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## ABBREVIATIONS

ECB	European Central Bank
EEA	European Economic Area
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

During the first quarter of 2011, the ECB's Governing Council left official interest rates unchanged amid expectations that price developments would remain in line with price stability over the policy relevant horizon. However, the Governing Council raised key ECB interest rates by 25 basis points in April and again in July. As a result, the interest rate on the main refinancing operation (MRO) was raised to 1.50%, while those on the marginal lending facility and the deposit facility were increased to 2.25% and 0.75%, respectively.

During the first half of the year, the Governing Council also continued to implement non-standard monetary policy measures. MROs and special-term refinancing operations with a maturity of one maintenance period were conducted in the form of a fixed rate tender procedure with full allotment. Three-month long-term refinancing operations (LTROs) were also carried out using this procedure, with interest rates set at the average MRO rate over the life of the respective LTRO.

These measures were taken against the background of the continued recovery of the euro area economy. In fact, during the first quarter of the year, economic growth in the euro area accelerated to 2.5% on an annual basis, compared with 1.9% in the last quarter of 2010. This expansion was driven by domestic demand, particularly investment and private consumption. Government consumption and changes in inventories contributed moderately. Net exports also contributed positively, as exports continued to outpace imports.

Meanwhile, annual HICP inflation in the euro area continued to increase, reaching 2.7% in March after standing at 2.2% in December 2010. Developments in energy prices were the main cause of the pick-up in inflation during this period, although processed food, services and, to a lesser extent, industrial goods prices also contributed. Area-wide inflation then remained stable during the second quarter, standing at 2.7% in June.

According to the June 2011 Eurosystem staff macroeconomic projections, annual real GDP growth in the euro area is expected to lie within a range of 1.5% and 2.3% in 2011 and between 0.6% and 2.8% in 2012. The average annual rate of inflation is projected to rise from 1.6% in 2010 to between 2.5% and 2.7% in 2011 and then to ease to between 1.1% and 2.3% in the following year. The moderation in euro area HICP inflation in 2012 mainly reflects an expected easing in commodity price pressures. On the other hand, domestic price pressures are expected to intensify.

In Malta annual GDP growth eased to 2.3% in the March quarter of 2011 from 3.6% in the last quarter of 2010. The first quarter expansion was driven by net exports. Domestic demand, on the other hand, was lower than a year earlier, as drops in investment and inventories offset increases in government and private consumption.

Labour market conditions improved in the first quarter, with LFS data and ETC records pointing to further expansion in employment levels. Unemployment generally eased further, with the LFS measure indicating a drop in the unemployment rate to 6.4%.

Annual consumer price inflation measured in terms of the HICP fell to 2.8% in March from 4.0% in December 2010. The moderation in the annual inflation rate mostly reflected developments in the energy and services components of the HICP.

With regard to competitiveness indicators, during the March quarter unit labour costs increased moderately, as compensation of employees outpaced productivity gains. At the same time, the HCI signalled a slight loss in competitiveness when measured in both real and nominal terms. This loss was entirely driven by exchange rate developments.

In the external sector, the current account of the balance of payments recorded a substantially lower deficit compared with the corresponding quarter of 2010. Expressed as a four-quarter sum, it ended the first quarter at 3.6% of GDP compared with 5.4% in the year to March 2010.

Broad money in Malta, which is approximated by the contribution of Maltese MFIs to the euro area broad money stock, grew at a slower pace during the first quarter of 2011, with the year-on-year growth rate easing to 4.8% in March from 5.5% in December 2010. At the same time, the annual rate of expansion in credit to residents also moderated. Yields increased in both money and capital markets, reflecting developments in financial markets abroad.

In the first quarter, the general government deficit was lower than that recorded a year earlier. As a result, the deficit, computed as a four-quarter moving sum, somewhat edged down by March 2011 compared with the previous quarter, while its ratio to GDP stood unchanged at 3.6%. Gross general government debt also continued to increase, standing at 69.7% of GDP at the end of the quarter, compared with 68.2% at the end of 2010.

On the basis of the common assumptions used in the June 2011 Eurosystem projections, the Bank expects real GDP growth to moderate to 2.5% in 2011 and to pick up slightly to 2.7% in 2012. Domestic demand is expected to drive growth in both years, although net exports are also projected to contribute. Annual average HICP inflation is envisaged to rise from 2.0% in 2010 to 2.6% in 2011, before easing to 2.3% in 2012. The 2011 increase is driven by expected developments in prices of food, services and industrial goods, excluding energy. The subsequent moderation mainly reflects forecast developments in the energy component. Risks to the growth projections are judged to be on the downside and emanate from uncertainty about the underlying strength of the global recovery, from the fragility of foreign financial markets and from the ongoing sovereign debt crisis in the euro area. Developments in North Africa and the Middle East also present a downside risk, although the impact on the Maltese economy has thus far been limited. Risks to inflation are slightly on the upside, and relate to international commodity prices and exchange rate developments.

The re-emergence of tensions in a number of sovereign debt markets in the euro area and the tightening of the monetary policy stance by the ECB have increased the urgency of addressing fiscal imbalances. Against this background, policy efforts should continue to focus on correcting the excessive deficit by 2011. Although the Government's target of bringing the deficit-to-GDP ratio to below 3% this year appears attainable, additional measures may need to be specified to ensure that the fiscal targets for 2012 and beyond are attained.

Fiscal consolidation should continue to be supported by measures to improve the economy's resilience and competitiveness, with particular emphasis on enhancing the functioning of the market mechanism.

## ECONOMIC SURVEY

### 1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

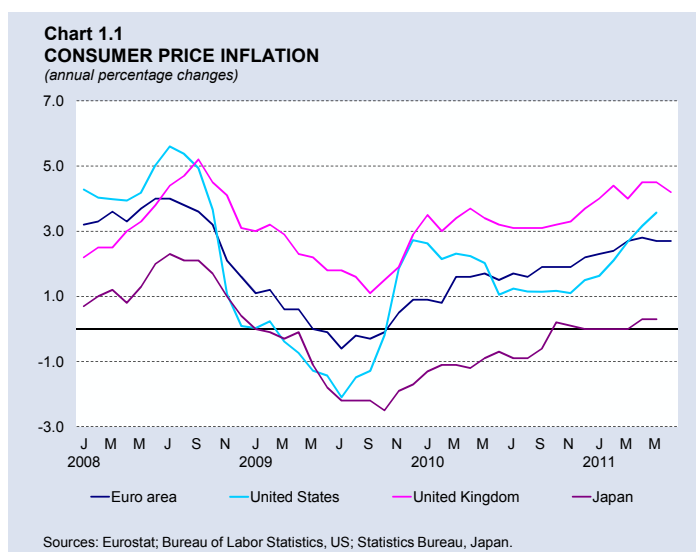
During the first quarter of 2011, the economic recovery gathered pace in Europe but it slowed down in the United States, while the Japanese economy contracted. In contrast, the main emerging market economies continued to expand strongly. Global inflationary pressures persisted, mainly reflecting higher food and commodity prices.

#### International economic developments

##### *Economic growth in the United States continues to moderate*

Economic activity in the United States continued to slow down in the first quarter of 2011. Real GDP increased by 2.3% on an annual basis, down from 2.8% in the previous quarter (see Table 1.1). Growth was entirely driven by domestic demand, mainly by household consumption, which expanded at a slightly faster rate than in the previous quarter. On the other hand, private investment and government expenditure grew at a slower rate. Imports and exports increased less rapidly than in the last quarter of 2010, but as the former rose faster than the latter, net exports contributed negatively to annual GDP growth. On a quarter-on-quarter basis, real GDP growth moderated to 0.5% in the first quarter of 2011 from 0.8% in the previous quarter. The unemployment rate continued to fall, edging down to 8.8% in March from 9.4% in December. However, the jobless rate then rose to 9.1% in May.

Consumer price inflation in the United States accelerated during the first quarter of 2011 (see Chart 1.1). The annual inflation rate increased to 2.7% in March from 1.5% in December, partly reflecting higher energy prices and, to a lesser extent, food prices. Inflation continued to



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

*Annual percentage changes; seasonally adjusted*

	2010				2011
	Q1	Q2	Q3	Q4	Q1
United States	2.4	3.0	3.2	2.8	2.3
Euro area	0.9	2.0	2.0	1.9	2.5
United Kingdom	-0.3	1.6	2.5	1.5	1.6
Japan	5.5	3.3	4.8	2.4	-0.7

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

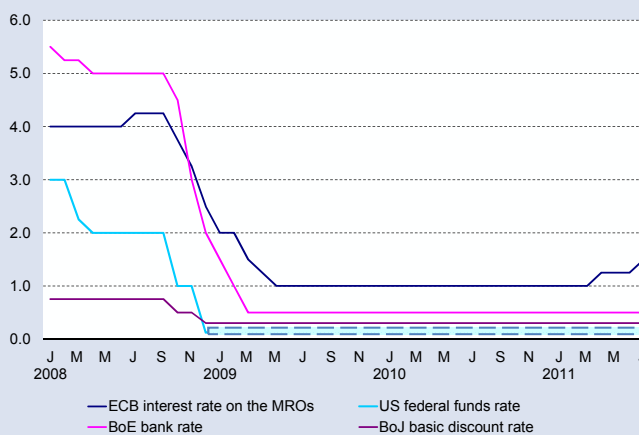
pick up in the following quarter, reaching 3.6% in May.

During the first quarter of 2011, the Federal Reserve maintained the federal funds rate target in a range between zero and 0.25% (see Chart 1.2). Additionally, it continued to purchase longer-term Treasury securities in terms of its USD600 billion asset purchase programme, which was completed in June. Throughout the second quarter of 2011, the US central bank kept the monetary policy stance unchanged.

Ten-year US government bond yields increased further during the first quarter of 2011, ending March 17 basis points higher than at end-December (see Chart 1.3). Yields rose during January and early February, mainly supported by positive macroeconomic data. However, subsequently, the path was partly reversed owing to safe-haven flows triggered by political tensions in North Africa and the Middle East and by the natural disasters that hit Japan. Towards the end of March, bond yields recovered, ending the month at 3.47%. Ten-year bond yields declined in the following quarter, however, as the outlook for the US economy deteriorated and growth projections were revised downwards. Yields ended the second quarter at 3.16%.

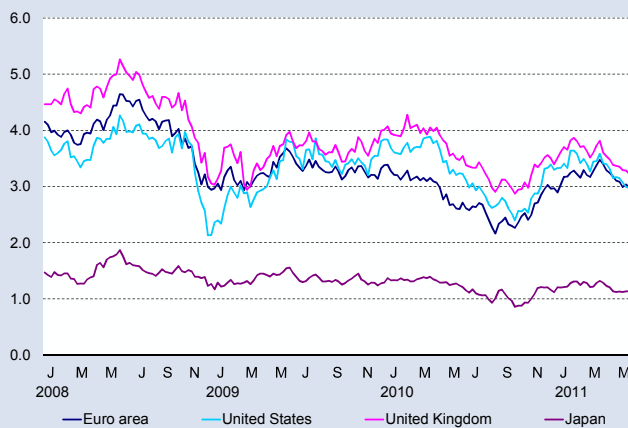
During the first three months of 2011, US equity prices, as measured by the Standard & Poor 500 Index, increased for the third consecutive quarter (see Chart 1.4). Equity prices gained

**Chart 1.2**  
**OFFICIAL INTEREST RATES**  
(percentages per annum; end of month)



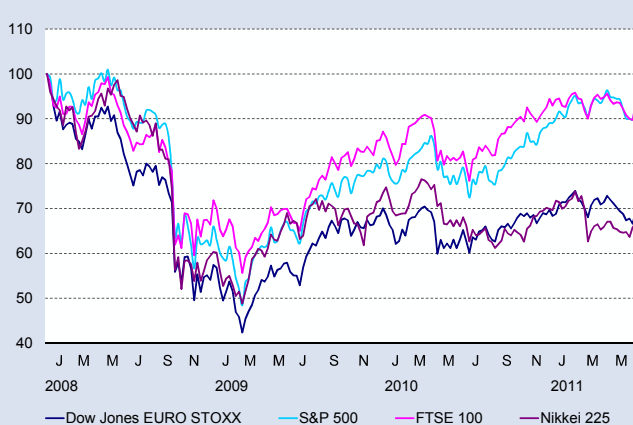
Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

**Chart 1.3**  
**TEN-YEAR GOVERNMENT BOND YIELDS**  
(percentages per annum; end of week)



Source: Reuters.

**Chart 1.4**  
**STOCK PRICE INDICES**  
(end of week index; 1 Jan. 2008=100)



Source: Reuters.



around 5% over the quarter, largely reflecting indications that economic activity had recovered to the pre-crisis level. Share prices subsequently changed course, falling by 0.4% during the second quarter of 2011.

### *UK economic growth accelerates*

In the United Kingdom, on a quarter-on-quarter basis, real GDP expanded by 0.5% in the first quarter of 2011, after having declined at the same rate in the previous quarter, partly due to bad weather. On an annual basis, real GDP increased by 1.6% in the first quarter of 2011 after having expanded by 1.5% in the previous quarter. Economic growth was almost entirely driven by net exports as export growth nearly doubled, while import growth slowed down. Domestic demand expanded by 0.5% on an annual basis, reflecting inventory accumulation and increased government expenditure. Conversely, household consumption and investment contracted. The labour market improved as the unemployment rate stood at 7.6% in March from 7.8% in December. The jobless rate rose marginally to 7.7% in April.

Annual consumer price inflation extended its upward trend in the first two months of 2011, rising to 4.4% in February from 3.7% in December. The acceleration reflected lagged effects of the previous depreciation of the pound sterling, higher commodity prices and the increase of the standard VAT rate to 20% in January 2011. Inflation then moderated to 4.0% in March, primarily due to lower prices of food and non-alcoholic beverages. Going forward, the inflation rate stood at 4.2% in June.

The Bank of England's official bank rate remained unchanged at 0.50% during the first two quarters of 2011. The Bank considered its monetary policy stance appropriate for the reduction of the inflation rate down to its medium-term target, since it perceived that the downside pressure on prices stemming from spare capacity would offset temporary factors supporting higher prices.

During the March quarter, developments in ten-year UK government bond yields broadly continued to mirror those in the United States. Yields rose to 3.89% on 10 February but then lost some ground and ended the quarter at 3.69%, 30 basis points higher than at end-December. Going into the following quarter, bond yields generally fell, reaching 3.39% by end-June.

UK equity prices, as measured by the FTSE 100, remained largely stable during the first quarter of 2011, except for a temporary dip in mid-March that was in line with other major stock markets. Over the quarter as a whole, the FTSE 100 index rose by 0.1% and by a further 0.6% in the three-month period to end-June.

### *Japanese economic activity contracts*

The Japanese economy contracted in the first quarter of 2011, as the natural disaster in early March and the subsequent nuclear crisis disrupted output. On a quarterly basis, real GDP fell by 0.9% after a 0.8% decrease in the previous quarter. Consequently, on an annual basis, GDP declined by 0.7%, as against an expansion of 2.4% in the December quarter. The decline, the first in annual terms since 2009, mainly reflected lower household consumption and investment. In contrast, the annual rate of growth of government expenditure accelerated, and while both exports and imports slowed down, net exports marginally contributed to the overall growth rate. Labour market conditions continued to improve, with the unemployment rate standing at 4.6% in March from 4.9% in December. Going forward, the jobless rate rose slightly to 4.7% in April.

Consumer price inflation in Japan remained at its December 2010 level of zero throughout the March quarter, mainly reflecting weak economic activity. However, the inflation rate turned positive in April at 0.3% and remained unchanged in May.

During the first quarter of 2011, the Bank of Japan maintained an accommodative stance. It kept the basic discount rate unchanged at 0.3% and sustained its targeted uncollateralized overnight call rate in a range of between zero and 0.1%. In response to the March events, the central bank increased the funds available under the asset purchase programme, which had been launched in November, by a further 5 trillion yen.

Ten-year Japanese government bond yields continued to rise during the first quarter of 2011. Yields increased until mid-February before they lost some of the previous gains and ended March at 1.26%, 14 basis points higher than at end-December. Bond yields fell during the following quarter, ending June at 1.14%.

Equity prices, as measured by the Nikkei 225, declined during the first quarter of 2011. In the beginning of the year, stock prices followed a generally upward trend but fell sharply in the wake of the natural disasters in March. Although the Nikkei partly recovered, it still ended March 4.6% below its end-December level. Stock prices rose by 0.6% over the June quarter.

### *Strong economic growth in emerging Asian economies*

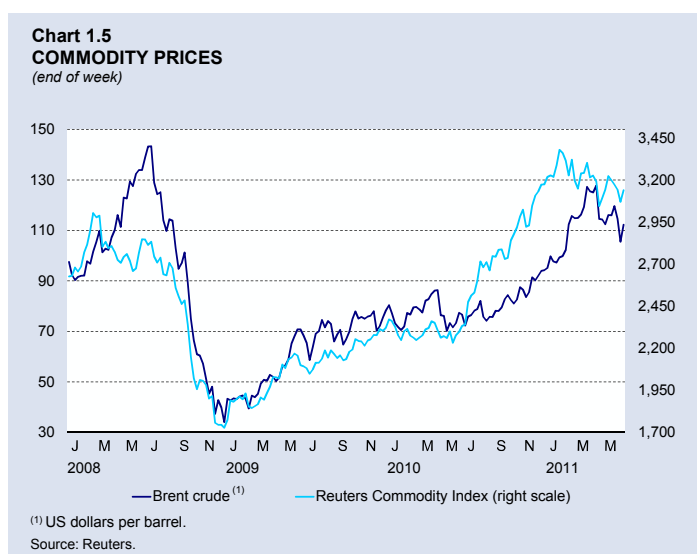
The major emerging Asian economies continued to expand during the first quarter of 2011. Annual real GDP growth in China moderated marginally to 9.7% in the March quarter from 9.8% in the previous quarter. Growth was primarily driven by investment and consumption, while the contribution from net exports turned negative, as domestic demand fuelled import growth. Meanwhile, the Indian economy slowed down, expanding at an annual rate of 7.7% in the March quarter, compared with 9.2% in the previous quarter.

Price pressures remained high during the first quarter of 2011. Annual consumer price inflation in China accelerated to 5.4% in March from 4.6% in December, mainly reflecting higher food prices. In India, wholesale price inflation also increased, rising to 9.0% in March from 8.4% in December, primarily driven by prices of manufactured goods.

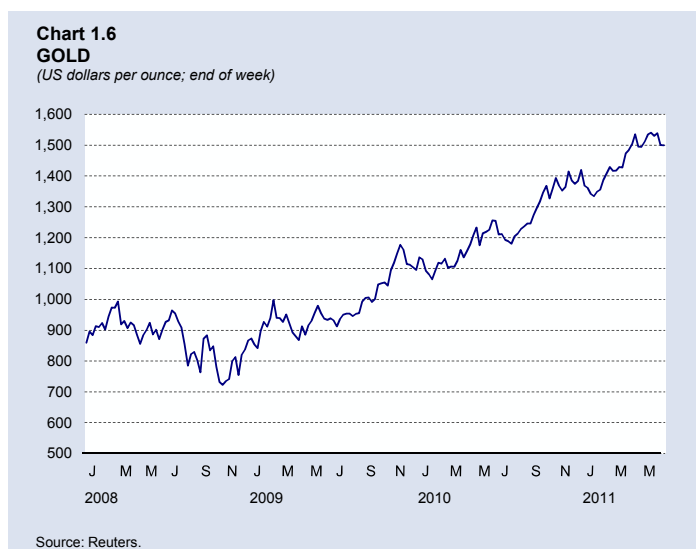
## **Commodities**

### *Oil prices increase steadily*

The price of Brent crude rose for the third consecutive quarter during the first three months of 2011 (see Chart 1.5). The steady increase was supported by uncertain supply prospects resulting from political unrest in the Middle East and North



Africa, by strong demand from emerging economies and by the expectation of additional demand owing to the nuclear crisis in Japan. Brent crude rose by 25% during the first quarter, reaching USD117.93 per barrel at end-March. In the following quarter oil prices increased further, with Brent reaching a high of USD127.69 on 28 April, a level last seen in July 2008. However, a strengthening dollar later depressed oil prices, which ended June at USD112.26, 4.8% lower than at end-March.



### *Commodity prices continue to rise*

Prices of non-energy commodities, as measured by the Reuters Commodity Index, also continued to rise during most of the first quarter of 2011, dipping only in March following the natural disaster in Japan (see Chart 1.5).<sup>1</sup> The index climbed by 2.1% during this period, going up for the third consecutive quarter. Higher commodity prices primarily reflected significant food price increases, mainly for maize, wheat and cocoa, driven both by strong demand and adverse weather conditions. Metal prices, especially copper, also rose over the quarter owing to supply constraints. Commodity prices declined in the following quarter, falling by 3.1% by end-June.

### *Gold price continues to break record highs*

The price of gold generally continued to increase during the first quarter of 2011, extending the upward trend that had begun in the final quarter of 2008 (see Chart 1.6). A pick-up in investor confidence in the beginning of the year prompted a shift out of gold as a safe-haven commodity, which led to a decline in its price during January. However, the price of the metal recovered as demand increased amid inflation concerns and unrest in the Middle East and North Africa. Gold dipped in mid-March following Japan's natural disaster but reached a record high on 23 March, at USD1,436.2 per ounce. It ended the quarter at USD1430.0, 0.7% higher than at end-December. The price rose further in the following quarter, reaching USD1499.60 by end-June, 4.9% higher than its end-March closing level.

### **Economic and monetary developments in the euro area**

The pace of economic activity in the euro area accelerated during the first quarter of 2011, while the inflation rate increased further. According to Eurosystem staff projections, economic activity in the euro area is expected to continue its recovery, reaching its pre-crisis level by 2012. Moreover, HICP inflation is projected to remain above the 2% medium-term objective until early 2012.

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

**Table 1.2**  
**REAL GDP GROWTH IN THE EURO AREA**

*Seasonally adjusted*

	2010				2011
	Q1	Q2	Q3	Q4	Q1
<i>Annual percentage changes</i>					
Private consumption	0.4	0.6	1.0	1.1	1.0
Government consumption	1.2	0.7	0.4	0.0	0.8
Gross fixed capital formation	-4.7	-0.4	0.6	1.1	3.7
<b>Domestic demand</b>	<b>-0.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.6</b>	<b>1.7</b>
Exports	7.2	13.1	12.0	11.3	9.8
Imports	4.2	11.4	10.8	10.7	8.2
<b>GDP</b>	<b>0.9</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>	<b>2.5</b>
<i>Percentage point contributions</i>					
Private consumption	0.2	0.3	0.6	0.6	0.6
Government consumption	0.3	0.2	0.1	0.0	0.2
Gross fixed capital formation	-1.0	-0.1	0.1	0.2	0.7
Changes in inventories	0.2	0.8	0.6	0.7	0.3
<b>Domestic demand</b>	<b>-0.3</b>	<b>1.2</b>	<b>1.4</b>	<b>1.5</b>	<b>1.7</b>
Exports	2.6	4.7	4.4	4.2	3.9
Imports	-1.5	-3.9	-3.8	-3.8	-3.1
<b>Net exports</b>	<b>1.1</b>	<b>0.8</b>	<b>0.6</b>	<b>0.4</b>	<b>0.7</b>
<b>GDP</b>	<b>0.9</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>	<b>2.5</b>

Source: Eurostat.

### *GDP growth in the euro area increases*

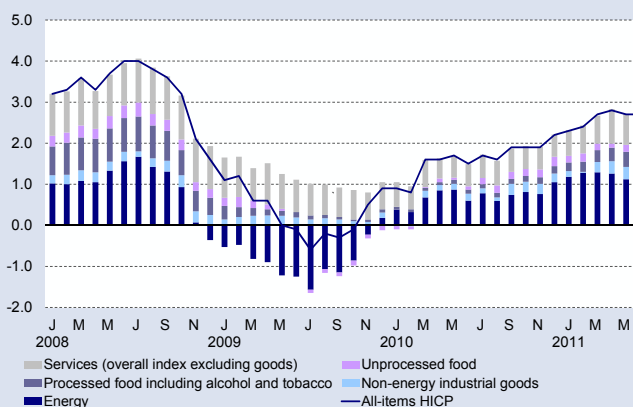
Economic activity in the euro area accelerated during the first quarter of 2011, after growing at a relatively stable rate in the previous three quarters. Real GDP expanded by 2.5% on an annual basis, up from 1.9% in the previous quarter (see Table 1.2). The corresponding quarterly growth rate increased to 0.8% from 0.3% in the December quarter.

Annual real GDP growth in the March quarter was mainly due to an increase of 1.7% in domestic demand. This was in turn driven by higher investment, which accelerated to a growth rate of 3.7%. Government consumption also grew at a faster pace, while private consumption increased at about the same rate as in the previous quarter. Both export and import growth slowed down during the first quarter, but as the former increased faster than the latter, there was a positive contribution from net exports.

### *HICP inflation rises further*

The annual HICP inflation rate in the euro area increased further during the first quarter of 2011, rising to 2.7% in March from 2.2% in December (see Chart 1.7). Core inflation, mea-

**Chart 1.7**  
**CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA**  
(percentage points; annual percentage change)



Source: Eurostat.

sured by excluding energy and food prices from HICP, also edged up, rising to 1.3% in March from 1.0% in December.

The rise in headline inflation in the first quarter of 2011 was primarily driven by the energy component, in line with international oil price developments. Annual energy price inflation rose by two percentage points to 13.0% in March. The prices of services, processed food and non-energy industrial goods also grew faster than in the previous quarter, rising at annual rates of 1.6%, 2.5% and 0.9% respectively. Conversely, the annual rate of change of unprocessed food prices moderated to 2.2% from 3.2% three months earlier.

Going into the second quarter of 2011, area-wide HICP inflation remained stable at 2.7% in June.

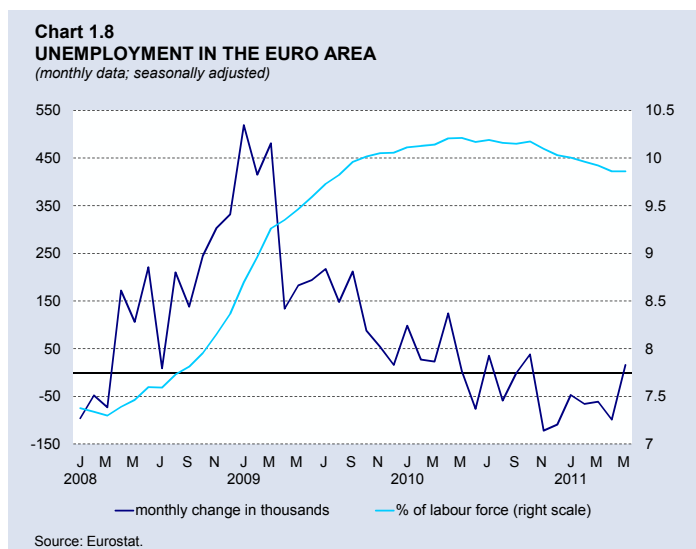
### Labour market conditions stabilise

Euro area labour market conditions were largely unchanged in the first quarter of 2011. While the level of employment remained unchanged from the previous quarter, its annual growth rate slowed down marginally to 0.1%. The unemployment rate eased slightly at the end of the quarter, falling by 0.1 percentage points to 9.9% in March (see Chart 1.8). The rate remained at that level until May.

### Real GDP and inflation forecasts revised upwards

Eurosystem staff macroeconomic projections, which were published in June, suggest that economic growth will continue to recover, with output set to reach its pre-crisis level in 2012, supported by investment and global demand.

Annual real GDP growth in the euro area is expected to range between 1.5% and 2.3% in 2011 and between 0.6% and 2.8% in 2012 (see Table 1.3). Domestic



**Table 1.3**

### MACROECONOMIC PROJECTIONS FOR THE EURO AREA<sup>(1)</sup>

Average annual percentage changes; working-day-adjusted data

	2010	2011	2012
Private consumption	0.8	0.6 – 1.2	0.4 – 2.2
Government consumption	0.6	-0.4 – 0.6	-0.5 – 0.9
Gross fixed capital formation	-0.9	2.0 – 4.2	1.1 – 5.9
Exports	11.1	5.8 – 9.6	2.6 – 10.6
Imports	9.3	4.3 – 7.9	2.6 – 10.0
<b>Real GDP</b>	<b>1.7</b>	<b>1.5 – 2.3</b>	<b>0.6 – 2.8</b>
<b>HICP</b>	<b>1.6</b>	<b>2.5 – 2.7</b>	<b>1.1 – 2.3</b>

<sup>(1)</sup> Eurosystem staff macroeconomic projections (June 2011).

