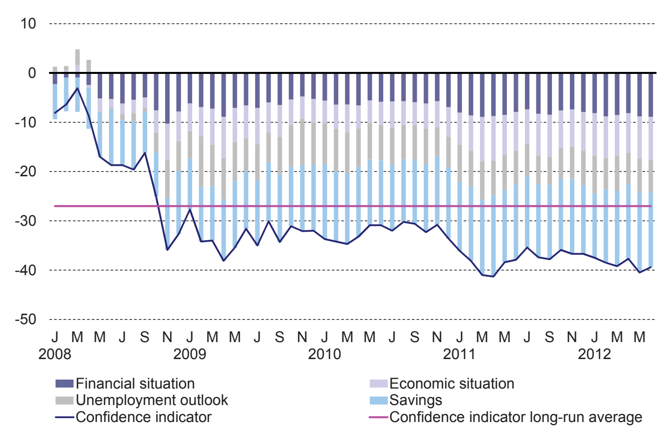


Source: European Commission.

With respect to manpower levels, on balance respondents are expecting employment within their firms to continue to increase over the subsequent three months, but to a lesser extent than they did in March.

On the basis of seasonally unadjusted data, for which a more detailed sectoral breakdown is available, the overall index also increased, rising by 13 percentage points to 26. Sentiment became more positive among firms operating in the accommodation sector, in warehousing & support activities, in land transport and in travel-related activities. Confidence levels also improved, with the balance of replies moving into positive territory among firms in the food & beverage, rental & leasing, gambling & betting and real estate sectors. In contrast, confidence among firms carrying out financial intermediation and programming & broadcasting activities, although remaining positive, fell compared with March.

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



Source: European Commission.

Consumer confidence remains unchanged, at low levels[6]

In June the consumer confidence indicator remained

[6] The consumer confidence indicator is an 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.

unchanged at -39, compared with March. Thus, this indicator remained below its long-term average of -27, where it has been for over three years (see Chart 4).

Consumers' assessment of the general economic situation and of their own financial position in the subsequent 12 months slightly deteriorated between March and June. Conversely, the share of respondents foreseeing a rise in unemployment declined slightly and consumers were marginally more optimistic about their ability to save. All components, however, remain weak from a long-term perspective.

Further information shows that a smaller number of participants believed that the timing was right to make major purchases compared with the number of replies in March. In addition, a slightly larger share of respondents expected prices to increase over the following 12 months compared with three months earlier.

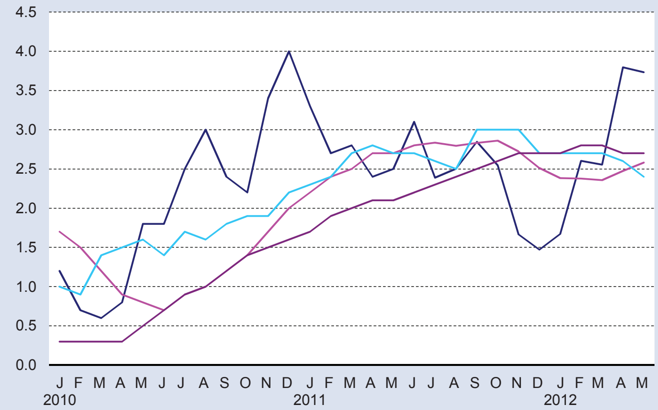
3. PRICES, COSTS AND COMPETITIVENESS

HICP Inflation

HICP inflation rate up in the first quarter[1]

The Harmonised Index of Consumer Prices (HICP) inflation rate accelerated during the first quarter of 2012, with the annual rate rising to 2.6% in March from 1.5% in December.[2] Meanwhile, the 12-month moving average rate eased to 2.4% in March from 2.5% three months earlier.

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



Sources: NSO; Eurostat.

The acceleration in Malta's annual inflation rate during the quarter under review contrasts with developments in the euro area, where inflation remained stable at 2.7%. Nonetheless, the 12-month moving average rate in Malta remained below that of the euro area, which rose to 2.8% in March from 2.7% in December (see Chart 3.1).

The increase in the headline inflation rate during the March quarter was mainly the result of higher prices for services, and, to a lesser extent, of increased prices for unprocessed food. Non-energy industrial goods also contributed positively to the rise as prices in this category no longer registered drops. On the other hand, inflationary pressures emanating from the energy and processed food components weakened.

Table 3.1
YEAR-ON-YEAR HICP INFLATION
Percentage change

	2011			2012		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Unprocessed food	8.1	8.4	7.7	6.6	11.1	10.5
Processed food including alcohol and tobacco	3.8	3.1	3.6	3.4	3.6	3.5
Energy	11.3	10.2	7.8	5.3	6.0	4.9
Non-energy industrial goods	0.0	-0.2	-0.6	0.6	0.6	0.3
Services (overall index excluding goods)	1.7	0.0	0.2	0.4	1.6	2.0
All Items HICP	**2.5**	**1.7**	**1.5**	**1.7**	**2.6**	**2.6**

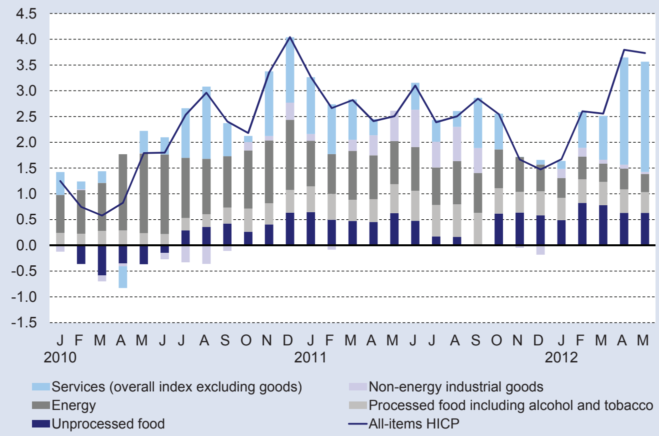
Source: NSO.

[1] This text takes into account revised data published in NSO *Release 95/2012* on 16 May 2012, which also includes revisions for 2011. Therefore figures for 2011 shall not concur with those referred to in the *Quarterly Review 2012:1*.

[2] 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 pp to 29.9%. In addition, the weight related to food dropped by 0.2 pp 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 pp, to 42.5%.

The services inflation rate rose to 2.0% from 0.2% in December 2011, with this component contributing 0.9 percentage point to the overall inflation rate in March (see Table 3.1 and Chart 3.2). The acceleration in services inflation between December 2011 and March mainly reflected developments in hotel accommodation rates, which had fallen in annual terms in the previous quarter. In the quarter under review, however, passenger transport by land also contributed significantly to inflation in March, reflecting the upward revision in bus fares as a result of the application of different pricing arrangements for residents and non-residents introduced by the new service provider in July 2011.

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



Source: Eurostat.

The annual drop in prices for non-energy industrial goods seen in December 2011 was reversed at the turn of the year, with the inflation rate of this component remaining positive through March. The increase was mainly due to higher prices for household related expenditures, such as furniture & furnishings, motor cars and footwear. The contribution of this component to the overall HICP inflation rate stood at 0.1 percentage point, up from -0.2 percentage point in December.

In addition, the annual rate of change of unprocessed food prices accelerated further to 10.5% in March from 7.7% three months earlier. In March this component contributed 0.8 percentage point to overall inflation, 0.2 percentage point more than in December. The acceleration in unprocessed food prices over this period mainly reflected higher prices for vegetables.

Meanwhile, at 3.5%, processed food price inflation was almost unchanged compared with December and continued contributing half a percentage point to overall HICP inflation. The annual rate of change of overall food prices, which account for just over a fifth of the HICP index, rose to 6.1% from 5.1% in December.

At the same time, the energy inflation rate moderated further to 4.9% in March from 7.8% in December, reflecting a deceleration in fuel prices. As a result, the share of the energy category in overall inflation declined by 0.1 percentage point to 0.4 percentage point.

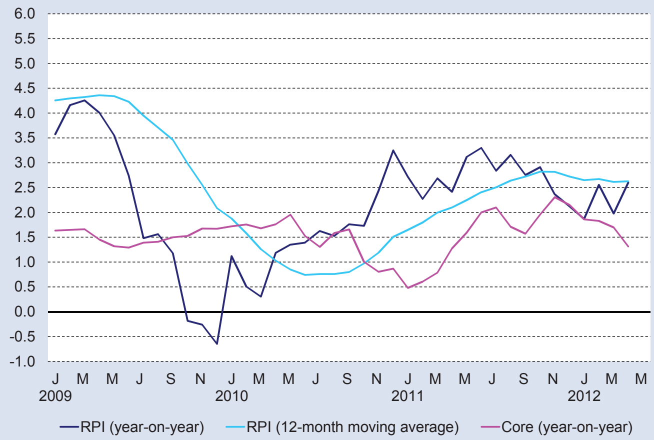
Going into the second quarter of 2012, the annual HICP inflation rate rose to 3.8% in April before easing slightly to 3.7% in May. The increase between March and May was entirely due to an acceleration in prices for services, in particular hotel accommodation and airline tickets. These reflected the improving performance of the tourism sector during this period.

RPI Inflation

RPI inflation remains almost unchanged

The annual rate of inflation based on the Retail Price Index (RPI), which usually is closely correlated with the HICP, followed a slightly different path. The RPI inflation rate moderated to 2.0% in March from 2.1% in December (see Table 3.2).[3] The 12-month moving average inflation rate of the RPI edged down slightly, to 2.6% (see Chart 3.3).

Chart 3.3
RPI AND CORE INFLATION
(annual percentage changes; annual average percentage change)



Sources: Central Bank of Malta estimates; NSO.

Although the overall headline rate did not fluctuate greatly, movements in the sub-components diverged considerably.

For instance, the annual inflation rate for food accelerated to 5.4% in March from 4.1% in December.[4] At 1.2 percentage points, the contribution of food to the overall inflation rate was around 0.3 percentage point higher than in December. Food inflation thus remained the largest contributor to annual RPI inflation. Fish, meat and vegetables contributed most to this component in March.

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

	2011			2012		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Food	0.9	0.9	0.9	0.7	1.2	1.2
Beverages & tobacco	0.2	0.1	0.2	0.2	0.3	0.3
Clothing & footwear	-0.2	-0.3	-0.4	-0.1	-0.2	-0.4
Housing	0.5	0.5	0.5	0.0	0.0	0.0
Water, electricity, gas & fuels	0.0	0.0	0.0	0.0	0.0	0.0
Household equipment & house maintenance costs	0.0	0.0	0.0	0.2	0.2	0.2
Transport & communications	0.9	0.4	0.3	0.2	0.5	0.2
Personal care & health	0.1	0.1	0.1	0.1	0.1	0.1
Recreation & culture	0.1	0.1	0.1	0.0	0.0	0.0
Other goods & services	0.4	0.4	0.4	0.4	0.4	0.4
RPI (annual percentage change)	**2.9**	**2.4**	**2.1**	**1.9**	**2.6**	**2.0**

Sources: Central Bank of Malta; NSO.

[3] Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the way the two indices are compiled. For instance, whereas RPI weights are based on expenditure by Maltese households, HICP weights also reflect 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.

[4] 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.

In addition, the inflation rate on household equipment & household maintenance rose to 2.8% in March from 0.4% in December and contributed 0.2 percentage point to overall RPI inflation.

On the other hand, the inflation rate on housing dropped from 6.2% in December to 0.4% in March. The contribution of this component thus dropped by 0.4 percentage point between the quarters, to almost nil in March.

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 running into the second quarter of 2012 show that RPI inflation rose to 2.6% in April before easing to 1.7% in May, primarily owing to a moderation in prices in the food component.

Apart from food prices, the inflation rate based on the RPI is heavily influenced by a number of other volatile components, such as water and electricity charges. Thus, underlying price pressures can be better gauged from the Bank's core RPI inflation rate.[5] This eased to 1.7% in March from 2.2% in December. The main component driving the deceleration in the core index was housing and, to a lesser extent, the recreation & culture components.

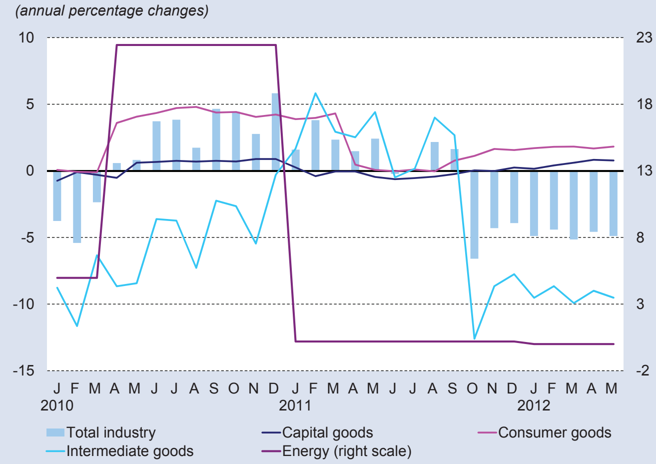
Costs and competitiveness

Producer price inflation remains negative[6]

During the first quarter of 2012 producer price inflation remained negative, standing at -5.1%. This compares with -3.9% in December (see Chart 3.4).

The drop in industrial producer prices in March mainly reflected a further contraction in the prices of intermediate goods, which include semiconductors and which account for a significant share of industrial production in Malta. Prices of intermediate goods fell by 9.9% year-on-year

Chart 3.4
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

[5] 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.

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

in March compared with a drop of 7.8% in December. Indeed, they contributed a negative 5.5 percentage points to the overall rate in March.

In addition, since electricity tariffs remained unchanged, energy prices had no effect on producer price inflation in the first quarter, with their contribution dropping to zero.

Meanwhile, consumer goods prices continued to accelerate, registering an annual increase of 1.8% in March after a rise of 1.6% in December. It contributed an unchanged 0.3 percentage point to the overall producer price inflation rate.

Capital goods had a marginal upward effect on the overall inflation rate, as prices in this category rose mildly by 0.6% in March.

During April and May producer price inflation remained negative. In May the inflation rate stood at -4.9%, reflecting less sharp declines in intermediate goods prices.

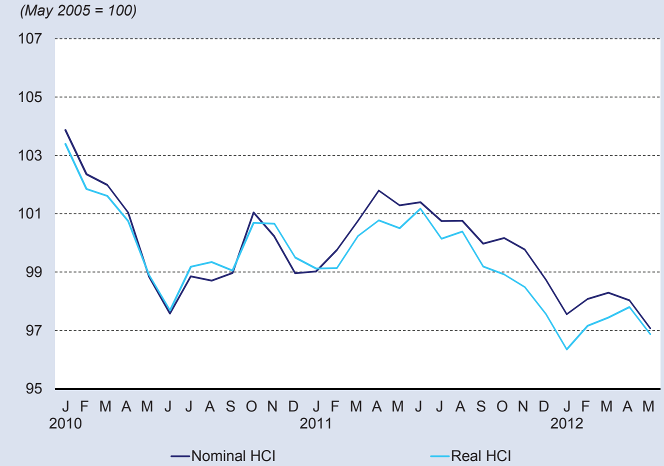
Malta's HCIs drop further in the first quarter

Both the nominal harmonised competitiveness indicator (HCI) and its real counterpart ended the quarter under review at a lower level compared with three months earlier.[7] In March, the nominal index was down by 0.5% from its December level, while the real index marginally fell by 0.1% (see Chart 3.5).[8]

The decrease in the nominal HCI reflected the effect of exchange rate movements, namely the depreciation of the euro against the pound sterling. Due to the size of Malta's trade with the United Kingdom, the fall in the euro had a downward impact on Malta's HCI.

The drop in the nominal index between the quarters was however dampened by less favourable developments in Malta's inflation rate vis-à-vis that of its trading partners. As consumer prices in Malta rose on average more rapidly than those of its trading partners, inflation differentials widened, limiting the decline in the real HCI.

Chart 3.5
HARMONISED COMPETITIVENESS INDICATORS
(May 2005 = 100)



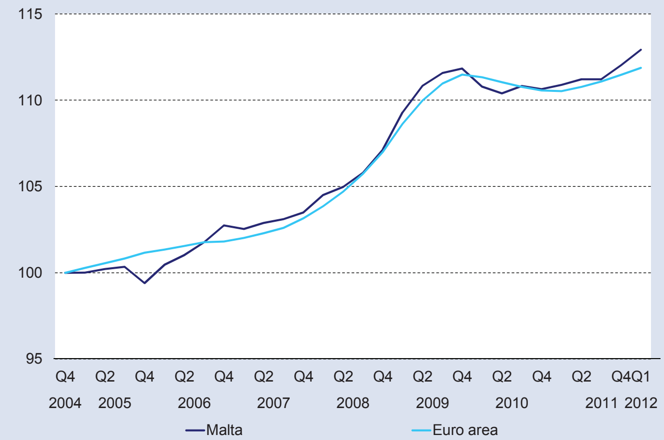
Source: ECB.

[7] 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.

[8] 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.

On a year-to-year basis however, the nominal HCI was 2.4% lower in March while the real HCI fell by 2.8% over the same period. Thus, Malta's inflation rate vis-à-vis that of its trading partners showed an improvement as consumer prices in Malta rose, on average, less rapidly.

Chart 3.6
UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



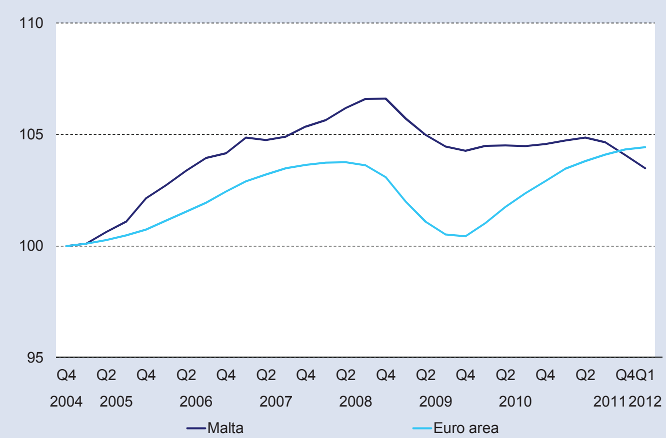
Source: ECB.

Going into the second quarter of 2012, HCI data show that both indices decreased between March and May, thus extending the downward path observed since the beginning of 2011. The nominal index fell more sharply than the real index. The former was 1.2% lower, while the latter was down by 0.6%. The less favourable inflation differential dampened to some extent the gain in competitiveness arising from the sharp depreciation of the euro.

Unit labour costs increase

In contrast to the HCI, in the first quarter of 2012, Malta's unit labour costs (ULC) recorded a deterioration. Measured as a four-quarter moving average, ULC rose by 1.8% in annual terms, compared with a 1.3% increase in the December quarter (see Chart 3.6).[9]

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



Source: ECB.

Meanwhile, compared with the previous quarter, in the first three months of the year ULC were 0.8% higher. This increase stemmed from a reduction of 0.6% in labour productivity that was amplified by a rise of 0.2% in employee compensation.

Charts 3.7 and 3.8 track the two components of ULC – compensation per employee and labour productivity – in Malta and in the

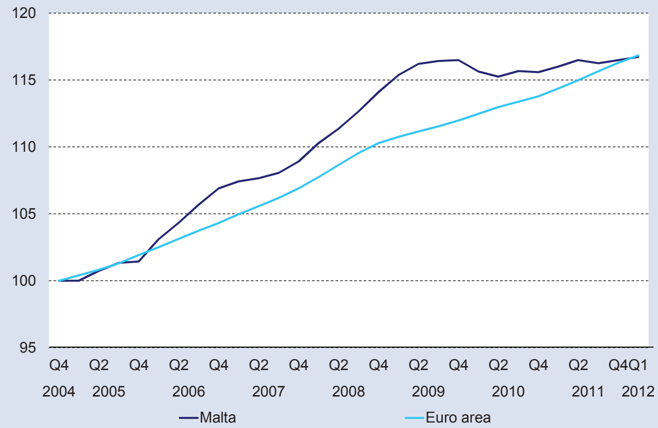
[9] Unit labour costs capture the labour costs of producing a unit of output. They are measured as the ratio of nominal compensation per employee and labour productivity. The latter is defined as real GDP per person in employment. A drop in ULC indicates an improvement in competitiveness. Unless otherwise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

euro area, since 2004. For the entire period under review, statistics indicate that productivity growth in Malta at 3.5% fell below the corresponding rise of 4.4% in the euro area.

The increase in compensation per employee in Malta at 16.7% was marginally below that in the euro area at 16.8%.

At 12.9%, ULC growth in Malta exceeded that of the euro area, which stood at 11.9%.

Chart 3.8
COMPENSATION PER EMPLOYEE IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Source: ECB.

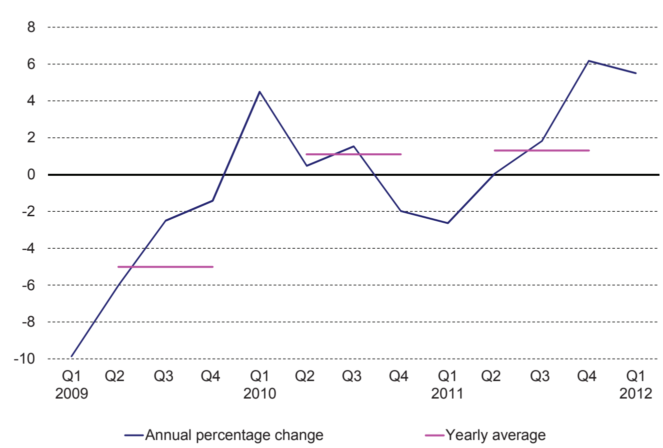
BOX 3: RESIDENTIAL PROPERTY PRICES

Residential property prices increase in the first quarter[1]

Property prices rose by 5.5% on a year earlier in the first quarter of 2012, after having risen by 6.1% in the previous quarter (see Chart 1). The increase in the overall property price index over its year-ago level was primarily a result of developments in the market for apartments. Meanwhile, the All-Property Price Index compiled by the NSO[2] also recorded an annual increase during the quarter under review.

The Central Bank of Malta index shows that prices of apartments, which make up almost three-fifths of properties in the sample, saw an annual increase of 8.7%. The main reason behind this relatively strong growth is the increased number of

Chart 1
RESIDENTIAL PROPERTY PRICE INFLATION (BASED ON ADVERTISED PRICES)



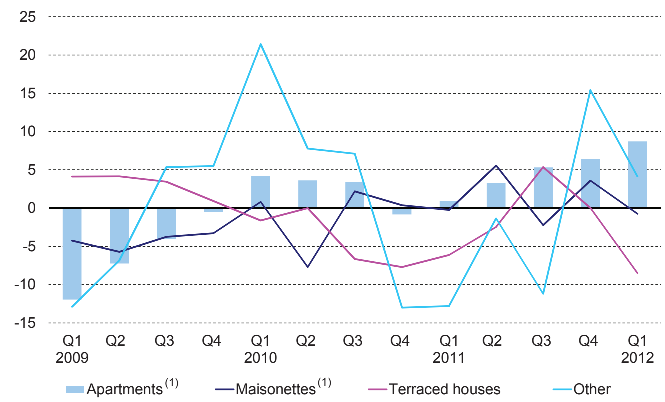
Source: Central Bank of Malta.

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

[2] The National Statistics Office (NSO) publishes a quarterly index based on monthly information obtained from contracts of sale registered with the Inland Revenue Department. The NSO index is based on three categories of dwellings.

advertised upmarket properties in high value areas compared with previous years (see Chart 2).[3]

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



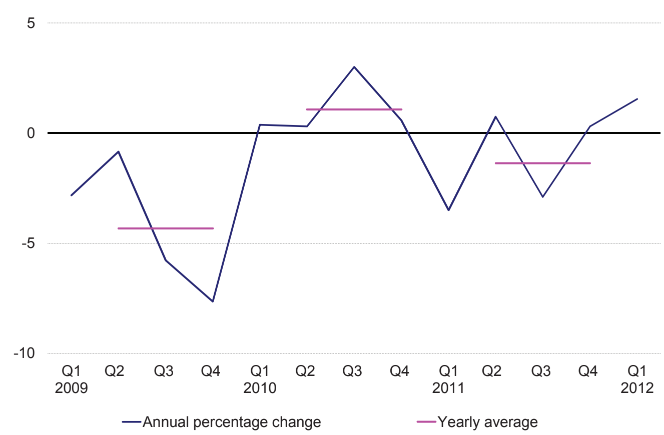
(1) Includes both units in shell form and finished units.
Source: Central Bank of Malta.

During the first quarter of 2012, asking prices in the "other" category, which consists of townhouses, houses of character and villas, and which makes up around a fifth of the surveyed sample, rose by 4.1%. This increase was largely a result of higher asking prices for houses of character. Prices of villas and townhouses also increased; however, their impact on the headline rate was more contained.

On the other hand, asking prices for maisonettes were marginally down over their year-ago level while prices for terraced houses dropped at an annual rate of 8.5%. With regard to the latter, given the small number of terraced houses in the Bank's sample, this development had a limited downward impact on the overall property price index.

A measure of activity in the housing market is provided by the number of advertised properties captured in the Bank's survey. This contracted by 3.1% on a year earlier in the first quarter of 2012, compared with a 7.0% decline in the previous quarter.

Chart 3
RESIDENTIAL PROPERTY PRICE INFLATION (BASED ON CONTRACT PRICES)



Source: NSO.

Meanwhile, the number of building permits issued by the Malta Environment & Planning Authority also continued to decrease, going down by 16.5% year-on-year in the March quarter, following a drop of 17.6% in the previous

[3] As the Central Bank of Mata's residential property price index does not reflect quality adjustments, an increase in the number of advertisements for upmarket apartments in high value areas might lead to an overestimation of the apartments' index and, thus, to a possible overestimation of the overall index.

quarter. In absolute terms, this was mostly due to a lower number of permits issued for apartments although development permits for maisonettes and the “other category” also registered drops. In contrast, development permits for terraced houses increased.

Residential property prices based on the NSO Property Price Index, which had fallen by 1.4% in 2011, rose by 1.6% year-on-year in the March quarter of 2012 (see Chart 3). The increase in the latter reflected a 1.7% rise in the prices of apartments and a 6.0% rise in those of maisonettes. On the other hand, NSO data also show that, after they had risen by 7.0% during 2011, the number of sale contracts dropped at an annual rate of 6.7% in the first quarter of 2012. Those for apartments fell by 8.7%, while contracts for maisonettes dropped by 3.3%.

4. THE BALANCE OF PAYMENTS

In the first quarter of 2012, the deficit on the current account of the balance of payments narrowed considerably compared with the same quarter of 2011. This was primarily due to a smaller deficit on trade in goods. However, the net balances on the other components of the current account also improved. Thus, net inflows on the services component were marginally higher while lower net outflows were recorded on both the income and current transfers accounts.

Contemporarily, the capital and financial account registered a negative balance when compared with a surplus in the same period of 2011. This mainly reflected developments on the financial account, in which a shift to a net outflow position was recorded.[1] In contrast, the capital account posted a positive balance.