Source: ECB.

demand is expected to increase its contribution to real GDP growth relative to 2010, while that of net foreign trade is projected to fall, even though it will remain positive over the forecast horizon.

Compared with the March projections, those for 2011 were revised upwards to account for the better than expected real GDP outcome in the first quarter of the year. Conversely, the lower end of the range for 2012 was slightly revised downwards.

HICP inflation is expected to remain above 2% until early 2012, owing primarily to a projected upsurge in energy prices. Subsequently, commodity price pressures are expected to moderate. Conversely, domestic price pressures are set to intensify over the forecast horizon, as the degree of slack in the economy diminishes and labour market conditions tighten. Additionally, earlier increases in commodity prices are expected to feed into domestic price pressures. The average annual rate of inflation is projected to be in a range of between 2.5% and 2.7% in 2011 and then to moderate to between 1.1% and 2.3% in 2012. Compared with the March forecasts, the projected range of overall HICP for 2011 was revised upwards in line with higher energy prices, while that for 2012 was narrowed.

### *ECB increases rates*

The ECB left its key official interest rates unchanged during the first quarter of 2011. The Governing Council considered interest rates appropriate since price developments were expected to remain in line with price stability over the policy relevant horizon, despite some evidence of short-term upward pressure on inflation stemming from higher energy and commodity prices.

Going into the following quarter, however, the Governing Council raised official interest rates by 25 basis points on 7 April, in a move intended to bring interest rates back to a more normal level, bringing the MRO rate up to 1.25%. On 7 July, the Governing Council increased official interest rates by an additional 25 basis points, so that the MRO rate went up to 1.50%.

The Eurosystem continued to implement non-standard monetary policy measures throughout the period reviewed. In March, the Governing Council decided to continue conducting the MROs and the special-term refinancing operations with a maturity of one maintenance period as fixed rate tender procedures with full allotment at least until 12 July 2011 for the MROs, and until 30 June 2011 for the special-term refinancing operations. The fixed rate on the latter would be the same as the MRO rate prevailing at the time. Furthermore, the Council decided to conduct the three-month LTROs in the second quarter of 2011 as fixed rate tender procedures with full allotment, with rates fixed at the average rate of the MROs over the life of the respective LTRO.

In June, the Council decided to keep conducting the MROs and the special-term refinancing operations referred to above as fixed rate tender procedures with full allotment for as long as necessary, and at least until 11 October 2011 for the MROs, and until 30 September 2011 for the special-term refinancing operations. The rate applied in these operations would be the same as the MRO rate prevailing at the time. It also decided to conduct the three-month LTROs as fixed rate tender procedures with full allotment, at the average MRO rate over the life of the respective LTRO.

### *Broad money growth accelerates moderately*

The annual growth rate of the broad monetary aggregate M3 rose further during the first quarter of 2011, increasing to 2.3% in March from 1.7% in December (see Table 1.4). Growth had slowed marginally to 1.6% in January before accelerating in the following months.

**Table 1.4**  
**EURO AREA MONETARY AGGREGATES**

*Annual percentage changes; seasonally adjusted*

	2010			2011		
	Dec.	Jan.	Feb.	Mar.	Apr.	May
<b>M1</b>	<b>4.3</b>	<b>3.2</b>	<b>2.8</b>	<b>2.9</b>	<b>1.6</b>	<b>1.2</b>
Currency in circulation	4.8	5.4	5.1	3.7	4.3	4.4
Overnight deposits	4.3	2.8	2.4	2.8	1.1	0.5
<b>M2-M1 (Other short-term deposits)</b>	<b>-0.3</b>	<b>1.2</b>	<b>1.9</b>	<b>2.3</b>	<b>3.3</b>	<b>3.9</b>
Deposits with an agreed maturity of up to two years	-6.6	-3.1	-1.4	-0.2	2.3	3.2
Deposits redeemable at notice of up to three months	6.3	5.7	5.2	4.8	4.3	4.6
<b>M2</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>	<b>2.7</b>	<b>2.4</b>	<b>2.4</b>
<b>M3</b>	<b>1.7</b>	<b>1.6</b>	<b>2.1</b>	<b>2.3</b>	<b>2.0</b>	<b>2.4</b>

Source: ECB.

The gap in annual growth rates between the main components of broad money further narrowed during the first quarter of 2011. The rate of increase in M1 continued its decline, falling by 1.4 percentage points to 2.9% in March. At the same time, the annual growth in short-term deposits other than overnight deposits (M2-M1) turned positive in January and reached 2.3% in March, while that of marketable instruments (M3-M2) became less negative. This convergence mainly reflected interest rate developments. Since the yield curve steepened further during the quarter, the opportunity cost of holding overnight deposits increased. At the same time, higher yields also encouraged shifts out of M3 into longer-term assets.

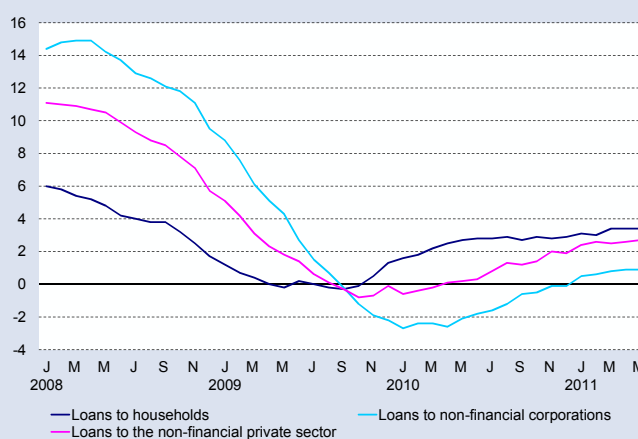
Annual growth rates diverged again in the second quarter, as M3 growth rose further to 2.4% in May, while the growth rate in M1 continued to decrease, falling to 1.2% in May.

### *Bank lending growth slows down*

On the counterpart side, the annual growth rate of credit to euro area residents moderated to 3.3% in March from 3.5% in December. The slowdown was driven by weaker growth in credit to general government, which fell by four percentage points over the quarter to 8.0% in March. On the other hand, the annual rate of growth of credit to the private sector increased by 0.7 percentage points and ended the quarter at 2.2%.

MFI loans accelerated further during the first quarter of 2011. The annual growth rate of loans to the non-financial private sector rose to 2.5% in March from 1.9% in December (see Chart 1.9). This reflected developments in MFI lending to both

**Chart 1.9**  
**MFI LOANS TO THE NON-FINANCIAL PRIVATE SECTOR IN THE EURO AREA**  
*(annual percentage changes)*



Source: ECB.

non-financial corporations and to households. The rate of growth in the former turned positive in January after a protracted period of contraction, reaching 0.8% in March. Meanwhile, loans to households continued to expand, as their rate of increase accelerated by almost half a percentage point to 3.4% by the end of the first quarter. In turn, this was mainly driven by faster growth in loans for house purchases, which ended March 4.4% higher than a year earlier. On the other hand, consumer credit contracted further, though its growth rate edged up to -0.7% in March.

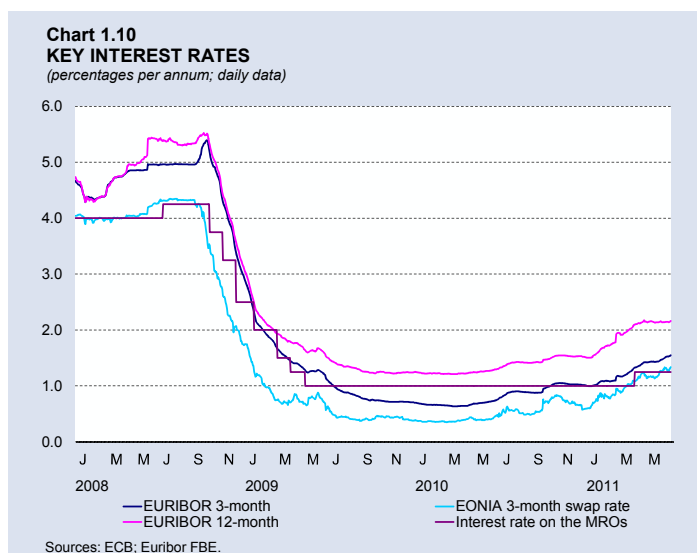
The annual growth rate of MFI loans to the non-financial private sector increased further in the second quarter of 2011, reaching 2.7% in May, reflecting faster growth in loans to non-financial corporations.

### Money market rates increase further

Money market interest rates in the euro area rose further during the first quarter of 2011, partly driven by expectations of higher official interest rates. Over the first three months of the year, unsecured money market interest rates, as measured by EURIBOR, grew by 23 basis points to 1.2% at the three-month maturity and by 49 basis points to 2.0% at the 12-month maturity (see Chart 1.10).<sup>2</sup> Generally, the three-month EURIBOR remained above the MRO rate, reflecting a tendency towards more normal market conditions. During the following quarter, EURIBOR rates continued to rise, ending June at 1.5% at the three-month maturity and at 2.2% at the 12-month maturity.

Secured rates, such as those derived from the three-month EONIA swap index, also continued to rise further during the March quarter.<sup>3</sup> The index remained volatile and increased by 43 basis points over the first three months to end March at 1.02%. The EONIA swap index rose by a further 32 basis points in the following quarter, to end June at 1.3%.

The spread between unsecured EURIBOR rates and secured EONIA swap rates at the three-month maturity continued to decline during the first quarter, narrowing to 22 basis points at end-March. This development was driven by improved sentiment in financial markets. The spread was volatile over the subsequent quarter, but ended June at 21 basis points, marginally below its level three months earlier.



<sup>2</sup> EURIBOR refers to the rates at which prime banks are willing to lend funds to other prime banks in euro on an unsecured basis.

<sup>3</sup> 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.



### *Benchmark long-term government bond yields rise*

During the first quarter of 2011, ten-year German government bond yields, which are often taken as a benchmark for the euro area, rose by 38 basis points to 3.35% at end-March, after having increased in the previous quarter (refer to Chart 1.3). During the first three months of the year, German yields continued to move in line with those in the United States. Rising bond yields mainly reflected positive macroeconomic news and diminishing concerns about the euro area debt crisis, which lessened risk aversion. However, political unrest in the Middle East and North Africa and the natural disasters in Japan led to temporary fluctuations in bond yields. Spreads between yields on ten-year bonds issued by most euro area countries and Germany continued to narrow, except those for Greece, Ireland and Portugal, reflecting market concerns about fiscal sustainability in these countries.

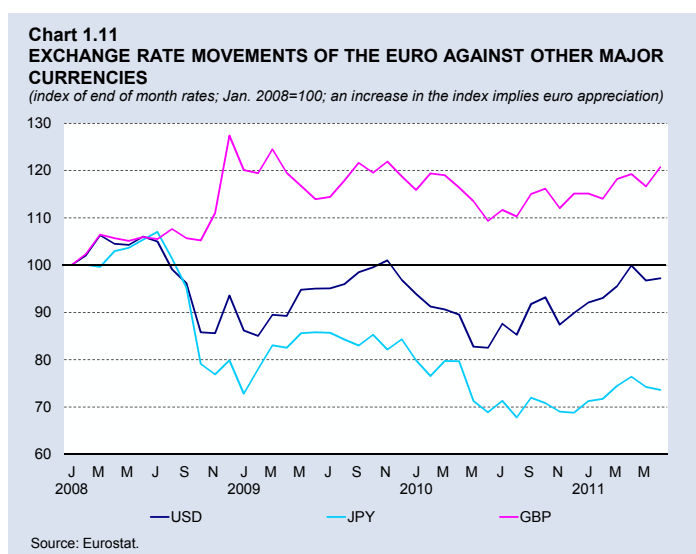
Benchmark euro area government bond yields declined in the following quarter, falling by 34 basis points to 3.01% at the end of June.

### *Euro area equity prices rise further*

Euro area stock prices, as measured by the Dow Jones EURO STOXX index, continued to increase during the March quarter, rising by 3.6% (refer to Chart 1.4). Equity markets in the euro area generally reflected broadly positive economic news, easing of tensions regarding euro area sovereign debt and more rapid corporate earnings growth. This general upward trend was temporarily interrupted as a result of increased tension in the Middle East and North Africa and by the natural disasters in Japan. Going forward, however, euro area equities reversed their earlier gains, falling by 1.7% by the end of June.

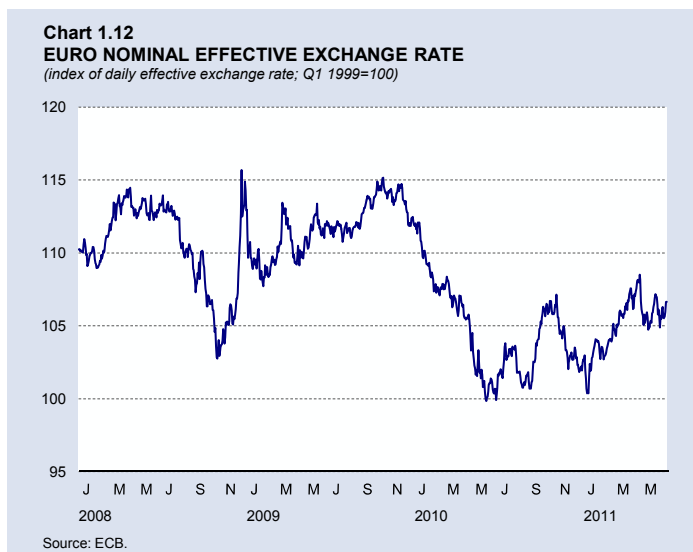
### *The euro appreciates against major currencies*

On a bilateral basis, the euro generally appreciated against other major currencies during the first quarter of 2011. Against the US dollar the euro continued to fall at the beginning of January, but strengthened over the rest of the quarter. The appreciation of the euro was partly driven by more favourable macroeconomic indicators in the euro area and diminishing concerns about euro area sovereign debt. By the end of the quarter, the euro had risen by 6.3% against the US currency (see Chart 1.11). Concurrently, the euro strengthened against the Japanese yen, gaining 8.2%, partly as a result of official intervention to stabilise the Japanese currency after the March earthquake. The euro also rose by 2.7% against the pound sterling. During the June quarter, the euro appreciated further against the US dollar and the pound sterling, rising by 1.7% and 2.1%, respectively, but



depreciated by 1.2% against the Japanese yen.

Similarly, the euro's nominal effective exchange rate (NEER), as measured against the currencies of 20 of the euro area's main trading partners, depreciated in early January but strengthened over the rest of the quarter, mainly reflecting the appreciation of the euro against the US dollar (see Chart 1.12). The NEER ended March 3.5% higher than end-December. In the following quarter, the NEER rose by a further 0.3%.

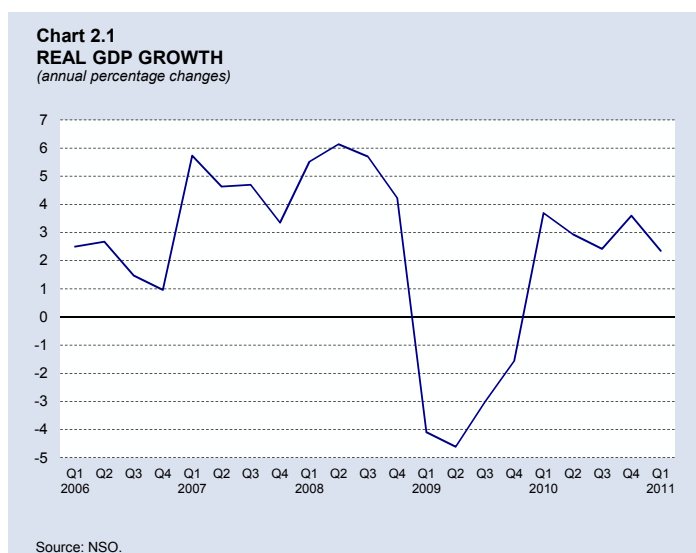


## 2. THE MALTESE ECONOMY

### Output

#### *The pace of economic expansion moderates in the first quarter*

The economic expansion continued into the first quarter of 2011, though at 2.3% annual growth in real GDP was down from 3.6% in the previous quarter (see Chart 2.1). Growth in the first three months of the year was driven by net exports and consumption, although the overall impact of domestic demand was negative due to a contraction in investment and inventories (see Table 2.1).



#### *Net exports expand strongly*

Exports increased by 13.7% on the level recorded a year earlier. Customs data, which are expressed in nominal terms, indicate that this increase was partly due to higher sales of goods, particularly fuels, electrical components

**Table 2.1**  
**GROSS DOMESTIC PRODUCT AT CONSTANT PRICES**

	2010				2011
	Q1	Q2	Q3	Q4	Q1
	<i>Annual percentage changes</i>				
Private final consumption expenditure	1.0	-1.2	-3.3	0.4	2.0
Government final consumption expenditure	-1.9	1.8	-2.9	7.3	7.7
Gross fixed capital formation	6.8	2.9	8.0	26.7	-12.5
Changes in inventories (% of GDP) <sup>(1)</sup>	3.9	-5.3	-1.2	3.3	-3.3
<b>Domestic demand</b>	<b>2.4</b>	<b>-7.4</b>	<b>-1.3</b>	<b>3.6</b>	<b>-5.8</b>
Exports of goods & services	21.7	21.8	15.3	14.2	13.7
Imports of goods & services	18.7	9.2	11.9	13.6	4.0
<b>Gross domestic product</b>	<b>3.7</b>	<b>2.9</b>	<b>2.4</b>	<b>3.6</b>	<b>2.3</b>
	<i>Percentage point contributions</i>				
Private final consumption expenditure	0.7	-0.8	-2.1	0.3	1.3
Government final consumption expenditure	-0.4	0.4	-0.6	1.4	1.5
Gross fixed capital formation	0.9	0.4	1.2	3.4	-1.7
Changes in inventories <sup>(1)</sup>	1.4	-7.5	0.3	-1.3	-7.3
<b>Domestic demand</b>	<b>2.6</b>	<b>-7.5</b>	<b>-1.2</b>	<b>3.9</b>	<b>-6.1</b>
Exports of goods & services	16.6	18.4	14.2	12.3	12.2
Imports of goods & services	-15.4	-7.9	-10.6	-12.6	-3.8
<b>Net exports</b>	<b>1.1</b>	<b>10.5</b>	<b>3.6</b>	<b>-0.3</b>	<b>8.4</b>
<b>Gross domestic product</b>	<b>3.7</b>	<b>2.9</b>	<b>2.4</b>	<b>3.6</b>	<b>2.3</b>

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

Source: NSO.

and chemicals. Imports were also higher on a year earlier, growing by 4.0%. Customs data suggest that this expansion largely reflected purchases of industrial supplies, fuels and chemicals. As exports outpaced imports by a wide margin, net exports added 8.4 percentage points to GDP growth. In fact, net exports were equivalent to 3.5% of GDP, after having been negative a year earlier.

Compared with the previous year, the terms of trade deteriorated slightly, as import prices increased at a slightly faster rate than export prices.

### *Consumption also contributes to the expansion*

After several quarters of negative or marginally positive growth, annual private consumption growth picked up to 2.0%, contributing 1.3 percentage points to GDP growth. The moderate acceleration during the quarter was consistent with developments in employee compensation, which grew at a faster pace (see Chart 2.2).

Between January and March 2011, government consumption increased robustly for the second consecutive quarter, putting on 7.7% on an annual basis and contributing 1.5 percentage points to GDP growth. The increase mainly involved intermediate consumption, particularly health expenditure, although compensation of government employees was also higher.

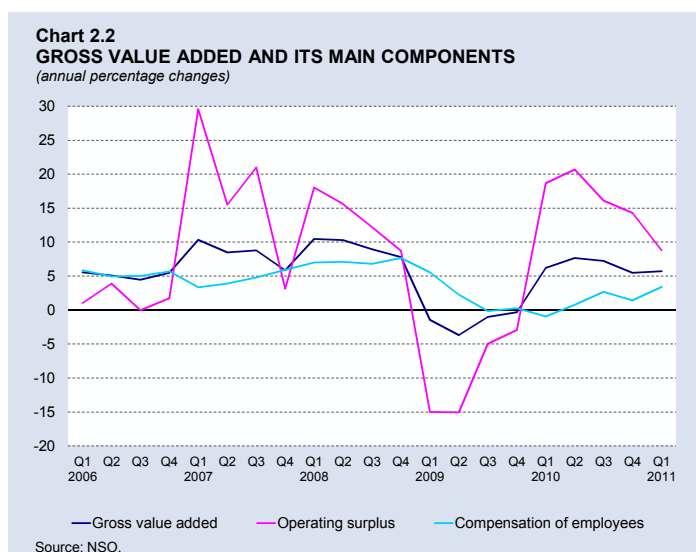
### *Investment contracts sharply*

Following double-digit annual growth in the previous quarter, gross fixed capital formation fell by over a tenth during the first three months of 2011, lowering GDP growth by 1.7 percentage points. This contraction mainly reflected a drop in investment in non-residential construction, as a major EU-funded project in the waste management sector approached completion.

Changes in inventories, which also include the statistical discrepancy, turned negative in the first three months of 2011. They were equivalent to -3.3% of GDP. As the changes had been strongly positive a year earlier, developments in this component of domestic demand resulted in an unfavourable contribution of 7.3 percentage points to GDP growth during the quarter under review.

### *Operating surplus continues to drive growth in nominal incomes*

In nominal terms, GDP grew by an annual rate of 5.0% in the March quarter, while gross value added (GVA) increased by 5.7% on a year earlier (see Chart 2.2 and Table 2.2).<sup>1</sup> The operating surplus component continued to increase in the first quarter of 2011, though its annual growth rate moderated to 8.8%. The



<sup>1</sup> GVA is the value of output less the value of intermediate consumption. GVA, plus taxes on products less subsidies on them, equals GDP at market prices.

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

*Percentage points*

	2010				2011
	Q1	Q2	Q3	Q4	Q1
Agriculture, hunting & forestry	-0.1	0.0	0.1	0.1	0.1
Manufacturing	-0.2	1.6	1.1	1.0	2.5
Electricity, gas & water supply	0.2	0.0	0.6	-0.5	-1.4
Construction	-0.6	0.2	-0.1	0.0	0.0
Wholesale & retail trade	0.7	0.1	-0.2	0.4	0.7
Hotels & restaurants	0.2	0.1	1.1	0.4	0.3
Transport, storage & communication	0.0	0.0	-0.1	0.2	0.5
Financial intermediation	3.3	2.5	1.8	1.0	0.0
Real estate, renting & business activities	0.9	1.0	0.8	0.7	1.3
Public administration	0.3	0.0	0.1	0.0	0.1
Education	0.5	0.5	0.4	0.4	0.1
Health & social work	0.4	0.4	0.4	0.4	0.3
Other community, social & personal services	0.0	0.3	0.3	0.6	0.3
Other <sup>(1)</sup>	0.0	0.0	0.0	0.0	0.1
<b>Gross value added</b>	<b>5.5</b>	<b>6.7</b>	<b>6.3</b>	<b>4.6</b>	<b>5.0</b>
<b>Net taxation on products</b>	<b>1.8</b>	<b>-1.3</b>	<b>-0.3</b>	<b>1.7</b>	<b>0.0</b>
<b>Annual nominal GDP growth (%)</b>	<b>7.2</b>	<b>5.4</b>	<b>6.0</b>	<b>6.3</b>	<b>5.0</b>

<sup>(1)</sup> Includes fishing, mining and quarrying and private households with employed persons.

Source: NSO.

sharpest rise in this category was recorded in the manufacturing sector, although most other sectors also registered higher surpluses or lower losses. Employee compensation rose by 3.4%, up from 1.4% in the previous quarter. The acceleration in employee compensation during the first three months of 2011 mainly reflected developments in the real estate, renting & business activities sector, where employee compensation went up robustly.

#### *Manufacturing drives expansion in gross value added*

From a sectoral perspective, manufacturing GVA rose for the fourth consecutive quarter. In the March quarter it was more than a fifth higher on an annual basis, contributing 2.5 percentage points to nominal GDP growth. The increase was broadly based across the larger manufacturing sub-sectors.

The pick-up in manufacturing GVA is consistent with industrial production data, which record output in volume terms. After moderating during the last quarter of 2010, industrial production increased at a faster pace during the first quarter of 2011, gaining 6.2% on the corresponding period of the previous year (see Table 2.3).

The overall growth in industrial production partly reflected higher output in the semiconductors (included under computer, electronic & optical products), rubber & plastic, pharmaceuticals and energy sectors, which make up approximately two-fifths of total output. Production also expanded in the clothing industry, namely the wearing & apparel and textiles sub-sectors, although the annual rate of expansion was more moderate relative to the previous quarter. In contrast, production continued to drop within the repair & installation and food sectors, though in the latter case the contraction was less marked than in the previous quarter.

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

*Percentages; annual percentage changes*

	Shares	2010				2011
		Q1	Q2	Q3	Q4	Q1
<b>Industrial production</b>	<b>100</b>	<b>6.1</b>	<b>13.5</b>	<b>7.1</b>	<b>0.6</b>	<b>6.2</b>
Computer, electronic & optical products	18.5	35.0	32.7	25.8	20.5	24.7
Food products	10.2	-20.1	-6.8	-6.6	-12.9	-4.8
Energy <sup>(1)</sup>	8.0	-4.1	-3.7	-2.7	0.9	2.4
Wearing apparel	6.5	-30.8	-21.9	-1.3	14.7	7.6
Rubber & plastic products	6.2	23.8	39.2	9.1	1.4	11.7
Basic pharmaceutical products & pharmaceutical preparations	5.5	9.7	49.1	27.2	-0.2	5.4
Textiles	5.2	15.3	25.3	117.8	22.4	11.7
Repair and installation of machinery and equipment	5.0	-14.6	-13.0	-18.3	-20.4	-36.8

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

Despite the increase in the volume of output in the energy sector, as reported by industrial production statistics, GVA fell sharply in the sector on a year earlier due to higher costs of intermediate inputs. As a result the operating surplus declined substantially.

### *GVA in services also expands*

GVA increased across most service producing sectors during the first quarter of 2011. The strongest annual increase was recorded in the real estate, renting & business activities sector, where GVA expanded by 8.6%, thereby contributing 1.3 percentage points to nominal GDP growth. The largest expansion was recorded in the “other business activities” segment, which includes a broad range of business and professional services. The wholesale & retail and the transport, storage & communication sectors also recorded strong annual increases in GVA. Together, these contributed a further 1.2 percentage points to nominal GDP growth.

The positive performance of the tourism industry during the quarter (see Box 3) also boosted GVA in the hotels & restaurants sector. This rose by more than a tenth on a year earlier, and contributed around 0.3 percentage points to nominal growth, with the hotels segment accounting for most of the increase. Similar contributions were made by the health and other community, social & personal services sectors. In the remaining service sub-sectors, GVA increased more moderately or remained stable.

### **The labour market<sup>2</sup>**

Conditions in the labour market continued to improve in the first quarter of 2011. Both LFS data and ETC records point towards a further expansion in employment, while the rate of unemployment continued to ease. There was no visible impact on the labour market of developments in Libya, where a number of Maltese firms and workers are active.

### *Labour market revival continues*

According to the LFS, annual employment growth accelerated to 3.0% in the first quarter of the year, after moderating somewhat in the preceding quarter (see Table 2.4). Employment growth

<sup>2</sup> This section draws mainly on labour market statistics obtained 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.

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

*Persons; annual percentage changes*

	2010				2011	Annual change %
	Q1	Q2	Q3	Q4	Q1	
<b>Labour supply</b>	<b>175,763</b>	<b>177,532</b>	<b>177,206</b>	<b>175,101</b>	<b>179,540</b>	<b>2.1</b>
Employed	163,088	165,443	165,152	163,123	168,023	3.0
<i>By type of employment:</i>						
Full-time	142,048	145,711	144,131	143,238	145,703	2.6
Full-time with reduced hours	3,483	3,685	3,467	2,663	3,525	1.2
Part-time	17,557	16,047	17,554	17,222	18,795	7.1
Unemployed	12,675	12,089	12,054	11,978	11,517	-9.1
<b>Activity rate (%)</b>	<b>59.9</b>	<b>59.9</b>	<b>61.0</b>	<b>60.4</b>	<b>61.4</b>	
Male	77.2	78.3	77.7	77.5	78.5	
Female	41.9	40.8	43.6	42.8	43.7	
<b>Employment rate (%)</b>	<b>55.5</b>	<b>55.9</b>	<b>56.8</b>	<b>56.3</b>	<b>57.4</b>	
Male	71.6	73.5	72.2	71.9	73.8	
Female	38.9	37.5	40.7	40.0	40.5	
<b>Unemployment rate (%)</b>	<b>7.2</b>	<b>6.8</b>	<b>6.8</b>	<b>6.8</b>	<b>6.4</b>	
Male	7.2	6.2	6.9	7.0	6.0	
Female	7.2	8.1	6.6	6.5	7.3	

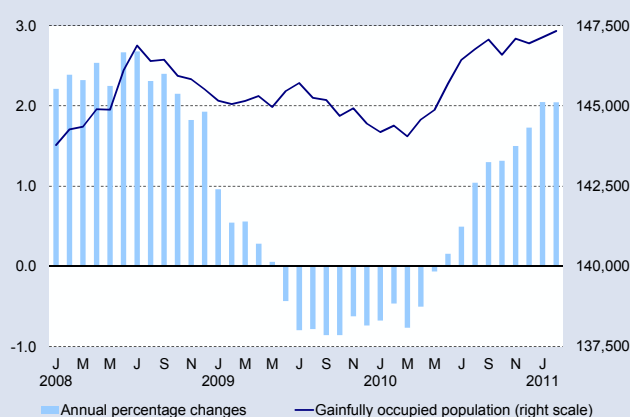
Source: NSO.

reflected higher levels of both full and part-time jobs, with males accounting for three-fifths of the increase. With the labour supply also growing by 2.1% on a year-on-year basis, the employment rate and the activity rate rose to 57.4% and 61.4%, respectively.<sup>3</sup> Both female and male categories registered gains.

ETC records corroborate the positive performance of the labour market. In fact, year-on-year employment gains observed since June 2010 continued in the first two months of 2011 (see Chart 2.3). The gainfully occupied population, defined as those persons holding a full-time job, rose progressively and posted a year-on-year increase of 2,951 persons, or 2.0%, in February, its fastest growth rate since late 2008 (see Table 2.5).

From a sectoral perspective, job creation was totally driven by the

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



Source: NSO.

<sup>3</sup> The employment rate measures the number of persons employed on a full-time or part-time basis, as a proportion of the working age population, that is, the number of people aged between 15 and 64 years. The activity rate measures the number of people 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*

	2010				2011	Annual change %
	Feb.	June	Sep.	Dec.	Feb.	
<b>Labour supply</b>	<b>152,235</b>	<b>152,465</b>	<b>153,722</b>	<b>153,552</b>	<b>154,294</b>	<b>1.4</b>
Gainfully occupied <sup>(1)</sup>	144,383	145,690	147,067	146,946	147,334	2.0
Registered unemployed	7,852	6,775	6,655	6,606	6,960	-11.4
<b>Unemployment rate (%)</b>	<b>5.2</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>	<b>4.5</b>	
<b>Private sector</b>	<b>103,175</b>	<b>104,669</b>	<b>106,185</b>	<b>105,772</b>	<b>106,200</b>	<b>2.9</b>
Direct production	31,320	31,407	32,016	31,797	32,051	2.3
Market services	71,855	73,262	74,169	73,975	74,149	3.2
<b>Public sector</b>	<b>40,565</b>	<b>40,391</b>	<b>40,326</b>	<b>40,491</b>	<b>40,441</b>	<b>-0.3</b>
<b>Temporary employment</b>	<b>643</b>	<b>630</b>	<b>556</b>	<b>683</b>	<b>693</b>	<b>7.8</b>
<b>Part-time jobs</b>	<b>48,540</b>	<b>51,551</b>	<b>52,136</b>	<b>51,926</b>	<b>51,515</b>	<b>6.1</b>
Primary	27,213	29,451	29,680	29,260	29,055	6.8
Secondary <sup>(2)</sup>	21,327	22,100	22,456	22,666	22,460	5.3

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

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

Source: NSO.

private sector, where full-time employment grew by 2.9% year-on-year in February. Employment in market services increased by 3.2% over the previous year. New jobs within this area were mainly created in the “other business activities” category, which comprises a broad range of business-related services. In addition, gains were recorded in IT-related activities, in the recreational sector and in financial services. The revival of manufacturing, which had been negatively affected during the economic downturn, continued, with employment growing by 4.0% year-on-year. Within the manufacturing sector, higher employment levels were observed in the rubber & plastic and electrical machinery & apparatus sub-sectors, while the transfer of ship-repair activities to a private firm in mid-2010 also contributed. In contrast, jobs in the construction industry – the other component of direct production – declined.

In the public sector employment was down by 0.3%, mainly reflecting the ongoing strike-off of people formerly employed at the shipyards, and a decline in construction. This decrease outweighed job creation in health & social work and education.

Growth in part-time employment continued at a strong but decelerating pace. In fact, part-time employment increased by 2,975 persons, or 6.1%, during the year to February, which was slower than the rates recorded in the final quarter of 2010. More than three-fifths of the increase was made up of workers with part-time jobs as their primary employment. Within this category, a significant rise was recorded in hotels & restaurants, which reflected buoyant activity in the tourism industry.

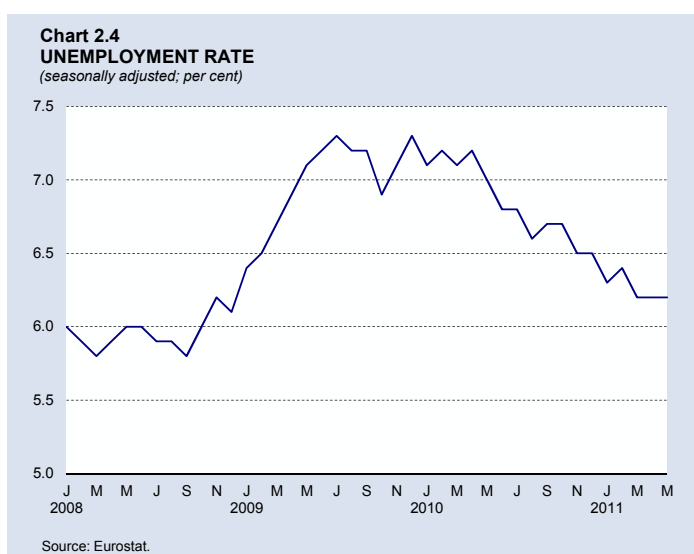
### *Unemployment eases further*

In line with faster growth in employment, unemployment eased further in the beginning of 2011. In fact, the seasonally-adjusted unemployment rate ended the first quarter at 6.2%, 0.3 percentage



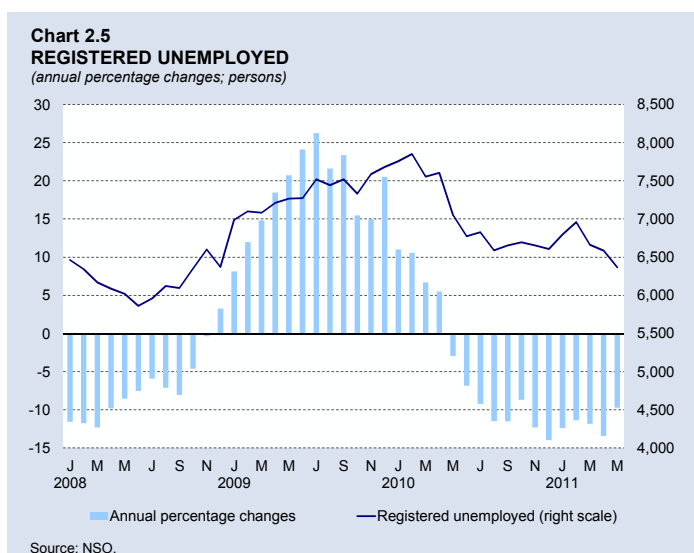
points below the December level, and almost a full percentage point lower than the level of a year earlier (see Chart 2.4). This is the lowest unemployment rate since the last quarter of 2008.

The number of unemployed persons registered with the ETC in March declined on a year-on-year basis by 686, or 9.7% (see Chart 2.5). Long-term unemployment, gauged by the number of those registering for work for more than 12 months, continued to fall during the first three months of the year. Furthermore, the number of short-term unemployed also decreased further.



Similar trends were also reflected in unemployment data as measured by the LFS.<sup>4</sup> The corresponding unemployment rate, which exceeded the 7% mark at the end of 2009 and at the beginning of 2010, moderated to 6.8% during the last three quarters of 2010, before declining by a further 0.4 percentage points to 6.4% in March 2011 (see Table 2.4).

Labour market indicators going into the second quarter of 2011 indicate that the positive performance continued. In fact, the seasonally-adjusted unemployment rate stood at 6.2% in May, the same rate recorded in the previous two months, but 0.8 percentage points below the rate of a year earlier (see Chart 2.4). In addition, the latest ETC data, which extend coverage to May 2011, show a further fall in the number of people registering for employment (see Chart 2.5).

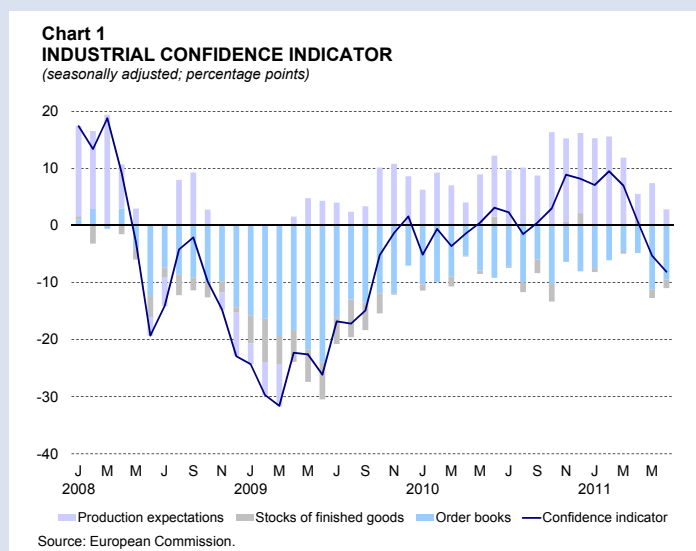


<sup>4</sup> According to the LFS, the unemployed comprise all persons above 15 years of age who are without work, available for work and who have actively sought work during the four weeks preceding the survey. In contrast, the number of unemployed on the basis of ETC data includes only those persons registering for work under Part 1 and Part 2 of the unemployment register.

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

### Business sentiment deteriorates<sup>2</sup>

Survey data for the second quarter of 2011 show a deterioration in sentiment among economic operators, particularly in the manufacturing sector (see Chart 1). The seasonally-adjusted industrial confidence indicator turned negative in May after having been in positive territory for eight months in a row. In fact, compared with March, the indicator fell by 15 percentage points, to -8 in June.



The deterioration in confidence was mainly propelled by less optimistic production expectations and by a higher number of respondents reporting weak order book levels. To a lesser extent, it also reflected an accumulation of stocks of finished goods.

In line with the drop in sentiment, employment expectations turned negative in June. Furthermore, a large number of participants indicated insufficient demand as the main limitation on business expansion, with respondents saying that the current production capacity was more than sufficient to meet demand. In the second quarter, the majority of manufacturers also anticipated a fall in their selling prices over the subsequent three months.

Turning to seasonally-unadjusted data, for which a more detailed breakdown is available, the overall index fell to -9 in June from nine in March. Confidence declined and the index turned negative in all broad categories, namely consumer, intermediate and investment goods. Specifically, confidence fell among firms in the electronics sector, pharmaceutical firms, manufacturers of rubber & plastic products and fabricated metal. On the other hand, sentiment improved in the printing & reproduction media sector.

### Outlook for construction firms remains negative<sup>3</sup>

Sentiment among construction firms fell in the June quarter, with the seasonally-adjusted index decreasing from -24 in March to -29 three months later (see Chart 2). A higher balance of respondents expressed an intention to reduce their labour complement in the subsequent three months, while order book levels remained unchanged. Operators continued to indicate that weak demand

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

<sup>2</sup> The industrial confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished products.

<sup>3</sup> The construction confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.

was the main factor limiting construction activity.

### Service providers less optimistic<sup>4</sup>

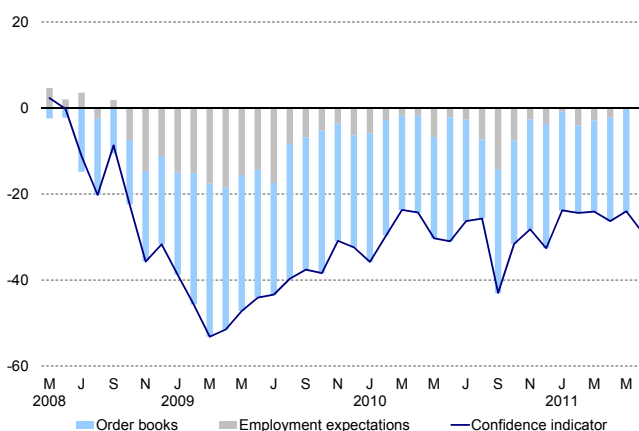
In seasonally-adjusted terms, confidence among service providers also deteriorated between March and June 2011 (see Chart 3). The index was down by four percentage points and stood at 23 in June. The decline in sentiment reflected a higher balance of participants reporting a fall in demand for services in the previous quarter and a less favourable business situation. On the other hand, a higher proportion of participants expected an increase in demand for services over the following three months. As regards employment, however, respondents also expressed reduced optimism with respect to manpower levels.

A more detailed breakdown, which is only available in seasonally-unadjusted terms, shows that, compared with March, sentiment among firms worsened in financial intermediation, real estate, travel-related activities and motion picture, video & TV programme production. In contrast, confidence improved among firms in the accommodation sector and those engaged in rental & leasing activities and broadcasting activities.

### Consumer confidence increases<sup>5</sup>

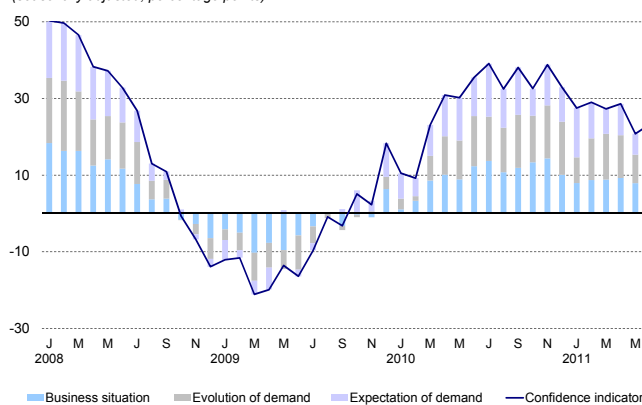
The consumer confidence indicator edged up during the second quarter of 2011, though the balance of replies remained negative. At -38 in June, the index stood three percentage points above the corresponding level in March (see Chart 4). Consumers' expectations regarding the unemployment outlook improved, as did their assessment of the general economic situation

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



Source: European Commission.

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



Source: European Commission.

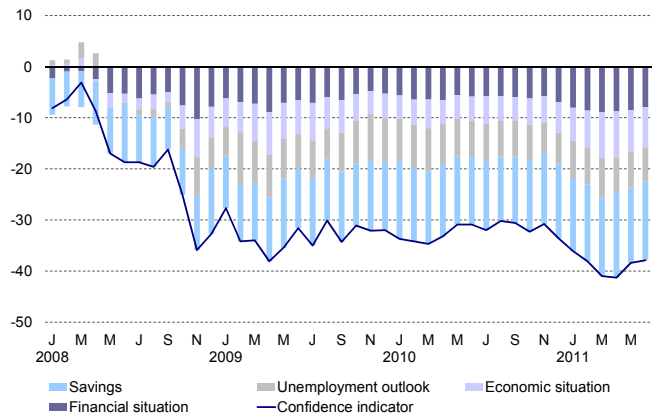
<sup>4</sup> The services confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

<sup>5</sup> The consumer confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' financial situation, their ability to save, the general economic situation and unemployment expectations over the subsequent 12 months.

and of their own financial position over the subsequent 12 months.

Other consumer survey information shows that, on balance, respondents expected prices to increase in the following 12 months, though inflation expectations appear to have moderated slightly during the quarter. Moreover, the number of respondents believing that, in view of the general economic situation, the time was not appropriate to make major purchases increased.

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



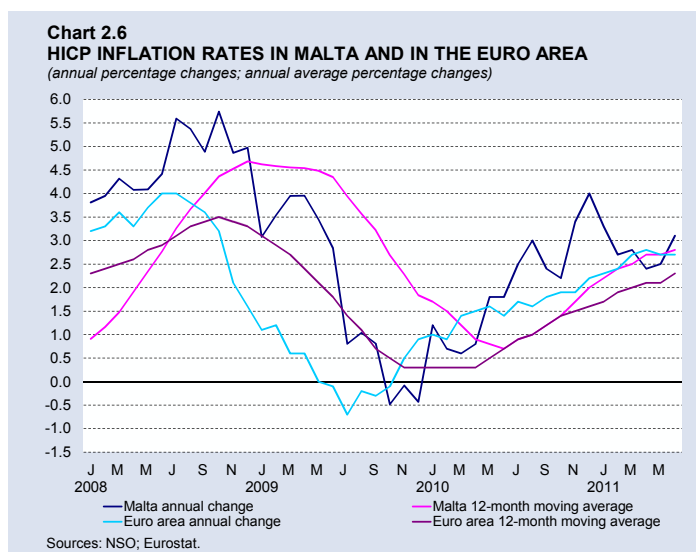
Source: European Commission.

## Prices

### *HICP inflation moderates in the first quarter of 2011*

HICP-based inflation moderated in the first quarter of 2011, easing from an annual rate of 4.0% in December to 2.8% in March (see Table 2.6).<sup>5</sup> However, the 12-month moving average rate, which is the average of the annual inflation rates observed over the last 12 months, rose further, reaching 2.5% in March from 2.0% three months earlier.

In contrast, inflation in the euro area increased to an annual rate of 2.7% in March from 2.2% in December. The corresponding 12-month moving average rate also rose to 2.0% (see Chart 2.6).



While the drop observed in Malta's inflation rate during the first quarter was broadly based, the largest contributor to such decline was seen in the services category. Inflation in this category dropped to 1.9% in March from 3.1% in December. Services prices accounted for 0.8 percentage points of the total inflation rate in March, half a percentage point less than at the end of last year. This was mostly due to slower price increases in accommodation and, to a lesser extent, in passenger transport services, particularly air fares.

Energy prices remained the largest source of inflation, as can be seen in Chart 2.7, contributing one percentage point to the overall annual rate at the end of the quarter. However, the annual growth rate of energy prices dropped to 14.3% in March from 21.7% in December. The

**Table 2.6**  
**YEAR-ON-YEAR HICP INFLATION**

Percentage change

	2010				2011		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Unprocessed food	5.6	3.4	5.3	8.3	8.5	6.5	6.2
Processed food including alcohol and tobacco	2.4	3.5	3.2	3.4	3.9	3.9	3.2
Energy	15.9	18.0	19.4	21.7	13.3	11.6	14.3
Non-energy industrial goods	-0.3	0.5	0.3	1.0	0.4	-0.3	0.7
Services (overall index excluding goods)	3.4	1.5	0.3	3.1	2.7	2.3	1.9
<b>All Items HICP</b>	<b>2.4</b>	<b>2.2</b>	<b>3.4</b>	<b>4.0</b>	<b>3.3</b>	<b>2.7</b>	<b>2.8</b>

Sources: NSO.

<sup>5</sup> In January 2011 the HICP weights were revised to reflect changes in household consumption patterns. The combined weight of processed and unprocessed food was almost unchanged at 20.5%. In contrast, shares of non-energy industrial goods and services dropped by 0.1% and 0.2%, respectively, to 31.6% and 41.3%. On the other hand, the share allotted to energy rose from 6.3% to 6.6% in 2011.

deceleration mainly reflected a base effect in relation to electricity prices, which had substantially increased in January 2010. Meanwhile, vehicle fuel prices rose further, and although gas prices also increased markedly, their impact on overall energy prices was small.

Food prices, which account for just over a fifth of the HICP, registered an annual growth rate of 4.3% in March, down from 5.2% in December. Unprocessed and processed food made a combined contribution of 0.9 percentage points to overall inflation in March.

Prices in the former category rose at an annual rate of 6.2% in March, compared with 8.3% in December. Higher prices were recorded for fruit and meat, and fish & seafood prices dropped, though to a lesser extent than in the previous quarter, while vegetable prices rose at a significantly slower pace. Processed food price inflation also fell, though less rapidly, with the annual rate easing to 3.2% in March from 3.4% in December.

Moreover, price inflation of non-energy industrial goods dropped to 0.7% in March from 1.0% in December, thus slightly lowering its overall contribution to 0.2 percentage points.

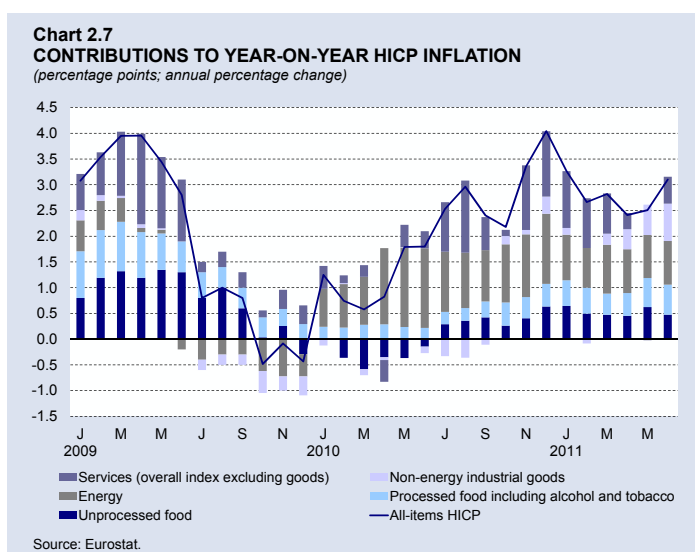
The annual HICP inflation rate rose to 3.1% in June owing to an acceleration in the rate of growth of prices in non-energy industrial goods and processed food.

### RPI inflation also moderates

The annual rate of inflation based on the RPI, which moves broadly in line with the HICP counterpart,<sup>6</sup> moderated to 2.7% in March from 3.3% in December, primarily reflecting a deceleration in the water, electricity, gas and fuels component, and to a lesser extent in food price inflation. Inflation in the former component dropped to 3.3% in March from 27.5% at the end of 2010. This component accounted for 0.1 percentage points of the overall rate in March, 0.8 percentage points lower than in December, with the drop resulting from the above-mentioned base effect in electricity prices (see Table 2.7).

Moreover, food price inflation moderated to 3.6% in March from 5.1% in December. As a result, food prices became the second largest source in the annual rate of inflation, with its contribution standing at 0.8 percentage points in March, down from 1.1 points in December.

A drop in prices of the items falling under the household equipment & house maintenance category further contributed to the moderation in overall inflation. Prices in this category fell by an



<sup>6</sup> Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the methodologies of compilation of the two indices. 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.

**Table 2.7**  
**CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION**

*Percentage points*

	2010				2011		
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Food	0.7	0.6	0.8	1.1	1.2	1.0	0.8
Beverages & tobacco	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Clothing & footwear	-0.5	-0.3	-0.2	-0.2	-0.1	-0.3	0.0
Housing	0.1	0.1	0.1	0.1	0.4	0.4	0.4
Water, electricity, gas & fuels	0.9	0.9	0.9	0.9	0.1	0.1	0.1
Household equipment & house maintenance costs	0.0	0.0	0.0	0.0	-0.3	-0.3	-0.3
Transport & communications	-0.1	-0.2	0.5	0.9	0.8	0.6	1.0
Personal care & health	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Recreation & culture	0.2	0.1	0.1	0.1	0.1	0.1	0.2
Other goods & services	0.2	0.1	0.1	0.1	0.2	0.2	0.3
<b>RPI (annual percentage change)</b>	<b>1.8</b>	<b>1.7</b>	<b>2.4</b>	<b>3.3</b>	<b>2.7</b>	<b>2.3</b>	<b>2.7</b>

Sources: Central Bank of Malta; NSO.

annual 4.0% in March, reflecting a drop in furniture prices. As a result its contribution to overall inflation was 0.3 percentage points than in December.

On the other hand, although the clothing & footwear component recorded an annual increase of 0.2% in March its contribution to overall inflation was marginal. Meanwhile, the inflation rate in the housing category rose further to 5.1% in March from 1.3% in December, and contributed 0.4 percentage points. There were little or no significant changes in the other major categories.

The annual inflation rate is heavily influenced by a number of relatively volatile components, including food prices and water & electricity charges. Underlying price pressures can be better gauged on the basis of the Bank's core RPI inflation index.<sup>7</sup> According to the latter, the core inflation rate decelerated to 0.8% in March from 0.9% in December 2010 with a significant increase in the housing sub-index dampened by a larger drop that related to the household equipment & house maintenance category.

Data running into the second quarter of 2011 show that RPI inflation moderated to 2.4% in April and subsequently rose to 3.1% in May, mainly owing to higher food prices. The faster pick-up in RPI inflation in May compared with that observed in the HICP is attributable to the larger weight of food and transport services in the RPI.

## Costs and competitiveness

### *Producer prices moderate in the first quarter*

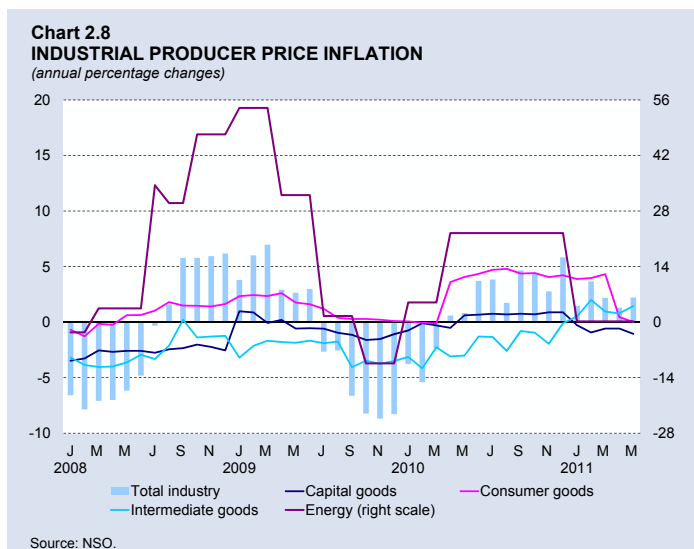
The Industrial Producer Price Index, which measures the prices of goods at the factory gate, is commonly used to monitor inflationary pressures at the production stage.<sup>8</sup> In Malta producer price inflation has been more volatile than consumer price inflation in recent years, reflecting

<sup>7</sup> The core inflation rate excludes one-off fluctuations and 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, transport & communications and clothing & footwear.

<sup>8</sup> The Producer Price Index 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.

relatively sharp fluctuations in producer prices in the energy and intermediate goods sectors.

During the first quarter of 2011, the annual rate of producer price inflation dropped to 2.2% in March from 5.8% three months earlier (see Chart 2.8). This decline mostly reflected a slower annual rate of increase in energy prices, which fell to 0.2% throughout the quarter as a result of the base effects referred to earlier, from 22.4% in December 2010. Consequently, energy prices had a neutral impact on producer price inflation in the quarter under review, whereas they had contributed significantly to it in the December quarter.

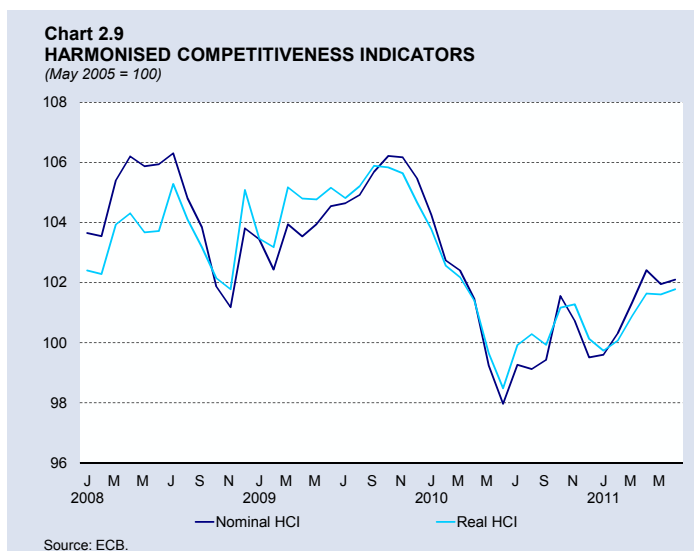


On the other hand, producer prices in the intermediate goods category, which had fallen during 2010, began rising at the start of 2011. On an annual basis they rose by 2.7% in March and contributed 1.5 percentage points to overall producer price inflation. Moreover, the annual inflation rate in the consumer goods sector increased moderately to 4.3% in March from 4.2% in December 2010, slightly pushing up its contribution to 0.7 points.