During the same period, reserve assets – movements of which are recorded on the financial account – increased. Meanwhile, net errors and omissions remained positive and substantial.[2]

The current account

The current account deficit improves

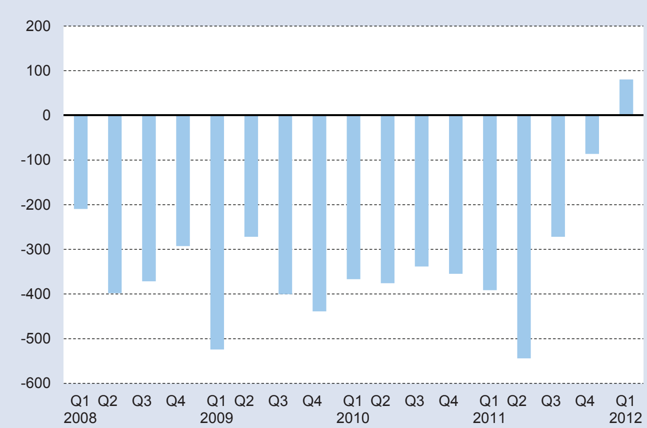
In the first quarter, the current account deficit amounted to EUR54.8 million, compared with EUR221.6 million in the first quarter of 2011 (see Table 4.1). The current account balance expressed as a four-quarter moving sum also improved, shifting to a surplus of EUR80.4 million from a deficit position of EUR391.3 million a year earlier (see Chart 4.1). Thus, as a proportion of gross domestic product, the current account position stood at a surplus of 1.2% compared with a deficit of 6.3% in the year to March 2011.

The merchandise trade gap narrows considerably

The merchandise trade deficit for the first three months of 2012 narrowed by EUR109.6 million on a year earlier, and fell to EUR144.1 million. Both an increase in exports and lower imports contributed. While the value of exported goods rose by EUR50.3 million, or 6.5% over the comparable period of 2011, imports recorded a drop of EUR59.3 million, or 5.8%.

Customs data indicate that the increase in exports was driven

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



Source: NSO.

1 In the capital and financial account of the balance of payments, additions to assets and decreases in liabilities are considered as outflows and recorded with a negative sign. Conversely, increases in liabilities and decreases in assets enter with a positive sign.

2 Positive net errors and omissions imply an overestimation of the current account deficit and/or an overestimation of net outflows on the capital and financial account.

Table 4.1
BALANCE OF PAYMENTS
EUR millions

	2011	2012 Q1	four-quarter moving sum[1] 2011 Q1	Q2	Q3	Q4	2012 Q1
Current account	**-221.6**	**-54.8**	-391.3	-544.0	-271.8	-86.4	80.4
Goods	-253.7	-144.1	-1,149.4	-1,263.2	-1,168.7	-1,012.5	-902.9
Services	237.4	246.3	1,276.7	1,331.9	1,360.7	1,338.3	1,347.1
Income	-184.6	-143.9	-542.8	-653.6	-510.0	-440.0	-399.3
Current transfers	-20.7	-13.1	24.2	40.9	46.3	27.8	35.4
Capital and financial account	**37.4**	**-116.2**	**10.8**	**241.4**	**331.3**	**39.3**	**-114.3**
Capital account	-3.0	9.1	96.4	84.4	103.0	60.3	72.5
Financial account	40.4	-125.4	-85.7	156.9	228.3	-21.0	-186.8
Direct investment	42.4	-95.9	1,019.0	398.2	350.2	372.3	234.0
Portfolio investment	-143.6	152.7	-2,707.7	-1,352.2	-1,721.6	-3,113.5	-2,817.1
Financial derivatives	1.3	56.1	85.1	35.5	37.6	24.3	79.0
Other investment	153.0	-112.2	1,561.4	1,145.7	1,498.6	2,643.0	2,377.8
Reserve assets	-12.7	-126.1	-43.5	-70.2	63.6	52.9	-60.5
Errors and omissions	184.2	171.0	380.5	302.6	-59.5	47.1	33.9

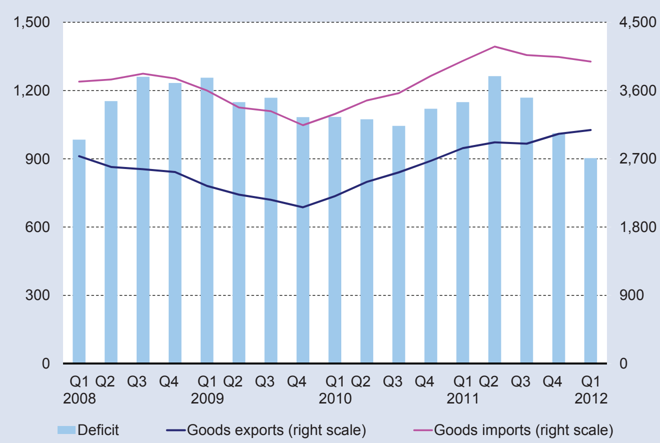
(1) In the final quarter of the year, the four-quarter moving sum is equivalent to the annual figure.
Source: NSO.

mainly by trade in fuel as foreign sales of other major commodities showed smaller increases or decreased.

With regard to imports, Customs data attribute the drop to the non-fuel categories, particularly purchases of industrial supplies, which fell by EUR117.8 million. These include electronic components used by the semiconductor industry. In addition, imports of capital and consumer goods also declined, by EUR18.2 million and EUR13.5 million, respectively.[3] The latter mainly reflected a fall in the durable goods category. Meanwhile, oil imports rose on a year earlier, reflecting the activity of the fuel re-export industry.

During the quarter under review, the merchandise trade deficit based on balance of payments data contracted to a level of EUR902.9 million when measured on a four-quarter cumulative basis (see Chart 4.2). This was 21.4% lower than that recorded in the year to March 2011, as a rise of 8.4% in exports was accompanied by a drop of 0.2% in imports.

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



Source: NSO.

[3] International trade data compiled on the basis of Customs returns differ from balance of payments data as a result of differences in coverage, valuation and timing. Customs data show that, during the period reviewed, developments in capital imports were influenced by a significant drop in imports of aircraft and related parts.

More recent Customs data show that the visible trade gap for April and May narrowed considerably on a year earlier. Consequently, in the first five months of 2012, the merchandise deficit contracted by EUR186.9 million, or 22.5%, on a year earlier.[4]

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

Source: NSO.

The surplus on services increases

During the March quarter of 2012, the surplus on services stood at EUR246.3 million, up by EUR8.9 million over the same quarter of 2011. The increase reflected an expansion in exports of services which outweighed an increase in imports.

The rise in net exports of services was mainly driven by an increase in net earnings on the "other services" component. In turn, this was primarily attributed to higher fees and commissions earned by banks and other financial institutions, and lower net outflows on royalties and licence fees.

In contrast, the net surplus on the travel account declined by EUR5.6 million, mainly reflecting a contraction in travel receipts and an increase in expenditure by Maltese nationals travelling abroad. The balance on the transportation account also deteriorated, with net outflows rising by EUR5.5 million under the impact of an increase in payment for freight services.

The four-quarter cumulative surplus on services rose by EUR70.5 million in annual terms with the improvement entirely owing to a 2.4% increase in receipts. As a result, the upward trend in this cumulative balance in evidence since the first quarter of 2010 re-emerged after having been interrupted in the last quarter of 2011(see Chart 4.3).

Net outflows on the income account decline

In the first quarter of 2012, the negative balance on the income account declined to EUR143.9 million, a drop of EUR40.7 million from the corresponding quarter of 2011. The decrease was mainly due to higher interest income on debt instruments earned from abroad, although a drop in net interest payments on outstanding loans also contributed. These were partly offset by a rise in profits recorded by foreign-owned firms operating in Malta. Flows on the income account continued to be heavily influenced by the activities of internationally-oriented banks that predominantly conduct their operations with non-residents.

The negative balance on current transfers decreases

During the quarter reviewed the deficit on current transfers fell to EUR13.1 million from EUR20.7 million in the corresponding quarter of 2011. This 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.

[4] International trade data were updated until 6 July 2012.

The capital and financial account

Net outflows recorded on the capital and financial account

The capital and financial account registered net outflows of EUR116.2 million during the March quarter, as against net inflows of EUR37.4 million a year earlier (see Table 4.1).

This shift reflected movements on the financial account, which swung to a deficit position of EUR125.4 million from a surplus of EUR40.4 million in the first quarter of 2011. In contrast, the capital account registered a positive balance of EUR9.1 million compared with a deficit of EUR3.1 million a year earlier.

Movements in the financial account largely mirrored outward transactions related to direct investment and "other investment". Thus, in the case of direct investment net outflows amounting to EUR95.9 million were recorded, compared with net inward investment flows of EUR42.4 million a year earlier. Under this component, loans and trade credits from foreign companies with operations in domestic manufacturing sectors declined. These were reinforced by the repayment of preference shares by one credit institution that offset increases in equity capital of other credit institutions and non-financial companies.

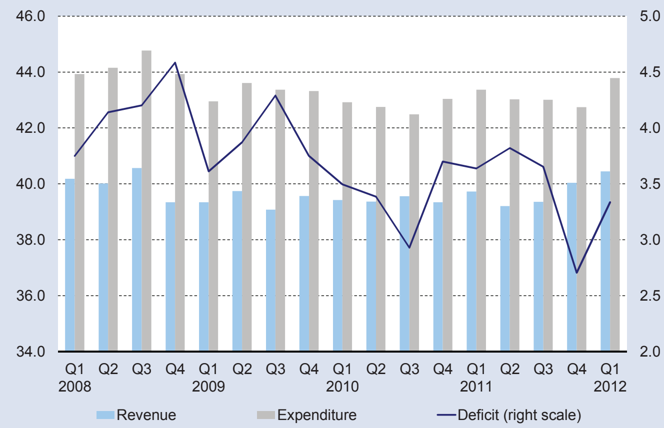
After having recorded net inflows of EUR153.1 million a year earlier, the "other investment" component recorded net outflows of EUR112.2 million. This was due to an increase in lending to, and deposits placed with, non-residents, which, in turn, were partly financed by additional deposits placed by, and loans from, non-residents to residents. Meanwhile, portfolio investment, which is heavily influenced by transactions of internationally-oriented banks, moved from a negative balance of EUR143.6 million to a positive one of EUR152.7 million. In the first three months of 2012, these banks tended to reduce their cross-border holdings of portfolio assets, particularly debt securities.

An increase of EUR54.7 million in net inflows arising from financial derivatives also dampened outflows on the financial account.

In the first quarter of 2012, reserve assets rose by EUR126.1 million, compared with an increase of EUR12.7 million in the corresponding period of 2011. At the same time, errors and omissions amounted to EUR171.0 million, lower than a year earlier.

5. GOVERNMENT FINANCE

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



Source: NSO.

In the first quarter of 2012, the general government deficit increased on a year-on-year basis, as expenditure grew at a faster pace than revenue. Measured over a 12-month period, the deficit ratio to gross domestic product (GDP) stood at 3.3% at the end of March compared with 2.7% at the end of 2011 (see Chart 5.1). The deficit on the Consolidated Fund also rose in annual terms, while the general government debt as a percentage of GDP increased to 75.0% at the end of March compared with 71.6% at the end of the December 2011.[1] Part of this increase arose from the Government's commitment to provide loans to euro area countries through the European Financial Stability Facility (EFSF).

General government

Revenue increases

General government revenue grew by EUR32.3 million, or 5.1%, in the first three months of the year compared with the same period in 2011, reaching EUR662.2 million (see Table 5.1). The increase was due mostly to higher receipts from taxes on production and imports, and from "other" revenue. The former surged by EUR21.1 million, as a result of increased takings from Customs and Excise duties and from value added tax. Concurrently, "other" revenue went up by EUR19.4 million, largely owing to additional inflows from sales by government entities.

Social contributions increased by a modest EUR2.1 million while receipts from current transfers rose by EUR2.2 million. Capital transfers receivable fell by just EUR0.7 million, with investment grants coming from the European Union (EU) remaining broadly stable on a year-on-year basis.

On the other hand, revenue from current taxes on income and wealth declined by EUR11.8 million, as an increase in the inflow of such taxes was offset by a higher level of tax refunds.

Expenditure rises

Total expenditure in the first three months of 2012 went up by EUR73.3 million, or 10.9%, compared with the same period a year earlier, to reach EUR747.7 million. However, a special factor in this regard was the injection of equity capital by the Government into the national airline, Air Malta. This amounted to EUR20 million thus boosting expenditure on capital transfers. Nevertheless, the bulk of the increase in expenditure was channelled to intermediate consumption, which rose by EUR31.8 million, mostly driven by the health sector.

[1] 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, cover central government, which is defined to include extra-budgetary units, as well as local councils on an accrual basis.

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2011 Q1	2012 Q1	Change Amount	Change %
Revenue	**629.9**	**662.2**	**32.3**	**5.1**
Taxes on production and imports	199.5	220.5	21.1	10.6
Current taxes on income and wealth	229.6	217.8	-11.8	-5.2
Social contributions	118.4	120.4	2.1	1.8
Capital and current transfers	23.7	25.2	1.5	6.4
Other (1)	58.7	78.2	19.4	33.1
Expenditure	**674.4**	**747.7**	**73.3**	**10.9**
Compensation of employees	215.9	220.5	4.6	2.1
Intermediate consumption	95.6	127.4	31.8	33.2
Social benefits	229.9	221.5	-8.4	-3.7
Subsidies	11.0	15.9	4.9	44.4
Interest	47.5	56.3	8.8	18.5
Current transfers payable	28.8	31.6	2.8	9.8
Gross fixed capital formation	36.2	39.6	3.4	9.5
Capital transfers payable	8.6	29.3	20.7	239.7
Other (2)	0.8	5.5	4.7	-
Primary balance	**3.1**	**-29.2**	**-32.2**	**-**
General government balance	**-44.5**	**-85.5**	**-41.0**	**-**

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

At the same time, interest payments went up by EUR8.8 million, in line with the rising level of government debt. Outlays on subsidies rose by EUR4.9 million, while spending on compensation of employees grew by EUR4.6 million, mainly reflecting a higher wage bill allocated to the education and health sectors. In contrast, spending on social benefits was EUR8.4 million lower. This reduction, which contrasts with an increase in such expenditures as reported in the Consolidated Fund, reflects differences in timing of recording of such payments across quarters. Meanwhile, gross fixed capital formation outlays went up by EUR3.4 million, partly due to the intensive programme of road works currently being undertaken by Government.

General government deficit widens

As a result of developments in revenue and expenditure, the general government deficit widened by EUR41 million compared with the same period in 2011, to EUR85.5 million. The primary balance, which excludes interest payments from expenditure, deteriorated by EUR32.2 million, as it swung from a surplus to a deficit of EUR29.2 million.

Consolidated Fund

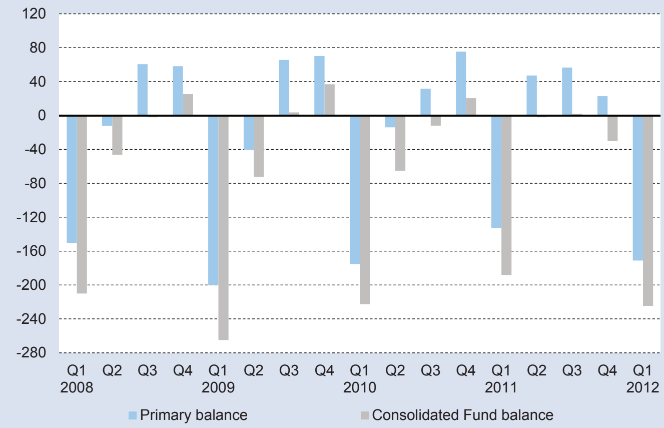
The Consolidated Fund deficit increases

Between January and March 2012, the deficit on the Consolidated Fund widened by EUR36.4 million compared with the first quarter of 2011 to EUR224.6 million (see Table 5.2 and Chart 5.2).[2] Concurrently, the primary deficit went up by EUR38.4 million to EUR171.1 million.

[2] The deficit in the Consolidated Fund during the first quarter of 2012 was considerably higher than that recorded in the general government accounts. The discrepancy is usually large in the first quarter and mainly stems from differences in the recorded timing of income tax and VAT revenues as well as of prepayments of certain expenditures.

Revenue increased by 6.3% as a result of higher receipts from direct taxation, which went up by 21.7%. This was mainly due to increased inflows from income tax on individuals and on corporations. Indirect tax intakes rose by just 1.5%, as higher VAT takings were offset by lower inflows from Customs and Excise duties. Meanwhile, non-tax revenue declined by 14.4%, reflecting a drop in grants received from overseas and a lower partial transfer of profits from the Central Bank of Malta. The latter had been boosted in 2011 by an extraordinary flow from the demonetisation process of the Maltese lira.

Chart 5.2
CONSOLIDATED FUND DEVELOPMENTS
(EUR millions)



Source: NSO.

At the same time, higher recurrent and capital spending pushed total expenditure up by 10.1%. Current outlays increased by 7.6%, mainly owing to increased spending on social benefits and to higher contributions to government entities in the waste management and education sectors. Higher outlays on capital expenditure were mainly attributed to the equity capital contributions by Government to Air Malta as mentioned above.

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2011 Q1	2012 Q1	Change Amount	Change %
Revenue	**462.3**	**491.4**	**29.0**	**6.3**
Direct tax[1]	167.2	203.5	36.3	21.7
Indirect tax	222.1	225.4	3.2	1.5
Non-tax[2]	73.0	62.5	-10.5	-14.4
Expenditure	**650.5**	**715.9**	**65.4**	**10.1**
Recurrent[1]	595.2	640.6	45.4	7.6
Of which: Interest payments	55.5	53.5	-2.0	-3.7
Capital	55.3	75.4	20.0	36.2
Primary balance[3]	**-132.7**	**-171.1**	**-38.4**	**-**
Consolidated Fund balance	**-188.2**	**-224.6**	**-36.4**	**-**

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

General government debt

General government debt increases

At the end of March, general government debt outstanding stood at EUR4,831.4 million, EUR231.1 million higher than its level at the end of December 2011 (see Table 5.3). Apart from financing the deficit, general government debt also increased as a result of the accounting treatment of loans granted to euro area countries through the EFSF. Consequently, the debt-to-GDP ratio went up to 75.0% from 71.6% at end-2011 (see Chart 5.3).

Chart 5.3
GENERAL GOVERNMENT DEBT
(% of GDP; GDP data are four-quarter moving sums)

Source: NSO.

During the quarter under review, the debt composition shifted marginally towards long-term debt. This shift was visible across both the securities and loan components, so that the share of long-term debt went up to 93.5% from 92.3% at the end of 2011.

Long-term securities increased by EUR226.5 million as a result of new issues of Malta Government Stocks in the first three months of the year. Consequently, the share of long-term securities in the total went up to 88.4% in March from 88.0% in December. At the same time, short-term securities in the form of Treasury bills declined by EUR40.8 million, as their share of total debt went down by 1.1 percentage points to 4.5%.

Meanwhile, borrowing in the form of loans rose by EUR46 million, accounting for 6.1% of total debt outstanding. More than four-fifths of this increase is due to loans through the EFSF.[3]

Table 5.3
GENERAL GOVERNMENT DEBT
EUR millions

	2011				2012
	Q1	Q2	Q3	Q4	Q1
General government debt[(1)]	**4,399.5**	**4,527.9**	**4,470.5**	**4,600.3**	**4,831.4**
Currency & deposits	**40.7**	**42.6**	**44.5**	**45.8**	**45.2**
Securities	**4,127.0**	**4,252.1**	**4,184.8**	**4,303.5**	**4,489.2**
Short-term	416.8	337.1	304.3	257.1	216.4
Long-term	3,710.2	3,914.9	3,880.4	4,046.3	4,272.8
Loans	**231.8**	**233.2**	**241.2**	**251.0**	**297.0**
Short-term	29.6	33.0	41.1	49.6	52.1
Long-term	202.2	200.2	200.2	201.3	244.9

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

[3] According to rules covering the statistical treatment of general government accounts, the country's share of EFSF debt is classified under this heading.

Liabilities in the form of Maltese euro coins in issue decreased slightly, by EUR0.6 million, but their share of the total debt figure remained unchanged from the previous quarter's level.

Overall fiscal position

Given the Government's commitment to reduce the general government deficit by 0.5% of GDP this year, some further fiscal consolidation needs to be undertaken in the rest of the year. While the budgetary position on a quarterly basis may be subject to a degree of volatility, and to a number of one-off factors, it is underlined that first quarter results on the fiscal position have moved in a direction which is not consistent with the stated aim of further fiscal consolidation. Hence, additional measures may be called for to move the fiscal balance towards the planned path for 2012.

BOX 4: FISCAL PROJECTIONS AS REVIEWED IN THE *UPDATE OF THE STABILITY PROGRAMME 2012 - 2015*[1]

In its latest *Update of the Stability Programme*, which was issued in April 2012 covering the period up to 2015, the Government reaffirmed its commitment towards achieving a balanced budget in structural terms, defined as the cyclically adjusted budget balance net of one-off or temporary measures, over the medium term.[2] However, this is expected to take place beyond the *Update* period.

Comparison with the previous *Update of the Stability Programme*

In 2011 the general government deficit was equivalent to 2.7% of GDP. Malta thus appears to have met the recommendation of the EU to correct the excessive deficit in that year. The final outturn was slightly better than the 2.8% target in the previous *Update*, released in April 2011 (see Table 1). However, partly due to international lending obligations in connection with the euro area sovereign crisis, general government gross debt increased to

Table 1
FISCAL AND ECONOMIC INDICATORS
As a percentage of GDP

	April 2011 Update			April 2012 Update		
	2011	2012	2013	2011	2012	2013
Total revenue	40.1	39.9	39.8	40.2	43.1	42.4
Total expenditure	42.9	42.0	41.4	43.0	45.3	44.1
General government balance	-2.8	-2.1	-1.6	-2.7	-2.2	-1.7
Primary balance	0.3	0.9	1.4	0.4	1.0	1.7
Structural balance	-2.6	-2.0	-1.5	-2.8	-2.3	-2.0
Gross debt	67.8	66.9	65.4	72.0	70.3	68.7
Nominal GDP (growth rate)	4.7	4.5	4.8	4.4	3.6	4.4

Source: NSO, *Malta: Update of the Stability Programme 2011-2014, 2012-2015.*

[1] In this Box, data for 2011 and later years are sourced from the April 2012 *Update of the Stability Programme* and may thus diverge from official data subsequently released by the NSO.

[2] This analysis only covers fiscal developments and the outlook included in the latest *Update of the Stability Programme*. No attempt is made to assess the structural reforms envisaged in the 2012 *National Reform Programme*, although these were taken into account in the *Update*.

72.0% as a ratio of GDP, as opposed to the April 2011 target of 67.8%. The Government had to issue debt instruments to finance its share of the coordinated lending by euro area member states directly to Greece and its contribution to the EFSF.

The underlying macroeconomic assumptions as presented in the previous *Update* were also based on more optimistic projections. Thus, in the case of GDP in nominal terms, this grew by 4.4%, less than the 4.7% projected in April 2011.

The overall revenue and expenditure ratio-to-GDP targets for 2011 were slightly exceeded as inflows from both direct and indirect taxes were higher than expected, while on the expenditure side there were overruns in recurrent spending items, most notably in compensation of employees and social benefits. Meanwhile, capital revenue in the form of grants receivable from the EU, as well as outlays on investment and on capital transfers, amounted to less than previously envisaged as the implementation of capital projects proceeded at a slower pace.

As the higher than anticipated revenue emanated from temporary measures, namely the schemes offering reduced penalties and interest charges on overdue income tax and social security contribution balances, which are excluded from the structural deficit compilation exercise, the latter decreased by less than was forecast, to 2.8% as against 2.6%.

Although the consolidation path broadly mirrors that in the previous *Update*, the nominal GDP growth rates of the latest programme are projected at lower levels. Thus, the general government deficit ratios targeted for 2012 and 2013 are slightly higher when compared with the previous *Update*.

At the same time, one-off deficit reducing measures are expected to play a larger role in both years. As a result, the structural deficit is projected to decline at a slower pace than in the previous *Update*.

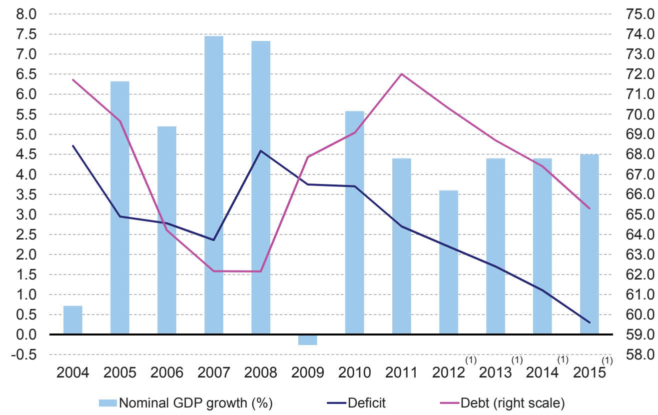
In contrast, the debt ratio is envisaged to be reduced more rapidly in the coming years. In 2012 government debt is set to fall by 1.7 percentage points to 70.3% of GDP, compared with an estimated 0.9 point reduction in the previous *Update*. In 2013 the debt ratio is expected to go down to 68.7%, a further decrease of 1.6 percentage points as opposed to 1.5 points in the earlier projection. Nonetheless, due to new international lending commitments the debt ratio is expected to exceed that targeted in the previous *Update*, reflecting the upward revision for 2011.

The budgetary outlook for 2012 – 2015

In 2012 the general government deficit is targeted to fall to 2.2% of GDP from 2.7% in the previous year, and to eventually decline to 0.3% by 2015 (see Chart 1). The debt ratio is also set to fall to 70.3% in 2012 from 72.0% in 2011 and to decline further to 65.3% in 2015. This will be achieved against a background of an average nominal GDP growth rate of 4.2% across the forecast horizon.

The narrowing in the deficit in 2012 is expected to be revenue led. As part of its fiscal consolidation strategy, the Government announced a number of revenue increasing measures in the 2012 Budget. These include upward revisions to excise duties on cigarettes, tobacco, cement and mobile telephony, as well as the introduction of an excise duty on fuel for bunkering of ships outside territorial waters. These measures are expected to offset the impact of creating a new tax band for parents supporting children who are not gainfully employed.

Chart 1
GENERAL GOVERNMENT BALANCE AND DEBT TRENDS
(percentage of GDP)

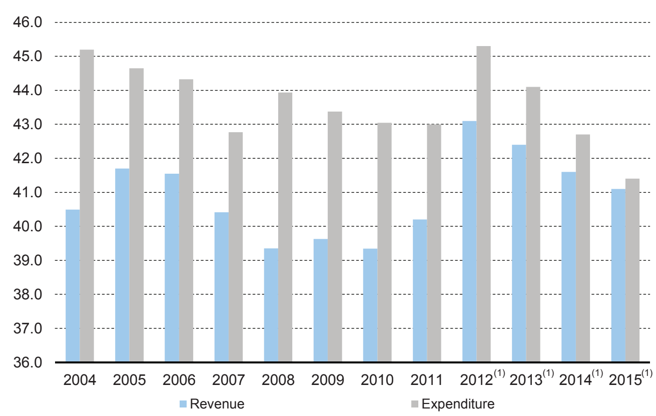


(1) Forecast
Source: NSO, *Malta: Update of the Stability Programme 2012-2015.*

At the same time, other measures, such as the launch of a new scheme offering reduced penalties on overdue VAT related payments, are expected to increase efficiency in revenue collection. Together with extraordinary inflows from the granting of a concession fee to operate the National Lotteries, and the continued recourse to EU funds, such measures are expected to increase the revenue-to-GDP ratio by 2.9 percentage points in 2012, to 43.1% (see Chart 2).