Producer price inflation declined to 1.3% in April 2011 owing to a slower growth in consumer goods prices, but then returned to its March level of 2.2% in May.

**Malta's HCIs marginally increase**

After having fallen during late 2010, both the nominal HCI and its real counterpart resumed their upward path during the first quarter of 2011.<sup>9</sup> In March 2011 the nominal and real indices stood, respectively, 1.8% and 0.8% higher than at December, (see



<sup>9</sup> A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes and the relative inflation of a country vis-à-vis its main trading partners. In the computation of the indices, exchange rate and price changes are weighted according to the direction of trade in manufactured goods only. Therefore, the HCI should only be considered as a partial measure of Malta's international competitiveness. Changes in the HCI should be interpreted with caution.

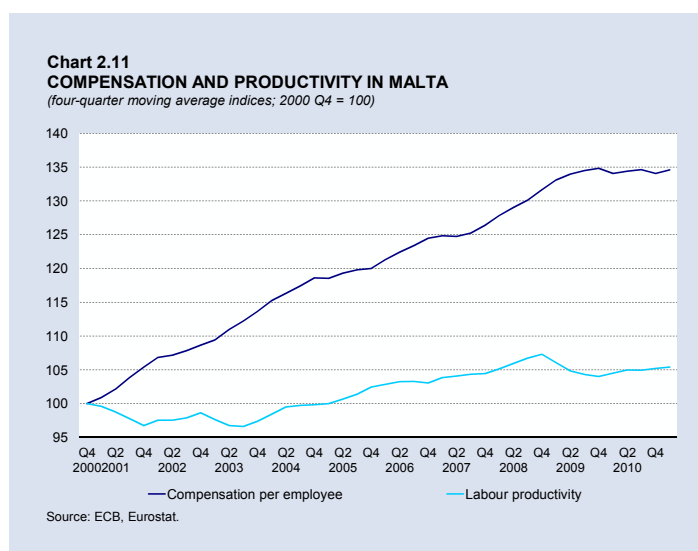
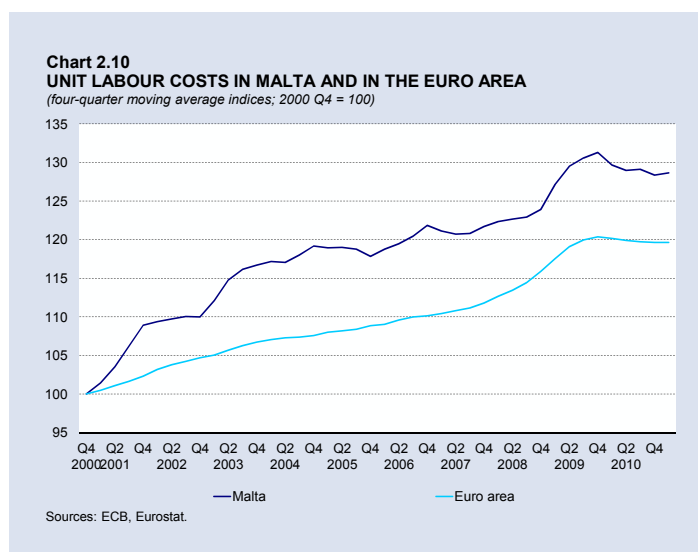


Chart 2.9).<sup>10</sup> The increase in the nominal HCI reflected exchange rate movements, notably the appreciation of the euro against the US dollar and the pound sterling, which has a significant impact due to the importance of Malta's trade with the United States and the United Kingdom. The increase in the real index was dampened by the favourable inflation differential, with consumer prices in Malta rising less rapidly than in its main trading partners.

### ULC increase

Based on data compiled by Eurostat Malta's ULC measured as a four-quarter moving average slightly increased in the January-March 2011 period over the previous quarter. Following a 0.6% drop in the fourth quarter, ULC rose by 0.2% (see Chart 2.10).<sup>11</sup>

Chart 2.11 displays the paths followed by the two components of ULC: compensation per employee and labour productivity. Labour productivity increased by 0.2% on the previous quarter, following a similar rise three months earlier as output increased faster than employment. On the other hand, employee compensation rose by 0.4% after having dropped by the same proportion in the previous quarter. In sum, therefore, the increase in Malta's ULC during the quarter stemmed from labour cost increases that exceeded the contemporaneous gains in productivity.



<sup>10</sup> Owing to the adoption of the euro in Estonia in January 2011, the HCI now measures Malta's competitiveness vis-à-vis the 17 countries in the euro area plus the EER-40 group of trading partners. Previously, Malta's HCI was compiled on the basis of 16 countries in the euro area and the EER-41 group of trading partners.

<sup>11</sup> Unit labour costs capture the labour costs of producing a unit of output. They are measured as the ratio of the nominal compensation per employee and labour productivity. The latter is defined as real GDP per person in employment. A drop in the ULC indicates an improvement in competitiveness. Unless otherwise indicated, ULC and their components are measured on the basis of a four-quarter moving average to dampen volatility in the data.

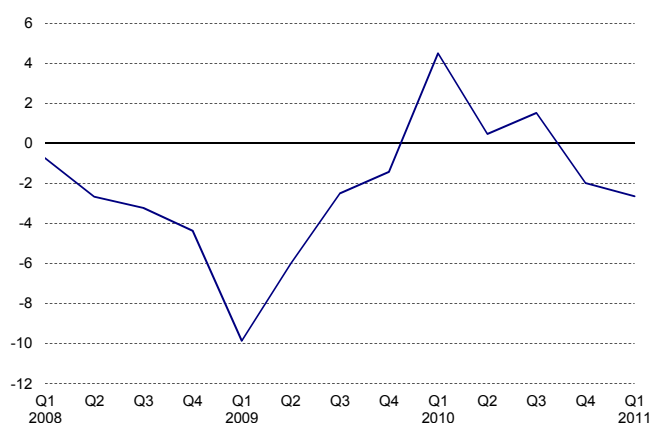
## BOX 2: RESIDENTIAL PROPERTY PRICES

### Residential property prices drop in the first quarter<sup>1</sup>

The Central Bank of Malta property price index, which measures advertised residential property prices, fell for the second consecutive quarter in the three months to March 2011. The All Property Price Index compiled by the NSO, based on contracted property prices also registered a decline during the quarter.

According to the Bank's index, after having dropped at an annual rate of 2.0% during the previous quarter, advertised property prices decreased by 2.6% year-on-year during the quarter under review (see Chart 1).

**Chart 1**  
RESIDENTIAL PROPERTY PRICE INFLATION (BASED ON ADVERTISED PRICES)  
(annual percentage change)



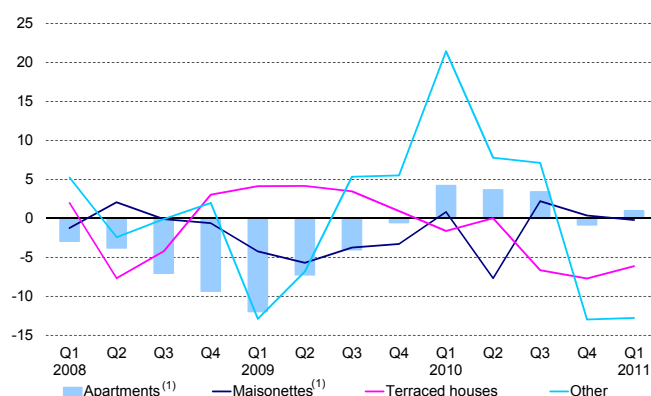
Source: Central Bank of Malta.

Disaggregated results show that the overall drop during the quarter was primarily due to lower asking prices for terraced houses and for properties in the “other” category. Prices for terraced houses declined for the third consecutive quarter, falling by 6.1% on a year earlier. Prices in the “other” category, which consists of townhouses, houses of character and villas, fell by an annual 12.8%, a similar drop to that experienced in the previous quarter (see Chart 2). Moreover, prices of maisonnettes contracted marginally.

On the other hand, prices of apartments – which make up almost three-fifths of properties surveyed – rose by 1.0% on a year earlier, softening the drop in overall property prices. During 2010, prices for apartments had risen in the first three quarters, before falling slightly in the final quarter.

In the first quarter of 2011, the number of properties advertised for sale contracted by 9.9% on a year earlier, compared with a 12.4% decline in the December quarter.

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

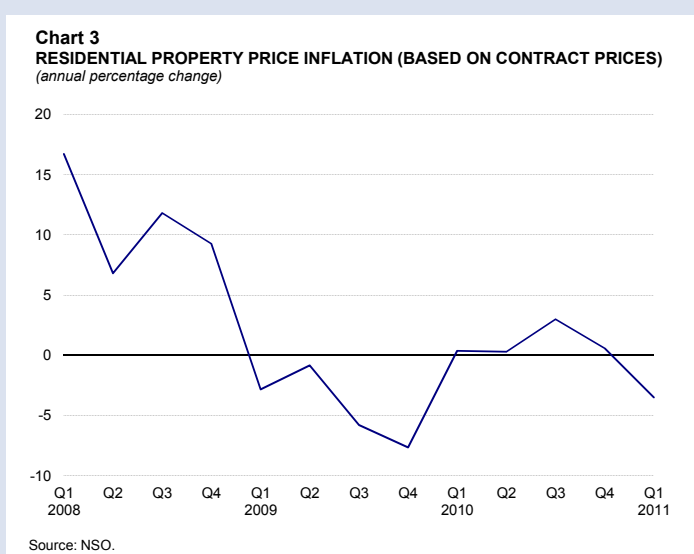


<sup>(1)</sup> Includes both units in shell form and finished units.

Source: Central Bank of Malta.

<sup>1</sup> This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in advertised residential property prices compiled from newspaper advertisements sampled each month. The NSO publishes a separate quarterly index based on monthly information obtained from contracts of sale registered with the Inland Revenue Department. The Bank's index is divided into eight dwelling categories.

Meanwhile, the number of building permits issued by the Malta Environment and Planning Authority rose by 25.4% on the corresponding quarter of 2010, mainly due to a base effect as the number of permits issued in that quarter was particularly low. The increase was mostly due to apartments, for which a substantially higher number of permits were issued. On the other hand, there was a fall in the number of permits for the construction of maisonettes and terraced houses.



The latest All-Property Price Index published by the NSO, shows that residential property price inflation turned negative in the first quarter of 2011, after four quarters of consecutive price increases.<sup>2</sup> The increase in the Index peaked at 3.0% in the third quarter of 2010, before moderating to 0.6% in the following three-month period. Prices subsequently dropped at an annual rate of 3.5% in the first quarter of 2011. This primarily reflected a 2.0% fall in the prices of apartments, while those of maisonettes declined by 9.8%.

NSO data also show that the number of sale contracts of residential property increased by 7.1% on a year earlier, after having declined on an annual basis for three consecutive quarters. The number of contracts for the sale of apartments went up by 6.0%, while contracts for maisonettes rose by 4.2%.

<sup>2</sup> The NSO Index captures prices of apartments, maisonettes and terraced houses.

## The balance of payments

In the first three months of 2011, the deficit on the current account of the balance of payments narrowed substantially compared with the same quarter of 2010. This was mainly due to a significantly smaller deficit on trade in goods. Furthermore, a larger surplus on services and lower net outward current transfers contributed, although to a lesser extent, to the narrowing of the negative balance on the current account. Together these movements outweighed larger net outflows on the income account.

During the same period, net outflows were recorded on the capital and financial account, in contrast with the position a year earlier when net inflows were recorded. This shift was entirely attributable to developments on the financial account, since the balance on the capital account turned positive. At the same time, reserve assets – movements which are recorded in the financial account – increased. Net errors and omissions were positive and substantial.<sup>12</sup>

### *The current account deficit improves considerably*

During the first quarter of the year the deficit on the current account stood at EUR79.8 million, a decline of EUR70.3 million compared with the March quarter of 2010 (see Table 2.8). Consequently, the current account deficit expressed as a four-quarter moving sum narrowed to EUR228.6 million (see Chart 2.12); this is equivalent to 3.6% of GDP, compared with 5.4% in the year to March 2010.

**Table 2.8**  
**BALANCE OF PAYMENTS**  
EUR millions

	2010		2011		four-quarter moving sum				
	Q1	Q2	Q3	Q4	2010	2011	Q1	Q2	
<b>Current account</b>	<b>-150.0</b>	<b>-79.8</b>	<b>-324.6</b>	<b>-220.0</b>	<b>-275.7</b>	<b>-298.9</b>	<b>-228.6</b>		
Goods	-173.5	-88.1	-939.8	-844.6	-854.7	-926.5	-841.2		
Services	156.6	176.6	912.5	955.4	999.3	1,039.4	1,059.4		
Income	-116.8	-156.4	-353.3	-374.6	-423.4	-440.3	-479.8		
Current transfers	-16.4	-12.0	56.0	43.7	3.1	28.5	32.9		
<b>Capital and financial account</b>	<b>3.4</b>	<b>-120.0</b>	<b>-226.9</b>	<b>28.0</b>	<b>87.1</b>	<b>-19.5</b>	<b>-142.9</b>		
Capital account	-0.1	5.0	68.3	93.0	94.1	80.6	85.7		
Financial account	3.5	-125.0	-295.2	-65.0	-7.0	-100.1	-228.6		
Direct investment	-249.0	12.1	-24.1	751.5	665.1	726.6	987.8		
Portfolio investment	-661.9	-213.9	-2,885.8	-3,914.7	-3,498.9	-3,233.9	-2,785.9		
Financial derivatives	-53.4	-10.8	4.6	17.3	73.1	31.0	73.6		
Other investment	960.7	100.3	2,590.6	2,928.8	2,818.6	2,399.8	1,539.4		
Reserve assets	7.1	-12.7	19.6	152.3	-64.8	-23.6	-43.5		
Errors and omissions	146.6	199.7	551.6	192.0	188.6	318.4	371.5		

Source: NSO.

<sup>12</sup> 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.

### The merchandise trade gap narrows

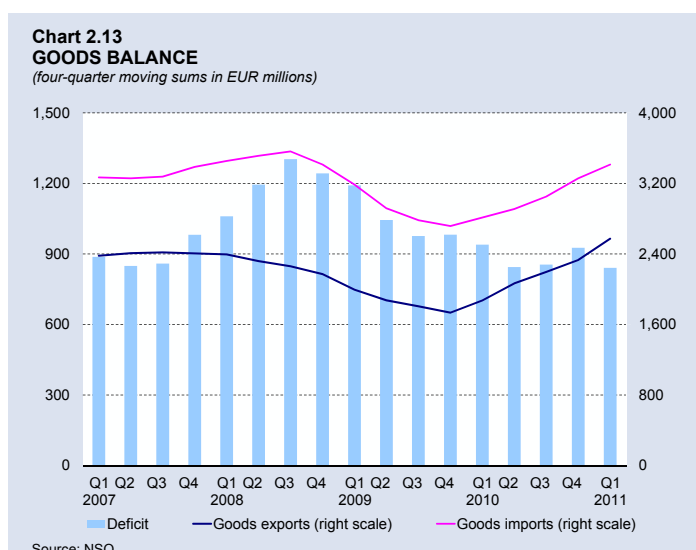
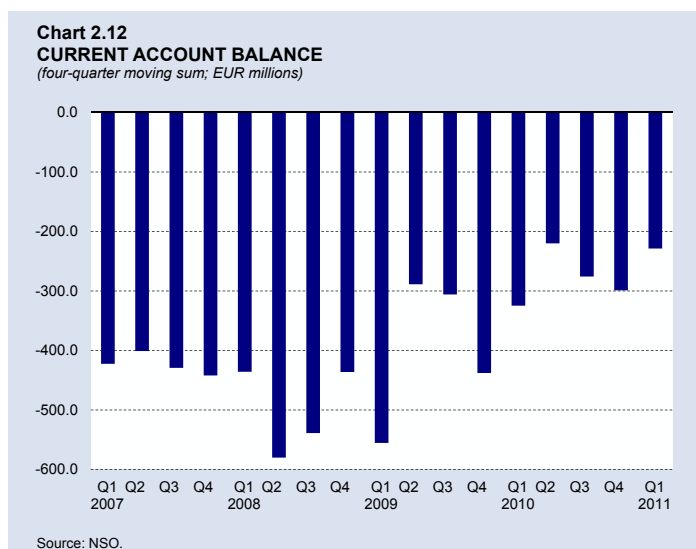
Trade in goods continued to expand steadily during the first three months of 2011. Although both imports and exports rose markedly, the latter increased by a greater extent. As a result, on the basis of balance of payments data compared with the same quarter of 2010, the merchandise trade deficit almost halved to EUR88.1 million.

Between January and March 2011, the value of exported goods rose by EUR241.8 million, or 46.8%, on a year earlier. Customs data indicate that the hike in exports was mainly attributable to a surge in the re-export of fuels, while exports of semiconductors and chemicals also expanded. At the same time, merchandise imports rose by EUR156.4 million, or 22.7%, primarily driven by imports of industrial supplies that, in turn, reflected export growth. In addition, imports of fuel and consumer goods were also up, albeit to a lesser extent.

As a result of these developments, the trade gap in goods contracted to EUR841.2 million when measured on a four-quarter cumulative basis (see Chart 2.13). The gap was down by 10.5% from the level recorded in the year to March 2010 since a rise of 37.4% in exports outweighed a 21.4% increase in imports.

Although the surge in trade flows was spread across all commodity groups, it was heavily influenced by increased activity in the semiconductor industry as well as by higher international oil prices.

More recent Customs data for April and May show that the visible trade gap widened considerably. Consequently, over the first five months of 2011 the merchandise deficit expanded by EUR76.6 million, or 16.5%, on a year earlier.<sup>13</sup>



<sup>13</sup> International trade data compiled on the basis of Customs returns may differ from balance of payments data as a result of differences in coverage, valuation and timing. During the period reviewed, Customs data showed significant imports of aircraft and sea vessels that were not recorded in the balance of payments since no transfer of ownership was involved.

## BOX 3: TOURISM ACTIVITY

### Robust performance in tourism continues

The recovery in the tourism industry during 2010 maintained its momentum into the first quarter of 2011. Tourist numbers, expenditure and nights stayed all increased significantly over their year-ago levels.

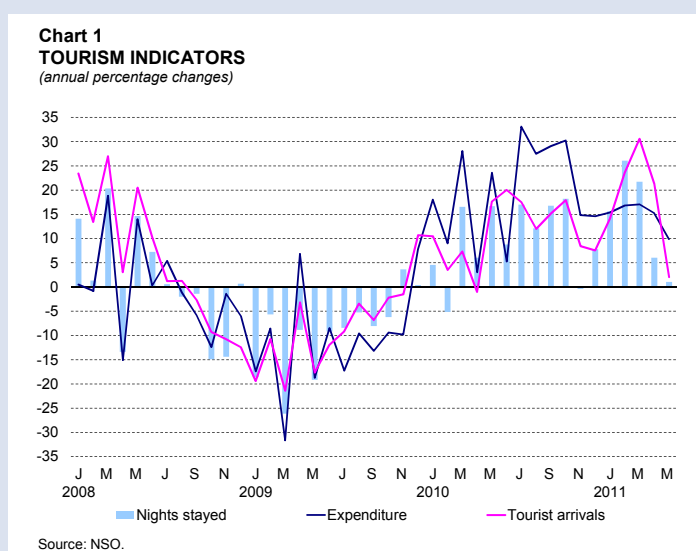
Between January and March arrivals to Malta increased by 23.5% on a year earlier, boosted by a significant number of evacuees from Libya at the end of February as a result of the conflict in that country.<sup>1</sup> This compares with a rise of 13.0% in the previous quarter. The average length of stay of tourist visitors to Malta dropped by 0.2 nights, to 7.7 nights, extending the declining trend of recent years. Nevertheless, the total number of nights stayed increased by 21.1% over its year-ago level. The difference in the timing of Easter, which came in April this year instead of March, had a dampening impact on the first quarter's results.

Meanwhile, Malta International Airport data on passenger movements provide further evidence of the buoyant performance in the tourist sector: arrivals (including residents) and aircraft landings were, respectively, 13.6% and 14.5% higher than a year earlier.

In terms of geographical distribution, sharp increases were recorded in arrivals from most source markets during the first quarter. Arrivals from the UK, Malta's main market which accounts for almost one-third of the total, rose by 11.2% over their year-ago level. Arrivals from Italy, Malta's second largest source market, increased by 15.1% during the first quarter. Visitors from France and Belgium rose by around two-thirds. On the other hand, the number of visitors from Ireland and Germany dropped by 19.9% and 7.9%, respectively.

Turning to spending, total expenditure increased by 16.5% year-on-year in the first quarter of 2011 (see Chart 1).<sup>2</sup> The rise was broadly based, among tourist spending categories but was mainly due to an increase of 15.0% on non-package holidays and to 19.8% on the "other" component. The increase in expenditure on non-package holidays was almost equally split between accommodation and travel. Spending on package holidays rose by 13.7% in the period under review.

An industry survey for the first quarter of 2011 reports an increase in average achieved room rates at 5-star and 4-star



<sup>1</sup> Figures for tourist arrivals and nights stayed are available excluding the direct impact of the Libyan unrest. Excluding this impact, arrivals would have increased by 16.5%; the number of nights stayed would have risen by 18.5%. Otherwise, all quoted figures are not adjusted to reflect the developments in Libya.

<sup>2</sup> Total expenditure is split into package, non-package and "other". Non-package spending is sub-divided into spending on accommodation and travel, while the "other" component captures any additional expenditure by tourists during their stay in Malta.

hotels of almost 8.0% each on a year earlier, while rates in the 3-star category dropped marginally.<sup>3</sup> These movements followed the pattern seen in the last quarter of 2010. Meanwhile, accommodation prices in the March quarter as measured by the HICP were higher than in the corresponding period of 2010.

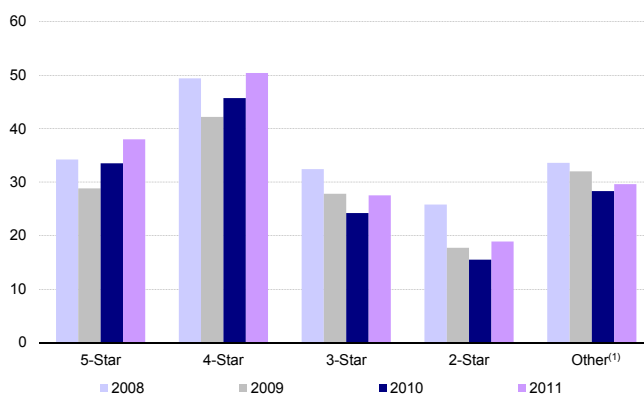
On the supply side, the net number of bed-places in March 2011 was almost 5.0% higher than a year earlier.<sup>4</sup> However, the increase in nights stayed during the quarter still led to an improvement in occupancy rates across all hotel categories, with NSO data indicating that overall hotel occupancy rates in the period rose to 40.1%.

In particular, occupancy in 4-star hotels was up by about 4.7 percentage points over 2010, with this category having the highest overall occupancy rate at 50.4% (see Chart 2). Occupancy rates in 5-star hotels, which account for almost one-fifth of total hotel bed stock, rose by 4.5 percentage points to 38.0%. Occupancy in 3-star hotels rose by 3.3 percentage points. In the lower end categories, occupancy in 2-star hotels rose by 3.4 points, while in the “other” category it only rose marginally.<sup>5</sup>

These data are largely corroborated by findings of the industry survey referred to earlier, which indicate occupancy increases in all hotel categories, with the largest rise reported in the 5-star category and the highest occupancy levels in 4-star hotels. The increases recorded in the 3-star category were also substantial.

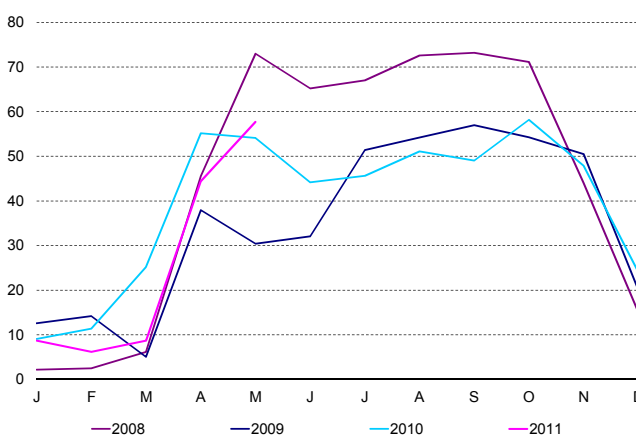
In contrast, following an overall positive performance in 2010, cruise liner tourism slowed down considerably during the first quarter of 2011, as a major operator scaled back its operations (see

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



<sup>(1)</sup> Includes guesthouses, hostels & apart-hotels.  
Source: NSO.

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



Source: NSO.

<sup>3</sup> See BOV-MHRA Survey – Q1 2011.

<sup>4</sup> Bed places are determined by the number of persons who stay overnight in the establishment, not taking into account any extra beds that may be provided to clients on request. Net number of bed-places is calculated for all active accommodation establishments net of seasonal closures and other temporary closures, such as for redecoration.

<sup>5</sup> The “other” category consists of guesthouses, apart-hotels and hostels.

Chart 3). The number of cruise liner passengers almost halved, as the frequency of port calls by cruise liners dropped to 14 from 19 in the same period of 2010.

Going into the second quarter of 2011, available information suggests that the recovery in the tourism industry continued at a more moderate pace. In April tourist numbers were robust mainly because of the timing of Easter. In May, increases in tourist numbers were marginal but expenditure increased by almost 10% on year-ago levels. On the other hand, cruise liner business declined in April but then improved in May. On average, over both months the number of cruise passengers dropped by 13.6% over the same period of 2010.



### *The surplus on services increases*

During the March quarter of 2011 the surplus on the services account stood at EUR176.6 million, up by EUR20.0 million over the same quarter of 2010. This gain was driven by a notable contraction in imports of services which outweighed a decline in services exports. At the sectoral level, the positive balance on travel expanded by a further EUR9.7 million over the amount registered in the first quarter of the previous year. This was due to a EUR14.1 million rise in expenditure by inbound tourists,

which exceeded an increase in spending by Maltese residents travelling abroad. In contrast, the balance on transportation services swung into deficit, reflecting a fall of EUR5.6 million in receipts. A large contribution to the surplus on the services account came from the “other services” component, with an increase of EUR16.3 million in net receipts principally reflecting developments in financial services.

On a four-quarter cumulative basis, the surplus on services rose to EUR1,059.4 million, an increase of EUR146.9 million, or 16.1%, over the figure recorded in the year to March 2010 (see Chart 2.14). This was due to the combined effect of a 5.1% increase in receipts and to a marginal drop in payments.

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

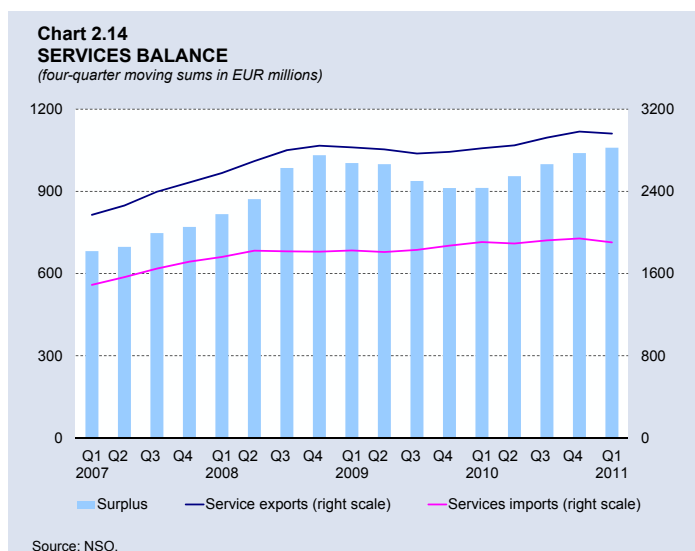
In the quarter under review, net outflows on the income component of the current account amounted to EUR156.4 million, up by EUR39.5 million on the corresponding quarter of 2010. These were mainly boosted by an increase of EUR40.3 million in profits recorded by foreign-owned firms operating in Malta and by a EUR37.4 million rise in interest payments on foreign borrowings. Offsetting these outflows to some extent were interest earnings on residents’ portfolio investments abroad, which increased by EUR38.5 million. Banks predominantly engaged in international business accounted for most of these flows.

### *The negative balance on transfers decreases*

During the first quarter of the year, net outward current transfers amounted to EUR12.0 million, down by EUR4.4 million from the year-ago level. Movements on the current transfers account are primarily influenced by timing differences between the collection of tax receipts from, and the payment of refunds at a later stage to, companies engaged in international business operations.

### *The capital and financial account balance turns negative*

During the January-March 2011 period, net outflows of EUR120.0 million were recorded on the capital and financial account as against net inflows of EUR3.4 million in the comparable months of 2010 (see Table 2.8). The swing followed developments on the financial account, which were



heavily influenced, as in previous quarters, by international banking transactions. In the meantime, the capital account shifted from a marginal net deficit position during the first quarter of 2010 to a positive balance of EUR5.0 million.

Net outflows on the financial account during the March quarter amounted to EUR125.0 million. These were primarily driven by transactions involving financial institutions, predominantly internationally-oriented banks. In particular, these banks increased their portfolio investments abroad. At the same time, they reduced their long-term lending to non-residents, while repaying part of their foreign liabilities, thus generating net inflows on the “other investment” account. In contrast, during the March quarter of 2010, net inflows of EUR3.5 million were recorded. At that time, financial intermediaries had increased their short-term borrowings from non-residents and had used the funds raised to lend to non-residents and to substantially increase their cross-border holdings of debt securities.

As a result, when compared with a year earlier, net inflows on the “other investment” component declined by EUR860.4 million to EUR100.3 million, while net outflows on portfolio investments amounted to EUR213.9 million, significantly lower than in the corresponding months of 2010. At the same time, the balance on the foreign direct investment component turned positive at EUR12.1 million. This greatly contrasted with the negative balance registered in the same quarter of 2010 when a drawdown on retained earnings by banks had led to a sharp increase in net outward direct investment flows. In addition, lower net outflows associated with financial derivatives dampened the overall rise in outflows on the financial account.

During the first quarter of 2011, reserve assets increased by EUR12.7 million, in contrast to a decline of EUR7.1 million between January and March 2010.

## Government finance

The general government deficit, in the first quarter of 2011, decreased on a year-on-year basis, as revenue grew slightly more than expenditure. The Consolidated Fund deficit declined in a similar fashion whereas general government debt increased further.<sup>14</sup>

### *General government deficit slightly narrows in the first quarter*

In the first quarter of 2011 the general government deficit declined by a marginal EUR1.6 million compared with the same period in 2010, to EUR43.0 million (see Table 2.9). This reflected an 11.5% increase in revenue as against a rise in expenditure of 10.4%. The primary balance, which excludes interest payments from the overall balance, swung into surplus as it improved by EUR16.8 million to reach EUR4.6 million.

As a result, the cumulative deficit-to-GDP ratio, computed on the basis of four-quarter sums, remained practically unchanged from the outcome in the year to December 2010, at 3.6% (see Chart 2.15). Although expenditure as a ratio to GDP rose to 42.9% from 42.4% in the previous quarter, the revenue-to-GDP ratio rose by 0.6 percentage points to 39.3%.

<sup>14</sup> The Consolidated Fund captures most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA95, cover central government, which is defined to include extra-budgetary units and local councils on an accrual basis.

**Table 2.9**  
**GENERAL GOVERNMENT BALANCE**

EUR millions

	2010	2011	Change	
	Q1	Q1	Amount	%
<b>Revenue</b>	<b>572.6</b>	<b>638.3</b>	<b>65.7</b>	<b>11.5</b>
Taxes on production and imports	196.6	202.1	5.6	2.8
Current taxes on income and wealth	181.7	229.6	47.9	26.3
Social contributions	107.4	118.4	10.9	10.2
Capital and current transfers	22.1	25.7	3.6	16.2
Other <sup>(1)</sup>	64.8	62.5	-2.2	-3.5
<b>Expenditure</b>	<b>617.2</b>	<b>681.3</b>	<b>64.1</b>	<b>10.4</b>
Compensation of employees	210.7	216.9	6.2	2.9
Intermediate consumption	78.5	104.7	26.2	33.4
Social benefits	197.9	228.2	30.3	15.3
Subsidies	8.9	8.6	-0.3	-3.8
Interest	32.4	47.5	15.1	46.6
Current transfers payable	36.2	27.4	-8.8	-24.3
Gross fixed capital formation	36.3	38.4	2.1	5.7
Capital transfers payable	13.7	7.0	-6.7	-48.9
Other <sup>(2)</sup>	2.4	2.5	0.1	2.5
<b>Primary balance</b>	<b>-12.2</b>	<b>4.6</b>	<b>16.8</b>	-
<b>General government balance</b>	<b>-44.6</b>	<b>-43.0</b>	<b>1.6</b>	-

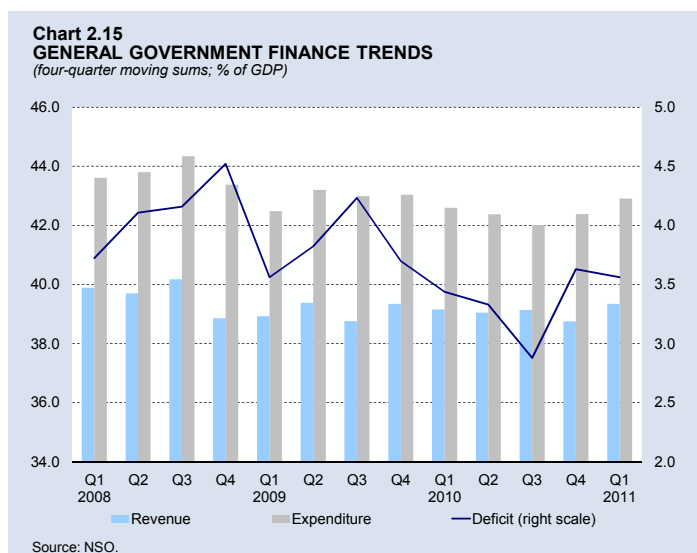
<sup>(1)</sup> "Other" revenue includes market output as well as income derived from property and investments.

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

Source: NSO.

### Higher revenue

General government revenue rose by EUR65.7 million in the first quarter of the year compared with the same period in 2010. Just under three-quarters of this growth stemmed from higher inflows recorded as taxes on income and wealth, which went up by more than one quarter on a year earlier owing to increased receipts from personal and corporate income taxes. This is partly the result of an improvement in the underlying macroeconomic conditions, though the timing of tax refunds also contributed.



At the same time, favourable labour market conditions led to a EUR10.9 million increase in social contributions receivable. Takings from taxes on production and imports rose by a modest EUR5.6 million, as higher inflows from customs and excise duties offset a decline in VAT receipts. Intakes from capital and current transfers increased by EUR3.6 million, on account of growth recorded in capital transfers and investment grants receivable.

On the other hand, “other” revenue declined by EUR2.2 million, as increased market output, mainly by extra-budgetary units, failed to compensate for a decrease in property income receivable. This was brought about by a one-off reclassification of part of the dividends passed on to the Government by the Central Bank of Malta.

### *A corresponding rise in expenditure*

In the first three months of 2011, general government expenditure went up by EUR64.1 million compared with the same period in the previous year. This was mainly due to higher outlays on two separate items. Spending on social benefits kept on rising, as payments made in the quarter under review increased by EUR30.3 million. At the same time, outlays on intermediate consumption rose by EUR26.2 million, on the back of payments related to IT and to the transport authority in Malta, Transport Malta, in connection with the administration of licence collection carried out on behalf of government.

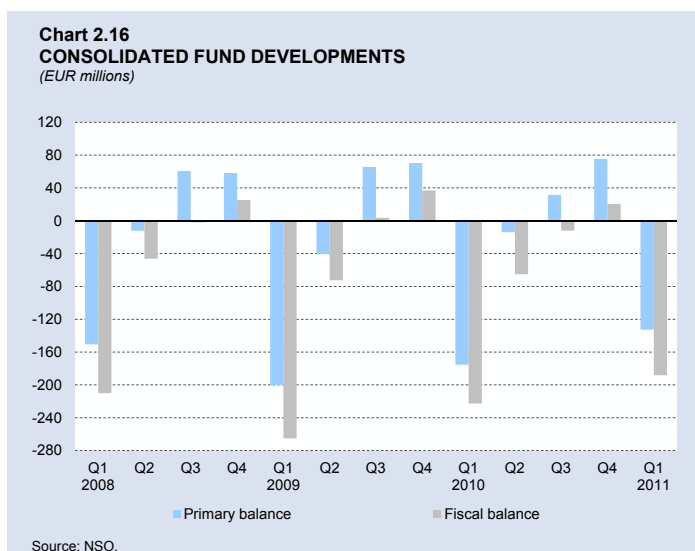
Concurrently, interest expenditure surged by EUR15.1 million on the first quarter of 2010, reflecting higher than usual outlays, which were affected by the timing of coupon payments between January and March of the previous year. Spending on compensation of employees rose by EUR6.2 million, with half of the increase arising from higher allowances and salaries paid to the civil service. Outlays on gross fixed capital formation rose slightly by EUR2.1 million, reflecting higher spending on transport equipment following the purchase of an aircraft.

Meanwhile, spending on current transfers dropped by EUR8.8 million, with the decline spread across numerous miscellaneous items. The level of capital transfers payable went down by EUR6.7 million as a result of lower expenditure on sewage infrastructure, given that a major project had reached completion. At the same time, outlays on subsidies edged down by EUR0.3 million.

### *Consolidated Fund deficit contracts*

Between January and March 2011 the deficit on the Consolidated Fund dropped by EUR34.4 million when compared with the first three months of 2010, to EUR188.2 million (see Chart 2.16 and Table 2.10).<sup>15</sup>

Recurrent revenue surged by 8.6% as a result of higher takings from indirect taxes and non-tax receipts. The former climbed by 22.1% while the latter increased by 18.0%. Meanwhile, inflows from direct taxes posted an 8.2% decline as a result of lower



<sup>15</sup> The deficit in the Consolidated Fund during the first quarter of 2011 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.

**Table 2.10**  
**CONSOLIDATED FUND BALANCE**

EUR millions

	2010	2011	Change	
	Q1	Q1	Amount	%
<b>Revenue</b>	<b>425.9</b>	<b>462.3</b>	<b>36.5</b>	<b>8.6</b>
Direct tax <sup>(1)</sup>	182.1	167.2	-14.9	-8.2
Indirect tax	181.9	222.1	40.2	22.1
Non-tax <sup>(2)</sup>	61.9	73.0	11.1	18.0
<b>Expenditure</b>	<b>648.5</b>	<b>650.5</b>	<b>2.0</b>	<b>0.3</b>
Recurrent <sup>(1)</sup>	599.4	595.2	-4.2	-0.7
<i>Of which: Interest payments</i>	47.2	55.5	8.3	17.5
Capital	49.1	55.3	6.2	12.7
<b>Primary balance<sup>(3)</sup></b>	<b>-175.4</b>	<b>-132.7</b>	<b>42.7</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>-222.6</b>	<b>-188.2</b>	<b>34.4</b>	<b>-</b>

<sup>(1)</sup> Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both direct tax revenue and recurrent expenditure.

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

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

Source: NSO.

proceeds from income tax. A year earlier, cash receipts from income tax were boosted by the proceeds of an amnesty on penalties and interest on overdue tax balances.

At the same time, total expenditure rose by just 0.3%, as higher capital outlays were partly offset by a decline in recurrent spending. The latter fell by 0.7% as lower contributions to government entities and operational and maintenance expenses offset an increase in interest payments. Capital expenditure rose by 12.7%, mainly owing to spending on EU-funded projects and IT.

### General government debt increases

The stock of general government debt outstanding amounted to EUR4,397.7 million in March 2011, an increase of EUR149.4 million from its end-December 2010 level (see Table 2.11). Apart from financing the deficit, the Government also raised additional funds to finance loans granted by the Government to the national airline, Air Malta, and to the Greek Government under its

**Table 2.11**  
**GENERAL GOVERNMENT DEBT**

EUR millions

	2010				2011
	Q1	Q2	Q3	Q4	Q1
<b>General government debt<sup>(1)</sup></b>	<b>4,051.6</b>	<b>4,172.7</b>	<b>4,266.0</b>	<b>4,248.3</b>	<b>4,397.7</b>
<b>Currency &amp; deposits</b>	<b>36.9</b>	<b>38.8</b>	<b>40.6</b>	<b>41.0</b>	<b>40.7</b>
<b>Securities</b>	<b>3,789.1</b>	<b>3,914.4</b>	<b>4,000.1</b>	<b>3,981.4</b>	<b>4,127.0</b>
Short-term	534.8	552.6	460.3	377.8	416.8
Long-term	3,254.4	3,361.8	3,539.8	3,603.6	3,710.2
<b>Loans</b>	<b>225.6</b>	<b>219.4</b>	<b>225.3</b>	<b>226.0</b>	<b>230.0</b>
Short-term	25.1	26.9	30.6	34.0	30.8
Long-term	200.5	192.5	194.7	192.0	199.1

<sup>(1)</sup> Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.

Source: NSO.

## BOX 4: OVERVIEW OF THE UPDATE OF THE STABILITY PROGRAMME 2011 - 2014<sup>1</sup>

In its latest *Update of the Stability Programme*, which was issued in April 2011, covering the period up to 2014, the Government reaffirmed its commitment towards a sustainable fiscal position.<sup>2</sup> Thus, in line with the ECOFIN Council's recommendations, the Government aims to correct the excessive deficit by 2011 and to bring about a gradual but consistent reduction in its fiscal deficit and debt levels thereafter. Although the medium-term objective remains the achievement of a balanced budget in structural terms, defined as the cyclically-adjusted budget balance net of one-off or temporary measures, this is expected to take place beyond the *Programme* period.

### Comparison with the previous *Stability Programme Update*

The outcome for 2010 was slightly more favourable than as projected in the previous *Stability Programme Update*, released in February 2010, mainly on account of better macroeconomic conditions. The deficit level itself was also marginally smaller than anticipated. In nominal terms, GDP grew by 6.8%, significantly higher than the 3.5% growth rate estimated in February 2010.

As a result, the general government deficit reached 3.6% of GDP, down from the earlier estimate of 3.9% (see Table 1). At the same time, general government gross debt was revised down to 68.0% from 68.6% of GDP.

During 2010, revenue from direct and indirect taxes was lower than previously expected, despite temporary revenue flows from amnesty schemes on penalties and interest on overdue tax balances. However, expenditure, particularly capital expenditure, was much less than foreseen. Recurrent expenditure was lower than anticipated due to decreased outlays on intermediate consumption, while capital expenditure fell short of expectations as the implementation of projects financed by the EU did not progress at the expected pace. The latter also gave rise to lower than expected inflows from capital transfers receivable from the EU. Consequently, the deficit-to-GDP ratio was 0.3 percentage points less than envisaged in the February 2010 *Update*.

**Table 1**  
**FISCAL AND ECONOMIC INDICATORS**

*As a percentage of GDP*

	February 2010 Update			April 2011 Update		
	2010	2011	2012	2010	2011	2012
Total revenue	43.8	43.3	42.5	38.7	40.1	39.9
Total expenditure	47.7	46.3	45.3	42.3	42.9	42.0
General government balance	-3.9	-2.9	-2.8	-3.6	-2.8	-2.1
Primary balance	-0.6	0.3	0.4	-0.6	0.3	0.9
Structural balance	-3.6	-2.9	-3.3	-4.1	-2.6	-2.0
Gross debt	68.6	68.0	67.3	68.0	67.8	66.9
Nominal GDP growth rate	3.5	5.0	5.0	6.8	4.7	4.5

Sources: NSO, *Malta: Update of Stability Programme 2009-2012, 2011-2014*.

<sup>1</sup> In this Box, data up to 2010 are sourced from the April 2011 *Stability Programme Update* and may thus diverge from official data subsequently released by the NSO.

<sup>2</sup> This analysis only covers fiscal developments and the outlook included in the latest *Stability Programme Update*. No attempt is made to assess the structural reforms envisaged in the 2011 *National Reform Programme*, although these were taken into account in the *Stability Programme Update*.

The structural deficit meanwhile rose higher than expected, reaching 4.1% of GDP, compared with 3.6% as projected in February 2010. This mainly reflected greater revenue from temporary measures, namely the above-mentioned amnesty schemes. Such one-off revenue items are excluded in the compilation of the structural deficit.

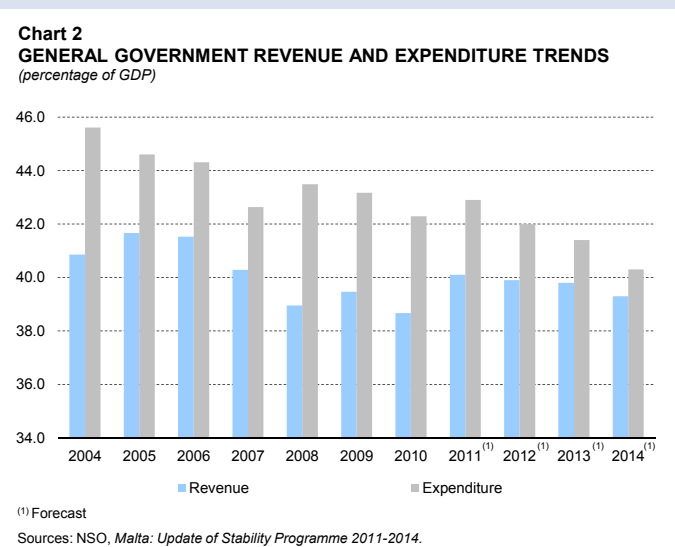
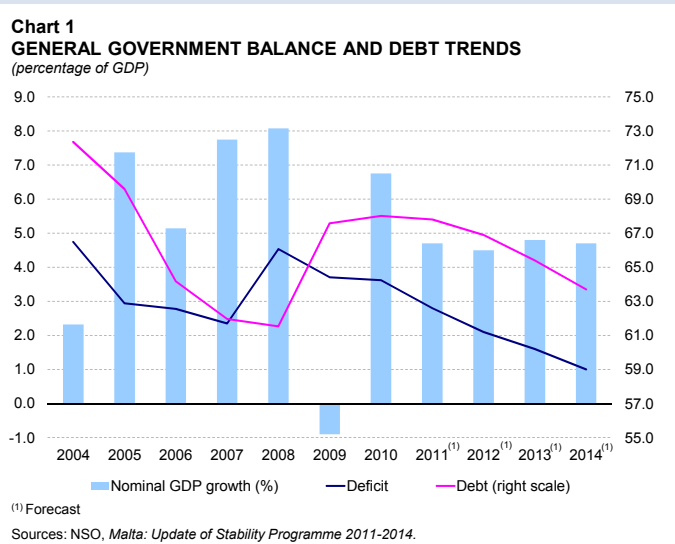
For 2011, the deficit target for general government was slightly revised down to 2.8% of GDP from 2.9% in the previous *Update*. The annual improvement in the deficit ratio is expected to be stronger in 2012, when the deficit is projected to reach 2.1% of GDP, as against 2.8% outlined in February 2010.

The debt ratio was similarly revised to take into account changes in the deficit ratio targets and in the macroeconomic outlook. In 2011 government debt is set to fall by 0.2 percentage points to 67.8% of GDP, compared with 68.0% in the February 2010 *Update*. A slightly larger downward adjustment is forecast to take place in 2012, with the debt ratio falling to 66.9% as opposed to 67.3% in the earlier projection.

### The budgetary outlook for 2011 – 2014

In 2011 the general government deficit is targeted to fall to 2.8% of GDP from 3.6% in the previous year, and to eventually decline to 1.0% by 2014 (see Chart 1). The debt ratio is also set to fall to 67.8% in 2011 from 68.0% in 2010 and to decline further to 63.7% in 2014. This will be achieved against a background of an average nominal GDP growth rate of 4.7% across the forecast horizon.

The fiscal consolidation strategy for 2011 largely builds on a number of revenue increasing measures announced in the Budget. These include revisions to the excise duties on fuel, alcoholic beverages and tobacco products, the introduction of an excise duty on cement and a higher VAT rate on tourist accommodation. Together with efforts to curb tax avoidance and evasion, and the continued recourse to EU funds, such measures are expected to increase the revenue-to-GDP ratio by 1.4 percentage points of GDP in 2011, to 40.1% (see Chart 2).



According to the *Programme*, the Government is also planning to enhance incentives to industry and to the tourist sector and also to promote a sustainable environment. These measures will be complemented by expenditure-reducing measures, with the *Programme* highlighting targeted improvements in operational efficiency in the public sector, as well as by the continuation of its policy to limit the recruitment of new public sector employees. 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. Overall, the expenditure-to-GDP ratio is projected to put on 0.6 percentage points in 2011, to 42.9%.

Between 2012 and 2014, the main thrust of fiscal consolidation is set to come from expenditure restraint, in particular lower spending on compensation of employees, intermediate consumption and gross fixed capital formation. The latter is expected to drop from the relatively high levels projected for 2011. By the end of the projection horizon, the revenue-to-GDP ratio is expected to decline to 39.3%, but the expenditure ratio is projected to fall much faster, to 40.3%.

The structural deficit is set to improve from 2.6% of GDP in 2011 to 1.0% in 2014. This implies an adjustment in the structural deficit of 1.5 percentage points of GDP in 2011 and of around 0.5 points annually thereafter, broadly in line with the minimum structural adjustment required by the Stability and Growth Pact.

General government gross debt as a ratio to GDP is expected to decline at an increasing rate, reflecting the underlying economic projections and the fall in the budget deficit. The debt composition is also set to change. In particular, the share of short-term obligations of the total is projected to go down to 4.4% in 2014 from 9.3% in 2010. In this way, the Government projects to limit its exposure to interest rate changes, which would affect overall interest expenditure, and hence, the fiscal balance.

The outlook remains conditioned by the macroeconomic projections assumed in the *Programme*.

### **Recommendations by the Council of the European Union**

In July 2011 the Council of the European Union, acting on recommendations by the European Commission, issued an assessment on the 2011 *Update*. In relation to fiscal policy, it noted that current efforts aimed at correcting the excessive deficit by 2011 seemed appropriate. However, it called for stronger plans to improve budgetary discipline in the medium term. Moreover, according to the Council, the long-term sustainability of the country's public finances is put at risk by the projected costs of ageing, which are among the highest in the EU.

For this reason, the Council issued a set of recommendations. As regards public finances, it highlighted the need to improve the credibility of Malta's medium-term consolidation strategy by defining the required broad measures from 2013 onwards, embedding the fiscal targets in a binding, rule-based multi-annual fiscal framework and improving the monitoring of budgetary execution. The Council also called for faster reform of the pension system, which is currently undergoing public consultation, to link the retirement age to life expectancy, to discourage early retirement schemes and to promote private pension savings.



Loan Facility Agreement with the other euro area Member States. In both these cases the additional borrowing is matched by an increase in financial assets. Consequently, the debt-to-GDP ratio rose by 1.6 percentage points to 69.7% (see Chart 2.17).

During the quarter under review the debt composition changed as the share of short-term securities in the total increased, even though the bulk of the debt is still in the form of long-term securities. Short-term debt in the form of Treasury bills increased by EUR39.0 million, while their share of the total debt rose by 0.6 percentage points to 9.5%. In fact, primary market issues during this period increased and exceeded redemptions.

Concurrently, long-term securities outstanding went up by EUR106.6 million, as new issues of government bonds exceeded the amount of those redeemed. However, the share of long-term securities in the total declined by 0.5 percentage points to 84.4%.

At the same time, general government loans rose by EUR4.0 million as the stock of long-term loans increased. This mainly reflected lending operations carried out by the EFSF.<sup>16</sup> Overall, the share of loans of total debt decreased by 0.1 percentage points, to 5.2%. Liabilities in the form of Maltese euro coins in issue went down marginally, with their share of the total debt remaining unchanged from the previous quarter's level.

## Monetary and financial developments

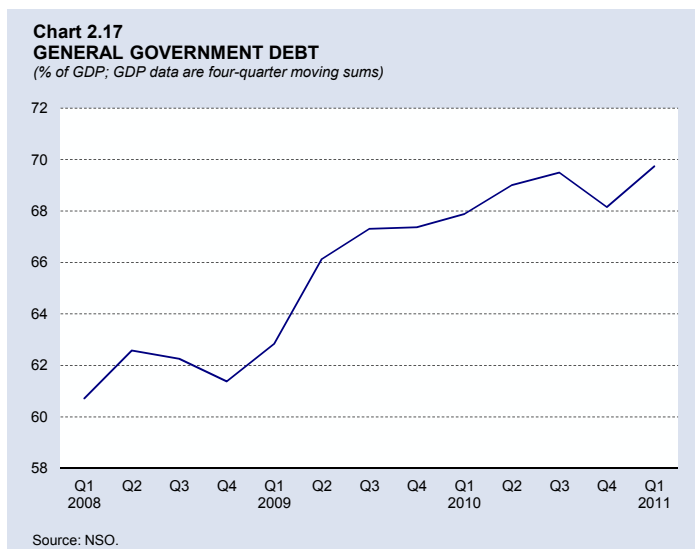
During the first quarter of 2011, the contribution<sup>17</sup> of Maltese MFIs to the euro area broad money stock expanded further, though at a slower pace as growth in residents' deposits decelerated. Similarly, credit to residents expanded less rapidly than in the previous quarter, while net claims on non-residents fell. Residents' deposits and credit issued to them decelerated further in May.<sup>18</sup>

Meanwhile, while official interest rates remained unchanged throughout the quarter, domestic money market yields rose. In the capital market, yields on five-year and ten-year Maltese government securities persisted on their upward trend while the MSE share price index declined moderately. During the following two months domestic money market rates rose further, while bond yields and equity prices declined.

<sup>16</sup> On 27 January 2011 Eurostat decided that the debt issued by the EFSF for each support operation would be rerouted through the accounts of the Member States providing guarantees, implying that the gross government debt would rise. Since this debt is backed by a corresponding asset, net debt remains unchanged.

<sup>17</sup> The contribution of Maltese MFIs to the euro area monetary aggregates comprises the notional issue of euro currency attributed to the Central Bank of Malta according to the Eurosystem banknote allocation key; deposits held by Maltese and other euro area residents (excluding any holdings belonging to central governments and interbank deposits) with resident MFIs and their other monetary liabilities towards euro area residents, as explained in the General Notes to this Review.

<sup>18</sup> Unless otherwise specified, the term "residents" in this section refers to residents of Malta only. "Other euro area residents" include residents of all euro area countries except Malta.



**Table 2.12****CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES<sup>(1)</sup>***EUR millions; annual percentage changes*

	2011	2010				2011
	Mar.	Q1	Q2	Q3	Q4	Q1
Narrow money (M1)	5,178.2	13.0	19.5	16.6	14.7	17.0
Intermediate money (M2)	9,126.8	-0.1	2.7	3.1	5.3	4.7
<b>Broad money (M3)</b>	<b>9,340.1</b>	<b>0.7</b>	<b>2.6</b>	<b>3.3</b>	<b>5.5</b>	<b>4.8</b>

<sup>(1)</sup> Figures show the contribution of Maltese MFIs to the euro area totals. Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.

Source: Central Bank of Malta.

**Growth in residents' deposits decelerates**

The contribution of Maltese MFIs to the euro area money stock (M3) grew at a slower pace during the first quarter of 2011, with its year-on-year growth rate easing to 4.8% in March from 5.5% in December (see Table 2.12). Growth was driven by the narrow money component of M3, which expanded at an annual rate of 17.0% in March. Conversely, deposits with an agreed maturity of up to two years declined at a faster pace than that observed in the previous quarter.

Turning to residents' deposits, overnight accounts, which are withdrawable on demand and form part of M1, continued to expand strongly, with their annual growth rate accelerating to 18.7% year-on-year in March from 16.3% in December (see Table 2.13). Growth was mainly driven by balances belonging to private non-financial companies and households. In an environment of relatively low interest rates on deposits included in M3, the opportunity cost of holding the more liquid monetary assets is small. In addition, the expectation of rising interest rates in the months to follow could also have boosted demand for assets forming part of M1.