The expenditure-to-GDP ratio in 2012 is projected to rise by 2.3 percentage points, to 45.3% as exceptional transfers to Air Malta and Enemalta are expected to offset the impact of the recurrent expenditure containment measures outlined in the 2012 Budget and in a more recent statement issued by the Minister of Finance. In 2012 the *Update* also foresees a large increase in capital outlays, although these are not expected to have a major impact on the deficit as they will be largely financed from EU funds.

Chart 2
GENERAL GOVERNMENT REVENUE AND EXPENDITURE TRENDS
(percentage of GDP)



(1) Forecast
Source: NSO, *Malta: Update of the Stability Programme 2012-2015.*

Between 2013 and 2015, the main thrust of fiscal consolidation is expected to come from continued expenditure restraint. In particular, outlays on wages' intermediate consumption and social transfers are expected to grow at a slower pace than nominal GDP.

By the end of the projection horizon, the revenue-to-GDP ratio is expected to decline to 41.1%, while the expenditure ratio is projected to fall more significantly to almost the same level at 41.4%.

The structural deficit is set to improve from 2.3% of GDP in 2012 to 0.7% in 2015. However, the structural adjustment is expected to be backloaded, as the main measures contributing permanently to the reduction are expected to be implemented in the outer years of the projection horizon. The amelioration in the deficit is expected to be supported by stronger economic growth with macroeconomic projections foreseeing a recovery in GDP growth from 2013.

The general government gross debt as a ratio to GDP is expected to decline over this period reflecting the underlying macroeconomic projections and the fall in the budget deficit. The debt composition is also set to change. In particular, the share of short-term obligations in the total is projected to fall to 1.6% in 2014 from 6.7% in 2011. In this way, exposure to interest rate changes will be more limited. Meanwhile, given the prevailing low interest environment, maturing long-term government securities are being replaced by new issuances that carry a lower coupon rate. This may also offset in part the increase in interest payments as a result of a higher national debt level.

6. MONETARY AND FINANCIAL DEVELOPMENTS

During the first quarter of 2012, the contribution of Maltese monetary financial institutions (MFI) to the euro area's broad money stock continued to accelerate.[1] Deposits held by Maltese residents, as well as credit granted to them, both grew at a faster pace than in the previous quarter.

While the European Central Bank's (ECB) main refinancing operation (MRO) rate remained unchanged during the quarter, domestic primary money market yields edged up slightly. Similarly, in the capital market, yields on both five and ten-year Maltese government securities rose. Over the quarter, the Malta Stock Exchange (MSE) share index extended its downward trend.

Going into the second quarter of 2012, domestic money market rates increased marginally, while government bond yields declined. Meanwhile, the MSE share index recovered, after having bottomed out in March.

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 increase in the first three months of 2012, with the annual growth rate accelerating from 9.1% in December to 10.4% in March (see Table 6.1). Growth was once again predominantly driven by the narrow money component (M1), which expanded at an annual rate of 7.8% in March, although this was slower than the 8.5% recorded three months earlier. In contrast, the growth rate of intermediate money (M2) picked up to 5.4% from 3.8% over the same period, reflecting a recovery in short-term time deposits. Apart from M2, broad money also includes certain marketable instruments, such as repurchase agreements (repos), money market fund shares and certain debt securities issued by MFIs. During the quarter reviewed, the use of repos by resident MFIs remained significant and accounted for a substantial share of the year-on-year increase in M3.

Maltese residents' deposits pick up speed

Turning to deposits held by Maltese residents with Maltese MFIs, annual growth in overnight deposits, which can be withdrawn on demand, remained strong at 7.7% despite slowing down

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

	EUR millions	Annual percentage changes				
	2012	2011				2012
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Narrow money (M1)	5,581.6	17.0	5.3	9.2	8.5	7.8
Intermediate money (M2)	9,618.8	4.7	3.7	5.9	3.8	5.4
Broad money (M3)	**10,312.1**	**4.8**	**3.9**	**5.7**	**9.1**	**10.4**

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

Source: Central Bank of Malta.

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

Table 6.2
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2012	2011				2012
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Overnight deposits	4,715.8	18.7	5.3	9.5	8.7	7.7
Deposits redeemable at notice up to 3 months	124.0	19.1	14.9	10.2	-0.8	-5.6
Deposits with agreed maturity up to 2 years	3,727.1	-8.9	-4.4	-1.6	-4.0	0.2
Total residents' deposits	**8,566.9**	**4.4**	**0.8**	**4.2**	**2.6**	**4.1**

Source: Central Bank of Malta.

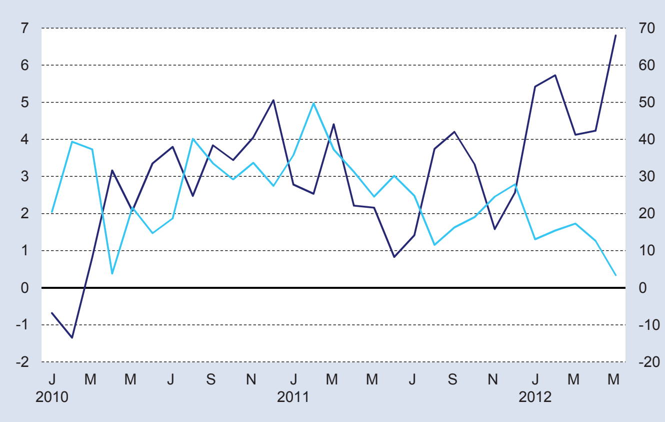
from 8.7% in December (see Table 6.2). The year-on-year increase was mainly driven by balances belonging to households and non-bank financial intermediaries. At the end of March, overnight deposits accounted for 55% of all residents' deposits within M3.

Moving to the other components of M2, the annual growth rate of residents' short-term saving deposits (i.e. deposits redeemable at up to three months' notice) decreased further, falling to -5.6% in March from -0.8% three months earlier. These account for a small proportion of residents' total deposits and tend to be volatile. Meanwhile, following three years of decline, growth in residents' short-term time deposits (i.e. deposits with an agreed maturity of up to two years) turned marginally positive, reaching 0.2%. This development was attributable to various offsetting changes, with higher deposits belonging to non-bank financial intermediaries, insurance companies and private non-financial firms masking a considerable drop in household balances that, in turn, was partly related to the issue of Malta Government Stocks (MGS) during the quarter.

Overall, therefore, the annual growth rate of total residents' deposits included in M3 gathered momentum, rising from 2.6% in December to 4.1% in March and stemming almost entirely from growth in overnight deposits. Going into the second quarter of 2012, deposit growth continued to accelerate, reaching 6.8% in May.

Residents' deposits excluded from M3 grew at a faster pace than those included within it (see Chart 6.1). Indeed, the annual growth rate of such deposits – mainly those with a maturity that exceeds two years – stood at 17.3% in March, down from 27.9% in December. These double-digit growth rates may be explained by portfolio flows towards longer-term assets outside M3 as investors, principally households, sought higher yields. In the following quarter, these deposits slowed down further, with their annual growth rate reaching 3.4% in May.

Chart 6.1
ANNUAL GROWTH IN DEPOSITS OF MALTESE RESIDENTS
(annual percentage changes)



Source: Central Bank of Malta.

Table 6.3
MFI INTEREST RATES ON OUTSTANDING DEPOSITS BELONGING TO RESIDENTS OF MALTA(1)
end of period

	2011				2012
	Mar.	June	Sep.	Dec.	Mar.
Households and NPISH					
Time deposits with agreed maturity					
up to 2 years	2.05	2.04	2.06	2.05	2.04
over 2 years	3.16	3.20	3.18	3.21	3.22
Non-financial corporations					
Time deposits with agreed maturity					
up to 2 years	1.99	1.99	1.98	2.00	1.96
over 2 years	3.13	3.12	3.14	3.13	3.16

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

Interest rates on Maltese residents' deposits decline

The weighted average interest rate paid by MFIs on all outstanding deposits that are included in M3 and held by residents of Malta declined by 2 basis points to 1.11% in March, from 1.13% three months earlier.

Similarly, MFI rates offered on deposits included in M3, based on outstanding amounts, edged down by 1 basis point in the case of households and by 4 basis points in the case of non-financial corporations (NFC). In contrast, rates on deposits with an agreed maturity of over two years, which are excluded from M3, rose (see Table 6.3).[2]

Going into the second quarter of 2012, the weighted average deposit rate on outstanding balances declined to 1.09% in May. In contrast, MFI rates on outstanding deposits belonging to households and NFCs rose slightly.

Growth in credit to residents of Malta accelerates

The annual growth rate of credit to residents of Malta accelerated for the third consecutive quarter, rising to 6.4% in March from 6.1% three months earlier (see Table 6.4). The annual rates of growth in credit to both general government and to other residents gathered pace.

Table 6.4
CREDIT TO RESIDENTS OF MALTA

	EUR millions	Annual percentage changes				
	2012	2011				2012
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Total credit	**11,016.8**	**4.3**	**3.9**	**5.1**	**6.1**	**6.4**
Credit to general government	2,426.7	6.3	3.9	5.6	12.5	12.9
Credit to other residents	8,590.1	3.8	3.9	4.9	4.4	4.6

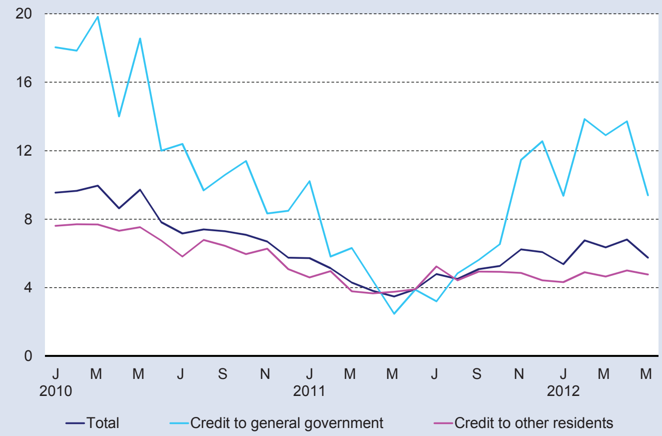
Source: Central Bank of Malta.

2 Data on interest rates on outstanding amounts shown in Table 6.3 cover MFI euro-denominated deposits belonging to households and non-financial corporations 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 sectors, as is the case with weighted average interest rates on all outstanding deposits.

The annual growth rate in credit to general government picked up slightly, rising from 12.5% in December to 12.9% in March (see Chart 6.2). This pick-up predominantly reflected an increase in government securities held by the banking sector.

At the same time, the growth rate in credit to residents other than general government rose from 4.4% in December to 4.6% in March, contributing almost three-fifths of the overall annual increase in total credit (see Table 6.5).[3]

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



Source: Central Bank of Malta.

While credit flows to public NFCs grew at a faster pace during the period reviewed, those to the non-bank private sector marginally slowed down. Consequently, the annual growth rate of the former increased by 5.2 percentage points to 14.1%, while the rate of growth of the latter edged down to 3.9%.

Loans, which at the end of March accounted for 97% of all credit to residents of Malta outside general government (including public corporations), grew at a faster pace than in the previous quarter, expanding at an annual rate of 4.4% as opposed to 4.2% in December (see Table 6.5).

However, year-on-year growth in loans to the non-bank private sector marginally dipped, falling to 3.6% in March (see Chart 6.3). Growth was once again almost entirely driven by lending to households – mostly to finance house purchases.

Indeed, 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 6.7% in March compared with 7.0% in December. Mortgage lending, which

Table 6.5
CREDIT TO RESIDENTS OF MALTA OTHER THAN GENERAL GOVERNMENT(1)

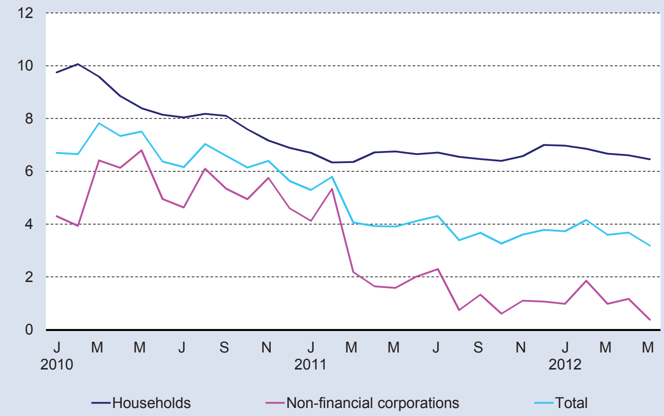
	EUR millions	Annual percentage changes				
	2012	2011				2012
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Total credit to other residents	**8,590.1**	**3.8**	**3.9**	**4.9**	**4.4**	**4.6**
Credit to non-bank private sector	7,862.3	3.8	4.0	3.9	4.0	3.9
Credit to public non-financial corporations	727.8	3.1	3.2	17.8	8.9	14.1
Total loans	**8,340.8**	**4.0**	**4.2**	**4.7**	**4.2**	**4.4**

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

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

makes up around four-fifths of loans to households, expanded at a rate of 8.1% in March, down from 8.5% in December. The remaining one-fifth, which consists of consumer credit and other lending to households, grew at a rate of 1.1% in March, after having increased by 1.2% three months earlier.

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



Source: Central Bank of Malta.

Meanwhile, the annual rate of growth in loans to private NFCs eased further, edging down to 1.0% in March from 1.1% in December partly reflecting slower annual rates of change in credit to the wholesale & retail sector, among others, offsetting faster growth in credit to manufacturing and to the transport & storage sector. In contrast, loans to non-financial public corporations, which are not shown in Chart 6.3, accelerated.

Going into the second quarter of 2012, the annual growth rate of total credit to residents of Malta declined to 5.8% in May.

Rates on loans to Maltese residents generally decline

The weighted average interest rate charged by MFIs on all outstanding loans to residents of Malta remained unchanged at 4.71% during the first quarter of 2012, mirroring constant official interest rates. At the same time, rates charged by MFIs on consumer and other credit to households fell by 10 basis points to 5.56%, while those charged to NFCs shed 9 basis points to 4.76% (see Table 6.6).[4]

Table 6.6
MFI INTEREST RATES ON OUTSTANDING LOANS TO MALTESE RESIDENTS[(1)]
Percentages per annum; weighted average rates as at end of period

	2011				2012
	Mar.	June	Sep.	Dec.	Mar.
Loans					
Households and NPISH					
Lending for house purchases	3.45	3.44	3.43	3.43	3.42
Consumer credit and other lending[(2)]	5.57	5.59	5.59	5.66	5.56
Non-financial corporations[(2)]	4.71	4.77	4.78	4.85	4.76

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

[4] Data on interest rates on outstanding amounts shown in Table 6.6 cover MFI euro-denominated loans granted to households and non-financial corporations resident in Malta. The household sector also includes NPISH. Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all sectors, as is the case with weighted average interest rates on all outstanding loans.

During the first two months of the following quarter, the weighted average lending rate dropped marginally to 4.69%. With respect to MFI rates on outstanding loans, movements were mixed during these two months. While rates charged on mortgage loans to households and on loans to NFCs fell slightly, those on consumer credit and other lending to households edged up.

Credit standards slightly tighten for enterprises

The Bank Lending Survey (BLS) conducted in April 2012 revealed that credit standards applied to lending to households remained unchanged during the first quarter of 2012. One bank reported a slight tightening in credit standards applied to NFCs.[5] Demand for loans by both businesses and households dropped slightly during the quarter, with two banks reporting lower demand for mortgages.

While credit standards applied to NFCs and households were expected to remain unchanged in the second quarter of 2012, demand for loans by both sectors was anticipated to decrease slightly, according to the BLS.

Credit granted to euro area residents outside Malta slows down

Credit granted by resident MFIs to residents of euro area countries except Malta decelerated during the quarter reviewed. The annual rate of growth remained robust, despite falling to 15.7% in March from 23.5% in December. Growth was mainly driven by a very strong increase in resident MFI holdings of private debt securities, along with a higher volume of loans to the private sector. In contrast, holdings of government securities decreased. Thus, at the end of March, credit extended by resident MFIs to residents of other euro area countries stood at EUR4.9 billion.

Net claims on non-residents of the euro area rise

During the year to March 2012, resident MFIs' net claims on non-residents of the euro area expanded by 21.1% (see Table 6.7). This contrasts significantly with the year-on-year contraction of 4.2% recorded three months earlier. 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 9.9% on a year earlier, due to an increase in holdings of securities issued by non-euro area governments coupled with higher deposit balances

Table 6.7
EXTERNAL AND OTHER COUNTERPARTS(1)
EUR millions; changes on a year earlier

	2011 Mar.	2012 Mar.	Change Amount	%
External counterpart	**7,299.9**	**8,838.2**	**1,538.4**	**21.1**
Claims on non-residents of the euro area	27,791.3	30,546.9	2,755.6	9.9
Liabilities to non-residents of the euro area	20,491.4	21,708.7	1,217.3	5.9
Other counterparts (net)(2)	**12,579.1**	**14,471.6**	**1,892.4**	**15.0**

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

5 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.

with non-euro area banks. 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 5.9% in March. This stemmed from an increase in repurchase agreements that was only partly offset by a drop in loans taken up from banks resident outside the euro area.

Other counterparts (net), which tend to be heavily influenced by interbank transactions within the euro area, expanded by 15.0% during the year to March, after growing by 3.1% three months earlier.

The money market

Money market rates rise

The ECB kept the interest rate on its MROs unchanged during the first quarter of 2012. At the same time, the three-month EURIBOR plunged by 58 basis points to 0.78%, reflecting the injection of liquidity into the banking system by the Eurosystem, with the difference between the two rates turning negative (see Chart 6.4).[6]

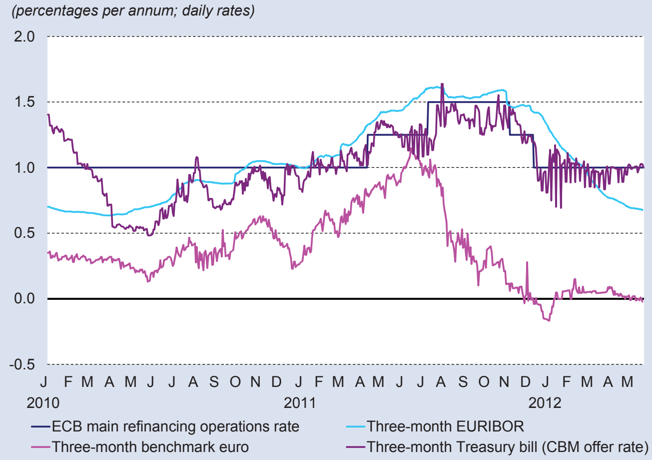
Meanwhile, the primary market yield on Maltese three-month Treasury bills edged up by 1 basis point, reaching 0.84% by end-March.

A total of EUR143.4 million worth of Treasury bills were issued by the Maltese government during the first three months of 2012, EUR81.2 million less than in the previous quarter. Around two-thirds of the amounts issued were due to mature in three months, while the remainder mainly consisted of six-month bills. Resident banks actively participated in the auctions and bought almost three-fourths of the total.

At the same time, turnover in the secondary Treasury bill market, which exhibits substantial volatility, amounted to EUR2.9 million, down from EUR11.2 million in the previous quarter. All transactions involved the Central Bank of Malta in its capacity as market-maker.

In the secondary market, the yield on benchmark three-month government securities in the euro area rose by 21 basis points, ending March slightly above zero.[7] During the same period, the corresponding domestic yield also increased, although to a lesser extent, rising by 4 basis points, to 1.01%. As a result, the spread over the euro area benchmark narrowed to 95 points (see Chart 6.4).

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



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

[6] 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.

[7] 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.

Going into the second quarter of 2012, the ECB kept the interest rate on its MROs unchanged at 1.00%. Nonetheless, while the three-month EURIBOR declined by an additional 11 basis points to 0.67% by end-May, the yield on benchmark money market securities issued by governments in the euro area dipped by 8 basis points. Domestically, the secondary rate on short-term government securities rose by 1 basis point during the same period, so that the spread against the corresponding benchmark yield widened to 104 points by end-May.

The capital market

Government bond yields rise while corporate yields decline

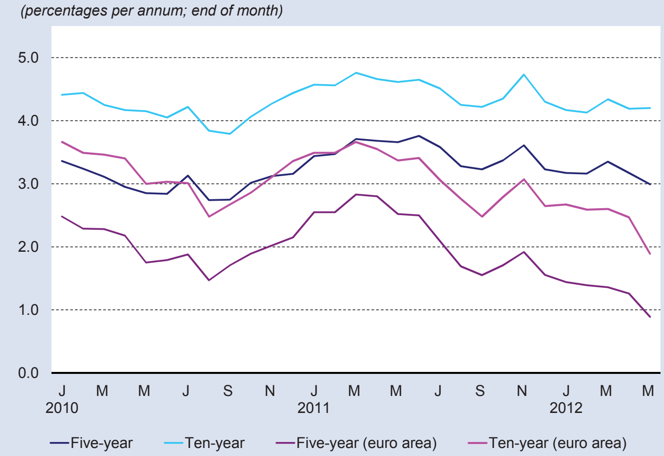
During the first quarter of 2012, the Government raised additional funds through three MGS issues in February with a total value of EUR274.7 million. The bonds had terms to maturity of five, ten and 19 years, and offered coupon rates of 4.25%, 4.3% and 5.2%, respectively. While around 45% of the total amount issued was purchased at fixed prices, predominantly by households and resident nominees, the remainder was acquired by auction, mostly by resident banks and insurance companies. The issue was well received by the public, with the initial offer of EUR150 million worth of MGS being oversubscribed. An additional EUR124.7 million worth of bonds were issued through an over-allotment option, which was capped at a further EUR150 million.

Meanwhile, in the corporate bond market, Corinthia Finance p.l.c. issued EUR7.5 million worth of bonds offering a coupon rate of 6.0%, maturing between 2019 and 2022. This issue was oversubscribed.

Turnover in the secondary market for government bonds almost tripled during the March quarter, rising by EUR123.2 million to EUR185.7 million. This was mostly attributable to higher trading in short-term securities.[8] Transactions involving the Central Bank of Malta as market-maker accounted for more than two-thirds of the value traded.

Yields on both five and ten-year domestic government bonds increased during the quarter, rising by 12 and 4 basis points, respectively, reaching 3.35% and 4.34% at end-March (see Chart 6.5). In contrast, the equivalent benchmark yields for the euro area declined by 20 and 5 basis points, respectively. As a result, the spread on five-year domestic bonds widened by 32 basis points to 199 points, while the ten-year differential increased by 9 basis points to 174 points.[9] In part, the widening spread reflected "safe haven" flows as inves-

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



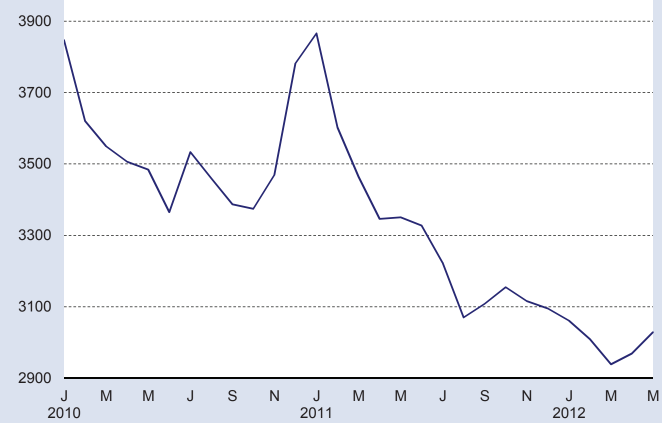
Sources: Central Bank of Malta; ECB.

[8] 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.

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

tors increased their demand for top-rated bonds, such as those issued by Germany, which, in turn, lowered the euro area benchmark yields.

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



Source: MSE.

In the two months up to May 2012, yields on domestic five and ten-year government bonds decreased, falling to 2.99% and 4.20%, respectively. With euro area benchmark yields falling even faster, however, the spread on five-year bonds went up by 11 basis points to 210 points, while the ten-year differential widened by 57 basis points to 231 points.

In the secondary corporate bond market, turnover marginally rose to EUR10.8 million from EUR10.7 million in the fourth quarter of 2011. Almost 70% of total trading was concentrated around 11 securities. Yields declined steadily throughout the first three months of 2012.

Equity prices decline further in the first quarter, but subsequently recover

Activity in the domestic equity market fell during the period, with the value of transactions dropping to EUR7.2 million from EUR8.8 million in the previous quarter. Equity prices extended their downward path, with the MSE share index declining by 5.0% from its end-December value, ending March at 2,938.91 (see Chart 6.6).

Going into the second quarter, equity prices recovered moderately. By the end of May, the MSE share index picked up by 3.1% from its end-March level.

7. ECONOMIC PROJECTIONS FOR 2012 AND 2013

Outlook for the Maltese economy[1]

The Bank is presenting its latest macroeconomic projections which cover 2012 and 2013. These indicate that, after having slowed down in 2011, real gross domestic product (GDP) growth is expected to moderate further this year before recovering in 2013.

The projections' profile is broadly similar to that published in the *Annual Report 2011*, although the Bank now foresees a sharper slowdown in 2012 and a stronger pick-up in the following year.[2] In its latest exercise, the Bank is projecting real GDP growth to slow down to 1.4% this year, before picking up to 2.2% in 2013 (see Table 7.1). This compares with growth rates of 1.6% and 2.0%, respectively, in the previous round.

Since the finalisation of the *Annual Report 2011*, the intensification of the sovereign debt crisis in the euro area and its expected impact on business and consumer behaviour prompted a downward revision in the projections for private consumption and, in 2012, investment. With regard to investment, the downward revision mainly reflects a reassessment of the outlook for the private sector. The renewed uncertainty regarding the strength of external demand prospects is reflected in a downward revision in the growth rate of exports in 2013.

Final domestic demand expected to drive growth

In both 2012 and 2013, growth in economic activity is expected to be largely driven by final domestic demand, with private consumption being the main engine of growth in 2012 and private consumption and gross fixed capital formation having a broadly equal contribution to economic growth in the following year. With exports rising slightly faster than imports, net exports are foreseen to contribute modestly to GDP growth in both years.

Following a strong recovery in 2011, private consumption is expected to slow down in 2012, driven by a deceleration in disposable income, which is expected to have a negative effect on purchasing power. Private consumption is set to recover slightly in 2013, as economic activity gradually picks up.

Following the significant increase in 2011, public consumption is set to slow down over the projection horizon, in line with the Government's commitment to reduce the fiscal deficit. The Bank's projections assume that the expenditure restraint implied by the recurrent expenditure cuts announced in January 2012 will be maintained throughout the projection horizon. In particular, the Bank's projections assume a deceleration in intermediate consumption, average wage growth to remain moderate and employment to gradually decline through a partial replacement of retiring public sector staff.

Gross fixed capital formation is expected to recover from the sharp contraction recorded in 2011. In 2012 and, to a lesser extent, in 2013 investment is set to be bolstered by capital projects expected to be undertaken by Enemalta and by spending on the City Gate Project in Valletta.

[1] The Bank's outlook for the Maltese economy in 2012 and 2013 is based on information available up to 24 May 2012 and is conditional on technical assumptions indicated in Table 7.1. The projections did not take into account the GDP data for Malta that were published on 8 June 2012.

[2] See *Annual Report 2011,* Box 2: Economic Projections for 2012 and 2013, pages 58-61.