Turning to other components of M2, residents' deposits redeemable at up to three months' notice expanded by 19.1% during the year to March, but these accounted for only a negligible proportion of the total. On the other hand, deposits with an agreed maturity of up to two years contracted at an annual rate of 8.9% in March, as against a drop of 5.2% in December. The year-on-year drop was primarily attributable to lower deposit holdings by households and, to a lesser extent, by insurance companies. Apart from the relative attractiveness of more liquid monetary assets, as explained above, the sharp decline in these deposits may have also been influenced by portfolio flows into longer-term assets outside M3 in search of higher yields. In fact, deposits with a maturity exceeding two years, which do not form part of M3, expanded by 42.2% during the year to March, boosted by two new saving schemes offered by resident banks. In addition, considerable bond issues in the

**Table 2.13****RESIDENTS' DEPOSITS<sup>(1)</sup>***EUR millions; annual percentage changes*

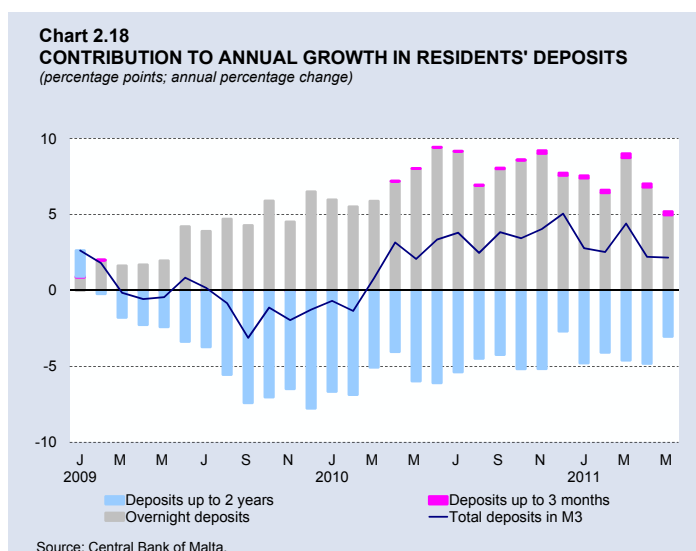
	2011	2010				2011
	Mar.	Q1	Q2	Q3	Q4	Q1
Overnight deposits	4,377.1	14.2	21.7	17.8	16.3	18.7
Deposits redeemable at notice up to 3 months	131.3	-1.3	1.2	3.6	10.7	19.1
Deposits with agreed maturity up to 2 years	3,719.0	-8.8	-11.0	-7.9	-5.2	-8.9
<b>Total residents' deposits</b>	<b>8,227.4</b>	<b>0.8</b>	<b>3.4</b>	<b>3.8</b>	<b>5.1</b>	<b>4.4</b>

<sup>(1)</sup> Data only include deposits belonging to residents of Malta.

Source: Central Bank of Malta.

primary market may have played a role in diverting funds away from monetary assets.

Overall, the annual rate of growth of residents' deposits slowed down to 4.4% in March from 5.1% in December with overnight deposits accounting for just over half of total residents' deposits at the end of March 2011 (see Chart 2.18). Going into the second quarter of 2011, however, growth in residents' deposits decelerated to 2.2% in May.



The slowdown in deposit growth may also reflect a gradual decline in deposit interest rates. The weighted average interest rate paid by MFIs on all residents' deposits included in M3 declined by six basis points to 1.12% during the first quarter of 2011. While the average rate on demand deposits fell marginally, that on savings deposits remained unchanged, and those on time deposits generally declined.

Meanwhile, developments in interest rates on new accounts were mixed during the quarter reviewed (see Table 2.14).<sup>19</sup> The main changes included a drop in rates paid to households on

**Table 2.14**  
**MFI INTEREST RATES ON NEW DEPOSITS BELONGING TO RESIDENTS<sup>(1)</sup>**

Percentages per annum; weighted average rates for the period

	2010				2011
	Mar.	June	Sep.	Dec.	Mar.
<b>Households and NPISH</b>					
Overnight deposits <sup>(2,3)</sup>	0.30	0.29	0.28	0.28	0.28
Savings deposits redeemable at notice up to 3 months <sup>(2,4)</sup>	1.71	1.67	1.63	1.69	1.69
Time deposits with agreed maturity					
Up to 1 year	1.87	1.79	1.88	2.03	1.87
Over 1 and up to 2 years	3.19	3.17	2.80	3.00	2.55
Over 2 years	3.37	3.79	3.72	3.86	3.94
<b>Non-financial corporations</b>					
Overnight deposits <sup>(2,3)</sup>	0.22	0.27	0.25	0.24	0.24
Time deposits with agreed maturity	1.29	1.51	1.64	1.51	1.42

<sup>(1)</sup> Annualised agreed rates on euro-denominated deposits belonging to households and non-financial corporations that are residents of Malta.

<sup>(2)</sup> 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.

<sup>(3)</sup> Overnight deposits include current accounts and savings deposits withdrawable on demand.

<sup>(4)</sup> Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.

Source: Central Bank of Malta.

<sup>19</sup> Data on interest rates on new business cover MFI euro-denominated deposits from, and loans 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, statistics on new deposit and lending business do not cover all institutional sectors, as is the case with weighted average interest rates on all deposits and loans.

time deposits with an agreed maturity of up to one year, which declined by 15 basis points to 1.87%, and a fall in rates on time deposits with an agreed maturity of over one and up to two years, which dropped by 45 basis points to 2.55%. In contrast, interest rates paid on household deposits with an agreed maturity of over two years, which do not form part of M3, increased. Meanwhile, rates on time deposits held by non-financial corporations fell by nine basis points to 1.42%.

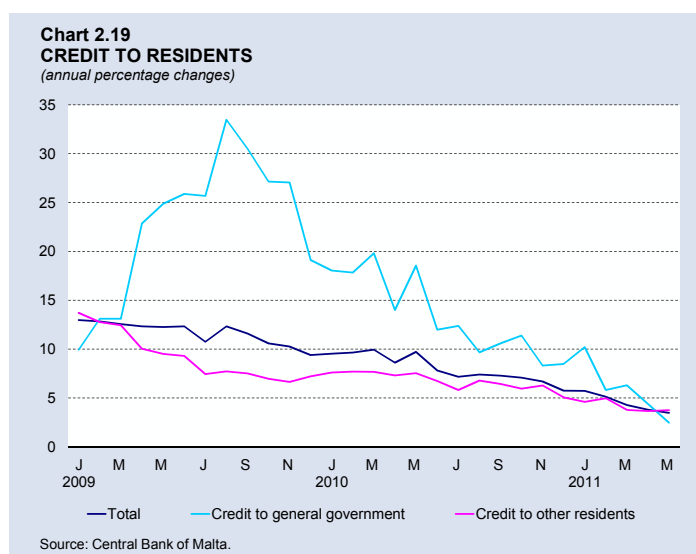
The weighted average deposit rate remained unchanged at 1.12% in May. However, interest rates on new business, which are more volatile, generally reversed the movements seen in the first quarter of the year. Interest rates offered to households on time deposits with an agreed maturity of over one and up to two years rose by 52 basis points, whereas rates paid to the corporate sector on time deposits increased by ten points.

### *Credit growth slows down further*

The annual growth rate of credit to residents slowed down further during the first quarter of 2011, decreasing to 4.3% in March from 5.8% in December (see Table 2.15).

The overall decline partly reflected slower annual growth in credit to general government, which declined for the fourth consecutive quarter, falling to 6.3% in March from 8.5% three months earlier (see Chart 2.19). This partly mirrored a reduction in the banks' Treasury bill portfolio. The increase recorded during the 12 months to March reflected additional holdings of MGS by the banking system.

During the first quarter, the year-on-year growth rate of credit to other residents also eased, falling to 3.8% in March from 5.1% in December (see Table 2.16).<sup>20</sup> The slowdown stemmed entirely from developments in credit to the non-bank private sector, where the annual growth rate decelerated for the second quarter in a



**Table 2.15**  
**CREDIT TO RESIDENTS<sup>(1)</sup>**

EUR millions; annual percentage changes

	2011	2010				2011
	Mar.	Q1	Q2	Q3	Q4	Q1
<b>Total credit</b>	<b>10,357.9</b>	<b>10.0</b>	<b>7.8</b>	<b>7.3</b>	<b>5.8</b>	<b>4.3</b>
Credit to general government	2,149.3	19.8	12.0	10.6	8.5	6.3
Credit to other residents	8,208.6	7.7	6.8	6.4	5.1	3.8

<sup>(1)</sup> Data only include credit granted to residents of Malta.

Source: Central Bank of Malta.

<sup>20</sup> The term "other residents" represents all economic sectors that are resident in Malta but do not form part of general government, principally households and non-financial corporations.

**Table 2.16**  
**CREDIT TO OTHER RESIDENTS<sup>(1)</sup>**  
*EUR millions; annual percentage changes*

	2011		2010				2011
	Mar.	Q1	Q2	Q3	Q4	Q1	
<b>Total credit to other residents</b>	<b>8,208.6</b>	<b>7.7</b>	<b>6.8</b>	<b>6.4</b>	<b>5.1</b>	<b>3.8</b>	
Credit to the non-bank private sector	7,570.7	7.9	6.4	6.7	5.4	3.8	
Credit to the non-bank public sector	637.8	5.8	10.6	3.5	1.4	3.1	
<b>Total loans</b>	<b>7,988.7</b>	<b>7.8</b>	<b>6.6</b>	<b>6.3</b>	<b>5.2</b>	<b>4.0</b>	

<sup>(1)</sup> Credit to other residents consists mainly of loans and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies, and financial derivatives. Interbank claims are excluded. Data only include credit to residents of Malta.

Source: Central Bank of Malta.

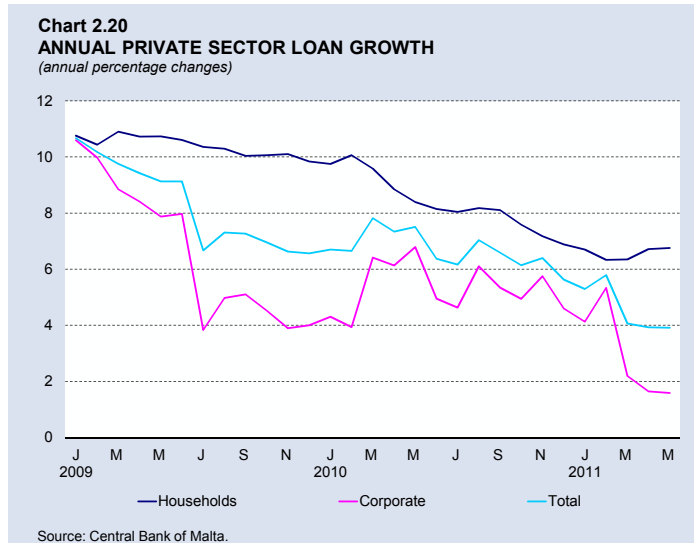
row, falling to 3.8%. In contrast, the annual rate of growth of credit to the non-bank public sector accelerated, rising to 3.1% in March from 1.4% in December.

The overall deceleration mirrored developments in loans, which accounted for 97% of all credit to other residents as at end-March. These expanded at a slower pace, with their year-on-year growth rate dropping to 4.0% in March from 5.2% in December. Loans to households, which remained the largest single category of bank borrowing by residents, increased at an annual rate of 6.3% in March, down from 6.9% in December. Mortgage lending, which makes up around four-fifths of loans to households, expanded by 8.4% during the 12 months to March, slightly below the growth rate of 8.5% recorded three months earlier. However, the annual rate of growth of consumer credit and other lending to households turned negative, falling to -1.1% in March.

Meanwhile, year-on-year growth in corporate loans declined to 2.2% from 4.6% in December (see Chart 2.20). The deceleration in this lending category throughout 2009 and 2010 has in part reflected the shift towards market-debt based financing and tighter credit standards.

Going into the second quarter of 2011, the annual growth rate of total credit to residents declined to 3.5% in May as credit to general government eased from year ago levels.

Credit granted by resident MFIs to other euro area residents also slowed down sharply, with the annual rate of growth dropping to 9.0% in March from 19.2% at the end of the previous quarter.<sup>21</sup> At the end of the quarter, such credit



<sup>21</sup> See footnote 18 above.

**Table 2.17**  
**MFI INTEREST RATES ON NEW LOANS TO RESIDENTS<sup>(1)</sup>**

*Percentages per annum; weighted average rates for the period*

	2010				2011
	Mar.	June	Sep.	Dec.	Mar.
<b>Households and NPISH</b>					
Overdrafts <sup>(2)</sup>	6.45	5.73	5.75	5.75	5.80
Loans					
Lending for house purchases	3.45	3.39	3.33	3.43	3.35
Consumer credit <sup>(3)</sup>	5.89	5.63	5.55	5.81	5.53
Other lending	6.03	4.79	5.91	5.86	5.67
<b>Non-financial corporations</b>					
Overdrafts <sup>(2)</sup>	5.12	4.87	5.06	5.03	5.06
Loans <sup>(3)</sup>	5.90	5.25	4.78	4.86	5.29

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

<sup>(2)</sup> For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large volume of inflows and outflows.

<sup>(3)</sup> Excludes bank overdrafts.

Source: Central Bank of Malta.

outstanding totalled EUR4.3 billion, with resident MFI holdings of other euro area government securities accounting for most of the growth during the year.

While official interest rates remained unchanged during the first quarter of the year, the weighted average interest rate charged by MFIs on loans to residents increased by seven basis points, ending the quarter at 4.79%. Conversely, movements in MFI rates on new loans were mixed. For example, rates charged to households for loans for house purchases, consumer credit and other lending declined to 3.35%, 5.53% and 5.67%, respectively (see Table 2.17).<sup>22</sup> In contrast, rates on loans to non-financial corporations increased by 43 basis points to 5.29% in March.

During the two months to May, the weighted average lending rate edged down by four basis points to 4.75%. As regards new business, developments were mixed again. For instance, while rates charged for loans to non-financial companies rose by 20 basis points to 5.49%, interest rates on “other” lending to households fell by nine basis points.

The Bank Lending Survey (BLS) conducted in April 2011 indicated that while credit standards applied to lending to households remained unchanged during the first quarter of 2011, standards were slightly tightened on lending to enterprises.<sup>23</sup> As regards credit demand, one bank reported a drop in demand for business loans during the quarter, while demand for mortgages rose slightly. At the same time, demand for consumer credit was reported as remaining unchanged. Credit standards as well as loan demand were expected to remain unchanged over the following quarter.

#### *Net claims on non-residents of the euro area fall*

During the year to March 2011, resident MFIs’ net claims on non-residents of the euro area contracted by 19.4%, as against an increase of 23.1% in the 12 months to December (see Table 2.18). This turnaround mainly reflected a base effect related to the operations of a newly-licensed

<sup>22</sup> See footnote 19 above.

<sup>23</sup> The BLS gauges credit demand and supply conditions. The Central Bank of Malta began to survey a sample of Maltese banks in 2004. Since January 2008, the BLS is carried out as part of a quarterly exercise conducted by the Eurosystem across the entire euro area.

**Table 2.18**  
**EXTERNAL AND OTHER COUNTERPARTS<sup>(1)</sup>**

EUR millions; changes on a year earlier

	2010	2011	Change	
	Mar.	Mar.	Amount	%
<b>External counterpart</b>	<b>9,056.4</b>	<b>7,299.9</b>	<b>-1,756.6</b>	<b>-19.4</b>
Claims on non-residents of the euro area	30,175.4	27,791.3	-2,384.1	-7.9
Liabilities to non-residents of the euro area	21,119.0	20,491.4	-627.6	-3.0
<b>Other counterparts (net)<sup>(2)</sup></b>	<b>13,986.3</b>	<b>12,579.1</b>	<b>-1,407.2</b>	<b>-10.1</b>

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

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

Source: Central Bank of Malta.

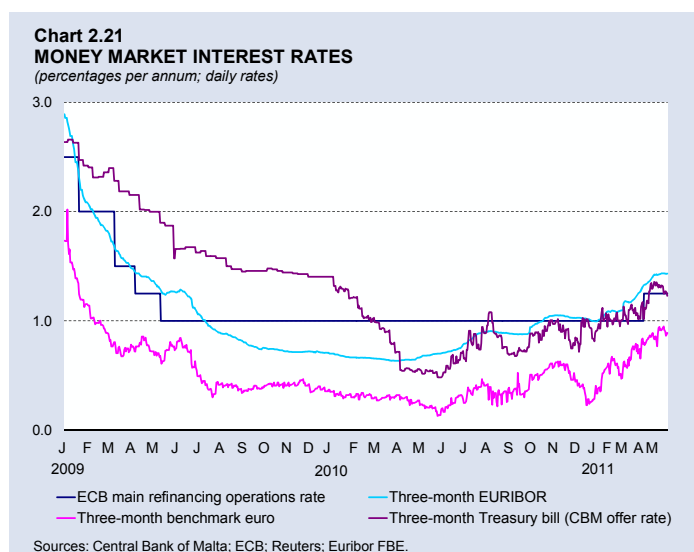
credit institution, which had led to a sharp increase in such claims in March 2010, although other credit institutions also reported a decline in net claims. Indeed, claims on non-residents of the euro area declined by 7.9% on a year earlier, as a significant drop in loans was only partly offset by an increase in holdings of government securities. At the same time, liabilities to non-residents of the euro area fell by 3.0%, mainly owing to lower borrowings from credit institutions outside the euro area.

Other counterparts (net), which are heavily influenced by interbank transactions within the euro area, contracted by 10.1% during the year to March. This primarily reflected a considerable decline in loans taken up by resident banks from credit institutions elsewhere in the euro area, which was only partly offset by a higher volume of loans granted by resident credit institutions to other euro area banks.

### Money market rates increase

While the ECB kept official interest rates unchanged during the first quarter of 2011, money market rates increased in the euro area over the same period. For example, the three-month EURIBOR rose by 23 basis points, ending March at 1.24% (see Chart 2.21) while domestic money market rates also increased.

The primary market yield on domestic three-month Treasury bills increased to 1.10% by end-March, from 0.99% at end-December. The Treasury issued a total of EUR260.9 million worth of bills, up from EUR244.2 million sold during the final quarter of 2010. Six-month bills accounted for almost half of the total, while three-month bills accounted for most of the remainder. Domestic banks heavily participated in the auctions and bought over four-fifths of the issue.



Turnover in the secondary Treasury bill market, which exhibits substantial volatility, amounted to a half of that reported in the previous quarter, falling from EUR32.7 million to EUR13.4 million. More than four-fifths of the transactions involved the Central Bank of Malta in its role as market-maker, with purchases and sales amounting to EUR8.7 million and EUR3.0 million, respectively.

In the secondary market, the yield on benchmark three-month government securities in the euro area went up by 52 basis points during the quarter, ending March at 0.78%. The corresponding domestic yield rose less rapidly, putting on 13 basis points to stand at 1.07% at the end of March. As a result, the spread over the euro area benchmark narrowed to 29 basis points (see Chart 2.21).<sup>24</sup>

In the following quarter, the primary market three-month Treasury bill yield rose further to 1.25% by end-May. The secondary market rate also increased, by 16 basis points, and stood at 1.23% in May. With the benchmark euro area government securities gaining 11 basis points, the spread widened to 34 basis points by end-May.

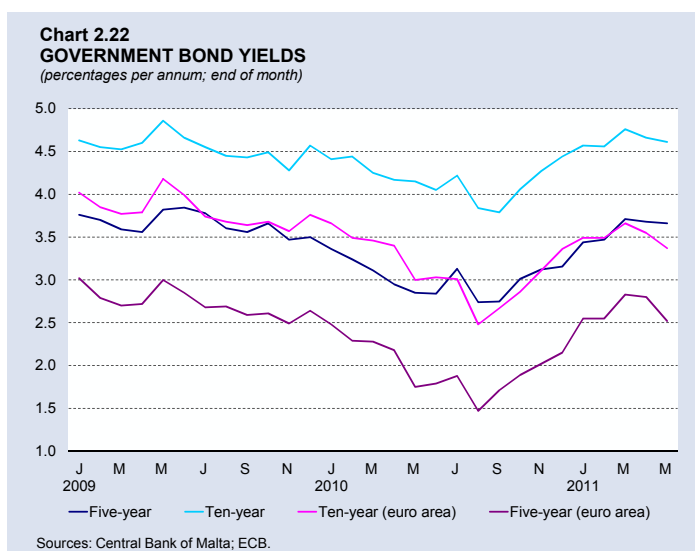
### *Bond yields rise while MSE share index dips*

The Government raised additional funds through two MGS issues with a combined value of EUR199.8 million in February. These bonds had terms to maturity of six and 19 years, and offered coupon rates of 4.25% and 5.25%, respectively. While 54% of the total was issued at fixed prices, predominantly to households, the remainder was sold by auction, mostly to resident banks.

During the first quarter, turnover in the secondary market for government bonds declined by EUR6.3 million on the previous quarter, to EUR37.0 million. This mainly reflected a drop in trading in medium and long-term securities, which outweighed a higher turnover in short-term securities.<sup>25</sup> Central Bank of Malta involvement decreased to around one-tenth of the amount traded, as interbroker deals picked up significantly.

Over the quarter, yields on both five and ten-year government bonds extended their upward path, rising by 55 and 32 basis points, respectively (see Chart 2.22). With the corresponding yields on euro area government bonds increasing by 68 and 30 basis points, the spread on five-year domestic government bonds declined by 13 basis points to 88 basis points, while the ten-year differential widened by two points to 110.<sup>26</sup>

Turnover in the secondary corporate bond market increased



<sup>24</sup> The benchmark for the euro area is the secondary market rate on three-month securities issued by the French government, which is also shown in Chart 2.21.

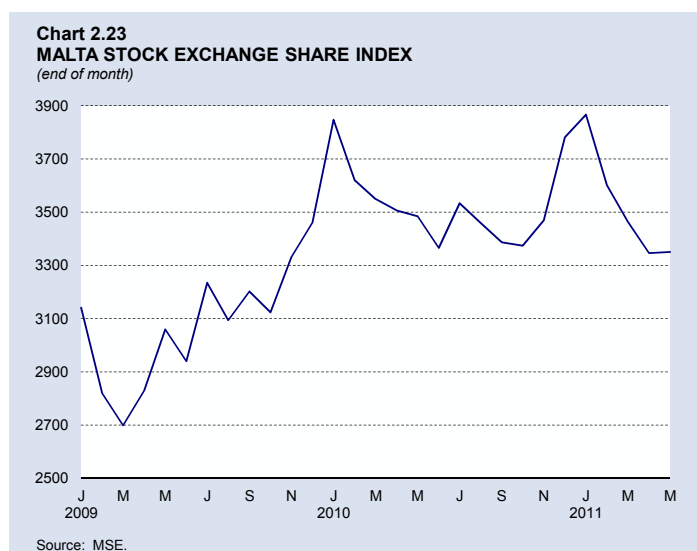
<sup>25</sup> Short-term bonds are those with a residual maturity of up to five years, medium-term bonds have a residual term to maturity of between five and ten years, while long-term bonds are those with a residual term to maturity exceeding ten years.

<sup>26</sup> Euro area yields are based on AAA-rated central government bonds.



marginally from EUR8.4 million to EUR8.8 million at end-March. Trading was concentrated in nine securities, with yields generally increasing.

Meanwhile, activity in the equity market picked up in the first quarter of 2011, with turnover increasing to EUR15.2 million from EUR10.8 million. The rally in equity prices observed in the final quarter of 2010 was reversed, as the MSE share index declined by 8.4%, ending March at 3,463.78 (see Chart 2.23).



Over the following two months, yields on domestic five and ten-year government bonds decreased, reaching 3.66% and 4.61%, respectively, in May. However, with benchmark yields in the euro area falling more rapidly, the spread between them widened by 26 basis points for five-year bonds, and by 14 basis points for ten-year bonds. At the same time, the MSE share index declined further, falling by 3.3% between March and May.

## BOX 5: ECONOMIC PROJECTIONS FOR 2011 AND 2012<sup>1</sup>

### Economic activity set to moderate

After having rebounded strongly in 2010, economic activity in Malta is forecast to ease in 2011, before picking up slightly in 2012. The Bank projects real GDP to expand by 2.5% in 2011, unchanged from the previous forecast exercise. However, final domestic demand is now expected to contribute more strongly to GDP growth owing to upward revisions to private consumption and to overall investment (see Table 1). In 2012 real GDP growth is expected to accelerate

**Table 1**  
**MACROECONOMIC PROJECTIONS FOR MALTA**

	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>	2012 <sup>(2)</sup>
<b>Real economic activity (% change)</b>			
GDP	3.2	2.5	2.7
Private consumption expenditure	-0.8	1.3	1.7
Government consumption expenditure	1.1	-0.3	-0.1
Gross fixed capital formation	11.1	10.2	5.7
Inventories (% of GDP)	0.2	0.1	0.3
Exports of goods & services	18.0	5.5	3.9
Imports of goods & services	13.2	5.3	3.5
<b>Contribution to real GDP growth (in percentage pts)</b>			
Final domestic demand	1.2	2.2	2.0
Net exports	3.7	0.3	0.5
Inventories	-1.8	0.0	0.2
<b>Balance of payments (% of GDP)</b>			
Goods and services balance	1.8	0.8	1.5
Current account balance	-4.8	-5.1	-5.3
<b>Labour market (% change)</b>			
Total employment	2.0	1.5	1.5
Unemployment rate (% of labour supply)	6.8	6.4	6.3
<b>Prices and costs (% change)</b>			
Overall HICP	2.0	2.6	2.3
HICP excluding energy	1.0	2.0	2.0
Retail price index	1.5	2.6	2.2
Compensation per employee	-1.1	2.7	3.5
Unit labour cost	-2.2	1.7	2.3
<b>Public finances (% of GDP)</b>			
General government balance	-3.6	-2.8	-2.3
Government debt	68.2	68.6	67.3
<b>Technical assumptions</b>			
EUR/US\$ exchange rate	1.326	1.419	1.434
Oil price (US\$ per barrel)	79.6	111.1	108.0
10-year euro area bond yield (%)	3.58	4.46	4.83

<sup>(1)</sup> Data on GDP for 2010 are sourced from NSO News Release 110/2011 published on 9 June 2011.

<sup>(2)</sup> Central Bank of Malta projections.

<sup>1</sup> The Bank's outlook for the Maltese economy in 2011 and 2012 is based on information available up to 24 May 2011 and is conditional on a number of technical assumptions on external demand, commodity prices, interest rates and exchange rates that underpinned the Eurosystem staff's June 2011 projections. Therefore, these projections do not take into account the latest GDP data for Malta that were published on 9 June 2011.

moderately to 2.7%. This represents a downward revision of 0.2 percentage points compared with the projections published in the *Annual Report 2010* since a less favourable outlook for final domestic demand and inventories outweighs an upward revision to net exports.

Economic growth is expected to be largely driven by final domestic demand throughout the forecast horizon, with investment spending likely to provide the strongest impetus to final domestic demand growth in 2011. Following sharp contractions in the previous two years, investment spending rebounded in 2010 and is projected to grow by 10.2% in 2011, underpinned by significant increases in non-dwelling private investment and government investment in infrastructure. On the other hand, investment in dwellings is expected to decline further, albeit at a more moderate pace. Private consumption is set to increase by 1.3% in 2011, after two consecutive annual declines, with modest growth spurred by a more favourable labour market outlook. Meanwhile, government consumption expenditure is forecast to drop by 0.3%, reflecting the Government's commitment to reduce the fiscal deficit by restraining current spending. The contribution of inventories to GDP growth is projected to be virtually zero in 2011, after having had a considerable negative impact on growth in both 2009 and 2010.

In line with developments in import demand foreseen in Malta's main trading partners, export growth is forecast to moderate to 5.5% in 2011 after double-digit growth recorded in 2010, which had largely reflected a recovery from the previous year. The rise in exports is expected to be spread across manufacturing, tourism and other service industries. In parallel, given the high import content of domestic exports, imports are also projected to expand at a slower pace than in 2010, though the pick-up in domestic demand is set to support import growth. In 2011 imports are thus set to grow by 5.3%. Therefore, net exports are expected to contribute 0.3 percentage points to GDP growth.

In contrast, in 2012 private consumption is expected to be the largest contributor to final domestic demand growth, although investment spending is also set to provide a strong impetus. Private consumption is projected to expand by 1.7%, largely reflecting growth in employment and a further improvement in real compensation per employee in that year. On the other hand, growth in investment spending is forecast to moderate to 5.7%, mirroring the foreseen slowdown in non-dwelling private investment and, in particular, in government investment, with the latter remaining strong, however. Growth in dwelling investment is set to pick up since activity in the housing market is anticipated to recover, albeit modestly, towards the end of the forecast horizon. Government consumption expenditure is projected to decline by a further 0.1% in 2012, in line with the continued pursuit of expenditure restraint, while inventories are expected to contribute positively to GDP growth, as stocks that had been run down during the crisis are gradually built up.

Meanwhile, exports are set to grow at a slower pace of 3.9% in 2012, reflecting an overall slowdown in import growth in Malta's key trading partners. As a result of the expected deceleration in export and investment growth, imports are projected to increase at a more moderate rate of 3.5%. Consequently, the contribution of net exports to growth is forecast to edge up in 2012.

### **Labour market conditions to improve further**

The unemployment rate is expected to ease to 6.4% in 2011, after having averaged 6.8% in the previous year.<sup>2</sup> Employment is projected to grow by 1.5%, reflecting an envisaged expansion in

<sup>2</sup> In the Bank's projection exercises, the unemployment rate is computed as the ratio of the number of unemployed obtained from the LFS to a measure of the labour force based on the LFS and National Accounts information. For this reason, the unemployment rate for 2010 presented in this Box differs from that presented elsewhere in this Review.

private sector employment, although average weekly hours worked per employee are forecast to decline slightly as part-time employment is likely to account for most of the growth in jobs. In 2012 the unemployment rate is projected to fall further to 6.3%, as employment is expected to continue to rise at a steady pace. Once again, average weekly hours worked per employee are set to decrease marginally.

The increase in labour market tightness, as evidenced by a falling unemployment rate, is expected to push wages up over the forecast horizon. In 2011 nominal compensation per employee is set to increase by 2.7%, which is marginally higher than projected inflation, before picking up to 3.5% in 2012. At the same time, labour productivity growth is expected to slow down slightly in 2011, before rising in 2012. With nominal employee compensation increasing more rapidly than labour productivity in both years of the projection horizon, ULC are envisaged to rise by 1.7% in 2011 and by 2.3% in 2012.

### **HICP inflation expected to rise in 2011, but to moderate thereafter**

Annual average HICP inflation is projected to rise from 2.0% in 2010 to 2.6% in 2011. The increase is driven by the expected developments in prices of industrial goods excluding energy, services and food. Conversely, energy inflation is set to decline, largely reflecting the policy decision, announced in autumn 2010, to leave electricity tariffs unchanged at 2010 levels throughout 2011. Compared with the projections published in the *Annual Report 2010*, the inflation projection for 2011 was revised upwards by 0.1 percentage points, while that for 2012 was lowered by a similar amount.

In 2012 inflation is expected to slow down to 2.3%, mainly as a result of a projected decrease in energy inflation which, in turn, partly mirrors assumed developments in international oil prices. Prices of processed food and industrial goods excluding energy are also set to rise at more moderate rates. Falling inflation in these components is expected to outweigh the projected increase in inflation in unprocessed food and services.

### **Surplus on external balance to persist**

Although nominal import growth is projected to exceed nominal growth in exports, a surplus on trade in goods and services is expected in 2011, amounting to 0.8% of GDP, compared with the previous year's surplus of 1.8%. Conversely, in 2012, with export growth expected to exceed growth in imports, the trade surplus is set to widen to 1.5% of GDP.

Whereas the goods and services account is set to remain in surplus, significant net outflows are projected on the combined income and current transfers accounts, largely underpinned by profits of domestic firms owned by non-residents. Consequently, the current account deficit is expected to widen, rising to 5.1% of GDP in nominal terms in 2011 and to 5.3% in the following year.

### **Fiscal deficit set to narrow**

The fiscal deficit is projected to narrow from 3.6% of GDP in 2010 to 2.8% in 2011. Fiscal consolidation efforts are set to continue in 2012, leading to a further decline in the deficit to 2.3% of GDP. The narrowing of the deficit over the projection horizon is expected to mainly arise from current expenditure restraint, especially as regards wages and intermediate consumption. Faster growth in revenue, especially from indirect taxes, should also contribute in 2011. Government debt is projected to rise slightly from 68.2% of GDP in 2010 to 68.6% in 2011, partly reflecting additional borrowing connected with Malta's participation in EU initiatives aimed at providing financial support

to EU countries following an IMF programme. In 2012 the debt ratio is expected to decrease to 67.3%.

### **Risks to the projections**

Risks to economic growth over the projection horizon are judged to be on the downside. Such risks emanate from uncertainty about the underlying strength of the global recovery, fragility of foreign financial markets and from the ongoing sovereign debt crisis in the euro area that could trigger further austerity measures. These could, in turn, have a negative impact on external demand for Maltese products. Other downside risks relate to political developments in North Africa and the Middle East. On the upside, consumption may be less sluggish than projected, particularly if household disposable income is more buoyant than envisaged. Stronger than expected export growth, particularly in sectors with low imported input content, poses another upside risk.

Risks to the inflation projections are seen to be slightly on the upside. Further increases in international commodity prices, as well as a possible depreciation of the euro, are viewed as upside risks. These are partly offset by downside risks that stem from the possibility of weaker than expected external demand and slower domestic economic growth.

## NEWS NOTES

### DOMESTIC

#### **Appointment of new Governor**

On 29 April it was announced that Professor Josef Bonnici was appointed Governor of the Central Bank of Malta for a five-year term with effect from 1 July 2011. Professor Bonnici had been serving as a non-executive Director of the Board of the Bank since the beginning of the year. He replaces Mr Michael C Bonello, the incumbent Governor who had informed the Government of his intention to resign from the post at the end of June 2011.

Before being appointed to the post of Governor, Professor Bonnici held a senior academic post in the Department of Economics at the University of Malta and in previous years he served in a number of prestigious positions. He was an advisor to the Prime Minister of Malta in the late eighties and early nineties, before being elected to Parliament in 1992. He was appointed Parliamentary Secretary in the Ministry of Finance and subsequently Minister for Economic Services with responsibility for various areas, including economic development policy. He was an Observer Member of the European Parliament before being appointed a Member of the European Court of Auditors for a period of six years.

#### **Issue of numismatic coins**

On 6 April the Bank issued two numismatic coins as part of the Europa Programme “Explorers”. The coins are available in gold and silver with a face value of EUR50 and EUR10, respectively. A Phoenician oar-driven vessel and the “Europa Star”, which is the official logo of the programme, are depicted on the reverse side of both coins.

#### **Forum for Financial Stability**

On 23 May the Bank launched the Forum for Financial Stability to broaden the discussion of issues affecting financial stability. The Forum, which is composed of representatives of the relevant authorities and of the major stakeholders in the financial services industry, is designed to foster a structured dialogue on issues of common interest, with a particular emphasis on the identification and management of risks that could have a negative impact on the financial system.

#### **International Seminar on Macroeconomics**

On 16 and 17 June the Bank hosted the 34th International Seminar on Macroeconomics (ISoM) organised by the National Bureau of Economic Research, a private research organisation. The Seminar brought together 28 renowned economists, mostly from Europe and the United States. Several papers were presented, featuring elements of the latest research in macroeconomics.

#### **Symposium to launch EUR2 commemorative coins**

On 24 June a symposium was organised by the Bank on aspects of Malta’s constitutional history that will be commemorated through the issue of a series of five EUR2 commemorative coins. Each coin will highlight a particular milestone in the history of Malta’s constitution during the period 1849-1974. The first of the EUR2 coins will be issued in October 2011.

## **National Reform Programme and updated Stability Programme of Malta**

On 7 June the European Commission published a recommendation on the National Reform Programme 2011 of Malta and on the updated Stability Programme of Malta 2011-2014. On this basis, on 12 July the ECOFIN Council delivered a recommendation on the National Reform Programme and an opinion on the updated Stability Programme.

The recommendation urges Malta to take action in order to ensure correction of the excessive deficit in 2011, and to be prepared to take additional measures to prevent possible slippages. Malta was also urged to reduce its public debt ratio. It was also advised to ensure the sustainability of the pension system and to focus education outcomes more on labour market needs.

### **Capital market developments**

#### *(i) Issue of Government securities*

On 29 April the Government, through Legal Notice 161 of 2011, launched EUR52.0 million worth of Floating Rate MGS 2013(VII) linked to the six-month EURIBOR. These securities were issued under the Government Borrowing and Granting of Loans to Air Malta plc Act (Cap. 506) and Local Loans (Registered Stock and Securities) Ordinance (Cap. 161). The Treasury received bids having a total value of EUR102.7 million.

On 29 April the Government, through Legal Notice 162 of 2011, launched EUR100.0 million worth of MGS, subject to an over-allotment option of EUR50.0 million, consisting of 4.25% MGS 2017(III) Fungibility Issue and 5.25% MGS 2030(I) Fungibility Issue. Applications having a nominal value exceeding EUR198.0 million were received. All subscriptions by members of the public, amounting to EUR67.8 million were accepted in full.

On 27 May the Government through Legal Notice 201 of 2011 issued EUR466,000 worth of 7% MGS 2021(II) under the Local Loans (Registered Stock and Securities) Ordinance (Cap. 161) and in accordance with the agreement entered into between the Holy See and Malta on 28 November 1991.

On 27 May the Government through Legal Notice 202 of 2011 issued EUR2,858,800 worth of 7% MGS 2021(III) under the Local Loans (Registered Stock and Securities) Ordinance (Cap. 161) and in accordance with the agreement entered into between the Holy See and Malta on 28 November 1991.

#### *(ii) Corporate bond issue*

On 30 May Mediterranean Bank plc announced the issue of EUR5.0 million worth of 6.25% Bonds due in 2015 at the price of EUR100 per bond. The issue was oversubscribed.

## Legislation related to banking and finance

### *Legal Notices 153-156 of 2011*

These Legal Notices, issued on 21 April, revoked the following Regulations:

- the Malta Financial Services Authority (Extension of the Meaning of Certain Expressions) Regulations S.L. 330.03;
- the Malta Financial Services Authority (Control of Offshore Insurance Business) Regulations S.L. 330.02;
- the Malta Financial Services Authority (Control of Offshore Banking Business) Regulations S.L. 330.01; and
- the Licensed Nominees (Fees) Regulations S.L. 330.05.

### *Legal Notice 191 of 2011*

This Legal Notice, issued on 13 May, titled Financial Institutions Act (Safeguarding of Funds) Regulations, 2011, applies to financial institutions providing payment services with regard to the rights and obligations of payment services users, electronic money holders and also to the financial institutions themselves.

### *Legal Notice 238 of 2011*

This Legal Notice, issued on 24 June, titled Banking (Amendment) Act, 2011 (Act No. II of 2011) Commencement Notice established 24 June 2011 as the date when all the remaining provisions of the Act came into force.

### *Legal Notice 241 of 2011*

This Legal Notice, issued on 28 June, titled Investment Services Act (Marketing of UCITS) Regulations, 2011, lays down the requirements applicable to the marketing of Maltese UCITS in other EU Member States or EEA States, and to the marketing of European UCITS in Malta. These regulations implement certain articles of Directive 2009/65/EC on UCITS and the relevant implementing Directive. These regulations came into force on 1 July 2011.

### *Legal Notice 242 of 2011*

This Legal Notice, issued on 28 June, titled Investment Services Act (UCITS Mergers) Regulations, 2011, provides for the authorisations of UCITS mergers, third party control, the provision of information to unit holders and other rights of unit holders. They also include provisions on costs and the entry into effect of such mergers, the consequences of mergers, mergers of master and feeder UCITS and information to be provided by Maltese UCITS in the process of merging. These regulations came into force on 1 July 2011.

### *Legal Notice 243 of 2011*

This Legal Notice, issued on 28 June, titled Investment Services Act (UCITS Management Company Passport) Regulations, 2011, applies to Maltese management companies and to European management companies providing services in Malta through the establishment of a branch or under the freedom to provide services. The regulations provide for the freedom of establishment and freedom to provide services both by Maltese and European management companies, as well as cooperation with regulatory authorities in other EU Member States or EEA states. These regulations came into force on 1 July 2011.



## INTERNATIONAL

### **The IMF/World Bank 2011 Spring Meetings**

A communiqué issued on 16 April by the International Monetary and Financial Committee of the IMF remarked that the global recovery was gaining strength but remained vulnerable. It discussed the significant risks to the outlook and decided to take necessary action to strengthen the recovery, particularly to address concerns related to financial stability and sovereign debt, overheating in emerging market economies and risks stemming from high commodity prices.

On 16 April the Development Committee of the IMF and the World Bank met in Washington D.C. and in a communiqué pledged to stay alert to the economic challenges arising from natural disasters, conflict and social unrest and to remain committed to ensuring sustainable, balanced and inclusive growth and to provide timely, effective support where needed.

### **G20 Meeting**

On 15 April the G20 Finance Ministers and Central Bank Governors met in Washington D.C. and issued a communiqué in which a set of indicative guidelines were agreed upon to address persistently large imbalances. The statement also launched the second step of this process with an in-depth assessment of the nature of the imbalances and the root causes of impediments to adjustment.

### **ECOFIN and Eurogroup Meetings – main topics discussed and decisions taken**

On 8 April the Eurogroup and ECOFIN Ministers met in Hungary and issued a statement acknowledging the Portuguese authorities' request for financial assistance. Euro area and EU financial support would be provided on the basis of a policy programme to be supported by strict conditionality. The programme will be based on three pillars, namely an ambitious fiscal adjustment to restore fiscal sustainability, reforms aimed at enhancing growth and competitiveness by removing rigidities in product and labour markets and measures to maintain the liquidity and solvency of the financial sector.

During 8-9 April an informal ECOFIN meeting was held in Hungary. Finance ministers discussed the procedure for addressing macroeconomic imbalances, one of the most important elements in the package for the reform of economic governance. It was further agreed that stricter and more robust stress tests would be conducted on European banks. The aim was to quickly identify weak spots in the banking system, and to resolve them by restructuring and recapitalisation.

On 16 May the Eurogroup and ECOFIN Ministers agreed to grant financial assistance in response to the Portuguese authorities' request of 7 April 2011. Ministers concurred with the Commission and the ECB that the provision of a loan to Portugal was warranted to safeguard financial stability in the euro area and in the EU as a whole. Euro area and EU financial support will be provided on the basis of a programme that was negotiated with the Portuguese authorities by the Commission, in liaison with the ECB and the IMF.

On 17 May ECOFIN adopted a recommendation on the nomination of the Governor of the Banca d'Italia, Mario Draghi, as President of the European Central Bank. The Council also reached agreement on draft legislation governing short selling and credit default swaps and approved a statement setting out guiding principles on backstop measures to support financial institutions that failed the 2011 EU-wide stress tests.

On 20 June the Eurogroup Ministers took note of the assessment prepared by the Commission and the IMF on the situation in Greece. The assessment showed that debt sustainability hinged critically on Greece sticking to the agreed fiscal consolidation path, on the plans for collecting EUR50 billion in privatisation proceeds by 2015 and on the structural reform agenda to promote medium-term growth. Ministers agreed that additional funding was required and that this would be financed through both official and private sources.

On 20 June ECOFIN updated its general approach on legislative proposals on economic governance with a view to concluding negotiations with the European Parliament before the end of June. The proposals were part of the EU's response to the challenges posed by the sovereign debt crisis. It adopted recommendations on the Member States' national reform programmes and budgetary policies. It also adopted conclusions on public finance statistics.

### **European Council Meeting**

On 23-24 June the European Council concluded the first European semester by collectively assessing Member States' programmes on the basis of the Commission's evaluation and by endorsing the country specific recommendations to be taken into account in upcoming national decisions on budgets and structural reforms. It also endorsed the approach decided by the Eurogroup on 20 June as regards the pursuit of private sector involvement in the form of informal and voluntary roll-overs of existing Greek debt at maturity for a substantial reduction in the required year-by-year funding within the programme while avoiding a selective default.

# STATISTICAL TABLES



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

(as at end-Mar 2011, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Euro exchange rates <sup>1</sup> :	EUR 1 = USD 1.4207 EUR 1 = GBP 0.8837
CLIMATE	Average temperature (1990-2009):	Dec. - Feb. 13.2° C June - Aug. 26° C
	Average annual rainfall (1990-2009)	487 mm
	SELECTED GENERAL ECONOMIC STATISTICS	
	GDP growth at constant 2000 prices <sup>2</sup>	2.3%
	GDP per capita at current market prices <sup>2</sup>	EUR15,100
	GDP per capita in PPS relative to the EU-27 average (2010)	83.0%
	Ratio of gross general government debt to GDP <sup>2</sup> (2010)	68.0%
	Ratio of general government deficit to GDP <sup>2</sup> (2010)	3.6%
	RPI inflation rate	2.0%
	HICP inflation rate	2.5%
	Ratio of exports of goods and services to GDP <sup>2</sup>	82.7%
	Ratio of current account deficit to GDP <sup>2</sup>	5.2%
	Employment rate	57.4%
	Unemployment rate	6.4%
POPULATION	Total Maltese and foreigners (2010)	417,608
	Males	207,583
	Females	210,025
	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 <sup>2</sup> (2010)	1,322
HEALTH	Life expectancy at birth (2009)	
	Males	78
	Females	82
	Crude birth rate, per 1,000 Maltese inhabitants (2010)	9.6
	Crude mortality rate, per 1,000 Maltese inhabitants (2010)	7.2
EDUCATION	Doctors (2010)	1,462
	Gross enrolment ratio (2008/2009)	68.8%
	Number of educational institutions (2006/2007)	323
	Teachers per 1,000 students (2006/2007)	97
	Adult literacy rate: age 10+ (2005)	
	Males	91.7%
	Females	93.9%
LIVING STANDARDS	Human Development Index: rank out of 169 countries (2010)	33
	Mobile phone subscriptions per 100 population	111.1
	Private motor vehicle licences per 1,000 population	562
	Internet subscribers per 100 population	29.7

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

<sup>2</sup> Provisional.

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

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at March 2011:

Akbank T.A.S.  
APS Bank Ltd.  
Banif Bank Malta p.l.c.  
Bank of Valletta p.l.c.  
BAWAG Malta Bank Ltd. (from October 2003)  
Credit Europe NV (from March 2007)  
Commbank Europe Ltd. (from September 2005)  
Deutsche Bank Malta Ltd. (from March 2010)  
Erste Bank (Malta) Ltd.  
FIMBank p.l.c.  
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.  
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.

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

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## Monetary, Banking and Financial Markets

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

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/liabilities
	Gold	IMF- related assets <sup>2</sup>	Other <sup>3</sup>	Total				
2003	1.2	83.1	2,095.0	2,179.2	73.2	18.1	42.5	2,313.1
2004	1.2	81.8	1,921.5	2,004.6	71.1	49.7	55.2	2,180.6
2005	1.5	87.4	2,061.2	2,150.1	74.6	21.2	62.5	2,308.4
2006	2.7	84.8	2,123.6	2,211.1	70.5	70.5	62.3	2,414.4
2007	8.8	83.9	2,434.4	2,527.2	66.3	203.6	74.4	2,871.5

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets <sup>4</sup>	Total assets/liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
<b>2010</b>									
Jan.	5.2	624.7	95.7	248.9	356.1	1,188.5	48.3	601.4	3,168.8
Feb.	5.2	624.7	95.7	243.6	360.0	1,183.5	48.3	586.3	3,147.3
Mar.	5.6	619.6	93.2	268.1	375.1	1,244.5	48.3	541.8	3,196.2
Apr.	5.6	648.3	93.2	239.4	403.3	1,193.5	48.3	554.5	3,186.1
May	2.8	740.9	93.2	317.2	332.5	1,337.5	48.3	579.3	3,451.8
June	4.0	759.3	93.4	379.6	324.3	1,393.5	48.3	547.1	3,549.4
July	6.9	759.4	112.9	347.7	350.2	1,555.2	48.3	546.0	3,726.6
Aug.	6.9	731.0	92.4	299.2	386.2	1,296.2	48.3	596.2	3,456.4
Sep.	6.5	780.4	86.6	223.0	399.4	1,292.5	48.3	676.0	3,512.8
Oct.	6.5	834.8	86.6	252.9	373.0	1,254.5	48.3	705.6	3,562.2
Nov.	3.2	981.9	86.6	316.6	397.1	1,016.5	48.3	708.4	3,558.6
Dec.	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
<b>2011</b>									
Jan.	3.7	1,103.8	109.6	287.0	395.1	1,055.0	49.4	684.4	3,688.0
Feb.	4.3	1,114.3	101.7	339.1	368.4	1,133.2	49.4	700.0	3,810.3
Mar.	7.3	1,133.8	105.7	332.4	372.4	961.5	49.4	709.4	3,671.8

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

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

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

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



## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	1,130.6	73.3	564.1	193.8	19.7	777.6	205.5	59.4	66.7
2004	1,179.6	71.2	387.4	269.4	26.0	682.8	200.4	-	46.7
2005	1,211.4	74.6	424.7	343.5	22.2	790.4	196.3	-	35.7
2006	1,173.9	70.5	660.8	248.2	41.0	950.0	181.0	-	38.9
2007	677.8	66.4	1,433.5	387.2	75.7	1,896.4	189.9	-	41.0

EUR millions

End of period	Banknotes in circulation <sup>2</sup>	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities <sup>3</sup>	Capital and reserves <sup>4</sup>
			Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008	693.1	483.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
<b>2010</b>										
Jan.	654.3	638.9	337.2	81.6	72.2	0.0	103.9	879.1	140.3	261.4
Feb.	654.9	569.6	363.8	82.7	71.2	0.0	103.9	905.0	123.5	272.7
Mar.	665.5	579.6	341.7	83.0	78.3	0.1	107.5	935.7	127.3	277.4
Apr.	666.5	584.5	395.6	97.9	78.5	0.1	107.5	858.5	119.1	277.9
May	672.4	633.8	494.3	103.4	81.4	0.1	107.5	959.0	121.4	278.4
June	678.1	791.3	370.7	99.5	107.3	0.1	114.9	992.3	112.6	282.6
July	685.2	608.1	401.3	97.5	101.8	0.1	114.9	1,320.6	113.7	283.5
Aug.	679.6	578.9	547.7	104.2	88.6	0.1	114.9	941.7	116.5	284.2
Sep.	679.1	509.1	460.5	102.5	78.5	0.1	108.7	1,163.4	129.1	281.7
Oct.	680.5	491.5	419.2	104.9	80.9	0.1	108.7	1,263.3	131.3	281.7
Nov.	682.0	497.5	432.6	97.5	163.8	0.1	108.7	1,164.7	130.1	281.5
Dec.	701.2	501.2	410.9	97.0	96.5	0.0	110.4	1,327.1	129.2	272.7
<b>2010</b>										
Jan.	681.7	497.4	381.7	94.2	98.9	0.0	110.4	1,438.3	113.1	272.3
Feb.	680.8	518.4	509.3	94.3	130.9	0.0	110.4	1,386.5	99.4	280.1
Mar.	684.0	481.5	382.6	87.5	146.4	0.0	106.5	1,418.5	87.6	277.2

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

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

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets <sup>3</sup>	Total assets/liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets <sup>2</sup>	Total		
2008	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
2009	0.4	5.4	214.7	220.2	1,069.8	355.4	246.9	1,672.1	1,380.8	3,273.4
<b>2010</b>										
July	0.3	5.6	185.8	191.4	1,326.2	327.7	277.5	1,931.5	1,653.1	3,776.3
Aug.	0.2	5.7	219.3	225.0	1,271.8	359.2	278.3	1,909.2	1,397.1	3,531.5
Sep.	0.2	5.8	241.2	246.9	1,270.3	370.7	289.4	1,930.4	1,381.9	3,559.4
Oct.	0.2	5.8	275.9	281.7	1,350.0	339.8	282.1	1,971.9	1,345.6	3,599.5
Nov.	0.2	5.9	273.3	279.2	1,556.8	374.6	273.8	2,205.2	1,121.8	3,606.4
Dec.	0.2	5.9	274.7	280.6	1,555.4	381.3	285.3	2,222.1	1,182.7	3,685.6
<b>2011</b>										
Jan.	0.2	6.0	271.0	276.9	1,624.4	372.1	283.4	2,279.9	1,163.3	3,720.3
Feb.	0.2	6.1	274.7	280.9	1,696.9	341.3	289.7	2,328.0	1,233.2	3,842.3
Mar.	0.2	6.3	271.2	277.6	1,720.1	368.6	297.4	2,386.1	1,060.9	3,724.7

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

EUR millions

End of period	Currency issued <sup>4</sup>	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities <sup>3</sup>
		Withdrawable on demand <sup>5</sup>	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities <sup>2</sup>	Total		
2008	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
2009	710.5	445.5	5.6	451.0	814.6	86.8	109.2	1,010.6	419.9	681.3
<b>2010</b>										
July	724.9	483.4	7.3	490.7	1,202.5	97.7	143.5	1,443.6	428.1	689.1
Aug.	720.0	618.4	7.5	625.9	836.5	105.0	142.5	1,084.0	443.6	657.9
Sep.	719.7	524.6	7.0	531.6	1,067.3	102.8	103.6	1,273.6	446.2	588.3
Oct.	721.0	484.7	6.9	491.6	1,168.6	105.3	101.1	1,374.9	442.5	569.5
Nov.	722.4	585.5	7.3	592.8	1,068.5	97.6	109.9	1,276.0	444.7	570.4
Dec.	742.1	489.1	8.2	497.2	1,225.2	97.1	108.0	1,430.3	438.1	577.8
<b>2011</b>										
Jan.	722.3	454.9	8.0	462.9	1,319.3	94.9	121.0	1,535.2	422.0	578.0
Feb.	721.2	614.4	7.9	622.3	1,265.0	96.4	123.2	1,484.6	416.0	598.2
Mar.	724.8	504.1	7.7	511.8	1,284.3	104.5	135.7	1,524.4	401.7	562.1

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

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

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

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Balances held with Central Bank of Malta <sup>2</sup>	Claims on residents of Malta			External assets				Other assets <sup>3</sup>	Total assets/liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2003	607.7	4,449.2	1,449.1	83.1	2,831.3	7,484.8	177.2	10,493.3	818.3	17,900.8
2004	448.6	4,734.9	1,531.2	77.9	3,626.4	8,794.1	787.5	13,208.0	837.6	20,838.2
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
<b>2010</b>										
Jan.	715.0	7,700.7	1,710.7	132.8	6,295.3	23,873.3	657.9	30,826.5	931.9	42,017.7
Feb.	635.1	7,684.8	1,807.9	132.7	6,844.7	24,110.2	601.2	31,556.1	886.5	42,703.2
Mar.	641.7	7,787.8	1,840.9	134.1	8,485.4	28,921.8	671.4	38,078.6	853.3	49,336.4
Apr.	648.0	7,786.3	1,871.5	134.1	9,834.1	28,133.5	705.3	38,673.0	866.5	49,979.4
May	705.1	7,814.5	1,971.2	134.5	9,953.4	29,272.1	724.2	39,949.7	837.0	51,412.0
June	865.1	7,825.5	1,938.5	135.3	9,893.6	29,305.4	671.2	39,870.2	870.6	51,505.3
July	701.4	7,785.0	1,967.6	135.3	9,121.8	29,081.3	650.5	38,853.6	943.8	50,386.8
Aug.	648.2	7,845.8	1,966.9	135.2	8,867.6	28,907.4	718.7	38,493.8	963.9	50,053.7
Sep.	580.7	7,921.6	1,918.7	135.2	9,183.3	28,573.7	684.3	38,441.3	848.9	49,846.4
Oct.	580.6	7,929.9	1,882.4	135.1	9,505.4	27,954.2	659.3	38,118.9	877.9	49,524.9
Nov.	589.5	7,990.4	1,829.1	139.2	9,496.2	29,100.5	681.4	39,278.1	855.7	50,682.0
Dec.	599.6	8,075.5	1,781.1	141.9	9,366.9	28,681.7	650.4	38,699.0	909.3	50,206.4
<b>2011</b>										
Jan.	594.7	8,065.1	1,846.4	141.7	9,620.7	28,282.3	603.4	38,506.3	931.1	50,085.3
Feb.	611.0	8,080.5	1,834.6	141.4	9,526.6	27,445.4	631.0	37,603.0	891.1	49,161.6
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