Table 7.1
PROJECTIONS FOR THE MAIN MACROECONOMIC AGGREGATES FOR MALTA

	2011(1)	2012(2)	2013(2)
Real economic activity (% change)			
GDP	2.1	1.4	2.2
Private consumption expenditure	3.1	1.0	1.3
Government consumption expenditure	3.9	1.0	0.7
Gross fixed capital formation	-13.4	3.3	6.5
Inventories (% of GDP)	-2.6	-2.6	-2.4
Exports of goods & services	1.0	1.5	3.1
Imports of goods & services	-1.0	1.4	3.1
Contribution to real GDP growth (in percentage pts)			
Final domestic demand	0.8	1.2	1.8
Net exports	2.2	0.2	0.2
Changes in inventories	-0.9	0.0	0.1
Balance of payments (% of GDP)			
Goods and services balance	4.9	5.2	5.6
Current account balance	-3.2	-2.8	-2.3
Labour market (% change)			
Total employment	2.4	0.9	1.1
Unemployment rate (% of labour supply)	6.4	6.5	6.4
Prices and costs (% change)			
Overall HICP	2.5	2.7	1.9
HICP excluding energy	1.8	2.6	2.1
Compensation per employee	0.4	1.2	2.1
ULC	0.8	0.7	1.0
Public finances (% of GDP)			
General government balance	-2.7	-2.2	-2.5
Government debt	72.0	72.6	71.9
Technical assumptions			
EUR/US$ exchange rate	1.392	1.304	1.300
Oil price (US$ per barrel)	111.0	114.6	107.9
10-year euro area bond yield (%)	4.3	4.2	4.5

(1) Data on GDP were sourced from NSO News Release 049/2012 published on 9 March 2012.
(2) Central Bank of Malta projections.

However, in 2012 capital expenditure on these two projects is expected to be partly offset by an underlying contraction in spending on equipment and more moderate underlying growth in expenditure on the construction of commercial property. At the same time, residential construction is expected to contract moderately in the context of a weak property market. The further acceleration in gross fixed capital formation in 2013 reflects a gradual recovery across its different components, as business sentiment is foreseen to improve.

Exports are projected to grow slowly in 2012, reflecting the impact of weak foreign demand on the manufacturing and tourism sectors. In 2013 exports are expected to expand more strongly as external demand responds to a recovery in key economies.

After having declined in 2011, imports are set to register moderate growth in 2012, mainly underpinned by purchases of fuel for re-export and services. Imports of capital goods are also expected to increase in response to higher gross fixed capital formation. In contrast, the deceleration in private and government consumption is expected to dampen imports of consumer goods, while the projected weakness in manufacturing exports is reflected in an expected drop in imports of industrial goods. In 2013, import growth is set to recover further in line with the foreseen acceleration in private consumption, investment and merchandise exports.

Wages and employment expected to grow mildly

The slowdown in economic activity in 2012 is expected to lead to a deceleration in employment growth, but this should accelerate in the following year. The private sector is projected to account for all job creation during the projection horizon, as the Government continues to implement a policy of employment restraint. The unemployment rate is expected to rise slightly in 2012, to 6.5%, before easing back towards its 2011 level in the second year of the projection horizon.[3]

Growth in compensation per employee is envisaged to recover gradually over the projection period. Nonetheless, it should remain moderate due to the prevailing uncertainty characterising the business outlook and generally soft conditions in the labour market. Unit labour costs (ULCs) are expected to decelerate slightly in 2012, as productivity levels increase. With wage awards outpacing productivity gains in 2013, this tendency is projected to be reversed.

Inflation temporarily accelerates but eases in 2013

After reaching an average of 2.5% in 2011, year-on-year Harmonised Index of Consumer Price (HICP) inflation is projected to rise to 2.7% in 2012, before falling to 1.9% in 2013. These forecasts imply an upward revision of 0.8 and 0.3 percentage point, respectively, compared with those published in the *Annual Report*. The upward revision reflects more recent developments in Malta's HICP data. The projections also take into account the Bank's assumptions about movements in international oil prices and exchange rates. They also reflect its expectation that water and electricity tariffs will remain unchanged over the forecast period.

In 2012 inflation excluding energy is projected to rise to 2.6% from 1.8% in 2011, as a result of faster growth in prices of services. In contrast, energy price inflation is expected to moderate to 4.3% in line with the deceleration in international oil prices.

In 2013 HICP inflation is expected to ease to 1.9%, as food price inflation is set to moderate and energy prices are projected to decline. The annual rate of change in service prices is expected to edge down marginally. In contrast, the weakness of the euro is anticipated to contribute to a pick-up in non-energy goods inflation. As a result, HICP excluding energy inflation should fall to 2.1%.

Trade surplus contributes to a narrowing of the current account deficit

The surplus on the goods and services account is expected to increase as a percentage of GDP in 2012, mainly as a result of improvement in the goods balance. In particular, in nominal terms, goods exports are expected to increase more rapidly than imports, in line with the foreseen weakening of domestic consumption.

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[3] The unemployment rate for this projection exercise is computed as the ratio of the number of unemployed obtained from the Labour Force Survey (LFS) to a measure of the labour force based on the LFS and National Accounts information. For this reason, the unemployment rate presented in this Chapter may differ from that presented elsewhere in this *Review*.

In 2013 a further improvement is anticipated, reflecting a more broad based acceleration across the various export categories, especially services, as foreign demand picks up in response to a healthier global economic environment. This acceleration is expected to outweigh the positive impact on imports of stronger projected growth in domestic demand.

As current transfers and the income account are expected to continue to record sizeable net outflows, the current account balance is forecast to remain in deficit throughout the projection horizon. The improvement in the trade balance, however, should contribute to a progressive narrowing of the current account deficit, which is set to decline to 2.3% of GDP by 2013.

Fiscal consolidation continues in 2012

The general government deficit in 2011 narrowed to 2.7% of GDP and is expected to decrease further in 2012, as revenue continues to outpace expenditure. Revenue growth in the first year of the projection horizon partly reflects one-off receipts in relation to amnesty schemes and the granting of a concession to operate the National Lotteries, while fiscal consolidation measures announced in January 2012 account for the projected restraint in government expenditure. The deficit is expected to widen again in 2013, as the impact of one-off receipts fades away and capital transfers to Air Malta, the national airline, double. These factors outweigh the effect of the continued restraint in recurrent expenditure and of the pension reform, which implies an increase in the retirement age in 2013 and, consequently, slower growth in pension spending.

The general government debt, expressed as a share of GDP, is projected to rise in 2012 before edging down in 2013. The forecast in this regard is affected by additional borrowing connected with financial support to euro area countries with a European Union/International Monetary Fund programme, which is expected to peak in 2012.

Risks to the projections

It should be noted that the Bank's projections were prepared against a backdrop of a highly uncertain international economic and financial environment, particularly with regard to the future of the euro area. It cannot be excluded, therefore, that this outlook would be overtaken by events.

This notwithstanding, risks to the GDP projections are on balance tilted to the downside, particularly for 2012. The main negative risk to the projections for this year is the debt crisis in the euro area that would impact on Malta's external environment. While the diversification of the Maltese economy has underpinned a high degree of resilience in recent years, the economic situation in the euro area could deteriorate by more than expected. In such a scenario, exports would be weaker than implied in the baseline. Private investment may also be weaker than expected if export-oriented firms do not anticipate an improvement in business prospects. Furthermore, investment may be subject to risks if the major projects mentioned above were to encounter delays in implementation, although in such a case the related decline in imports would, to some extent, offset the negative impact on GDP growth. Additionally, should the fiscal stance turn out to be tighter than expected, this would entail some downside risks for domestic demand.

On the other hand, upside risks to growth could also emanate from a decisive resolution of the euro area sovereign debt crisis. This could lead to an improvement in business and consumer sentiment and to a stronger rebound in external demand, thus boosting Malta's exports. Similarly, a further weakening of the euro could boost Malta's exports to non-euro area trading partners with upside risks for GDP growth.

With regard to inflation, risks are judged to be tilted slightly to the upside. A key factor in this regard relates to water and electricity tariffs. Inflationary pressures could also emerge as a result of higher than expected wage increases awarded to the civil service in terms of the new collective agreement currently under negotiation. These could precipitate broader increases in labour costs and consumer prices. On the other hand, if economic activity in the euro area remains weak for a prolonged period of time, imported inflation and domestic price pressures could be dampened.

NEWS NOTES

DOMESTIC

Official interest rates reduced

On 5 July the Governing Council of the European Central Bank (ECB) decided to lower the ECB's key interest rates by 25 basis points. Thus, the interest rate on the Main Refinancing Operations of the Eurosystem was reduced to 0.75%, that on the marginal lending facility was lowered to 1.50%, while the interest rate on the deposit facility was cut to 0.00%. These rate cuts took effect from 11 July 2012.

Central Bank of Malta announcements

On 30 April the Bank issued a numismatic coin, forming part of the Europa Programme "European Artists", commemorating the renowned Maltese sculptor Antonio Sciortino (1879-1947). This was the second coin issued by the Bank in its 2012 Coin Programme. The coin was issued in gold and silver versions with a face value of EUR50 and EUR10, respectively. It features Sciortino's masterpiece "*Les Gavroches*", which was sculptured in 1904.

On 21 May the Bank announced that it will donate EUR108,000 to the University of Malta, through the recently set up Research, Innovation and Development Trust, in the form of an annual endowment of EUR27,000 for four years. The funds will be used to establish a Chair in Economics. The post, to be named the Central Bank of Malta Chair in Economics, will be within the University's Faculty of Economics, Management and Accountancy, and will come into effect in October 2012.

On 29 May the Governor of the Central Bank of Malta presented a cheque of EUR6,500 to the Director of the Malta Emigrants Commission. This amount represented the allocation due to the Central Bank of Malta from the ECB's Charity Fund. This Fund was set up by the ECB to support charitable institutions involved in social and humanitarian activities in Europe.

On 15 June the Bank issued a medal featuring the portrait of Grandmaster Jean de La Valette (1494? – 1568) and on the reverse the façade of St John's Co-Cathedral. The medal was struck by the Royal Belgian Mint and has a limited issue of 10,000 pieces. It is presented for sale in a pack together with a DVD that contains information on the Maltese islands. The issue targets primarily visitors to Malta and was launched in cooperation with the Malta Tourism Authority.

Malta's Stability Programme for 2012-2015

On 30 May the European Commission published its recommendation for a Council recommendation on Malta's 2012 national reform programme and for a Council opinion on Malta's stability programme for 2012-2015. The recommendation was sent to the European Council.

On 6 July the Council recommended that Malta take action in 2012 and 2013 to reinforce the budgetary strategy with additional permanent measures to ensure adequate progress towards the medium-term budgetary objective. The Council also made other recommendations regarding the long-term sustainability of the pension system, skill mismatches in the labour market, and the reform of the system of wage bargaining and wage indexation. It also drew attention to the promotion of energy efficiency and the strengthening of the banking sector.

Air Malta restructuring

On 27 June the European Commission approved the granting of aid amounting to EUR130 million to the national airline, Air Malta. It noted that the restructuring plan adequately addressed the financial problems at Air Malta through a significant reduction in capacity and the sale of assets. The restructuring plan, which covers a period of five years until November 2015, is expected to ensure that the airline becomes viable within a reasonable time.

Capital market developments

Issue of Government securities

On 5 June the Government, through Legal Notice 201 of 2012, announced the issue of EUR120 million worth of Malta Government Stocks, subject to an overallotment option of EUR60 million. The issue consisted of 3.75% Malta Government Stock 2017 (IV), 4.3% Malta Government Stock 2022 (II) Fungibility Issue and 5.1% Malta Government Stock 2029 (I). Applications/bids having a total nominal value exceeding EUR191 million were received. Members of the public were allotted EUR97.4 million, while financial institutions were allotted EUR82.3 million.

Legislation related to banking and finance

Malta Council for Economic and Social Development Act amendment

Act No. IV of 2012 was enacted on 8 May to amend the Malta Council for Economic and Social Development Act to implement changes to the composition of the Council. These mainly regarded the establishment of the Civil Society Committee and the Gozo Regional Committee.

The implementation of the Budget measures for the financial year 2012

Act No. V of 2012 was enacted on 14 May enabling the Government to implement Budget measures for the financial year 2012, to authorise the issue of additional government debt and to bring into force other administrative measures.

Recognised incorporated cell companies

Legal Notice 119 of 2012 issued on 17 April entitled the Companies Act (Recognised Incorporated Cell Companies) Regulations, 2012, included provisions for the constitution of a recognised incorporated cell company and incorporated cells. A recognised incorporated cell company is allowed to provide a limited range of administrative services to its related cell companies. The latter are allowed to carry out the activities of licenced collective investment schemes.

Transposition of EU legislation on capital adequacy into Maltese law

Legal Notice 133 of 2012 issued on 4 May entitled Investment Services Act (Capital Adequacy) (Amendment) Regulations, 2012, includes provisions to transpose several provisions from European Union (EU) legislation into Maltese law on the involvement of the new European supervisory authorities, namely the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). It includes provisions regarding cooperation between the competent authority and the EBA and the obligation for the competent authority to notify the EBA, the Council of the EU and the European Commission on matters related to capital adequacy.

Mutual assistance for the recovery of claims

Legal Notice 153 of 2012 issued on 8 May entitled Mutual Assistance for the Recovery of Claims relating to Taxes, Duties and other Measures Order, 2012, implements Directive 2010/24/EU concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures between EU Member States. It designates the Minister responsible for finance as the competent authority responsible for the organisational structuring and supervision of the offices competent with mutual assistance under this Order.

Depositor compensation scheme regulations amendment

Legal Notice 159 of 2012 issued on 22 May, entitled Depositor Compensation Scheme (Amendment) Regulations, 2012, aims to enhance the coverage level of the Depositor Compensation Scheme. To this end, it prescribes higher percentage rates that banks have to apply in determining their contributions to the Scheme. The new percentage rates shall apply as from year of assessment 2012. The amended regulations also give banks more flexibility with regard to the pledging of assets in favour of the Scheme.

Investment aid regulations amendment

Legal Notice 169 of 2012 issued on 25 May entitled Investment Aid (Amendment) Regulations, 2012, extends the range of activities that qualify for investment aid carried out or intended to be carried out by an undertaking in Malta.

Amendment of second schedule of the Companies Act regulations

Legal Notice 171 of 2012, issued on 25 May, entitled Companies Act (Amendment of Second Schedule) Regulations, 2012, aims in part at implementing Article 5 of Directive 2010/78/EU, which amends several Directives in respect of the powers of the EBA, the EIOPA and the ESMA.

Amendment of financial capital adequacy regulations

Legal Notice 172 of 2012 was issued on 25 May and is entitled Investment Services Act (Financial Capital Adequacy Consolidation) (Amendment) Regulations, 2012. The purpose of these regulations is to implement paragraph 10 of Article 1 of Directive 2010/76/EU, which amends capital requirements for investment firms as well as their remuneration policies.

Amendment of the European passport rights for investment firms regulations

Legal Notice 174 of 2012 was issued on 25 May and titled European Passport Rights for Investment Firms (Amendment) Regulations, 2012. The purpose of these regulations is to transpose Article 6(27)(a) and (b) of Directive 2010/78/EU. The regulations cater for the establishment of the ESMA in the context of precautionary measures that the competent authority in Malta can take with respect to investment firms.

European rights for regulated markets regulations amendment

Legal Notice 175 of 2012, issued on 25 May, is entitled European Rights for Regulated Markets (Amendment) Regulations, 2012, and transposes, in part, Article 6(27)(c) of Directive 2010/78/EU. This covers the requirement for the competent authority in Malta to inform the ESMA of measures taken to protect investors and the proper functioning of markets in particular cases.

Prevention of money laundering and funding of terrorism

Legal Notice 202 of 2012, issued on 5 June, entitled Prevention of Money Laundering and Funding of Terrorism (Amendment) Regulations, 2012, caters for the setting up of the EBA, the EIOPA and the ESMA. Moreover, the definition of relevant financial business was extended to include long-term insurance business while the definition of supervisory authority will include the Quality Assurance Oversight Committee appointed by the Accountancy Board under the Accountancy Profession Act.

Exchange of information with Gibraltar on tax matters

Legal Notice 208 of 2012 issued on 12 June, entitled Exchange of Information (Tax Matters) (Gibraltar) Order, 2012, lays down the arrangements made with the Government of Gibraltar to prevent fiscal evasion. These include provisions on assistance through the exchange of information relevant to the administration and enforcement of tax laws of Malta and Gibraltar. The Agreement entered into force on 1 April 2012.

Investment companies with variable share capital regulations amendment

Legal Notice 214 of 2012 issued on 22 June, entitled Companies Act (Investment Companies with Variable Share Capital) (Amendment) Regulations, 2012, includes within the ambit of these Regulations undertakings for collective investment in transferable securities (UCITS) set up in terms of the Directive 2009/65/EC.

Amendment to the European passport rights for persons operating multilateral trading facilities regulations

Legal Notice 215 of 2012 issued on 22 June, entitled European Passport Rights for Persons Operating Multilateral Trading Facilities (Amendment) Regulations, 2012, transposes, in part, Article 6(27)(c) of Directive 2010/78/EU, which amends several directives in respect of the powers of the EBA, the EIOPA and the ESMA.

INTERNATIONAL

Council of the European Union - main decisions taken and topics discussed

On 15 May the Economic and Financial Affairs (ECOFIN) Council reached agreement on a general approach to two proposals, the so-called "CRD 4" package, amending the EU's rules on capital requirements for banks and investment firms. The proposals aim at amending and replacing existing bank capital rules and prudential requirements. They also aim at transposing into EU law an international agreement approved by the G20 in November 2010 – the so-called Basel 3 agreement – concluded by the Basel Committee on Banking Supervision.

On 22 June the ECOFIN Council approved draft recommendations to all Member States on economic policies set out in their national reform programmes, and draft opinions on fiscal policies presented in their stability and convergence programmes. The Council also approved a report to the European Council on tax issues. Additionally, finance ministers from the signatory countries approved a report on tax issues in the framework of the Euro Plus Pact. The Council approved conclusions on implementation of a code of conduct to eliminate situations of harmful tax competition in the EU, and conclusions on the single market for services.

On 21 May the Permanent Representatives Committee agreed on the Council's position on two proposals amending the EU's rules on credit rating agencies (CRA) to negotiate with the European Parliament. The proposals set out to amend existing legislation on CRAs to reduce investors' overreliance on external credit ratings, mitigate the risk of conflicts of interest in credit rating activities and increase transparency and competition in the sector.

On 23 May the European Council discussed measures on how to boost growth in Europe. In this regard, the European Parliament and the Council were invited to make rapid progress on important legislative proposals such as the Single Market Act and the Energy Efficiency Directive. The Council also sought to step up efforts to finance the economy through investments and better access to credit for small and medium-sized enterprises. Thirdly, job creation needed to be strengthened.

On 26 June the Council adopted a decision approving the extension of the geographical scope of operations of the European Bank for Reconstruction and Development to the southern and eastern Mediterranean.

On the same day, the Council also approved a draft regulation on bilateral investment treaties with third countries. The draft regulation aims to ensure a smooth transition from the current system of bilateral investment treaties between Member States and third countries to a system whereby such treaties are negotiated by the Commission.

Following the European Council of 28–29 June, the Heads of State or Government decided on a "Compact for Growth and Jobs", encompassing action to be taken by Member States and the EU to re-launch growth, investment and employment as well as making Europe more competitive. They also endorsed the country-specific recommendations to guide Member States' policies and budgets. Finally, they emphasised the role that the forthcoming Multiannual Financial Framework, which is used as a basis for the EU budget, should play in strengthening growth and employment. The European Council also welcomed the statement of the Euro Area Summit of 29 June 2012 and the use of the existing European Financial Stability Facility/European Stability Mechanism (EFSF/ESM) instruments that will be implemented according to existing guidelines.

Meanwhile, euro area Heads of State or Government noted that, when an effective single supervisory mechanism involving the ECB was established for banks in the euro area, the ESM could directly recapitalise banks. This would rely on appropriate conditionality, including compliance with state-aid rules, and would be formalised in a Memorandum of Understanding. The Eurogroup would examine the situation of the Irish financial sector to further improve the sustainability of the adjustment programme. The Heads of State or Government also urged the rapid conclusion of the Memorandum of Understanding attached to financial support to Spain for recapitalisation of its banking sector.

Eurogroup statements

On 25 June the President of the Eurogroup received a formal application for financial assistance by the Spanish authorities to recapitalise financial institutions. On 9 July the Eurogroup announced that it had reached a political understanding on a draft Memorandum of Understanding underlying this assistance, which was estimated to amount up to EUR100 billion. The assistance would be provided via the EFSF until the ESM becomes available and then transferred to the ESM without gaining seniority status.

On 25 June the President of the Eurogroup welcomed the formal application for financial assistance received from the Cypriot authorities. The Eurogroup was also expected to give a mandate to the Commission, in liaison with the ECB, to negotiate the necessary policy conditionality that should accompany the financial assistance. This would include measures to address the main challenges of the Cypriot economy, primarily those of the financial sector.

Economic and Monetary Union report

On 26 June the President of the European Council issued a report "Towards a Genuine Economic and Monetary Union" (EMU). The report, prepared in close cooperation with the Presidents of the Commission, the Eurogroup and the ECB, proposed a vision for a stable and prosperous EMU based on four essential building blocks. One was an integrated financial framework to ensure financial stability, in particular in the euro area, and to minimise the cost of bank failures to taxpayers. Such a framework elevates responsibility for supervision to a European level and provides for common mechanisms for bank resolution and deposit insurance schemes. Another was an integrated budgetary framework to ensure sound fiscal policy making at the national and European levels, encompassing greater enforcement and commensurate steps towards common debt issuance. A further provision was an integrated economic policy framework which had sufficient mechanisms for national and European policies to be in place to promote sustainable growth, employment and competitiveness, which were compatible with the smooth functioning of the EMU. A final provision was to ensure the necessary democratic legitimacy and accountability of decision making within the EMU.

International Monetary Fund/World Bank Spring Meetings 2012

On 21 April the International Monetary and Financial Committee of the International Monetary Fund (IMF) noted that, in advanced economies, further actions were needed to achieve credible fiscal consolidation and government debt reduction, while avoiding excessively contractionary fiscal policies. In general, deficit countries needed to persist in their efforts to strengthen national savings while enhancing export competitiveness, and surplus countries should continue implementing structural reforms to strengthen domestic demand, supported by constant efforts that achieve greater exchange rate flexibility. The Committee reaffirmed the urgency of making the 2010 quota and governance reforms effective by the 2012 Annual Meetings to enhance the Fund's legitimacy and credibility.

On 21 April the Development Committee of the IMF met in Washington and noted that growth in emerging and developing economies continued to be relatively strong, but poor countries still needed support. The Committee also urged the World Bank Group to promote south-south learning, to allocate sufficient resources to this work and to continue to collaborate with relevant institutions.

G8 statements

The leaders of the Group of Eight met at Camp David on 18–19 May. They declared their commitment to take all necessary steps to reinvigorate their economies and combat financial stresses. They agreed on the importance of a strong and cohesive euro area for global stability and recovery. They also stressed their commitment to refrain from protectionist measures, protect investments and pursue efforts to reduce barriers to trade and investment and maintain open markets.

The Group of Twenty

The leaders of the G20 convened in Mexico on 18–19 June. They declared that that they were committed to adopting all necessary policy measures to strengthen demand, support global growth and restore confidence, address short and medium-term risks, enhance job creation and reduce unemployment. Moreover, euro area members of the G20 would take all necessary measures to safeguard the integrity and stability of the area, improve the functioning of financial markets and break the feedback loop between sovereigns and banks. All G20 members put forward structural reform commitments to strengthen and sustain global demand, foster job creation, contribute to global rebalancing and increase growth potential. They also emphasised their commitment to intensifying their efforts to strengthen cooperation in education, skills development and training policies. They were firmly committed to open trade and investment, expand markets and resist protectionism, which were necessary conditions for sustained global economic recovery, jobs and development

Fulfilment of the EBA recommendation

On 2 May the EBA announced that it had assessed the implementation of a July 2011 Recommendation requiring national supervisory authorities to ensure that appropriate mitigating actions were put in place with respect to (i) banks with a Core Tier 1 (CT1) capital ratio below 5% in an adverse scenario and to (ii) banks with a CT1 ratio close to 5% in an adverse scenario and with sizeable exposures to sovereigns under stress. This Recommendation had been issued shortly after the July 2011 stress test. On the basis of information submitted by the national supervisory authorities responsible for banks, it concluded that it was, in general, satisfied with the progress made in the fulfilment of the Recommendation.

European Systemic Risk Board

On 2 April the European Systemic Risk Board (ESRB) published a letter to help EU legislators to further develop the legal basis, within current proposals for the Capital Requirements Directive and Regulation, for policies to address future threats to financial stability in the EU. The ESRB supports the establishment of commonly defined rules on banking supervision and of a macro-prudential framework which addresses the different sources of systemic risk.

On 31 May the Chairman of the ESRB presented the first annual report of the ESRB to the Committee on Economic and Monetary Affairs of the European Parliament. The achievements of the ESRB were further highlighted in a statement on the work undertaken and additional work foreseen in relation to three key areas. These are: the assessment of systemic risks; the establishment of a sound macro-prudential framework in the EU; and medium-term structural developments in the EU financial system.

On 21 June the General Board of the ESRB held its sixth regular meeting. Following this meeting, the ESRB noted that the borrowing costs of most national governments had begun to rise, while the macroeconomic outlook had worsened significantly. The ESRB added that many EU banks still needed to reduce their leverage ratios and reliance on wholesale funding to more sustainable levels and warned that a further deterioration in macroeconomic conditions and an aggravation of the sovereign debt crisis posed additional risks to an already stressed banking sector. The ESRB encouraged national and EU authorities to support credible mechanisms for the recapitalisation and restructuring of banks.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

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

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates[1]:	EUR 1 = USD 1.3356	
		EUR 1 = GBP 0.8339	
CLIMATE	Average temperature (1990-2010):	Dec. - Feb.	13.2ºC
		June - Aug.	26^{0}C
	Average annual rainfall (1990-2011)		493.8 mm
SELECTED GENERAL	GDP growth at constant 2000 prices[2]		-1.0%
ECONOMIC STATISTICS	GDP per capita at current market prices[2]		EUR15,300
	GDP per capita in PPS relative to the EU-27 average (2011)		83.0%
	Ratio of gross general government debt to GDP[2] (2011)		71.6%
	Ratio of general government deficit to GDP[2] (2011)		2.7%
	RPI inflation rate		2.6%
	HICP inflation rate		2.4%
	Ratio of exports of goods and services to GDP[2]		98.6%
	Ratio of current account deficit to GDP[2]		3.5%
	Employment rate		58.6%
	Unemployment rate		6.1%
POPULATION	Total Maltese and foreigners (2010)		417,617
	Males		207,586
	Females		210,031
	Age composition in % of population (2010)		
	0 - 14		15%
	15 - 64		69%
	65 +		16%
	Average annual growth rate (1991-2010)		0.8%
	Density per km^2 (2010)		1,322
HEALTH	Life expectancy at birth (2010)		
	Males		79
	Females		83
	Crude birth rate, per 1,000 Maltese inhabitants (2010)		9.6
	Crude mortality rate, per 1,000 Maltese inhabitants (2010)		7.2
	Doctors (2011)		1,488
EDUCATION	Gross enrolment ratio (2009/2010)		69.8%
	Number of educational institutions (2007/2008)		296
	Teachers per 1,000 students (2009/2010)[2]		125
	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		124.94
	Private motor vehicle licences per 1,000 population		576
	Internet subscribers per 100 population		31.34

[1] End of month ECB reference rates.

[2] 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 March 2012:

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

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

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

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

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Monetary, Banking and Financial Markets

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

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/ liabilities
	Gold	IMF-related assets[2]	Other[3]	Total				
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[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
2010	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011									
Jan.	3.7	1,103.8	109.6	287.0	395.1	1,055.0	49.4	684.4	3,688.0
Feb.	4.3	1,114.3	101.7	339.1	368.4	1,133.2	49.4	700.0	3,810.3
Mar.	7.3	1,133.8	105.7	332.4	372.4	961.5	49.4	709.4	3,671.8
Apr.	7.1	1,202.3	142.9	329.0	380.0	1,013.3	49.4	682.8	3,806.8
May	7.1	1,160.4	123.2	299.7	379.4	975.8	49.4	726.3	3,721.4
June	7.5	1,379.2	408.9	313.9	357.3	1,116.3	49.4	720.5	4,353.1
July	7.4	1,202.5	138.9	323.8	367.1	1,143.3	49.4	721.0	3,953.4
Aug.	7.1	1,196.6	138.9	334.4	344.1	891.5	49.4	738.5	3,700.4
Sep.	8.4	1,278.0	173.2	356.0	356.5	790.8	49.4	738.3	3,750.6
Oct.	10.4	1,308.4	164.1	297.6	341.5	533.7	49.4	722.5	3,427.6
Nov.	8.3	1,398.6	189.8	241.1	354.1	614.2	49.4	732.4	3,587.8
Dec.	10.3	1,382.9	182.3	276.7	387.0	498.2	51.0	769.8	3,558.2
2012									
Jan.	8.3	1,334.3	204.8	358.2	413.4	506.1	50.4	764.3	3,639.8
Feb.	8.8	1,306.1	236.2	279.7	473.8	474.3	50.4	785.9	3,615.2
Mar.	13.0	1,281.8	281.4	246.9	491.6	557.0	50.4	787.1	3,709.2

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

Monetary, Banking and Financial Markets

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

EUR millions

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
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[2]	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
			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
2011										
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
2012										
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

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

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

[3] Includes items in course of settlement.

[4] Includes provisions and revaluation accounts.

Monetary, Banking and Financial Markets

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

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets[2]	Total		
2008	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
2009	0.4	5.4	214.7	220.2	1,069.8	355.4	246.9	1,672.1	1,380.8	3,273.4
2010	0.2	5.9	274.7	280.6	1,555.4	381.3	285.3	2,222.1	1,182.7	3,685.6
2011	0.1	6.2	343.9	350.1	1,910.9	434.4	301.8	2,647.1	612.9	3,610.3
2012										
Jan.	0.1	6.2	350.6	356.8	1,866.2	475.9	303.2	2,645.3	688.5	3,690.6
Feb.	0.1	6.1	369.9	376.0	1,786.5	560.3	306.8	2,653.6	630.3	3,660.0
Mar.	0.1	6.1	349.5	355.6	1,736.1	636.9	315.2	2,688.2	713.5	3,757.4

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

EUR millions

End of period	Currency issued[4]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[3]
		Withdrawable on demand[5]	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities[2]	Total		
2008	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
2009	710.5	445.5	5.6	451.0	814.6	86.8	109.2	1,010.6	419.9	681.3
2010	742.1	489.1	8.2	497.2	1,225.2	97.1	108.0	1,430.3	438.1	577.8
2011	783.4	532.5	12.7	545.2	428.5	86.6	134.3	649.4	454.8	1,177.4
2012										
Jan.	766.5	364.6	12.4	377.1	737.3	88.9	138.5	964.6	453.4	1,129.1
Feb.	764.9	657.8	12.2	670.0	583.3	83.3	143.1	809.7	448.2	967.3
Mar.	767.3	562.4	13.4	575.8	1,096.4	89.9	149.9	1,336.1	441.9	636.3

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

[2] If the Central Bank 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).

[3] Includes resident interbank transactions.

[4] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury. For 2008, the remaining outstanding Maltese lira banknotes and coins are included.

[5] For the purposes of this table deposits withdrawable on demand include deposits redeemable at notice.

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

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
2008	600.6	7,150.4	1,342.9	115.3	6,153.2	25,468.7	847.3	32,469.1	797.8	42,476.2
2009	674.9	7,677.1	1,690.3	132.2	6,186.2	23,631.2	631.9	30,449.3	876.8	41,500.6
2010	599.6	8,075.5	1,781.1	141.9	9,366.9	28,681.7	650.4	38,699.0	909.3	50,206.4
2011										
Jan.	594.7	8,065.1	1,846.4	141.7	9,620.9	28,282.3	603.4	38,506.5	924.1	50,078.5
Feb.	611.0	8,080.5	1,834.6	141.4	9,569.6	27,445.4	631.0	37,646.0	891.0	49,204.5
Mar.	570.9	8,102.0	1,837.4	140.9	9,432.6	26,559.9	607.1	36,599.6	825.6	48,076.3
Apr.	583.2	8,094.1	1,851.5	140.7	9,505.7	27,147.7	611.2	37,264.6	827.7	48,761.9
May	569.8	8,130.7	1,897.1	140.5	9,651.2	28,473.7	622.6	38,747.5	840.2	50,325.8
June	591.2	8,156.2	1,880.5	141.8	9,643.7	28,077.5	581.2	38,302.5	861.3	49,933.4
July	696.4	8,184.2	1,887.6	170.9	9,624.4	28,569.6	585.9	38,779.9	895.1	50,614.1
Aug.	1,354.2	8,196.8	1,944.1	170.7	9,675.5	27,817.7	632.6	38,125.8	913.0	50,704.5
Sep.	1,299.6	8,317.3	1,925.9	169.5	10,520.8	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
2012										
Jan.	1,123.7	8,420.1	1,939.4	168.5	9,843.9	28,923.2	691.2	39,458.3	910.8	52,020.9
Feb.	966.1	8,486.8	2,005.4	168.4	10,048.0	28,333.0	673.3	39,054.3	911.0	51,592.1
Mar.	624.0	8,491.2	2,002.1	167.9	9,392.9	28,992.5	625.9	39,011.2	839.5	51,135.9

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

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

[3] Includes resident interbank claims.

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

EUR millions

End of period	Deposits from residents of Malta [2]				External liabilities				Debt securites issued[3]	Capital & reserves	Other liabilities
	Withdraw-able on demand	Redeem-able at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities[3]	Total			
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
2008	3,170.0	114.5	5,222.2	8,506.7	9,240.4	17,301.9	2,275.7	28,818.0	172.2	3,339.7	1,639.5
2009	3,705.3	111.6	4,789.0	8,605.9	7,772.1	16,973.4	1,205.3	25,950.9	253.4	4,120.5	2,569.9
2010	4,314.3	123.7	4,860.4	9,298.5	6,611.2	20,023.4	1,758.1	28,392.7	304.5	9,840.3	2,370.5
2011											
Jan.	4,310.3	124.1	4,876.8	9,311.2	6,703.6	19,785.5	1,912.6	28,401.8	304.2	9,732.8	2,328.5
Feb.	4,258.9	125.7	4,893.9	9,278.5	6,537.1	18,952.5	2,191.3	27,681.0	304.0	9,604.0	2,337.0
Mar.	4,460.4	131.4	4,891.6	9,483.4	5,979.0	18,454.0	2,090.5	26,523.5	303.7	9,604.8	2,161.0
Apr.	4,491.0	128.4	4,889.9	9,509.4	6,168.4	18,604.9	2,336.8	27,110.2	302.8	9,610.4	2,229.1
May	4,413.6	128.5	4,888.9	9,431.1	6,204.7	18,190.3	4,384.7	28,779.7	303.4	9,637.0	2,174.6
June	4,424.8	128.6	4,880.4	9,433.8	7,164.0	16,957.3	4,086.3	28,207.6	308.0	9,634.4	2,349.5
July	4,520.1	129.5	4,919.2	9,568.7	6,955.9	16,839.8	4,749.9	28,545.6	308.3	9,734.2	2,457.3
Aug.	4,526.0	133.0	4,966.7	9,625.7	7,269.9	17,055.2	4,533.4	28,858.5	352.2	9,745.0	2,123.1
Sep.	4,568.3	125.5	5,026.0	9,719.8	7,121.7	16,505.9	5,909.2	29,536.8	353.4	9,649.4	2,038.7
Oct.	4,705.4	124.0	5,016.5	9,845.9	7,587.1	16,302.5	5,609.1	29,498.7	352.8	9,719.9	1,781.8
Nov.	4,578.4	127.8	5,038.8	9,745.0	7,534.4	16,799.6	5,734.9	30,069.0	353.8	9,649.8	1,878.0
Dec.	4,686.6	122.6	5,096.6	9,905.8	6,901.8	16,889.2	5,679.9	29,470.9	354.3	9,815.4	1,801.1
2012											
Jan.	4,812.1	124.4	5,115.9	10,052.5	6,793.4	16,830.4	6,051.2	29,675.0	354.0	10,001.1	1,938.2
Feb.	4,742.3	128.3	5,107.3	9,977.9	6,341.1	17,082.8	5,949.5	29,373.4	353.6	9,985.2	1,902.0
Mar.	4,798.9	124.1	5,141.0	10,064.1	6,199.1	17,042.7	5,758.1	28,999.9	353.8	9,800.6	1,917.4

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

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

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

Table 1.4a Monetary base and monetary aggregates

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							
				Narrow money (M1)							
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)	Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)	Total (M3)[1]
					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[4]	Total (M3)[5]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]			
	Currency issued[2]	Overnight deposits[3]							
		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents		
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
2010	674.4	4,225.1	99.5	123.5	0.7	3,848.1	157.5	241.6	9,370.5
2011									
Jan.	663.9	4,235.5	123.0	123.9	0.7	3,770.9	107.4	230.8	9,256.2
Feb.	665.7	4,182.8	137.7	125.5	0.7	3,731.7	105.6	214.4	9,164.1
Mar.	661.7	4,377.1	139.3	131.3	0.7	3,719.0	97.6	213.3	9,340.1
Apr.	672.0	4,418.2	133.2	128.3	0.7	3,692.8	93.4	212.6	9,351.2
May	676.5	4,330.4	146.7	128.4	0.7	3,688.6	212.4	212.3	9,396.0
June	681.1	4,346.9	118.4	128.5	1.5	3,677.4	324.5	206.6	9,484.9
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
2012									
Jan.	706.3	4,724.4	145.5	124.3	2.6	3,722.4	224.1	753.7	10,403.2
Feb.	702.9	4,667.3	157.8	128.1	2.6	3,704.7	222.8	745.6	10,331.8
Mar.	701.9	4,715.8	163.9	124.0	2.6	3,727.1	183.6	693.2	10,312.1

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

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

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

[4] M3 - M2 comprises repurchase agreements and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

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

Table 1.5a Counterparts to the monetary aggregates

EUR millions

End of period	Domestic credit			Net foreign assets					Broad money (M3)	Other counterparts to broad money (net)[2]
	Net claims on central government[1]	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
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)[4]	Credit counterpart[3]					External counterpart			Other counterparts (net)[2]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009	8,883.3	1,927.4	7,792.4	1,238.3	2,273.9	13,232.0	24,843.9	18,197.0	6,646.9	10,995.6
2010	9,370.5	2,091.0	8,188.1	1,794.9	2,392.7	14,466.7	29,948.7	21,765.5	8,183.3	13,279.4
2011										
Jan.	9,256.2	2,152.8	8,177.3	1,893.0	2,354.2	14,577.4	29,500.2	21,688.0	7,812.2	13,133.4
Feb.	9,164.1	2,146.6	8,190.9	1,905.4	2,342.9	14,585.8	28,668.0	21,085.7	7,582.3	13,004.0
Mar.	9,340.1	2,149.3	8,208.6	1,941.4	2,320.0	14,619.3	27,791.3	20,491.4	7,299.9	12,579.1
Apr.	9,351.2	2,140.2	8,197.7	1,954.5	2,263.7	14,556.1	28,435.8	20,882.0	7,553.8	12,758.7
May	9,396.0	2,224.1	8,235.8	1,941.7	2,313.3	14,714.8	29,738.5	22,494.5	7,244.0	12,562.8
June	9,484.9	2,215.2	8,262.1	2,017.6	2,239.8	14,734.6	29,555.2	20,734.1	8,821.2	14,070.9
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
2012										
Jan.	10,403.2	2,354.5	8,530.4	2,186.6	2,960.0	16,031.5	30,369.4	21,709.8	8,659.7	14,287.9
Feb.	10,331.8	2,443.9	8,592.8	2,195.7	3,021.6	16,254.0	29,845.5	21,879.7	7,965.8	13,888.0
Mar.	10,312.1	2,426.7	8,590.1	1,864.1	3,064.5	15,945.4	30,546.9	21,708.7	8,838.2	14,471.6

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

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

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

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

Table 1.6a Currency in circulation

EUR millions

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
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[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009	673.4	37.2	-	70.7	639.8	95.1
2010	701.2	41.0	-	67.7	674.4	104.5
2011						
Jan.	681.7	40.6	-	58.4	663.9	119.0
Feb.	680.8	40.4	-	55.5	665.7	121.6
Mar.	684.0	40.7	-	63.0	661.7	134.3
Apr.	692.5	41.4	-	61.9	672.0	135.0
May	695.5	41.7	-	60.7	676.5	131.7
June	703.0	42.5	-	64.4	681.1	136.7
July	710.2	43.8	-	67.5	686.5	131.7
Aug.	705.3	44.3	-	64.5	685.1	123.6
Sep.	711.6	44.5	-	65.9	690.1	119.9
Oct.	717.4	44.5	-	60.3	701.6	116.4
Nov.	720.3	44.7	-	62.4	702.6	119.9
Dec	737.6	45.8	-	72.8	710.6	130.0
2012						
Jan.	721.1	45.3	-	60.2	706.3	137.5
Feb.	719.9	45.0	-	62.0	702.9	142.2
Mar.	722.1	45.2	-	65.4	701.9	148.8

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

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

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

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10[2]	Lm5	Lm2	Total
2005	1,211.4	257.5	812.1	76.8	18.1	1,164.5
2006	1,173.9	240.5	785.0	80.9	18.9	1,125.4
2007	677.8	120.2	439.8	57.5	16.7	634.2
2008	90.5	11.3	35.4	9.5	7.5	63.8
2009	82.2	9.6	29.9	8.9	7.4	55.8
2010	49.9	8.4	25.7	8.5	7.3	49.9
2011						
Mar.	48.7	8.1	24.8	8.4	7.3	48.7
June	47.9	8.0	24.3	8.4	7.2	47.9
Sep.	47.2	7.9	23.8	8.3	7.2	47.2
Dec.	46.7	7.8	23.5	8.2	7.2	46.7

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

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

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

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009	-3.8	35.1	331.4	214.3	23.2	50.4	117.9	768.5
2010	-6.3	21.7	328.9	235.2	1.2	54.7	170.3	805.7
2011								
Mar.	-7.1	18.8	324.4	242.6	-2.9	59.6	183.0	818.3
June	-7.4	16.3	326.0	251.5	-6.4	72.2	187.5	839.7
Sep.	-8.8	10.3	320.5	248.1	-14.3	74.9	200.7	831.4
Dec.	-9.4	9.6	326.8	266.1	-18.6	77.9	215.2	867.6
2012								
Mar.	-10.2	5.8	321.8	277.8	-28.7	79.2	225.0	870.8

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

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2008	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
2009	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.3	37.2
2010	0.0	0.6	1.2	2.0	3.4	5.4	9.2	19.1	41.0
2011									
Mar.	0.1	0.6	1.2	2.0	3.4	5.4	9.0	19.1	40.7
June	0.1	0.6	1.3	2.1	3.5	5.6	9.5	20.0	42.5
Sep.	0.1	0.6	1.3	2.3	3.8	6.1	9.9	20.4	44.5
Dec.	0.1	0.6	1.4	2.3	3.9	6.1	9.8	21.7	45.8
2012									
Mar.	0.1	0.6	1.4	2.3	3.8	5.9	9.6	21.5	45.2

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

EUR millions

End of period	Resident deposits							Deposits held by non-residents of Malta		Total deposits
	General government[1]	Monetary financial institutions[2]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8
2007	126.8	106.1	198.6	137.8	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8
2008	101.5	878.8	249.2	146.1	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0
2009	123.4	1,575.1	263.9	122.7	1,417.1	6,678.8	10,181.0	7,839.7	17,628.8	35,649.5
2010	227.0	1,378.3	233.1	208.4	1,694.9	6,935.0	10,676.8	6,632.2	21,127.9	38,437.0
2011										
Jan.	222.7	1,346.5	237.8	217.7	1,680.9	6,952.0	10,657.8	6,723.8	21,083.3	38,464.9
Feb.	221.2	1,390.3	213.2	232.5	1,694.2	6,917.3	10,668.8	6,557.1	20,516.6	37,742.5
Mar.	235.2	1,223.5	222.6	223.0	1,828.0	6,974.5	10,706.9	6,048.8	19,937.2	36,692.9
Apr.	223.5	1,277.2	224.8	224.7	1,844.4	6,991.9	10,786.5	6,283.3	20,310.9	37,380.7
May	226.2	1,218.4	207.1	209.6	1,806.9	6,981.2	10,649.4	6,314.7	21,913.5	38,877.7
June	224.9	1,374.1	210.5	212.2	1,796.7	6,989.5	10,808.0	7,494.9	20,211.6	38,514.5
July	227.2	1,419.4	218.3	217.6	1,825.3	7,080.3	10,988.1	7,252.9	20,758.7	38,999.7
Aug.	229.8	1,168.3	254.6	224.8	1,804.6	7,111.9	10,794.0	8,004.5	20,274.9	39,073.3
Sep.	238.0	1,058.7	246.0	232.6	1,800.3	7,202.9	10,778.5	8,443.3	20,435.6	39,657.4
Oct.	240.8	784.6	282.7	249.8	1,864.0	7,208.6	10,630.6	8,927.8	19,968.9	39,527.3
Nov.	237.3	864.2	267.1	234.0	1,860.7	7,145.9	10,609.1	8,586.1	20,810.6	40,005.8
Dec.	239.0	763.6	279.6	229.7	1,912.7	7,244.8	10,669.4	8,046.4	20,748.6	39,464.4
2012										
Jan.	237.3	865.0	280.1	256.7	1,986.0	7,292.4	10,917.5	7,999.9	20,922.7	39,840.2
Feb.	225.0	822.9	260.8	345.7	1,879.9	7,266.5	10,800.8	7,519.0	21,138.8	39,458.6
Mar.	233.5	877.3	255.8	373.1	1,879.3	7,322.4	10,941.4	7,328.6	21,021.4	39,291.4

[1] Including extra-budgetary units.

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

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

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL[2]	EUR	GBP	USD	Other	MTL[2]	EUR	Other		
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
2008		8,325.4	317.4	629.2	113.6		7,149.6	2,127.3	17,640.5	36,303.0
2009		9,319.8	401.0	381.5	78.7		5,489.8	2,349.9	17,628.8	35,649.5
2010		9,723.3	423.4	418.9	111.2		4,764.3	1,868.0	21,127.9	38,437.0
2011										
Jan.		9,740.2	409.3	408.9	99.4		4,751.4	1,972.4	21,083.3	38,464.9
Feb.		9,739.0	413.0	405.5	111.4		4,484.7	2,072.3	20,516.6	37,742.5
Mar.		9,778.6	399.3	425.2	103.8		4,262.8	1,786.0	19,937.2	36,692.9
Apr.		9,755.4	398.3	533.4	99.4		4,535.7	1,747.6	20,310.9	37,380.7
May		9,734.4	409.7	405.4	99.8		4,775.1	1,539.6	21,913.5	38,877.7
June		9,883.0	401.6	423.3	100.1		5,377.2	2,117.7	20,211.6	38,514.5
July		10,040.1	415.2	431.3	101.5		5,174.1	2,078.8	20,758.7	38,999.7
Aug.		9,841.3	423.1	424.5	105.1		5,527.8	2,476.7	20,274.9	39,073.3
Sep.		9,832.7	425.0	424.6	96.2		6,129.8	2,313.6	20,435.6	39,657.4
Oct.		9,671.3	422.6	437.9	98.8		6,576.4	2,351.4	19,968.9	39,527.3
Nov.		9,620.7	429.9	454.4	104.1		6,069.8	2,516.2	20,810.6	40,005.8
Dec.		9,592.4	518.9	454.4	103.7		5,857.6	2,188.8	20,748.6	39,464.4
2012										
Jan.		9,765.5	497.2	545.5	109.4		5,734.4	2,265.5	20,922.7	39,840.2
Feb.		9,720.5	438.2	518.7	123.4		5,793.2	1,725.9	21,138.8	39,458.6
Mar.		9,881.4	444.7	506.2	109.0		5,740.6	1,588.0	21,021.4	39,291.4

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

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

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

EUR millions

End of period	Size classes [2]				
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	Total
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
2007	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
2008	658.2	2,646.3	2,117.9	20,593.7	26,016.0
2009	704.9	2,896.9	2,701.2	16,096.2	22,399.3
2010	758.2	3,242.9	2,138.5	18,901.8	25,041.4
2011					
Jan.	756.0	3,245.6	2,162.9	18,588.5	24,752.9
Feb.	756.3	3,268.2	2,104.2	18,381.2	24,509.9
Mar.	754.9	3,287.4	2,153.8	18,334.7	24,530.7
Apr.	756.2	3,293.1	2,100.0	17,978.3	24,127.5
May	752.1	3,313.8	2,141.1	17,971.5	24,178.4
June	751.9	3,327.7	2,082.9	17,926.8	24,089.2
July	754.3	3,339.3	2,118.4	17,843.3	24,055.3
Aug.	749.0	3,350.4	2,070.5	17,417.2	23,587.2
Sep.	753.9	3,371.5	2,133.5	16,572.5	22,831.5
Oct.	754.6	3,388.1	2,102.6	16,480.8	22,726.1
Nov.	755.6	3,403.0	2,138.1	16,509.9	22,806.5
Dec.	760.5	3,421.3	2,151.5	16,797.3	23,130.7
2012					
Jan.	750.6	3,430.3	2,181.8	16,441.4	22,804.2
Feb.	751.2	3,444.3	2,208.1	16,489.1	22,892.6
Mar.	755.5	3,472.4	2,229.5	16,386.8	22,844.2

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

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

EUR millions

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

[1] As from 2010, the statistical classification of loans by economic activity is based on NACE rev 2.

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

[3] Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial and insurance activities (including interbank loans), professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services activities and extra-territorial bodies & organisations.

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta							Lending to non-residents of Malta		Total lending
	General government[2]	Monetary financial institutions[1]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8
2007	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0
2008	111.4	613.0	21.6	14.3	3,801.0	3,202.2	7,763.4	3,454.6	20,129.5	31,347.5
2009	111.0	649.0	22.3	10.9	4,034.6	3,498.5	8,326.1	2,900.0	16,825.4	28,051.5
2010	118.6	586.6	14.0	165.8	4,052.4	3,724.8	8,662.1	6,371.9	18,757.3	33,791.4
2011										
Jan.	117.5	603.0	13.6	165.8	4,033.9	3,734.3	8,668.1	6,507.8	18,257.8	33,433.7
Feb.	117.3	613.2	13.4	166.1	4,035.3	3,748.4	8,693.7	6,443.7	17,542.7	32,680.2
Mar.	119.6	572.2	14.1	171.0	4,024.3	3,772.9	8,674.2	6,304.3	17,206.7	32,185.2
Apr.	120.3	572.5	12.6	175.0	4,003.3	3,782.9	8,666.6	6,393.0	18,164.9	33,224.4
May	120.6	561.5	11.7	181.0	4,013.8	3,803.6	8,692.2	6,502.3	19,595.4	34,789.9
June	121.2	592.2	4.6	179.1	4,022.8	3,828.5	8,748.4	6,459.0	19,344.0	34,551.4
July	120.2	698.4	3.6	183.3	4,028.8	3,848.4	8,882.6	6,438.4	19,886.4	35,207.4
Aug.	135.0	1,368.1	5.2	176.6	4,020.1	3,859.8	9,564.8	6,416.2	19,561.6	35,542.6
Sep.	143.0	1,307.8	4.4	177.4	4,098.9	3,893.6	9,625.1	6,313.5	19,124.8	35,063.4
Oct.	144.7	928.5	5.2	178.4	4,084.6	3,905.5	9,246.9	6,572.0	17,580.3	33,399.2
Nov.	149.7	1,224.9	3.0	180.8	4,130.8	3,926.9	9,616.2	6,594.5	17,745.9	33,956.6
Dec.	150.5	1,176.7	2.6	179.5	4,153.9	3,952.2	9,615.4	6,324.2	17,368.4	33,308.0
2012										
Jan.	150.4	1,116.3	2.0	179.9	4,132.1	3,955.8	9,536.5	6,083.7	17,888.5	33,508.7
Feb.	151.9	984.5	3.1	186.9	4,174.0	3,971.0	9,471.3	6,238.0	17,841.9	33,551.1
Mar.	156.5	621.7	2.8	184.8	4,151.0	3,996.1	9,112.8	6,159.6	17,684.6	32,957.0

[1] For the purposes of this Table, loans include interbank deposits.
[2] Including extra-budgetary units.

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

EUR millions

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

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

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

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

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2005	52.2	34.5	624.0	7.9	232.4	350.4	32.7	1,334.1
2006	20.8	50.9	690.2	7.0	204.4	431.6	16.6	1,421.4
2007	32.6	3.4	498.8	6.4	195.3	410.4	12.0	1,159.0
2008	18.8	2.4	421.7	3.9	128.0	299.1	9.4	883.3
2009	33.3	15.4	403.2	4.8	139.3	318.6	5.6	920.2
2010	48.5	8.6	405.9	4.5	144.5	340.5	6.9	959.4
2011								
Mar.	44.8	0.8	384.1	7.3	135.8	327.5	8.7	908.9
June	42.6	0.0	371.3	6.4	132.6	324.8	8.9	886.6
Sep.	47.2	0.0	360.3	14.3	122.7	302.4	7.5	854.3
Dec.	46.2	0.0	354.2	11.1	127.6	308.4	8.0	855.5
2012								
Mar.	50.4	0.0	349.2	22.9	110.3	333.2	7.5	873.5

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

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2005	0.2	1,322.5	4.1	7.4	1,334.1
2006	0.4	1,406.4	11.0	3.6	1,421.4
2007	0.3	1,147.6	7.8	3.3	1,159.0
2008	1.9	870.2	6.9	4.2	883.3
2009	2.1	902.0	10.8	5.3	920.2
2010	1.8	910.3	42.9	4.4	959.4
2011					
Mar.	2.0	864.6	36.7	5.7	908.9
June	2.3	840.0	39.7	4.5	886.6
Sep.	0.4	818.5	29.3	6.2	854.3
Dec.	0.1	833.9	18.0	3.5	855.5
2012					
Mar.	0.8	827.1	40.4	5.2	873.5

[1] 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.

[2] Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.

[3] Includes debtors, currency (both euro and foreign), prepayments and other assets.

[4] Includes share capital and reserves.

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

[6] Includes creditors, accruals and other liabilities.

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

EUR millions

End of period	Currency and Deposits[2]	Holdings of securities other than shares	Holdings of shares and other equity		External assets[3,8]	Fixed and other assets[4,8]	Total assets
			Investment fund shares/units	Other shares and equity			
2005	61.7	347.6	57.4	103.6	358.1	192.1	1,120.5
2006	103.0	373.8	61.3	112.0	462.0	209.8	1,321.9
2007	193.9	418.5	68.4	121.0	482.9	244.5	1,529.2
2008	222.6	442.6	59.5	97.0	481.0	266.9	1,569.6
2009	252.9	486.0	21.5	163.1	622.3	265.6	1,811.4
2010	247.8	547.4	20.5	166.7	781.2	275.3	2,039.0
2011							
Q1	223.9	562.4	21.5	161.7	801.5	279.3	2,050.4
Q2	202.2	586.8	21.7	158.9	805.7	291.5	2,066.8
Q3	243.5	550.1	18.6	153.2	789.6	288.4	2,043.2
Q4	264.3	510.8	18.3	162.6	837.1	289.4	2,082.5
2012							
Q1	233.2	539.7	19.8	161.6	900.0	299.4	2,153.7

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

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6,8]	Other liabilities[7,8]	Total liabilities
2005	17.1	177.5	863.0	17.1	45.7	1,120.5
2006	21.1	205.1	1,027.1	15.7	52.9	1,321.9
2007	21.3	238.9	1,196.7	15.6	56.7	1,529.2
2008	24.9	229.2	1,229.3	34.3	52.0	1,569.6
2009	20.6	265.0	1,430.7	37.7	57.3	1,811.4
2010	22.6	289.2	1,628.6	45.1	53.6	2,039.0
2011						
Q1	23.1	288.9	1,635.7	47.8	55.0	2,050.4
Q2	13.7	290.3	1,656.4	49.2	57.2	2,066.8
Q3	11.8	284.3	1,647.4	46.7	53.0	2,043.2
Q4	11.7	292.1	1,682.9	45.0	50.8	2,082.5
2012						
Q1	12.0	302.2	1,737.4	46.2	55.8	2,153.7

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

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

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	General government	Financial Corporations	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
2011									
Q1	4,134.9	321.8	730.8	5,187.4	145.6	0.0	-0.7	144.9	-13.0
Q2	4,260.3	326.5	726.4	5,313.3	125.5	5.0	-1.0	129.5	-3.7
Q3	4,193.6	371.8	737.9	5,303.4	-66.7	44.1	-1.6	-24.3	14.3
Q4	4,312.1	372.7	745.6	5,430.4	118.5	0.0	-1.1	117.3	9.6
2012[2]									
Q1[3]	4,546.0	609.8	495.4	5,651.2	233.9	0.0	-6.3	227.7	-6.8

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

[2] Figures are provisional.

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of period	Outstanding amounts as at end of period			Net issues during period			Net valuation changes
	Financial corporations	Non-financial companies	Total	Financial corporations	Non-financial companies	Total	
2005	2,673.4	800.8	3,474.2	2.2	20.0	22.2	1,337.5
2006	2,657.4	758.2	3,415.7	0.8	53.3	54.1	-112.7
2007	2,690.1	1,163.9	3,854.0	9.9	387.3	397.2	41.2
2008	1,585.2	981.4	2,566.7	2.1	38.2	40.3	-1,327.6
2009	1,863.3	980.6	2,844.0	42.1	36.4	78.5	198.8
2010	2,034.1	1,188.1	3,222.2	0.3	214.2	214.5	163.7
2011	1,618.5	1,022.7	2,641.3	0.2	11.1	11.3	-592.3
2011							
Q1	1,852.5	1,092.8	2,945.3	0.0	0.0	0.0	-276.9
Q2	1,769.3	1,060.6	2,829.9	0.2	10.0	10.3	-125.7
Q3	1,637.3	1,011.7	2,649.0	0.0	1.1	1.1	-182.0
Q4	1,618.5	1,022.7	2,641.3	0.0	0.0	0.0	-7.7
2012[2]							
Q1	1,602.5	1,008.9	2,611.5	0.0	0.3	0.3	-30.1

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

[2] 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[1]

% per annum	2008	2009	2010	2011			2012		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
NEW BUSINESS[2]									
Deposits									
Households and NPISH									
Overnight deposits[3,4]	0.57	0.30	0.28	0.30	0.30	0.31	0.30	0.31	0.31
Savings deposits redeemable at notice[3,5]									
up to 3 months	2.09	1.70	1.69	1.50	1.50	1.61	1.55	1.63	1.50
Time deposits with agreed maturity									
up to 1 year	3.06	1.95	2.03	1.88	1.88	1.99	1.98	1.89	1.89
over 1 and up to 2 years	4.60	3.00	3.00	2.87	3.00	3.41	3.01	3.43	3.44
over 2 years	4.77	3.39	3.86	3.29	3.29	3.65	3.53	3.42	3.09
Non-financial corporations									
Overnight deposits[3,4]	0.64	0.23	0.24	0.27	0.29	0.30	0.26	0.30	0.29
Time deposits with agreed maturity	2.60	0.85	1.51	1.92	2.09	1.93	1.85	2.18	1.72
Loans									
Households and NPISH									
Overdrafts[3,9]	7.16	6.44	5.75	5.85	5.84	6.12	5.80	5.79	5.72
Loans									
Lending for house purchase	3.84	3.52	3.43	3.31	3.34	3.38	3.38	3.27	3.28
Consumer credit[7]	6.12	6.02	5.81	5.54	5.49	5.04	5.59	5.87	5.79
Other lending	6.44	5.56	5.86	5.30	5.35	5.60	5.27	5.60	5.58
Non-financial corporations									
Overdrafts[3,9]	5.30	5.08	5.03	5.12	5.14	5.07	5.09	5.12	4.98
Loans[7]	5.50	4.95	4.86	4.43	4.47	4.28	5.80	5.59	5.46
APRC[6] for loans to households and NPISH									
Lending for house purchase	4.35	3.71	3.63	3.56	3.54	3.60	3.58	3.51	3.58
Consumer credit[7]	6.25	6.10	5.89	5.70	5.55	5.12	5.67	5.92	5.86
OUTSTANDING AMOUNTS[2]									
Deposits									
Households and NPISH									
Time deposits with agreed maturity									
up to 2 years	3.90	2.22	2.08	2.05	2.04	2.05	2.07	2.05	2.04
over 2 years	3.19	3.06	3.16	3.18	3.19	3.21	3.26	3.24	3.22
Non-financial corporations									
Time deposits with agreed maturity									
up to 2 years	3.39	2.01	1.97	1.97	2.01	2.00	1.97	2.00	1.96
over 2 years	3.26	3.35	3.24	3.12	3.15	3.13	3.34	3.16	3.16
Loans									
Households and NPISH									
Lending for house purchase	4.03	3.51	3.46	3.43	3.43	3.43	3.43	3.43	3.42
Consumer credit and other lending[8]	5.80	5.67	5.58	5.58	5.58	5.66	5.56	5.55	5.56
Non-financial corporations[8]	5.45	4.91	4.67	4.77	4.77	4.85	4.74	4.75	4.76

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits to/from households and non-financial corporations resident in Malta. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned.

[2] Weighted average rates as at end of period.

[3] For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.

[4] Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[5] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.

[6] 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.

[7] Excludes bank overdrafts.

[8] Includes bank overdrafts.

[9] As from June 2010, overdrafts also include revolving loans.

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

% per annum	2008	2009	2010	2011			2012		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
NEW BUSINESS [2]									
Deposits									
Households and NPISH									
Overnight deposits [3,4]	0.57	0.30	0.28	0.30	0.30	0.30	0.30	0.31	0.32
Savings deposits redeemable at notice[3,5]									
up to 3 months	2.09	1.70	1.69	1.50	1.50	1.61	1.55	1.63	1.50
Time deposits with agreed maturity									
up to 1 year	3.05	1.97	1.96	1.87	1.88	1.99	1.96	1.89	1.89
over 1 and up to 2 years	4.60	3.00	3.01	2.87	3.01	3.41	3.02	3.43	3.71
over 2 years	4.77	3.39	3.86	3.29	3.29	3.65	3.53	3.42	3.10
Non-financial corporations									
Overnight deposits [3,4]	0.65	0.23	0.25	0.28	0.30	0.30	0.27	0.31	0.30
Time deposits with agreed maturity	2.06	1.44	1.11	1.84	1.99	2.15	2.68	2.33	1.72
Loans									
Households and NPISH									
Overdrafts[3,9]	7.16	6.45	5.76	5.85	5.84	6.12	5.80	5.79	5.73
Loans									
Lending for house purchase	3.84	3.52	3.42	3.31	3.34	3.38	3.38	3.27	3.28
Consumer credit[7]	6.12	6.01	5.81	5.54	5.48	5.04	5.59	5.69	5.79
Other lending	6.43	5.56	5.86	5.29	5.35	5.60	5.26	5.60	5.58
Non-financial corporations									
Overdrafts[3,9]	5.14	5.08	5.02	5.12	5.14	5.07	5.09	5.12	4.99
Loans[7]	4.93	4.42	4.52	4.15	4.36	4.20	3.99	4.10	3.84
APRC[6] for loans to households and NPISH									
Lending for house purchase	4.35	3.71	3.63	3.56	3.54	3.60	3.58	3.52	3.58
Consumer credit[7]	6.25	6.09	5.89	5.70	5.54	5.12	5.67	5.74	5.86
OUTSTANDING AMOUNTS [2]									
Deposits									
Households and NPISH									
Time deposits with agreed maturity									
up to 2 years	3.89	2.21	2.08	2.05	2.05	2.05	2.07	2.06	2.05
over 2 years	3.24	3.10	3.16	3.20	3.20	3.22	3.27	3.25	3.24
Non-financial corporations									
Time deposits with agreed maturity									
up to 2 years	3.57	2.03	1.71	1.73	2.05	1.93	2.11	1.93	1.91
over 2 years	3.28	3.13	3.33	2.98	3.00	2.99	3.15	3.01	3.01
Loans									
Households and NPISH									
Lending for house purchase	4.03	3.51	3.46	3.44	3.43	3.43	3.43	3.43	3.42
Consumer credit and other lending[8]	5.79	5.67	5.58	5.58	5.58	5.66	5.56	5.55	5.56
Non-financial corporations[8]	5.11	4.13	4.54	4.60	4.60	4.66	4.55	4.58	4.56

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

[2] Weighted average rates as at end of period.

[3] For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.

[4] Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[5] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.

[6] 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.

[7] Excludes bank overdrafts.

[8] Includes bank overdrafts.

[9] As from June 2010, overdrafts also include revolving loans.

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	Sep.	Dec.	Mar.
INTEREST RATES (%)[1]								
Key ECB interest rates[2]								
Marginal lending facility	3.00	1.75	1.75	1.75	2.00	2.25	1.75	1.75
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	1.25	1.50	1.00	1.00
Deposit facility	2.00	0.25	0.25	0.25	0.50	0.75	0.25	0.25
Money market rates (period averages)								
Overnight deposit (EONIA)	3.86	0.72	0.44	0.68	1.04	0.98	0.79	0.37
Rates for fixed term deposits (EURIBOR)								
1 month	4.27	0.90	0.57	0.86	1.22	1.38	1.24	0.65
3 months	4.63	1.23	0.81	1.10	1.41	1.56	1.50	1.04
6 months	4.72	1.44	1.08	1.36	1.69	1.77	1.72	1.34
1 year	4.81	1.62	1.35	1.73	2.13	2.12	2.05	1.67
Central Bank of Malta[2]								
Central intervention rate								
Money market intervention rates:								
Term deposit rate								
Reverse repo rate								
Rate on standby (collateralised) loans								
Rate on overnight deposits								
Remuneration on required reserves								

[1] End of period rates unless otherwise indicated.

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

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

Table 1.21 Other rates and indicators

	2008	2009	2010	2011				2012
				Mar.	June	Sep.	Dec.	Mar.
INTEREST RATES (%)[1]								
Other monetary financial institutions[2]								
Weighted average deposit rate	2.57	1.44	1.37	1.36	1.37	1.39	1.41	1.39
Current deposits	0.51	0.29	0.28	0.26	0.29	0.29	0.32	0.29
Savings deposits	0.73	0.33	0.35	0.35	0.34	0.35	0.35	0.36
Time deposits	3.74	2.30	2.27	2.27	2.29	2.31	2.35	2.33
Weighted average lending rate	4.96	4.46	4.72	4.79	4.76	4.75	4.71	4.71
Non-financial companies	5.31	4.93	5.31	5.37	5.40	5.39	5.34	5.37
Households and individuals	4.51	3.91	4.05	4.10	4.00	4.00	3.98	3.95
Consumer credit	7.15	5.90	5.97	6.01	6.00	6.00	5.99	6.00
House purchase	3.98	3.47	3.63	3.71	3.59	3.60	3.58	3.57
Other lending	5.54	4.96	5.35	5.33	5.39	5.24	5.29	5.06
Government securities								
Treasury bills (primary market)								
1 month	-	-	-	-	-	0.95	1.20	-
3 month	3.65	1.40	0.99	1.10	1.10	1.47	0.82	0.84
6 month	2.75	1.52	1.10	1.38	1.52	1.45	1.33	1.05
1 year	-	-	-	-	-	-	-	-
Treasury bills (secondary market)								
1 month	2.64	1.36	0.77	0.93	1.17	1.30	0.85	0.96
3 month	2.64	1.40	0.94	1.07	1.33	1.26	0.97	1.01
6 month	2.65	1.46	1.23	1.43	1.61	1.40	0.99	1.04
1 year	2.73	1.69	1.28	1.72	1.72	1.67	1.26	1.40
Government long-term debt securities (period averages)								
2 year	3.43	2.41	1.88	2.28	2.66	2.39	2.31	2.01
5 year	4.01	3.66	3.05	3.46	3.71	3.40	3.36	3.24
10 year	4.53	4.54	4.19	4.60	4.66	4.35	4.35	4.26
15 year	4.76	4.96	n/a	0.00	0.00	0.00	0.00	0.00
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,464	3,327	3,108	3,095	2,939

[1] End of period rates unless otherwise indicated.

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

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

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

Government Finance

Table 2.1 General government revenue and expenditure[1]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	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	2,106.6	221.6	2,328.3	-128.4	52.9
2008	2,252.7	46.5	2,299.2	2,372.0	195.2	2,567.2	-267.9	-81.3
2009	2,242.8	63.5	2,306.3	2,349.4	175.4	2,524.8	-218.5	-35.2
2010	2,309.7	111.3	2,421.0	2,434.0	214.6	2,648.6	-227.7	-41.4
2011	2,463.2	109.7	2,572.9	2,545.9	200.9	2,746.8	-173.9	26.9
2011								
Q1	608.8	21.1	629.9	628.8	45.6	674.4	-44.5	3.1
Q2	576.1	18.3	594.4	636.8	49.6	686.4	-92.1	-41.6
Q3	580.0	35.8	615.7	600.4	51.1	651.4	-35.7	14.5
Q4	698.4	34.5	732.9	679.8	54.7	734.6	-1.6	51.0
2012								
Q1	641.8	20.4	662.2	673.3	74.4	747.7	-85.5	-29.2

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
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	2,252.7	15.1	31.4	46.5	2,299.2	2,019.5
2009	795.4	809.5	434.9	114.2	69.2	19.6	2,242.8	14.0	49.5	63.5	2,306.3	2,053.8
2010	807.8	839.2	456.4	101.6	84.3	20.4	2,309.7	14.7	96.6	111.3	2,421.0	2,118.1
2011	849.4	904.8	486.6	125.4	79.2	17.9	2,463.2	14.8	94.9	109.7	2,572.9	2,255.6
2011												
Q1	229.6	199.5	118.4	24.3	34.5	2.6	608.8	3.0	18.1	21.1	629.9	550.4
Q2	196.1	205.1	115.5	31.6	22.5	5.4	576.1	4.2	14.1	18.3	594.4	520.8
Q3	180.7	241.6	118.1	26.7	8.7	4.3	580.0	3.6	32.2	35.8	615.7	544.0
Q4	243.0	258.7	134.7	42.9	13.5	5.6	698.4	4.1	30.5	34.5	732.9	640.5
2012												
Q1	217.8	220.5	120.4	40.6	37.6	4.8	641.8	3.7	16.7	20.4	662.2	562.5

[1] Based on ESA95 methodology. Data are provisional.
[2] Deficit(-)/surplus(+) excluding interest paid.
[3] The fiscal burden comprises taxes and social security contributions.
Sources: Eurostat; NSO.

Government Finance

Table 2.3 General government expenditure by main components[1]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total[2]	
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	2,106.6	205.6	43.2	221.6	2,328.3
2008	831.4	756.6	186.6	376.7	125.1	95.6	2,372.0	138.6	48.3	195.2	2,567.2
2009	829.6	809.4	183.3	354.6	64.0	108.5	2,349.4	129.3	58.7	175.4	2,524.8
2010	840.4	847.0	186.2	376.0	66.8	117.7	2,434.0	132.0	78.0	214.6	2,648.6
2011	869.8	881.3	200.8	418.5	64.9	110.6	2,545.9	160.1	44.6	200.9	2,746.8
2011											
Q1	215.9	229.9	47.5	95.6	11.0	28.9	628.8	36.2	8.6	45.6	674.4
Q2	218.5	218.6	50.5	103.1	21.4	24.8	636.8	32.8	13.5	49.6	686.4
Q3	217.5	203.3	50.2	91.2	12.1	26.1	600.4	43.9	12.7	51.1	651.4
Q4	217.8	229.4	52.6	128.6	20.5	30.9	679.8	47.2	9.8	54.7	734.6
2012											
Q1	220.5	221.5	56.3	127.4	15.9	31.7	673.3	39.6	29.3	74.4	747.7

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

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

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
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	347.8	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	311.3	815.5	2,567.2
2009	421.9	53.9	90.2	286.6	101.6	16.9	322.1	42.2	320.2	869.9	2,524.8
2010	404.2	50.8	92.7	295.9	132.3	14.1	349.4	47.2	358.3	903.8	2,648.6

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

Sources: Eurostat; NSO.

Table 2.5 General government financial balance sheet[1]

EUR millions

Period	Financial assets						Financial 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	431.7	0.0	26.4	842.9	208.0	1,509.0	0.0	3,297.4	265.5	359.0	3,921.9	-2,413.0
2007	487.9	0.0	27.5	836.4	309.7	1,661.4	8.3	3,308.6	272.8	424.1	4,013.9	-2,352.4
2008	476.0	0.0	32.8	740.1	360.5	1,609.4	31.2	3,662.9	284.1	528.2	4,506.3	-2,896.9
2009	576.8	0.0	29.5	797.2	375.9	1,779.4	37.2	3,994.2	229.8	530.8	4,792.0	-3,012.6
2010	587.9	0.0	63.1	854.9	432.7	1,938.7	41.0	4,307.5	230.4	542.6	5,121.5	-3,182.8
2011												
Mar.	576.2	0.0	112.8	838.6	583.3	2,110.9	40.7	4,381.1	234.7	645.3	5,301.8	-3,190.9
June	694.2	0.0	131.2	839.8	526.8	2,192.0	42.6	4,509.3	234.7	666.7	5,453.3	-3,261.3
Sep.	657.8	0.0	136.6	829.8	492.7	2,116.9	44.5	4,500.9	243.0	718.2	5,506.6	-3,389.6
Dec.	648.4	0.0	150.6	842.3	490.7	2,132.0	45.8	4,625.1	253.2	598.6	5,522.7	-3,390.7
2012												
Mar.	661.2	0.0	189.2	851.4	679.8	2,381.6	45.2	4,789.1	299.5	672.6	5,806.4	-3,424.8

[1] 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[1]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2005	106.0	-142.1	93.0	-0.1	0.0	-55.4	-23.4	-50.0	-36.0
2006	-101.7	-140.9	67.1	-2.8	0.0	-219.4	-0.9	-86.7	-242.6
2007	131.4	-128.4	60.3	1.1	0.0	-32.1	-7.8	-18.4	3.1
2008	247.4	-267.9	-6.2	5.3	0.0	-5.1	20.3	-34.8	-20.5
2009	322.5	-218.5	135.6	-3.3	0.0	-1.7	-1.0	-25.6	104.0
2010	295.7	-227.7	52.0	33.5	0.0	-0.7	-0.1	-16.5	68.1
2011	349.6	-173.9	65.6	87.5	0.0	13.2	5.1	4.3	175.7
2011									
Q1	148.8	-44.5	-7.3	49.7	0.0	-7.4	4.7	64.7	104.4
Q2	128.3	-92.1	120.2	18.4	0.0	15.0	-3.1	-114.2	36.2
Q3	-57.4	-35.7	-34.4	5.4	0.0	0.1	5.1	-69.3	-93.1
Q4	129.8	-1.6	-12.9	14.0	0.0	5.5	-1.6	123.2	128.2
2012									
Q1	231.1	-85.5	14.1	38.6	0.0	1.2	-6.0	97.7	145.6

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

[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).

Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt [1]	Government guaranteed debt [2]
		Short-term	Long-term	Total	Short-term	Long-term	Total		
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	34.1	193.2	227.3	3,955.0	866.8
2010	41.0	377.8	3,603.6	3,981.4	39.7	188.7	228.4	4,250.7	998.1
2011									
Mar.	40.7	416.8	3,710.2	4,127.0	29.6	202.2	231.8	4,399.5	1,025.0
June	42.6	337.1	3,914.9	4,252.1	33.0	200.2	233.2	4,527.9	1,023.2
Sep.	44.5	304.3	3,880.4	4,184.8	41.1	200.2	241.2	4,470.5	1,080.7
Dec.	45.8	257.1	4,046.3	4,303.5	49.6	201.3	251.0	4,600.3	1,074.9
2012									
Mar.	45.2	216.4	4,272.8	4,489.2	52.1	244.9	297.0	4,831.4	1,078.5

[1] In line with the Maastricht criterion, which defines general government debt as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. Data are provisional.

[2] Represents outstanding balances on general government guaranteed debt.

Sources: Eurostat; NSO.

Government Finance

Table 2.8 Treasury bills issued and outstanding[1]

EUR millions

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

[1] Amounts are at nominal prices.

[2] Includes the Malta Government sinking fund.

[3] 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).

[4] 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[1] *(as at end-March 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[3]
				OMFIs[4]	Others[2]	MFIs	Others[2]	
06/Jan/2012	05/Apr/2012	0.810	N/A	5.0	0.0	5.0	0.0	5.0
07/Oct/2011	05/Apr/2012	1.400	N/A	5.0	0.0	5.0	0.0	5.0
08/Jul/2011	05/Apr/2012	1.477	N/A	15.0	0.1	15.0	0.1	15.1
13/Jan/2012	13/Apr/2012	0.749	0.988	4.3	0.0	0.0	4.3	4.3
15/Jul/2011	13/Apr/2012	1.608	0.988	23.0	0.1	23.0	0.1	23.1
20/Jan/2012	20/Apr/2012	0.700	0.974	5.0	0.0	5.0	0.0	5.0
27/Jan/2012	27/Apr/2012	0.692	0.962	12.7	0.0	10.0	2.7	12.7
03/Feb/2012	04/May/2012	0.890	0.968	23.6	1.1	19.0	5.7	24.7
09/Feb/2012	11/May/2012	0.890	0.973	5.7	0.0	0.0	5.7	5.7
17/Feb/2012	18/May/2012	0.889	0.978	1.6	0.0	0.0	1.6	1.6
24/Feb/2012	25/May/2012	0.897	0.983	0.5	0.0	0.0	0.5	0.5
02/Mar/2012	01/Jun/2012	0.850	0.988	2.0	0.0	0.0	2.0	2.0
09/Mar/2012	08/Jun/2012	0.855	0.993	7.0	2.3	7.0	2.3	9.3
09/Dec/2011	08/Jun/2012	1.330	0.993	0.5	0.0	0.5	0.0	0.5
16/Mar/2012	15/Jun/2012	0.848	0.998	5.3	1.5	5.3	1.5	6.8
23/Mar/2012	22/Jun/2012	0.847	1.003	2.3	0.0	0.3	2.0	2.3
30/Mar/2012	28/Jun/2012	0.837	1.007	13.8	0.0	8.3	5.5	13.8
06/Jan/2012	06/Jul/2012	1.000	1.010	5.0	0.0	5.0	0.0	5.0
14/Oct/2011	13/Jul/2012	1.576	1.013	30.0	0.0	30.0	0.0	30.0
20/Jan/2012	20/Jul/2012	1.000	1.015	5.0	0.0	5.0	0.0	5.0
27/Jan/2012	27/Jul/2012	1.017	1.018	15.0	0.0	15.0	0.0	15.0
03/Feb/2012	03/Aug/2012	1.005	1.020	9.9	0.0	9.9	0.0	9.9
24/Feb/2012	24/Aug/2012	1.000	1.027	2.0	0.0	2.0	0.0	2.0
23/Mar/2012	20/Sep/2012	1.050	1.036	2.9	0.0	0.0	2.9	2.9
13/Jan/2012	12/Oct/2012	1.399	1.074	5.0	0.0	5.0	0.0	5.0
09/Feb/2012	09/Nov/2012	1.323	1.144	4.9	0.0	0.0	4.9	4.9
Total				212.0	5.1	175.3	41.8	217.1

[1] Amounts are at nominal prices.
[2] Includes the Malta Government sinking fund.
[3] 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).
[4] OMFIs include the money market funds.
Sources: Central Bank of Malta; The Treasury.

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

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[5]	ISMA Yield (%)	Interest dates	Held by		Amount
						MFIs[2]	Others	
7.80	2012 (I)	1997	100	N/A[6]	24/05 - 24/11	57.0	23.4	80.4
7.00	2012 (II)[3]	2002	100	1.35	30/06 - 30/12	0.0	0.4	0.4
5.70	2012 (III)[4]	2005/2007	100/102.75/103.85/ 105.95/108/108.5/ 109.7	N/A[6]	30/03 - 30/09	157.8	111.1	268.9
7.80	2013 (I)	1997	100	2.04	18/04 - 18/10	48.3	31.4	79.8
6.35	2013 (II)[4]	2001	100	1.49	19/05 - 19/11	10.9	49.7	60.6
7.00	2013 (III)[3]	2003	100	2.17	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV)[4]	2009	100	2.03	18/04 - 18/10	224.5	62.5	287.0
6.60	2014 (I)[4]	2000	100	2.31	30/03 - 30/09	10.1	14.4	24.5
6.45	2014 (II)[4]	2001	100	2.57	24/05 - 24/11	22.1	47.8	69.9
5.10	2014 (III)[4]	03/04/06/07/08	100/103.25/ 103.64/105.5	2.51	06/01 - 06/07	169.9	219.0	388.9
7.00	2014 (IV)[3]	2004	100	2.59	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	2.69	10/06 - 10/12	38.5	31.4	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	2.78	09/04 - 09/10	33.5	83.0	116.5
7.00	2015 (III)[3]	2005	100	2.84	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	2.84	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI)[4]	2010	100	2.82	03/06 - 03/12	95.4	36.1	131.5
6.65	2016 (I)[4]	2001	100	2.96	28/03 - 28/09	11.7	58.2	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	3.35	26/05 - 26/11	75.6	110.7	186.3
7.00	2016 (III)[3]	2006	100	3.36	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[3]	2011	100.93	3.18	16/02 - 16/08	126.3	31.9	158.2
7.00	2017 (I)[3]	2007	100	3.52	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	3.52	30/06 - 30/12	0.0	10.3	10.3
4.25	2017 (III)[4]	2011	100	3.48	06/05 - 06/11	131.2	73.8	205.0
4.25	2017 (III)[4] FIBR	2011	100.75	3.48	06/05 - 06/11	0.1	6.2	6.3
4.25	2017 (III)[4] FICI	2011	104.97	3.48	06/05 - 06/11	28.0	5.5	33.5
4.25	2017 (III)[4] FID R	2012	103.75	3.48	06/05 - 06/11	4.4	11.7	16.1
4.25	2017 (III)[4] FIEI	2012	104.01	3.48	06/05 - 06/11	0.0	3.0	3.0
7.80	2018 (I)	1998	100	3.64	15/01 - 15/07	89.0	74.0	163.1
7.00	2018 (II)[3]	2008	100	3.73	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	3.73	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	3.87	01/03 - 01/09	45.9	56.6	102.5
7.00	2019 (II)[3]	2009	100	3.94	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	4.02	10/06 - 10/12	11.1	41.3	52.4
4.60	2020 (II)[4]	2009	100	4.03	25/04 - 25/10	89.1	69.2	158.3
7.00	2020 (III)[3]	2010	100	4.12	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	4.24	08/02 - 08/08	140.1	318.7	458.8
7.00	2021 (II)[4]	2011	100	4.28	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[4]	2011	100	4.28	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	4.35	16/02 - 16/08	8.7	62.4	71.1
4.30	2022 (II) I	2012	100.34	4.33	15/05 - 15/11	75.0	12.2	87.2
4.30	2022 (II) R	2012	100	4.33	15/05 - 15/11	3.3	68.0	71.3
5.50	2023 (I)[4]	2003	100	4.47	06/01 - 06/07	17.9	60.9	78.8
5.25	2030 (I)[4]	2010	100	5.19	23/06 - 23/12	99.8	340.4	440.2
5.20	2031 (I)[4] I	2011	102.88	5.18	16-03 - 16/09	14.8	186.5	201.3
F.R. 6-mth Euribor[7]	2013 (V)[4]	2010	100	1.7710/0.35[7]	24/02 - 24/08	7.0	0.3	7.3
F.R. 6-mth Euribor[7]	2013 (VI)[4]	2010	100	1.827/0.560[7]	11/02 - 11/08	30.0	0.0	30.0
F.R. 6-mth Euribor[7]	2013 (VII)[4]	2011	100.22	2.136/0.485	18/05 - 18/11	51.8	0.3	52.0
F.R. 6-mth Euribor[7]	2014 (V)[4]	2011	100.28	2.144/1.277	23/05 - 23/11	24.0	0.0	24.0
F.R. 6-mth Euribor[7]	2015 (V)[4]	2009	100	2.585/1.312[7]	25/04 - 25/10	11.2	18.6	29.8
Total						1,964.0	2,364.9	4,328.9

[1] Amounts are at nominal prices.

[2] Comprising resident MFIs.

[3] 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.

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

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

[6] ISMA yields are not available as securities were not listed on the MSE by the end of the reference period.

[7] Floating Rate 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 3 business days prior to coupon period each year. Interest for each period and accrued interest will be calculated on an Actual/360 day basis.

Sources: Central Bank of Malta; MSE.

Government Finance

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

EUR millions

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

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

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

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

[2] Including external loans of extra budgetary units. Short-term maturity refers to loans falling due within 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.

[3] Provisional.

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

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

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

Source: ECB.

Exchange Rates, External Transactions and Positions

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

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

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

Source: ECB.

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

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		Credit	Debit
2005	2,083.2	2,987.5	1,617.2	969.5	973.9	1,173.5	277.5	241.6	-420.4	165.9	10.2
2006[2]	2,573.8	3,541.1	2,047.7	1,406.3	1,462.4	1,634.1	417.0	423.4	-504.1	158.3	5.6
2007[2]	2,700.1	3,629.0	2,469.1	1,607.3	1,973.5	2,123.1	639.5	668.4	-245.5	75.4	6.8
2008[2]	2,526.0	3,759.4	2,931.7	1,810.2	2,211.6	2,386.0	903.8	910.3	-292.7	36.1	11.6
2009[2]	2,060.8	3,144.0	2,841.9	1,842.8	1,649.6	2,046.9	1,431.0	1,388.3	-438.8	108.2	9.1
2010[2]	2,673.2	3,793.2	3,240.4	2,021.5	1,609.0	2,091.3	1,298.9	1,270.2	-354.7	116.0	10.3
2011[2]	3,029.8	4,042.3	3,338.9	2,000.6	1,628.1	2,068.1	904.5	876.7	-86.4	85.8	25.5
2011[2]											
Q1	773.2	1,026.8	700.2	462.8	376.3	560.9	189.9	210.6	-221.6	13.8	16.9
Q2	763.5	1,111.9	849.0	485.8	382.9	552.7	243.8	213.8	-124.9	31.9	3.4
Q3	648.9	886.9	1,016.7	525.1	418.3	425.8	223.5	223.4	246.2	30.2	2.6
Q4	844.2	1,016.6	773.0	526.9	450.6	528.8	247.3	228.8	13.9	9.9	2.6
2012[2]											
Q1	823.5	967.5	710.0	463.7	464.2	608.1	198.2	211.4	-54.8	11.4	2.2

EUR millions

Period	Financial account [1]										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2005	16.6	543.5	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	299.8	-35.1
2006[2]	-23.9	1,465.4	-1,965.1	-15.3	40.5	-15.6	-3,293.9	4,200.9	-83.0	310.0	41.4
2007[2]	-10.2	588.2	367.7	-0.2	-127.9	251.1	-7,617.5	7,015.3	-326.5	140.2	36.7
2008[2]	-199.0	547.2	200.6	167.0	27.9	-372.2	-4,456.1	4,185.3	108.7	209.3	59.0
2009[2]	-81.9	537.1	-1,881.5	-25.7	-6.6	-112.1	3,718.4	-2,125.2	-2.4	19.9	319.7
2010[2]	-43.4	802.7	-3,224.8	1.5	-40.0	67.8	554.6	1,812.8	-23.6	-92.4	341.5
2011[2]	-15.0	387.4	-3,113.1	-0.3	-13.3	37.6	1,560.0	1,083.0	52.9	-21.0	47.1
2011[2]											
Q1	0.8	41.6	-150.6	6.9	27.5	-26.2	751.6	-598.6	-12.7	40.4	184.2
Q2	-7.9	77.3	-50.4	18.2	14.2	15.0	-2,980.7	2,954.4	48.3	88.4	8.1
Q3	-6.8	61.6	-959.7	-12.0	-28.4	66.7	1,349.9	-465.3	10.9	16.9	-290.7
Q4	-1.2	206.9	-1,952.4	-13.4	-26.7	-17.9	2,439.1	-807.5	6.4	-166.7	145.5
2012[2]											
Q1	3.2	-99.1	156.8	-4.0	62.3	-6.3	-415.5	303.3	-126.1	-125.4	171.0

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

Exchange Rates, External Transactions and Positions

Table 3.3 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange: Currency and deposits	Foreign exchange: Securities other than shares	Foreign exchange: Other reserve assets[2]	Total
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009[3]	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010[3]	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011[3]							
June	6.6	104.7	45.5	34.9	173.5	7.1	372.2
July	7.1	101.7	48.4	51.2	179.3	-0.2	387.4
Aug.	8.0	101.0	48.1	28.5	177.8	5.5	368.9
Sep.	7.6	104.8	49.9	23.3	179.7	-15.2	350.1
Oct.	9.7	102.7	48.9	17.6	172.9	-1.3	350.5
Nov.	8.0	105.3	50.1	17.9	172.2	-7.1	346.4
Dec.	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
2012[3]							
Jan.	8.3	106.8	53.9	6.5	238.8	6.4	420.8
Feb.	8.4	105.0	54.6	27.9	273.3	10.3	479.4
Mar.	11.8	105.6	54.5	50.6	282.9	6.7	512.2

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

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

[3] Provisional.

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

EUR millions

Period	Direct investment: Abroad	Direct investment: In Malta	Portfolio investment: Assets	Portfolio investment: Liabilities	Financial derivatives: Assets	Financial derivatives: Liabilities	Other investments: Assets	Other investments: Liabilities	Official reserve assets	IIP (net)
2005	840.5	3,645.5	10,053.9	413.0	42.3	44.2	9,595.9	16,839.5	2,188.9	1,779.4
2006[1]	873.5	4,961.8	11,371.0	408.1	34.4	49.3	12,319.2	19,992.1	2,240.6	1,427.5
2007[1]	813.7	5,638.0	10,693.7	406.9	106.8	79.1	19,393.6	26,457.2	2,561.4	988.2
2008[1]	697.3	5,756.7	10,188.2	551.0	276.8	281.7	25,890.2	30,573.8	268.3	157.6
2009[1]	1,071.8	6,648.8	12,444.5	498.5	138.1	177.8	22,104.3	28,144.6	373.7	662.7
2010[1]	1,137.0	12,524.3	15,597.6	478.4	217.3	307.3	27,438.3	31,063.8	404.9	421.3
2011[1]										
Mar.	1,141.1	12,293.8	15,168.1	473.1	198.3	249.9	25,981.4	29,458.2	413.0	427.0
June	1,151.7	12,383.6	14,702.2	490.2	166.5	219.0	28,717.5	31,764.2	372.2	253.1

[1] Provisional.

Source: NSO.

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

EUR millions

	2008[2]	2009[2]	2010[2]	2011[2]	2012[2]
					Mar.
General Government	292.9	264.3	231.1	248.4	293.4
Short-term	84.0	63.8	39.6	50.0	49.9
Money market instruments	76.6	31.4	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Trade credits	7.4	32.4	39.6	50.0	49.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	208.9	200.4	191.6	198.3	243.5
Bonds and notes	89.9	98.1	103.9	106.6	111.4
Loans	119.0	102.3	87.7	90.3	130.8
Trade credits	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	1.4	1.3
Monetary Authorities	677.8	826.3	1,228.9	426.0	1,105.1
Short-term	677.8	826.3	1,228.9	426.0	1,105.1
Money market instruments	0.0	0.0	0.0	0.0	0.0
Loans	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
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0
OMFIs[3]	28,503.4	25,835.3	28,068.4	29,077.6	28,623.1
Short-term	23,271.7	20,616.8	21,558.3	22,525.7	21,948.2
Money market instruments	0.0	3.4	0.0	0.0	0.0
Loans	9,291.0	7,299.9	4,753.7	6,865.8	5,504.4
Currency and deposits	13,116.8	13,181.4	16,623.0	15,544.7	16,331.4
Other debt liabilities	863.9	132.1	181.6	115.2	112.4
Long-term	5,231.7	5,218.5	6,510.1	6,551.9	6,674.9
Bonds and notes	13.7	13.9	14.9	4.0	4.0
Loans	4,986.1	5,111.1	6,495.2	6,548.0	6,670.9
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	231.9	93.4	0.0	0.0	0.0
Other Sectors[4]	1,534.9	1,619.7	1,902.9	2,046.8	2,116.5
Short-term	814.4	850.8	1,027.3	1,165.5	1,221.5
Money market instruments	0.0	0.0	0.0	0.0	0.0
Loans	74.1	40.0	59.6	70.6	77.1
Currency and deposits	130.6	179.8	230.4	283.1	296.8
Trade credits	609.7	631.0	737.2	811.9	847.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	720.5	768.8	875.6	881.3	894.9
Bonds and notes	212.8	210.6	212.4	218.6	221.6
Loans	487.4	494.6	599.8	581.0	587.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Trade credits	20.4	63.6	63.4	81.7	86.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,099.4	1,299.9	1,732.9	1,840.7	1,899.4
Debt liabilities to affiliated enterprises	71.6	95.8	124.6	154.6	155.8
Debt liabilities to direct investors	1,027.7	1,204.1	1,608.3	1,686.1	1,743.6
Gross External Debt	**32,108.4**	**29,845.4**	**33,164.2**	**33,639.5**	**34,037.5**
of which: OMFIs	**28,503.4**	**25,835.3**	**28,068.4**	**29,077.6**	**28,623.1**
Gross External Debt excluding OMFIs' debt liabilities	**3,605.0**	**4,010.1**	**5,095.8**	**4,561.9**	**5,414.4**

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

[2] Provisional.

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

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

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

EUR millions

	2008[2]	2009[2]	2010[2]	2011[2]	2012[2]
					Mar.
General Government	291.3	251.8	190.8	166.7	171.8
Short-term	82.4	51.4	32.4	49.3	49.2
Money market instruments	76.6	31.4	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-0.1	-0.1	-0.3	-0.2	-0.2
Trade credits	5.9	20.0	32.7	49.5	49.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	208.9	200.4	158.4	117.4	122.5
Bonds and notes	89.9	98.1	103.9	106.6	111.4
Loans	119.0	102.3	67.9	23.8	23.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	-13.4	-12.7	-12.0
Other Debt Liabilities	0.0	0.0	0.0	-0.3	-0.4
Monetary Authorities	-852.6	-678.4	-754.8	-1,942.8	-1,329.5
Short-term	212.4	557.2	968.6	119.4	877.1
Money market instruments	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Currency and deposits	213.2	557.2	968.6	119.4	877.1
Other debt liabilities	-0.8	0.0	0.0	0.0	0.0
Long-term	-1,065.0	-1,235.5	-1,723.4	-2,062.2	-2,206.6
Bonds and notes	-1,053.5	-1,222.3	-1,709.2	-2,045.8	-2,183.8
Loans	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	-11.5	-13.2	-14.2	-16.3	-22.8
OMFIs	-3,262.7	-4,047.9	-9,690.0	-8,377.4	-9,624.0
Short-term	17,057.8	14,057.2	12,029.9	13,046.0	18,725.3
Money market instruments	-9.2	-198.8	-173.3	-2.0	-2.4
Loans	7,769.0	6,049.5	3,669.3	6,458.6	-9,830.3
Currency and deposits	8,476.1	8,167.8	8,457.6	6,523.1	28,500.9
Other debt liabilities	821.9	38.7	76.3	66.4	57.1
Long-term	-20,320.5	-18,105.1	-21,719.9	-21,423.5	-28,349.3
Bonds and notes	-7,748.8	-9,535.1	-12,141.3	-13,557.7	-14,198.3
Loans	-12,698.7	-8,598.3	-9,578.6	-7,865.7	-14,151.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	127.0	28.3	0.0	0.0	0.0
Other Sectors[3]	-678.6	-915.1	-667.7	-690.4	-699.2
Short-term	-632.2	-740.6	-536.0	-472.3	-463.7
Money market instruments	0.0	-0.8	-0.9	0.0	-0.1
Loans	-29.2	-5.9	5.1	-3.0	2.5
Currency and deposits	-463.1	-436.9	-379.7	-326.6	-312.5
Trade credits	-139.9	-297.0	-160.4	-142.7	-153.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	-46.4	-174.5	-131.8	-218.2	-235.5
Bonds and notes	-431.5	-561.0	-600.5	-665.1	-688.8
Loans	454.3	420.5	525.6	506.2	513.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Trade credits	-62.5	-27.3	-50.2	-52.6	-53.3
Other debt liabilities	-6.6	-6.6	-6.6	-6.6	-6.6
Direct Investment: Intercompany Lending	212.2	268.4	396.3	395.0	290.0
Debt Liabilities to affiliated enterprises	-243.3	-259.8	-348.6	-342.1	-343.0
Debt Liabilities to direct investors	455.5	528.2	744.9	737.2	633.1
Net External Debt	**-4,290.3**	**-5,121.2**	**-10,525.5**	**-10,449.0**	**-11,190.9**
of which: OMFIs	**-3,262.7**	**-4,047.9**	**-9,690.0**	**-8,377.4**	**-9,624.0**
Net External Debt Excluding OMFIs	**-1,027.7**	**-1,073.3**	**-835.5**	**-2,071.6**	**-1,566.9**

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

[2] Provisional.

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

Table 3.6 Malta's foreign trade[1]

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2005	1,959.1	3,117.2	(1,158.1)
2006	2,499.9	3,537.1	(1,037.3)
2007[2]	2,597.4	3,603.9	(1,006.5)
2008[2]	2,455.5	3,897.0	(1,441.4)
2009[2]	2,085.9	3,454.1	(1,368.2)
2010[2]	2,806.0	4,327.5	(1,521.5)
2011[2]	3,815.3	5,323.1	(1,507.8)
2011[2]			
Jan.	285.6	345.1	(59.5)
Feb.	207.4	413.5	(206.1)
Mar.	271.2	409.2	(138.0)
Apr.	270.0	480.5	(210.5)
May	196.5	413.9	(217.4)
June	295.5	368.6	(73.0)
July	214.4	387.5	(173.2)
Aug.	214.9	354.5	(139.5)
Sep.	418.9	434.3	(15.4)
Oct.	447.2	490.7	(43.5)
Nov.	669.7	832.5	(162.8)
Dec.	324.1	392.9	(68.8)
2012[2]			
Jan.	316.4	424.3	(108.0)
Feb.	407.2	496.5	(89.4)
Mar.	291.9	399.4	(107.5)

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

Table 3.7 Direction of trade - exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
2005	283.8	236.3	100.5	92.9	713.5	216.2	75.0	1,004.7	460.9	263.9	229.6	1,959.1
2006	326.7	283.0	85.6	164.1	859.4	213.2	82.3	1,154.9	631.4	275.5	438.1	2,499.9
2007[2]	271.3	306.8	90.8	131.7	800.5	222.1	86.2	1,108.8	719.9	246.7	522.1	2,597.4
2008[2]	237.3	270.4	114.6	99.8	722.1	165.3	66.5	953.9	713.9	183.0	604.7	2,455.5
2009[2]	187.4	222.0	105.2	141.8	656.4	99.1	63.8	819.2	528.1	152.3	586.2	2,085.9
2010[2]	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[2]	244.8	326.3	171.1	291.1	1,033.4	146.9	118.0	1,298.3	1,092.1	169.0	1,255.8	3,815.3
2011[2]												
Jan.	13.9	23.9	9.2	33.7	80.8	10.0	8.0	98.7	64.2	11.4	111.3	285.6
Feb.	15.0	23.8	13.7	9.3	61.8	10.8	9.3	81.8	75.0	13.0	37.5	207.4
Mar.	23.0	28.6	13.8	10.8	76.2	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	12.0	70.6	15.3	8.9	94.8	61.5	13.3	26.9	196.5
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	95.5	9.4	11.0	115.9	47.5	13.0	38.0	214.4
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	29.7	12.4	33.3	97.8	10.1	5.8	113.7	201.2	21.4	333.3	669.7
Dec.	26.2	22.7	8.7	40.4	98.0	8.1	8.8	114.8	98.6	12.7	97.9	324.1
2012[2]												
Jan.	19.5	36.3	9.9	9.5	75.2	6.9	6.3	88.4	56.4	11.8	159.8	316.4
Feb.	28.3	30.5	12.6	21.6	93.0	7.6	8.4	109.0	65.6	12.4	220.2	407.2
Mar.	27.0	37.7	9.1	9.1	83.0	11.0	7.2	101.2	68.7	17.8	104.2	291.9

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

[2] Provisional.

Source: NSO.

Table 3.8 Direction of trade - imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
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[2]	420.1	290.5	902.7	375.3	1,988.6	499.5	103.4	2,591.5	597.2	206.5	208.6	3,603.9
2008[2]	381.4	267.6	1,027.4	484.5	2,161.0	457.4	137.2	2,755.6	597.8	86.8	456.8	3,897.0
2009[2]	338.9	272.4	843.1	462.9	1,917.4	377.8	109.6	2,404.7	457.7	124.7	467.0	3,454.1
2010[2]	338.5	295.1	1,065.7	495.1	2,194.5	357.6	161.8	2,713.9	611.7	92.8	909.2	4,327.5
2011[2]	374.7	311.2	1,442.5	523.7	2,652.0	359.6	329.6	3,341.1	641.9	225.3	1,114.7	5,323.1
2011[2]												
Jan.	37.6	28.2	75.7	37.0	178.5	22.9	25.1	226.6	55.6	22.2	40.7	345.1
Feb.	23.4	32.1	133.9	32.0	221.4	37.6	12.1	271.0	49.4	33.7	59.4	413.5
Mar.	35.8	27.7	123.4	36.6	223.4	45.2	10.8	279.5	47.8	4.0	77.9	409.2
Apr.	52.6	27.3	100.0	36.7	216.6	57.6	8.6	282.8	56.4	33.3	108.1	480.5
May	24.4	24.7	108.4	44.4	202.0	33.3	15.6	250.9	63.0	15.2	84.8	413.9
June	34.7	22.1	105.1	33.1	194.9	21.6	11.5	228.0	48.8	16.0	75.7	368.6
July	19.5	26.4	86.1	66.5	198.5	23.7	19.0	241.2	61.0	4.4	80.9	387.5
Aug.	39.1	27.6	91.7	40.1	198.6	21.0	14.3	233.9	45.9	17.7	57.0	354.5
Sep.	23.4	25.6	110.0	29.5	188.6	21.7	43.9	254.2	53.3	46.1	80.7	434.3
Oct.	34.4	25.9	183.0	48.8	292.1	25.9	46.7	364.7	43.2	16.1	66.6	490.7
Nov.	23.4	25.2	198.6	33.4	280.7	25.2	113.1	419.0	79.6	5.7	328.3	832.5
Dec.	26.3	18.4	126.5	85.4	256.7	23.8	8.8	289.3	37.9	10.9	54.8	392.9
2012[2]												
Jan.	17.5	18.3	86.6	28.6	151.1	18.9	9.9	179.8	139.9	10.4	94.2	424.3
Feb.	25.3	26.4	267.1	29.3	348.1	28.2	7.2	383.5	35.9	22.6	54.6	496.5
Mar.	36.5	33.2	117.2	49.1	236.0	46.1	30.3	312.4	44.0	4.3	38.8	399.4

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

[2] Provisional.

Source: NSO.

Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net		
2005	3,153.9	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	3,302.8	1,011.8	1,116.4	-116.3	5,314.8	4,621.5	4,868.8	-247.3	5,067.5	4,876.3
2007	3,385.8	1,043.2	1,181.6	-97.7	5,512.9	5,169.2	5,237.2	-68.0	5,444.9	5,278.5
2008	3,677.0	1,218.6	1,044.7	16.9	5,957.2	5,457.7	5,570.9	-113.2	5,844.0	5,637.1
2009	3,717.0	1,243.6	919.0	34.6	5,914.3	4,902.7	4,988.2	-85.5	5,828.8	5,406.6
2010	3,773.1	1,292.6	1,082.9	-90.9	6,057.6	5,913.7	5,817.4	96.3	6,154.0	5,671.0
2011	3,945.0	1,351.1	962.1	-149.1	6,109.0	6,363.4	6,046.2	317.2	6,426.3	5,977.8
2011										
Q1	971.0	334.4	225.4	32.4	1,563.3	1,468.0	1,490.2	-22.1	1,541.1	1,358.6
Q2	964.8	336.5	243.5	35.9	1,580.6	1,612.6	1,598.6	14.0	1,594.6	1,420.1
Q3	988.8	330.0	230.4	-114.1	1,435.0	1,665.6	1,413.1	252.5	1,687.5	1,676.5
Q4	1,020.5	350.2	262.8	-103.3	1,530.1	1,617.1	1,544.3	72.9	1,603.0	1,522.7
2012										
Q1	941.6	372.2	237.7	-94.4	1,457.2	1,531.2	1,432.4	98.8	1,556.0	1,418.0

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Source: NSO.

Table 4.1b Gross domestic product and expenditure components *(at constant 2000 prices)*[1]

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net	
2005	2,849.6	766.8	967.5	-163.9	4,420.0	3,735.8	3,933.5	197.7	4,222.3
2006	2,959.7	836.9	965.9	-103.9	4,658.6	4,387.5	4,692.8	305.2	4,353.4
2007	2,971.0	841.2	974.9	-86.9	4,700.1	4,824.5	4,977.7	153.2	4,546.9
2008	3,141.1	945.7	783.6	14.1	4,884.5	4,858.0	5,007.3	149.3	4,735.2
2009	3,093.6	933.2	654.3	28.0	4,709.1	4,392.3	4,490.6	98.3	4,610.7
2010	3,055.1	939.9	738.6	-68.7	4,664.8	5,178.4	5,116.1	-62.4	4,727.2
2011	3,165.3	975.8	632.2	-114.6	4,658.7	5,282.8	5,116.7	-166.1	4,824.8
2011									
Q1	789.3	243.3	143.0	24.4	1,200.0	1,252.7	1,300.3	47.6	1,152.4
Q2	771.4	242.4	153.3	26.7	1,193.8	1,319.2	1,336.0	16.8	1,177.0
Q3	788.9	236.5	157.4	-87.3	1,095.6	1,331.6	1,168.3	-163.3	1,259.0
Q4	815.7	253.5	178.5	-78.4	1,169.3	1,379.3	1,312.2	-67.1	1,236.5
2012									
Q1	754.5	268.3	150.3	-69.6	1,103.5	1,262.7	1,224.9	-37.8	1,141.2

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Source: NSO.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								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	217.7	211.2	641.6	415.1	103.6	1,160.3	176.2	1,336.4
2011	103.7	134.6	198.4	212.3	649.0	439.7	115.4	1,204.1	206.2	1,410.3
2011										
Jan.	3.4	5.3	15.6	8.3	32.7	16.8	5.0	54.5	10.4	64.9
Feb.	5.3	4.1	9.1	7.5	26.1	24.0	3.5	53.6	11.9	65.5
Mar.	6.1	9.7	13.8	12.4	42.0	30.5	4.7	77.1	22.5	99.7
Apr.	11.3	12.2	16.6	19.8	60.0	36.8	11.5	108.3	12.1	120.5
May	12.6	10.9	13.8	23.2	60.4	41.5	11.3	113.2	16.6	129.8
June	10.3	14.7	17.0	20.4	62.3	44.5	11.9	118.7	18.4	137.0
July	11.8	12.7	20.2	27.0	71.7	45.5	17.1	134.3	27.3	161.6
Aug.	15.9	15.4	36.3	30.7	98.2	53.8	15.4	167.4	24.2	191.6
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
2012										
Jan.	3.0	6.6	12.4	7.9	29.9	16.6	4.6	51.1	11.1	62.3
Feb.	3.4	7.1	6.8	8.1	25.4	22.3	3.5	51.2	10.5	61.7
Mar.	4.8	9.0	11.9	11.2	36.7	26.1	6.6	69.5	11.5	81.0

[1] 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[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	103.5	42.7	146.2	97.6	41.1	138.7	5.8	5.7	1.6	3.7	7.4	5.1
2006	103.4	43.9	147.3	97.8	42.2	140.0	5.6	5.5	1.7	3.9	7.3	5.0
2007	103.6	45.2	148.9	98.5	43.7	142.2	5.1	4.9	1.6	3.5	6.7	4.5
2008	104.4	47.2	151.6	99.6	45.8	145.4	4.8	4.6	1.4	3.0	6.2	4.1
2009	104.1	48.3	152.4	98.5	46.7	145.1	5.7	5.4	1.7	3.5	7.3	4.8
2010	103.7	49.5	153.2	98.2	48.0	146.1	5.5	5.3	1.5	3.1	7.1	4.6
2011[3]	103.8	51.7	155.5	98.7	50.3	148.9	5.2	5.0	1.4	2.7	6.6	4.2
2011[3]												
Jan.	104.1	50.4	154.5	98.7	49.0	147.7	5.4	5.2	1.4	2.8	6.8	4.4
Feb.	104.2	50.7	154.8	98.7	49.2	147.9	5.5	5.3	1.5	2.9	7.0	4.5
Mar.	103.5	50.5	154.0	98.2	49.2	147.4	5.3	5.1	1.4	2.7	6.7	4.3
Apr.	103.5	51.1	154.6	98.2	49.8	148.0	5.3	5.1	1.3	2.6	6.6	4.3
May	103.5	51.5	154.9	98.4	50.2	148.5	5.1	4.9	1.3	2.5	6.4	4.1
June	103.7	51.8	155.5	98.8	50.5	149.3	4.9	4.7	1.3	2.5	6.2	4.0
July	104.0	52.2	156.1	98.9	50.8	149.6	5.1	4.9	1.4	2.7	6.5	4.2
Aug.	103.9	52.3	156.2	98.9	50.9	149.8	5.1	4.9	1.4	2.7	6.5	4.1
Sep.	104.1	52.3	156.4	99.0	50.9	149.9	5.1	4.9	1.4	2.7	6.6	4.2
Oct.	103.8	52.2	156.0	98.6	50.8	149.5	5.1	5.0	1.4	2.7	6.5	4.2
Nov.	104.1	52.5	156.5	98.9	51.1	150.0	5.2	5.0	1.4	2.7	6.6	4.2
Dec.	103.9	52.5	156.4	98.7	51.1	149.8	5.2	5.0	1.4	2.7	6.6	4.2
2012[3]												
Jan.	104.0	52.7	156.7	98.8	51.2	149.9	5.2	5.0	1.5	2.8	6.7	4.3
Feb.	104.2	52.8	157.1	98.8	51.4	150.2	5.4	5.2	1.5	2.8	6.9	4.4

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

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	113.0	54.2	167.2	106.3	50.0	156.4	6.7	5.9	4.1	7.6	10.8	6.5
2008	113.5	57.2	170.7	107.1	53.2	160.4	6.4	5.7	3.9	6.9	10.4	6.1
2009	115.0	58.3	173.3	107.4	53.9	161.3	7.6	6.6	4.4	7.6	12.0	6.9
2010	116.2	60.5	176.7	108.3	56.2	164.4	7.9	6.8	4.3	7.1	12.2	6.9
2011[3]	117.0	63.6	180.6	110.0	59.1	169.1	7.1	6.0	4.4	7.0	11.5	6.4
2011[3]												
Q1	117.2	62.3	179.5	110.2	57.8	168.0	7.0	6.0	4.5	7.2	11.5	6.4
Q2	118.0	62.3	180.3	110.3	57.9	168.2	7.7	6.5	4.4	7.0	12.1	6.7
Q3	118.3	63.4	181.7	111.3	59.2	170.5	7.0	5.9	4.2	6.7	11.2	6.2
Q4	116.3	63.1	179.4	109.1	58.5	167.6	7.2	6.2	4.6	7.3	11.8	6.6
2012[3]												
Q1	115.4	66.9	182.3	108.9	62.3	171.3	6.5	5.6	4.5	6.8	11.0	6.1

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

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

Period	Total	Apartments	Maisonettes	Terraced houses	Others[1]
2005	170.9	173.7	176.7	188.9	160.3
2006	177.0	178.3	187.0	196.2	175.0
2007	178.9	183.3	181.4	205.3	171.9
2008	174.1	172.7	181.4	201.5	173.7
2009	165.3	162.2	173.7	207.8	169.6
2010	167.1	166.4	171.8	199.4	178.5
2011	169.3	173.0	174.5	197.6	172.5
2011					
Q1	164.0	166.5	174.5	194.3	159.6
Q2	167.3	174.4	170.9	197.2	180.5
Q3	173.0	176.5	174.4	204.9	172.8
Q4	173.1	174.6	178.1	194.1	177.0
2012					
Q1	172.9	181.0	173.2	177.8	166.0

[1] 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[1]

Period	Commercial and social								Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking	Total		
2005	293	33	217	16	25	43	103	730	2,980	3,710
2006	267	38	169	9	26	30	84	623	3,129	3,752
2007	325	27	185	8	14	30	60	649	3,018	3,667
2008	182	29	137	6	14	8	66	442	2,475	2,917
2009	160	31	123	6	20	23	47	410	2,281	2,691
2010	293	55	231	10	46	118	79	832	1,522	2,354
2011	192	33	256	4	47	74	49	655	1,065	1,720

[1] Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis. Excludes applications for dwellings and minor works on dwellings.

[2] Includes quarrying.

[3] Including the construction of offices, shops and retail outlets, warehouses, mixed offices and retail outlets, mixed residential premises, offices and retail outlets, mixed residential premises and retail outlets.

[4] Including the construction of premises related to the provision of community and health, recreational and educational services.

[5] Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works, infrastructure, monuments, embellishment projects, boathouses and yacht marinas, light industry, waste management facilities and others.

Source: Malta Environment & Planning Authority.

Table 4.7 Development permits for dwellings, by type[1]

Period	Number of permits[2]			Number of units[3]				
	New dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2005	1,852	570	2,422	7,539	1,058	363	121	9,081
2006	2,502	492	2,994	8,961	932	375	141	10,409
2007	2,636	411	3,047	10,252	696	257	138	11,343
2008	1,770	375	2,145	6,184	361	164	127	6,836
2009	1,241	368	1,609	4,616	400	182	100	5,298
2010	1,499	1,020	2,519	3,736	375	227	106	4,444
2011	1,159	832	1,991	3,276	401	191	87	3,955

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

[2] Total for permits granted is irrespective of the number of units.

[3] Data comprise the actual number of units (e.g. a block of apartments may consist of several units).

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Real Economy Indicators

Table 4.8 Inflation rates measured by the Retail Price Index[1] *(base 1946 = 100)*

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

[1] The Index of Inflation (1946 = 100) is compiled by the NSO on the basis of the Retail Price Index in terms of Article 13 of the Housing (Decontrol) Ordinance, Cap. 158.

[2] Following the revision of utility rates in November 1998, the index and the rate of inflation for the year 1997 were revised to 567.08 and 3.11% respectively. Consequently, the rate of inflation for 1998 would stand at 2.39%.

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

Period	All Items Index	12-month moving average rates of change (%)[1]										
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2005	90.1	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	92.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	93.8	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008	97.8	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
2009	99.8	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
2010	101.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
2011	104.1	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2011												
Jan.	102.2	1.6	1.4	1.9	-4.1	2.3	23.0	0.2	0.6	1.8	1.7	1.7
Feb.	102.1	1.8	2.0	1.9	-4.2	2.6	21.6	-0.2	0.9	1.8	1.6	1.9
Mar.	103.1	2.0	2.5	1.8	-3.9	2.8	20.3	-0.7	1.2	1.8	1.6	2.1
Apr.	103.9	2.1	2.9	1.8	-3.5	3.0	18.1	-0.9	1.5	1.7	1.5	2.3
May	104.8	2.2	3.5	1.7	-3.2	3.3	16.0	-1.1	1.7	1.7	1.4	2.5
June	104.6	2.4	4.0	1.7	-2.4	3.6	14.0	-1.3	1.8	1.7	1.5	2.7
July	103.9	2.5	4.0	1.7	-1.8	3.9	11.7	-1.2	2.3	1.7	1.4	3.0
Aug.	104.2	2.6	3.9	1.8	-0.7	4.2	9.8	-1.3	2.8	1.7	1.3	3.1
Sep.	104.5	2.7	3.8	1.9	0.4	4.5	8.0	-1.5	3.1	1.7	1.2	3.3
Oct.	105.4	2.8	3.9	2.0	0.5	4.9	6.2	-1.5	3.5	1.7	1.2	3.6
Nov.	105.1	2.8	3.9	2.1	0.4	5.4	4.4	-1.5	3.5	1.7	1.2	4.0
Dec.	105.4	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2012												
Jan.	104.1	2.7	3.7	2.4	0.1	5.4	2.3	-0.9	3.1	1.6	1.1	4.6
Feb.	104.7	2.7	3.7	2.6	0.2	4.9	2.1	-0.3	3.0	1.5	1.0	4.8
Mar.	105.2	2.6	3.9	2.9	-0.3	4.5	1.9	0.3	2.7	1.4	0.8	5.0

[1] 12-month moving average rates of change in the RPI sub-indices are compiled by the Central Bank of Malta.

Source: NSO.

Table 4.10 Main categories of Harmonised Index of Consumer Prices *(base 2005 = 100)*

Period	All Items Index	12-month moving average rates of change (%)											
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2008	108.1	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
2009	110.1	1.8	6.4	3.6	-0.4	7.0	1.0	4.4	-4.3	-1.3	-0.6	6.9	1.3	2.2
2010	112.4	2.0	1.1	3.3	-2.3	10.1	1.1	2.0	2.2	-6.0	-1.7	7.8	5.5	3.4
2011	115.2	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2011														
Jan.	111.3	2.2	1.5	3.3	-2.4	9.7	0.8	1.6	2.9	-6.4	-1.6	7.4	5.9	3.5
Feb.	111.0	2.4	2.1	3.3	-2.7	9.4	0.5	1.6	3.4	-6.5	-1.6	6.9	6.3	3.6
Mar.	112.7	2.5	2.8	3.3	-2.5	9.0	0.3	1.5	4.0	-6.5	-1.5	6.5	6.5	3.8
Apr.	115.1	2.7	3.3	3.2	-2.3	8.3	0.2	1.4	4.4	-6.6	-1.5	6.1	6.6	3.9
May	116.6	2.7	4.0	3.2	-2.0	7.7	0.1	1.4	4.7	-6.6	-1.4	5.7	6.0	4.0
June	117.1	2.8	4.5	3.2	-1.5	7.0	0.2	1.3	5.1	-6.8	-1.1	5.2	5.7	4.0
July	117.0	2.8	4.6	3.3	-1.2	6.3	0.3	1.3	5.8	-7.0	-0.7	4.8	4.8	4.1
Aug.	118.3	2.8	4.7	3.3	-0.3	5.6	0.3	1.3	6.5	-7.2	-0.4	4.4	3.6	4.0
Sep.	117.8	2.8	4.6	3.4	0.4	5.1	0.1	1.4	7.1	-7.4	-0.1	3.9	3.3	4.0
Oct.	116.8	2.9	4.9	3.5	-0.1	4.6	0.1	1.4	7.5	-7.7	0.2	4.1	3.0	4.1
Nov.	114.1	2.7	5.0	3.5	-0.6	4.1	0.2	1.4	7.8	-8.7	0.3	4.2	2.4	4.2
Dec.	114.4	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2012														
Jan.	113.2	2.4	4.8	3.6	-1.3	3.2	0.7	1.4	7.5	-9.6	0.4	4.5	1.3	4.1
Feb.	113.9	2.4	5.0	3.7	-1.2	2.9	1.1	1.3	7.5	-9.6	0.4	4.6	1.2	4.0
Mar.	115.6	2.4	5.1	3.8	-1.6	2.6	1.5	1.3	7.2	-9.5	0.3	4.8	1.3	3.9

Sources: NSO; Eurostat.

GENERAL NOTES

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR 1 = MTL 0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese lira into euro' which was published in the 2007:3 issue of the *Quarterly Review*, while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*.

Part 1 Monetary, Banking, Investment Funds and Financial Markets

General monetary statistical standards

Since January 2008, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2008/32 (Recast) concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the *European System of Accounts (ESA 1995)*. Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's *Monetary and Financial Statistics Manual* (2000).

Institutional balance sheets and financial statements

The financial statement of the Central Bank of Malta published in Table 1.1 is based on accounting principles as established in ECB Guideline 2006/16 (as amended) of 10 November 2006 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in Table 1.2, which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast) of 19 December 2008. Important changes to data on currency issued and reserve assets following the adoption of the euro are explained below in the 'measures of money' and in the 'external statistics' section, respectively.

The aggregated balance sheet of the other monetary financial institutions is also based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast).

Determination of 'residence'

Monetary data are based on the classification of transactions and positions by the residence of the transactor or holder. A transactor is an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. The internationally agreed residence criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'. The term 'centre of economic interest' usually indicates that there exists some location within an economic territory on or from which a unit engages, and intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). Transactors with their 'centre of economic interest' outside the said territory are considered to be non-residents. Diplomatic bodies, embassies, consulates and other entities of foreign governments are considered to be residents of the country they represent.

In national monetary statistics, the key distinction up to December 2007 was between residents and non-residents of Malta. Although that distinction remains relevant for national statistical purposes, the key distinction now, in particular for the purposes of Malta's contribution to euro area monetary aggregates shown in Table 1.4 and in other tables, is between residence in Malta or elsewhere in the euro area and residence outside the euro area.

Sector classification

In accordance with ESA 95 and ECB Regulation 2008/32 (Recast), the main sectors of the Maltese (and euro area) economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Monetary financial institutions (MFIs)
(b) Other financial intermediaries and financial auxiliaries
(c) Insurance corporations and pension funds
(d) General government
(e) Non-financial corporations
(f) Households and non-profit institutions serving households (NPISH).

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

(a) **Monetary financial institutions** (MFIs) consist of:

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

ii. **Other monetary financial institutions** (OMFIs), consist almost entirely of credit institutions. The business of OMFIs is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. Credit institutions licensed in Malta comprise banks licensed by the competent authority under the Banking Act (Cap. 371). In accordance with the Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006, a credit institution is "an undertaking whose business is to receive deposits or other repayable funds from the public - including the proceeds arising from the sales of bank bonds to the public - and to grant credit for its own account". OMFIs include the Maltese branches and subsidiaries of banks with headquarters abroad. Money Market Funds (MMFs) fulfil the MFI definition and the agreed conditions for liquidity and are therefore included in the OMFI sector. MMFs are defined as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments.

(b) **Other financial intermediaries and financial auxiliaries**

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: long-term financing, financial leasing, factoring, security and derivative dealing, receiving deposits and/or close substitutes for deposits from MFIs only (and not from the public), and managing investment trusts, unit trusts and other collective investment schemes (collectively termed investment funds).

Financial auxiliaries are companies that are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediaries themselves. The following are examples of companies classified in this sector: insurance, loan and securities brokers, investment advisers, flotation companies that manage issues of securities, central supervisory authorities of financial intermediaries and financial markets when these are separate institutional units, managers of pension funds and mutual funds and companies providing stock exchange and insurance exchange services.

(c) **Insurance corporations and pension funds**

This sector comprises non-monetary financial corporations principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance corporations consist of incorporated, mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or groups of units. Pension funds provide retirement benefits for specific groups of employees.

The sector **financial corporations** consists of all corporations which are principally engaged in financial intermediation and/or in anxiliary financial activities i.e. they include monetary financial institutions, other financial intermediaries/financial auxiliaries and insurance corporations/pension funds.

(d) **General government**

General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Broadly speaking, non-market production means that the entity does not charge "economically significant" prices such that sales cover at least 50% of production costs. The sector is sub-divided into:

i. **Central government**, which includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory of the country. Central government thus includes departments, ministries, and offices of government located in the country together with embassies, consulates, military establishments and other institutions of government located outside the country. Also included in the central government sector are extra-budgetary units, also termed public non-market units. These comprise institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or that are involved in the redistribution of national income and wealth.

ii. **Other general government**, which in Malta comprises the local government sector only. Local government includes administrative departments, councils or agencies whose competence covers only a restricted part of the economic territory of the country.

The **public sector** (which is not an institutional sector in the ESA 95) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 95), the latter being those companies that are owned by government or are subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging "economically significant" prices such that sales cover at least 50% of production costs).

(e) **Non-financial corporations**

This sector comprises corporations engaged principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities, which are subdivided into:

i. **Public non-financial corporations**, i.e. companies that are subject to control by government units - see the notes on financial corporations for a definition of control.

ii. **Private non-financial corporations,** i.e. companies that are controlled by non-government units, whether resident or non-resident.

(f) **Households and non-profit institutions serving households (NPISH)**

This sector comprises individuals or groups of individuals that are consumers and producers of goods and non-financial services exclusively intended for their own final consumption. It includes also non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households (churches, clubs, societies, trade unions, etc.) and market-producing cooperatives, partnerships and sole proprietorships that are not recognised as independent legal entities. Thus many small businesses are included in the household sector.

Classification of economic activities

The classification of economic activities follows the standards of Regulation EC No 1893/2006 of the European Parliament and of the Council of 20 December 2006, entitled "Statistical classification of economic activities in the European Community'', known by the acronym NACE Rev. 2.

Measures of money

Until the end of 2007, the Central Bank of Malta compiled data on the following monetary aggregates: the monetary base (M0), narrow money (M1), intermediate money (M2) and broad money (M3). The **monetary base (M0)** consisted of currency in issue and OMFI deposits with the Bank. **Narrow money (M1)** included the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. **Intermediate money (M2)** comprised M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years. **Broad money (M3)** comprised M2 and the OMFIs' repurchase agreements with the non-bank sector and their debt securities issued with an agreed maturity of up to and including two years and held by the non-bank sector.

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Maltese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem[1] in the total issue of banknotes in the area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column 'Banknotes in circulation' in the Financial Statements of the Bank will be a notional amount conforming to the banknote allocation key, and may be quite different from the amount of euro banknotes in the hands of Maltese residents. Moreover, Maltese residents' holdings of M3 within the euro area aggregate will include their holdings of deposits and other monetary instruments issued by MFIs anywhere in the euro area, the amount of which is not known.

The *Quarterly Review* Table 1.4b shows the contribution of Maltese MFIs to the euro area totals. This comprises the notional issue of euro currency attributed to the Bank according to the banknote allocation key, plus the issue of coins (where the Central Bank acts as agent of the Treasury), and, for 2008 only, remaining amounts of Maltese lira currency notes outstanding *less* holdings of euro banknotes and coins and, for 2008 only, of Maltese lira currency reported by MFIs in Malta; deposits held by Maltese residents and by residents of other euro area countries with MFIs in Malta excluding any holdings belonging to central governments (since central government holdings of deposits are excluded from the ECB's monetary aggregates) and any interbank deposits; repurchase agreements; any marketable instruments of the kind included in euro area M3 issued by MFIs in Malta *less* holdings by Maltese MFIs of such instruments issued by MFIs resident anywhere in the euro area (because Maltese MFIs may hold more of these instruments than they issued, this part of the Maltese contribution to euro area M3 may be negative); and MMFs shares/units issued *less* holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro-area. Similarly, the 'credit counterpart' to euro area M3 contributed by Maltese MFIs (Table 1.5b) comprises all Maltese MFI lending (including through the acquisition of securities in any form) to Maltese and all other euro area residents (other than MFIs). The so-called 'external counterpart' will be limited to their net claims on non-residents of the euro area[2]. 'Other counterparts (net)' comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs (Tables 1.2-1.3), with details of OMFIs' deposits and loans in Tables

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

2 This is Maltese MFIs' (including the Central Bank of Malta's) claims on non-residents of the euro area, minus their liabilities to non-residents of the euro area, in all forms and in foreign currency as well as in euro.

1.8-1.13. The local credit institutions must submit data to the Central Bank of Malta not later than fifteen calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions compile monthly financial information in line with ECB Regulation 2008/32 (Recast). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

MFIs report stock positions, which are outstanding balances as at the end of the reference period, and for certain items transactions during the period. They show separately positions and transactions with residents of Malta, with residents of other euro area countries, and with non-residents of the euro area. Assets and liabilities are generally reported at market or fair value and on an accruals basis; deposits and loans are reported at nominal value. Thus, the effects of transactions and other events are recognised when they occur rather than when cash is received or paid. Transactions are recorded at the time of change in ownership of a financial asset. In this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by another. Instruments are reported in accordance with their maturity at issue, i.e. by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed, or can be redeemed only with some significant penalty.

All financial assets and liabilities are reported on a gross basis. Loans - which include overdrafts, bills discounted and any other facility whereby funds are lent - are reported gross of all related provisions, both general and specific. Financial assets and liabilities that have demonstrable value - as well as non-financial assets - are considered as on-balance sheet items. Other financial instruments, whose value is conditional on the occurrence of uncertain future events, such as contingent instruments, are not recorded on the statistical balance sheet.

Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19th working day of the month following the reference month. The ECB also publishes a more detailed monetary data on a quarterly basis. The Maltese contribution to the monthly aggregates is then posted on the Central Bank of Malta's website. When first published, monetary statistics are considered provisional since the Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting procedures. The ECB accepts revisions to the previous month's data with each monthly submission; revisions to earlier periods are normally submitted with the next provision of quarterly data. Malta's contributions to the euro area aggregates published by the Central Bank of Malta must be consistent with the latest euro area aggregates published by the ECB. Subsequently, such provisional data are released to the press by the Central Bank of Malta on a monthly basis and in more detail in the Central Bank of Malta's *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. When major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

Investment funds

The investment funds sector consists of collective investment schemes licensed by the MFSA; the data in Table 1.14 comprise all those funds whose centre of economic interest is based locally. It excludes all money market funds as according to ECB Regulation 2008/32 (Recast) these form part of the MFI sector. The balance sheet is aggregated, not consolidated, and therefore includes, among the assets and liabilities, holdings by investment funds of shares/units issued by other investment funds.

Insurance corporations

Table 1.15 shows the aggregated statement of assets and liabilities of the insurance corporations resident in Malta. The statistical information excludes those corporations dealing predominantly with non-residents. The insurance corporations sector comprises non-monetary financial institutions principally engaged in financial intermediation as the consequence of the pooling of risk. Therefore, the principal function of insurance corporations is the provision of life, accident, health, fire and/or other forms of insurance. Such statistics are based on standards specified in ESA 1995, while accounting rules are those laid down in the relevant national law implementing the European Council Directive 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings. All financial assets and liabilities are reported on a gross basis and are generally valued at market or fair value.

Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.18 and 1.19 relate to the interest rates which are applied by resident credit institutions to euro denominated deposits and loans vis-à-vis non-financial corporations and households (including non-profit organisations) resident in Malta and in the euro area. MIR statistics are compiled in accordance with Regulation ECB/2009/7 (as amended) of 31 March 2009 and are therefore harmonised across the euro area. Interest rates are shown for both outstanding amounts and new business. Outstanding amounts cover the stock of all kinds of deposits and loans granted to households and non-financial corporations. New business consists of any new agreement between the household or non-financial corporation and the bank during the period under review. Two types of interest rates are quoted: (a) the Annualised Agreed Rate (AAR) and (b) the Annual Percentage Rate of Charge (APRC). The AAR is the rate which is agreed between the customer and the bank, quoted in percentage per annum. This rate covers all interest payments, excluding any other charges that may apply on deposits and loans. The APRC covers only two categories, namely lending for house purchase and consumer credit. It is the annual percentage rate that covers the total costs of the credit to the consumer such as the cost of inquiries, administration, guarantees, legal fees and other additional costs associated with the transaction. The older series of deposit and lending rates compiled by the Central Bank of Malta will be retained in Table 1.21 (see details below).

Up to 31 December 2007, Table 1.20 showed the statutory interest rates determined by the Central Bank of Malta and other indicative benchmark money market rates on instruments denominated in Maltese lira as end-of-period rates and as a percentage per annum. The repurchase agreement/term deposit rates were the rates actually dealt in at the end of the month or the rates offered by the Central Bank of Malta. The interbank market offered rates were the rates prevailing in the last dealings between banks in the official interbank market during the last month of the period being reported on. When no deals were transacted, the Central Bank of Malta fixing rate average was shown.

As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates for its operations as the Maltese money market became part of the integrated euro area-wide interbank market. Thus, as from that date (and with some earlier data for convenience), the financial market interest rates shown in Table 1.20 are the key interest rates determined by the ECB for central bank operations throughout the euro area, and overnight (EONIA) and fixed-term (EURIBOR) rates on wholesale business in euro-denominated deposits as reported daily by a panel of active institutions in the euro area interbank market. Table 1.21 also shows the weighted average rates paid on resident current, savings and time deposits by MFIs in Malta (in Maltese lira to end-2007, in euro since), calculated by multiplying each amount by the different rates on each type of deposit and dividing by the total amount of each type of deposit. The weighted average rate on time deposits is calculated on all time deposits. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents by the interest rate applied thereto and dividing by the total amount.

Yields on Treasury bills and government securities up to end-2007 are rates on instruments denominated in Maltese lira. All outstanding Treasury bills and government securities denominated in Maltese lira were redenominated in euro at the beginning of 2008. The primary market rates on Treasury bills are the weighted averages of the rates attached to the bills that are taken up by bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign means that no transactions occurred during the reference period. Until end-2007, the secondary market yields represented the selling rates quoted by the Central Bank of Malta at the end of the reference period for each respective tenor.

Interest rates on Malta Government long-term debt securities represent average International Securities Market Association (ISMA) redemption yields on applicable stocks with the periods specified referring to the remaining term to maturity. ISMA yields are quoted on the basis of an annual compounding period, irrespective of how many coupon periods per annum the stock has. The MSE share index is based on the last closing trade prices of the shares of all eligible companies weighted by their current market capitalisation. The index has a base of 1,000 on 27 December 1995.

Debt securities as presented in Table 1.16 comprise all financial assets that are usually negotiable and traded on recognized stock exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares included in Table 1.17 cover all shares whose prices are quoted on the Malta Stock Exchange. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Part 2 Government Finance

Tables in this section show the general government fiscal position compiled on the basis of ESA 95 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function (Table 2.4) is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays.

Table 2.6 on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatisation receipts or the utilisation of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government (Table 2.7), which mainly relate to the debts of non-financial public sector corporations. Government-guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government, which loans already feature in the calculation of government external debt. Government-guaranteed debt includes guarantees issued by the extra-budgetary units but excludes guarantees issued to them as they already feature in the general government debt. The methodology underlying the compilation of data on the external loans of general government sector in Table 2.12 is generally consistent with the IMF's "External debt statistics - guide for compilers and users". Debt is recognised when disbursement of funds is effected.

Part 3 Exchange Rates, External Transactions and Positions

From 2008, statistics on exchange rates (Tables 3.1a-3.1b) show the end-of-period and the average bilateral exchange rates of the euro against other selected major currencies. The euro exchange reference rates are published by the ECB on a daily basis normally at 1415hrs.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics (Tables 3.2-3.4) are generally in line with the *IMF Balance of Payments Manual* (BPM5) and in accordance with ECB Guideline 2004/15 (as amended). Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices. Up to the end of 2007, official reserve assets (Table 3.3) comprised gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside Malta, mainly central banks, other banks and governments, in line with the *IMF's Balance of Payments Manual* (BPM5). From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

Latest trade data are based on the respective NSO press release.

The concepts used in the compilation of gross and net external debt generally comply with the IMF's *"External debt statistics – guide for compilers and users (2003)"*. Gross external debt data are fully reconcilable with the data shown in the IIP. The external debt of the MFIs is also being shown separately as a memorandum item as such debt is fully backed by foreign assets of these institutions. The net external debt position is equal to gross external debt less gross external assets in the form of debt instruments.

Part 4 Real Economy

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 95 standards except for the labour market indicators in Table 4.3, which are based on the ETC's administrative records, and the RPI (Tables 4.8-4.9). Data on development permits (Tables 4.6-4.7) are taken from the Malta Environment and Planning Authority (MEPA).

Labour market statistics comprise those compiled on the basis of the NSO's Labour Force Survey (LFS) and the ETC's administrative records. The LFS is based on a random sample of private households using concepts and definitions outlined by Eurostat according to methodologies established by the International Labour Organisation (ILO). From March 2004, data are based on a weekly survey carried out throughout the reference quarter; from June 2005 data are weighted using a new procedure and are thus not strictly comparable with earlier figures. The labour market data based on the administrative records of the ETC represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with the ETC itself. ETC data on unemployment are based on the number of persons registering for work under Parts 1 and 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2000/1. 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.