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

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Deposits from residents of Malta <sup>2</sup>				External liabilities				Debt securities issued <sup>3</sup>	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities <sup>3</sup>	Total			
2003	2,441.8	67.0	3,727.6	6,236.5	2,426.4	4,862.9	1,597.6	8,886.9	220.9	1,822.4	734.1
2004	2,589.8	70.0	3,700.8	6,360.5	3,203.2	6,640.3	1,583.0	11,426.5	214.7	2,086.4	750.0
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
<b>2010</b>											
Jan.	3,734.3	111.5	4,883.2	8,729.0	7,344.4	17,588.0	1,442.2	26,374.6	254.4	4,125.6	2,534.1
Feb.	3,769.1	111.6	4,784.2	8,664.9	7,681.4	18,241.4	1,479.9	27,402.7	255.4	3,892.1	2,488.1
Mar.	3,780.0	110.5	4,865.0	8,755.5	7,848.9	19,579.3	1,572.4	29,000.6	279.1	8,734.9	2,566.4
Apr.	3,963.2	110.7	4,897.3	8,971.2	7,707.7	20,203.3	1,507.5	29,418.5	275.9	8,783.8	2,530.0
May	4,035.8	110.8	4,765.3	8,911.9	8,036.0	21,083.8	1,668.6	30,788.4	278.6	8,784.6	2,648.5
June	4,234.0	111.9	4,706.3	9,052.2	8,367.6	19,986.6	1,675.4	30,029.6	287.7	9,442.7	2,693.2
July	4,259.4	111.3	4,731.8	9,102.6	7,765.8	19,300.9	1,587.5	28,654.2	284.6	9,442.4	2,903.0
Aug.	4,135.9	113.8	4,851.5	9,101.2	7,455.7	19,521.0	1,566.9	28,543.6	285.4	9,531.2	2,592.2
Sep.	4,183.0	113.8	4,823.4	9,120.2	7,574.5	19,251.4	1,483.0	28,308.8	283.1	9,591.9	2,542.4
Oct.	4,263.4	113.5	4,857.8	9,234.8	6,771.5	19,529.1	1,549.0	27,849.7	272.2	9,636.0	2,532.1
Nov.	4,275.9	123.8	4,855.3	9,255.0	7,013.5	20,377.5	1,719.0	29,110.1	304.8	9,743.0	2,269.1
Dec.	4,314.3	123.7	4,860.4	9,298.5	6,611.2	20,023.4	1,758.1	28,392.7	304.5	9,840.3	2,370.5
<b>2011</b>											
Jan.	4,310.3	124.1	4,876.8	9,311.2	6,703.6	19,785.5	1,912.6	28,401.8	304.2	9,720.3	2,347.7
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	9,604.2	2,293.9
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

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

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							Total (M3) <sup>1</sup>
	Currency issued			Narrow money (M1)			Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)		
				Currency in circulation	Deposits withdrawable on demand					Total (M1)	
OMFI balances with Central Bank of Malta	Total (M0)	Demand	Savings								
2003	1,130.6	321.2	1,451.8	1,072.5	637.5	1,763.0	3,473.0	67.0	3,096.9	6,636.9	6,637.0
2004	1,179.6	338.5	1,518.1	1,132.1	700.8	1,849.8	3,682.6	70.0	3,045.3	6,797.9	6,797.9
2005	1,211.4	315.7	1,527.1	1,162.2	727.0	2,001.0	3,890.2	73.3	3,121.5	7,085.0	7,085.0
2006	1,173.9	412.2	1,586.1	1,112.9	726.5	2,020.0	3,859.4	71.8	3,520.6	7,451.7	7,451.7
2007	677.8	1,110.0	1,787.8	610.2	806.3	2,278.9	3,695.4	105.3	4,474.6	8,275.3	8,275.3

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

EUR millions

End of period	Broad money (M3)								
	Intermediate money (M2)							M3-M2 <sup>4</sup>	Total (M3) <sup>5</sup>
	Narrow money (M1)			Deposits redeemable at notice up to 3 months <sup>3</sup>		Deposits with agreed maturity up to 2 years <sup>3</sup>			
	Currency issued <sup>2</sup>	Overnight deposits <sup>3</sup>		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents		
From residents of Malta		From other euro area residents							
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
<b>2010</b>									
Jan.	636.7	3,650.2	99.7	111.5	0.1	4,148.8	199.6	218.8	9,065.5
Feb.	635.9	3,678.6	101.0	111.6	0.1	4,051.2	123.6	198.9	8,900.9
Mar.	637.8	3,688.4	99.6	110.3	0.1	4,081.2	103.4	190.3	8,911.1
Apr.	644.0	3,869.9	99.3	110.6	0.1	4,080.4	104.0	211.2	9,119.5
May	653.4	3,934.1	96.4	110.8	0.1	3,930.2	106.9	209.3	9,041.2
June	654.5	4,127.9	106.8	111.9	0.1	3,845.9	99.9	180.0	9,126.9
July	661.6	4,171.5	106.7	111.2	0.1	3,868.6	106.6	194.8	9,221.1
Aug.	659.5	4,038.3	107.7	113.7	0.1	3,868.3	154.6	196.3	9,138.5
Sep.	660.4	4,089.9	111.1	113.7	0.1	3,816.6	134.0	228.5	9,154.2
Oct.	663.0	4,187.8	128.2	113.4	0.1	3,845.3	261.2	238.9	9,437.9
Nov.	665.7	4,201.1	112.9	123.6	1.9	3,840.9	219.1	244.0	9,409.2
Dec.	674.4	4,225.1	99.5	123.5	0.7	3,848.1	157.5	241.6	9,370.5
<b>2011</b>									
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

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

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

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

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

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

## Monetary, Banking and Financial Markets

**Table 1.5a Counterparts to the monetary aggregates**

EUR millions

End of period	Domestic credit			Net foreign assets					Broad money (M3)	Other counterparts to broad money (net) <sup>2</sup>
	Net claims on central government <sup>1</sup>	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2003	1,324.1	4,423.4	5,747.5	2,279.5	136.9	10,493.3	8,912.8	3,723.1	6,637.0	2,833.6
2004	1,269.8	4,793.9	6,063.7	2,105.7	78.5	13,208.0	11,448.3	3,786.9	6,797.9	3,052.8
2005	1,031.2	5,110.6	6,141.8	2,260.2	87.8	19,340.5	17,297.9	4,215.0	7,085.0	3,271.8
2006	850.1	5,855.8	6,705.9	2,314.0	99.1	21,601.1	19,011.8	4,804.1	7,451.7	4,058.3
2007	1,023.8	6,404.9	7,428.7	2,633.0	100.1	27,947.3	25,330.1	5,150.1	8,275.3	4,303.6

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

EUR millions

End of period	Broad money (M3) <sup>4</sup>	Credit counterpart <sup>3</sup>					External counterpart			Other counterparts (net) <sup>2</sup>
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009	8,883.3	1,927.4	7,792.4	1,238.3	2,273.9	13,232.0	24,843.9	18,197.0	6,646.9	10,995.6
<b>2010</b>										
Jan.	9,065.5	1,953.3	7,817.5	1,251.5	2,355.9	13,378.2	25,103.7	19,005.7	6,098.1	10,410.7
Feb.	8,900.9	2,028.5	7,803.4	1,322.3	2,423.6	13,577.7	25,297.1	19,696.6	5,600.5	10,277.3
Mar.	8,911.1	2,021.7	7,909.4	1,384.1	2,525.9	13,840.9	30,175.4	21,119.0	9,056.4	13,986.3
Apr.	9,119.5	2,049.9	7,907.8	1,464.9	2,532.2	13,954.9	29,456.7	21,769.1	7,687.6	12,522.9
May	9,041.2	2,170.2	7,937.6	1,579.7	2,607.2	14,294.8	30,575.9	22,856.2	7,719.7	12,973.2
June	9,126.9	2,132.3	7,951.6	1,568.8	2,541.1	14,193.8	30,481.9	21,656.6	8,825.3	13,892.3
July	9,221.1	2,172.6	7,906.7	1,564.7	2,405.8	14,049.9	30,270.2	20,880.9	9,389.4	14,218.1
Aug.	9,138.5	2,204.7	7,968.2	1,579.2	2,387.7	14,139.8	30,207.4	21,086.9	9,120.6	14,121.9
Sep.	9,154.2	2,183.0	8,039.4	1,619.7	2,432.3	14,274.5	29,858.2	20,704.5	9,153.7	14,274.0
Oct.	9,437.9	2,192.6	8,036.6	1,643.3	2,499.3	14,371.7	29,186.4	21,046.0	8,140.3	13,074.2
Nov.	9,409.2	2,133.8	8,104.1	1,743.9	2,473.9	14,455.7	30,383.5	22,036.3	8,347.2	13,393.7
Dec.	9,370.5	2,091.0	8,188.1	1,794.9	2,392.7	14,466.7	29,948.7	21,765.5	8,183.3	13,279.4
<b>2011</b>										
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

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

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

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

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

## Monetary, Banking and Financial Markets

**Table 1.6a Currency in circulation**

EUR millions

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2003	1,088.0	42.6	1,130.6	58.1	1,072.5
2004	1,134.8	44.8	1,179.6	47.5	1,132.1
2005	1,164.5	46.8	1,211.4	49.2	1,162.2
2006	1,125.4	48.6	1,173.9	61.0	1,113.0
2007	634.2	43.6	677.8	67.6	610.2

**Table 1.6b Currency issued**

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item: Excess / shortfall (-) on the banknote allocation key <sup>3</sup>
	Notional amount of banknotes issued by the Central Bank of Malta <sup>1</sup>	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins <sup>2</sup>	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009	673.4	37.2	-	70.7	639.8	95.1
<b>2010</b>						
Jan.	654.3	36.9	-	54.4	636.7	105.4
Feb.	654.9	36.6	-	55.6	635.9	113.3
Mar.	665.5	36.9	-	64.7	637.8	122.9
Apr.	666.5	37.4	-	59.8	644.0	125.4
May	672.4	37.9	-	56.9	653.4	121.5
June	678.1	38.8	-	62.4	654.5	129.8
July	685.2	39.7	-	63.3	661.6	118.2
Aug.	679.6	40.4	-	60.5	659.5	105.2
Sep.	679.1	40.6	-	59.4	660.4	96.2
Oct.	680.5	40.5	-	58.1	663.0	94.7
Nov.	682.0	40.4	-	56.7	665.7	96.2
Dec.	701.2	41.0	-	67.7	674.4	104.5
<b>2011</b>						
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

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

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Total notes & coins <sup>1</sup>	Currency notes					Total
		Lm20	Lm10 <sup>2</sup>	Lm5	Lm2		
2003	1,130.6	255.5	744.0	71.8	16.7		1,088.0
2004	1,179.6	257.0	786.3	74.3	17.2		1,134.8
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
<b>2010</b>							
Mar.	56.4	9.2	31.1	8.8	7.3		56.4
June	55.1	9.0	30.1	8.7	7.3		55.1
Sep.	50.9	8.6	26.4	8.6	7.3		50.9
Dec.	49.9	8.4	25.7	8.5	7.3		49.9
<b>2011</b>							
Mar.	48.7	8.1	24.8	8.4	7.3		48.7

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

<sup>2</sup> Since February 2010 a change in the basis of reporting was carried out to include the 4th series of the Lm10 notes.

**Table 1.7b Denominations of euro banknotes allocated to Malta<sup>1</sup>**

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009	-3.8	35.1	331.4	214.3	23.2	50.4	117.9	768.5
<b>2010</b>								
Mar.	-4.3	32.0	330.6	228.1	20.0	51.0	131.1	788.4
June	-4.6	30.2	333.5	237.9	15.7	51.8	143.4	807.9
Sep.	-5.9	22.5	321.2	223.6	6.8	52.7	154.3	775.4
Dec.	-6.3	21.7	328.9	235.2	1.2	54.7	170.3	805.7
<b>2011</b>								
Mar.	-7.1	18.8	324.4	242.6	-2.9	59.6	183.0	818.3

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

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2008	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
2009	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.3	37.2
<b>2010</b>									
Mar.	0.0	0.5	1.0	1.8	3.0	4.9	8.5	17.2	36.9
June	0.0	0.5	1.1	1.9	3.2	5.1	8.9	18.1	38.8
Sep.	0.0	0.5	1.1	2.0	3.4	5.4	9.2	18.8	40.6
Dec.	0.0	0.6	1.2	2.0	3.4	5.4	9.2	19.1	41.0
<b>2011</b>									
Mar.	0.1	0.6	1.2	2.0	3.4	5.4	9.0	19.1	40.7



## Monetary, Banking and Financial Markets

Table 1.8 Deposits held with other monetary financial institutions by sector

End of period	Resident deposits							Deposits held by non-residents of Malta		Total deposits
	General government <sup>1</sup>	Monetary financial institutions <sup>2</sup>	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2003	60.7	193.9	60.0	61.0	976.1	5,078.8	6,430.5	3,164.5	5,524.1	15,119.0
2004	66.5	177.5	48.3	80.3	965.6	5,199.7	6,538.0	3,431.5	7,160.9	17,130.4
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
<b>2010</b>										
Jan.	141.6	1,540.1	274.6	164.9	1,436.5	6,711.4	10,269.1	7,412.6	18,304.6	35,986.3
Feb.	144.2	1,495.1	295.5	189.3	1,365.9	6,670.1	10,160.0	7,750.0	19,018.2	36,928.2
Mar.	146.1	1,548.5	287.2	158.9	1,471.5	6,691.7	10,304.0	7,917.6	20,443.6	38,665.2
Apr.	162.2	1,550.7	240.7	165.0	1,655.2	6,748.1	10,521.9	7,744.1	21,050.7	39,316.7
May	164.1	1,622.0	218.8	202.0	1,587.1	6,739.8	10,533.9	8,068.5	22,009.0	40,611.4
June	165.5	1,706.6	221.9	208.2	1,657.8	6,798.7	10,758.8	8,414.8	20,925.5	40,099.1
July	153.0	1,840.1	245.5	232.3	1,661.3	6,810.5	10,942.7	7,800.5	20,189.6	38,932.8
Aug.	249.8	1,574.7	233.0	222.9	1,586.5	6,809.1	10,675.9	7,490.8	20,294.1	38,460.8
Sep.	257.4	1,564.2	244.3	194.0	1,592.6	6,831.9	10,684.4	7,609.5	19,968.6	38,262.5
Oct.	248.9	1,545.9	250.4	195.6	1,673.2	6,866.8	10,780.7	6,811.7	20,341.2	37,933.5
Nov.	234.5	1,286.6	243.7	217.3	1,716.0	6,843.5	10,541.6	7,054.8	21,306.8	38,903.2
Dec.	227.0	1,378.3	233.1	208.4	1,694.9	6,935.0	10,676.8	6,632.2	21,127.9	38,437.0
<b>2011</b>										
Jan.	222.7	1,346.5	237.8	217.7	1,680.9	6,952.0	10,657.8	6,723.8	21,083.3	38,464.9
Feb.	221.2	1,347.3	213.2	232.5	1,694.2	6,917.3	10,625.8	6,557.1	20,516.6	37,699.5
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

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL <sup>2</sup>	EUR	GBP	USD	Other	MTL <sup>2</sup>	EUR	Other		
2003	5,576.2	244.7	303.3	246.0	60.2	22.4	1,832.6	1,309.4	5,524.1	15,119.0
2004	5,614.5	259.7	353.1	240.7	70.1	20.4	2,400.7	1,010.4	7,160.9	17,130.4
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
<b>2010</b>										
Jan.		9,430.5	358.1	403.9	76.6		5,294.7	2,117.9	18,304.6	35,986.3
Feb.		9,339.9	331.2	407.4	81.6		5,579.1	2,170.8	19,018.2	36,928.2
Mar.		9,434.7	332.4	451.7	85.1		5,594.9	2,322.7	20,443.6	38,665.2
Apr.		9,519.5	300.6	607.1	94.7		5,586.1	2,158.0	21,050.7	39,316.7
May		9,480.6	314.6	639.6	99.0		5,697.8	2,370.8	22,009.0	40,611.4
June		9,686.8	430.1	563.6	78.3		5,540.8	2,874.0	20,925.5	40,099.1
July		9,965.1	411.0	485.1	81.4		6,058.5	1,742.0	20,189.6	38,932.8
Aug.		9,779.4	424.4	393.7	78.4		5,005.6	2,485.2	20,294.1	38,460.8
Sep.		9,830.3	404.9	375.8	73.4		5,543.3	2,066.2	19,968.6	38,262.5
Oct.		9,854.3	416.6	430.2	79.6		5,065.9	1,745.8	20,341.2	37,933.5
Nov.		9,599.0	439.4	409.9	93.2		4,624.2	2,430.6	21,306.8	38,903.2
Dec.		9,723.3	423.4	418.9	111.2		4,764.3	1,868.0	21,127.9	38,437.0
<b>2011</b>										
Jan.		9,740.2	409.3	408.9	99.4		4,751.4	1,972.4	21,083.3	38,464.9
Feb.		9,696.0	413.0	405.5	111.4		4,484.7	2,072.3	20,516.6	37,699.5
Mar.		9,778.6	399.3	425.2	103.8		4,262.8	1,786.0	19,937.2	36,692.9

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Size classes <sup>2</sup>				Total
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	
2003	714.7	1,553.3	876.5	2,437.6	5,582.0
2004	774.8	1,845.8	1,529.6	5,547.2	9,697.4
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
<b>2010</b>					
Jan.	701.9	2,915.8	2,766.6	16,172.5	22,556.8
Feb.	707.1	2,935.3	2,743.4	16,163.6	22,549.4
Mar.	705.2	2,967.9	2,754.9	20,927.7	27,355.8
Apr.	708.3	2,975.5	1,961.5	21,493.4	27,138.6
May	711.8	2,984.9	1,927.1	21,859.9	27,483.8
June	752.1	3,151.7	2,077.3	20,681.8	26,662.8
July	754.7	3,158.9	2,070.8	19,908.3	25,892.8
Aug.	751.3	3,176.5	2,090.2	20,288.8	26,306.8
Sep.	755.9	3,195.6	2,076.1	19,612.3	25,640.0
Oct.	759.0	3,202.0	2,112.8	18,919.8	24,993.6
Nov.	761.2	3,220.1	2,118.2	19,118.8	25,218.4
Dec.	758.2	3,242.9	2,138.5	18,901.8	25,041.4
<b>2011</b>					
Jan.	756.0	3,245.6	2,162.9	18,588.5	24,752.9
Feb.	756.3	3,268.2	2,104.2	18,381.2	24,509.9
Mar.	754.9	3,287.4	2,153.8	18,334.7	24,530.7

<sup>1</sup> For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Loans exclude OMFIs' deposits placed with other OMFIs.

<sup>2</sup> The euro amounts are approximations.

## Monetary, Banking and Financial Markets

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

End of Period	Electricity, gas & water supply	Transport, storage, information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals <sup>2</sup>				Other <sup>3</sup>	Total lending to residents		
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector	
2003	195.4	315.6	430.5	468.5	481.9	671.3	276.0	1,030.2	84.2	306.5	1,420.8	367.8	524.4	4,103.4	
2004	222.1	295.7	358.1	505.5	478.8	671.3	321.4	1,255.7	188.4	229.3	1,673.5	362.0	500.3	4,393.0	
2005	142.3	287.1	306.2	502.3	474.8	696.1	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	
<b>2010</b>															
Jan.	438.0	477.8	297.2	730.1	484.3	766.0	1,045.2	2,470.1	371.6	307.4	3,149.1	318.9	741.0	6,965.5	
Feb.	429.9	476.4	296.4	732.3	490.3	766.2	1,005.4	2,488.0	373.2	313.6	3,174.8	318.9	734.0	6,956.5	
Mar.	428.2	482.5	294.9	754.0	493.4	796.1	1,026.0	2,508.7	372.8	318.8	3,200.4	317.9	672.0	7,121.4	
Apr.	424.4	475.6	293.7	753.3	499.3	795.5	1,027.8	2,520.0	370.5	309.5	3,200.0	322.2	667.5	7,124.3	
May	409.2	464.6	293.7	758.2	500.7	810.7	1,036.5	2,538.3	373.8	306.6	3,218.7	327.0	649.3	7,170.1	
June	414.6	469.2	280.2	1,131.2	427.6	813.9	422.0	2,561.2	374.3	308.6	3,244.1	631.7	654.6	7,179.9	
July	390.9	465.3	280.9	1,117.6	433.3	797.6	406.8	2,580.0	360.5	323.6	3,264.1	642.5	630.3	7,168.7	
Aug.	390.5	516.4	278.0	1,109.3	435.0	799.0	400.4	2,599.1	360.4	324.7	3,284.2	638.1	632.3	7,218.5	
Sep.	400.5	514.8	283.5	1,113.6	436.0	810.6	413.3	2,624.0	364.2	327.6	3,315.7	633.6	646.4	7,275.2	
Oct.	407.5	512.8	284.4	1,105.4	439.5	808.6	409.2	2,640.1	363.0	326.9	3,329.9	633.4	655.6	7,275.2	
Nov.	433.4	508.0	282.4	1,108.0	445.9	824.2	404.9	2,652.1	364.5	325.3	3,341.9	642.8	677.9	7,313.4	
Dec.	502.0	511.8	283.5	1,113.8	446.3	825.2	392.2	2,666.0	365.4	323.4	3,354.8	646.5	740.5	7,335.5	
<b>2011</b>															
Jan.	497.9	505.1	279.9	1,106.2	447.8	821.8	394.3	2,679.2	363.5	317.2	3,359.9	659.7	737.5	7,335.1	
Feb.	490.5	508.3	282.3	1,107.3	451.5	825.2	392.1	2,694.8	364.0	316.7	3,375.5	652.9	727.7	7,357.9	
Mar.	469.3	489.5	283.1	1,109.0	455.1	840.2	395.4	2,719.1	364.8	319.0	3,402.9	658.9	698.1	7,405.2	

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

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

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

## Monetary, Banking and Financial Markets

Table 1.12 Other monetary financial institutions' loans by sector

End of Period	Lending to residents of Malta										Lending to non-residents of Malta		Total lending
	Lending to residents of Malta						Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area			
	General government <sup>2</sup>	Monetary financial institutions <sup>1</sup>	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Total							
2003	208.4	774.6	5.7	8.1	2,579.1	1,647.9	5,223.8	1,118.2	3,904.7	10,246.7			
2004	129.4	625.7	7.3	8.2	2,686.8	1,903.2	5,360.7	1,756.2	4,044.9	11,161.7			
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			
<b>2010</b>													
Jan.	112.3	724.6	22.7	11.3	4,041.2	3,513.1	8,425.3	2,974.7	16,738.5	28,138.5			
Feb.	112.2	619.2	22.9	10.3	4,002.4	3,537.1	8,304.0	3,348.6	16,976.4	28,629.0			
Mar.	111.6	635.2	21.8	10.6	4,077.0	3,566.6	8,422.7	4,915.7	21,374.3	34,712.8			
Apr.	113.5	651.2	21.7	15.6	4,062.3	3,573.1	8,437.3	6,176.2	19,399.7	34,013.3			
May	113.0	683.6	24.1	17.3	4,069.6	3,590.4	8,497.9	6,271.3	19,888.4	34,657.6			
June	113.8	858.9	22.9	164.9	3,908.7	3,615.3	8,684.4	6,242.4	20,239.5	35,166.3			
July	114.1	689.8	22.0	161.9	3,853.4	3,633.6	8,474.8	6,023.2	19,904.8	34,402.8			
Aug.	115.5	630.3	14.2	168.6	3,893.8	3,653.6	8,476.1	5,768.2	19,459.5	33,703.8			
Sep.	117.3	559.2	15.7	160.2	3,940.5	3,687.9	8,480.7	6,069.9	18,745.6	33,296.2			
Oct.	117.2	583.9	14.4	160.6	3,939.1	3,698.7	8,513.8	6,426.5	18,046.1	32,986.3			
Nov.	118.3	579.4	14.2	163.3	3,981.2	3,713.4	8,569.8	6,434.8	18,564.2	33,568.8			
Dec.	118.6	586.6	14.0	165.8	4,052.4	3,724.8	8,662.1	6,371.9	18,757.3	33,791.4			
<b>2011</b>													
Jan.	117.5	603.0	13.6	165.8	4,033.9	3,734.3	8,668.1	6,507.8	18,257.8	33,433.7			
Feb.	117.3	613.2	13.4	166.1	4,035.3	3,748.4	8,693.7	6,400.7	17,542.7	32,637.2			
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			

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

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

## Monetary, Banking and Financial Markets

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

End of period	Lending to residents of Malta															Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors <sup>1</sup>			
	MTL <sup>2</sup>		EUR		Other		MTL <sup>2</sup>		EUR		Other		MTL <sup>2</sup>	EUR	Other	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	
2003	1,041.2	1,404.6	9.5	82.7	14.9	26.3	194.5	1,439.6	0.5	10.0	1.1	2.1	907.9	65.1	23.8	5,223.8
2004	961.0	1,546.5	25.9	92.5	21.4	39.5	213.4	1,671.6	0.8	10.6	4.1	2.8	687.1	62.3	21.1	5,360.7
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
<b>2010</b>																
Jan.			1,145.9	2,825.7	38.3	31.4			278.1	3,225.2	1.4	8.3		841.2	29.8	8,425.3
Feb.			1,132.0	2,796.9	40.3	33.2			279.5	3,247.8	1.3	8.4		741.6	22.9	8,304.0
Mar.			1,168.0	2,824.2	48.5	36.4			283.6	3,273.0	1.4	8.5		744.6	34.5	8,422.7
Apr.			1,166.9	2,802.3	55.8	37.2			280.3	3,282.8	1.5	8.6		763.2	38.8	8,437.3
May			1,147.2	2,819.0	62.2	41.2			276.8	3,303.3	1.6	8.8		805.2	32.6	8,497.9
June			1,125.9	2,672.7	71.9	38.2			276.1	3,327.8	2.0	9.3		1,123.2	37.3	8,684.4
July			1,049.1	2,703.4	64.6	36.3			266.6	3,356.3	1.7	9.0		955.7	32.1	8,474.8
Aug.			1,040.2	2,746.8	69.7	37.2			266.6	3,375.4	2.2	9.4		894.2	34.4	8,476.1
Sep.			1,080.1	2,761.5	62.0	36.9			274.7	3,402.1	2.0	9.1		818.8	33.7	8,480.7
Oct.			1,078.0	2,756.1	68.8	36.2			269.1	3,418.8	1.8	9.0		826.4	49.6	8,513.8
Nov.			1,114.7	2,762.7	63.6	40.2			269.8	3,432.3	2.1	9.2		838.6	36.7	8,569.8
Dec.			1,178.1	2,760.3	70.1	44.0			269.2	3,444.8	1.7	9.1		846.7	38.3	8,662.1
<b>2011</b>																
Jan.			1,084.5	2,830.1	74.0	45.2			264.6	3,459.3	1.7	8.7		865.3	34.6	8,668.1
Feb.			1,086.4	2,837.5	65.7	45.7			263.6	3,474.3	1.9	8.6		867.8	42.2	8,693.7
Mar.			1,069.4	2,856.4	59.1	39.4			265.0	3,497.3	1.8	8.7		828.9	48.0	8,674.2

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets <sup>2</sup>	Fixed and other assets <sup>3</sup>	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2003	17.4	54.4	419.5	3.4	114.1	221.7	22.9	853.5
2004	11.8	61.0	467.0	5.0	160.3	272.8	25.5	1,003.4
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
<b>2009</b>								
Mar.	19.3	7.9	420.9	3.9	102.9	262.3	5.9	823.0
June	17.3	6.9	412.7	3.8	117.6	282.9	6.6	847.8
Sep.	34.7	18.9	396.6	4.5	121.6	307.3	6.8	890.4
Dec.	33.3	15.4	403.2	4.8	139.3	318.6	5.6	920.2
<b>2010</b>								
Mar.	38.8	16.7	395.4	5.0	142.7	343.8	8.7	951.2
June	34.8	14.3	411.2	4.8	137.9	344.2	7.2	954.3
Sep.	30.5	15.2	423.0	4.4	133.2	337.5	8.6	952.5
Dec.	48.5	8.6	405.9	4.5	144.5	340.5	6.9	959.4
<b>2011</b>								
Mar.	44.8	0.8	384.1	4.3	136.0	332.2	8.8	910.9

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

EUR millions

End of period	Loans	Shareholders' units/funds <sup>4</sup>	External liabilities <sup>5</sup>	Other liabilities <sup>6</sup>	Total liabilities
2003	0.7	843.9	7.1	1.7	853.5
2004	0.5	994.5	3.9	4.5	1,003.4
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
<b>2009</b>					
Mar.	1.0	810.6	6.7	4.7	823.0
June	1.1	830.8	7.3	8.6	847.8
Sep.	0.3	871.9	10.8	7.4	890.4
Dec.	2.1	902.0	10.8	5.3	920.2
<b>2010</b>					
Mar.	2.3	924.3	14.8	9.8	951.2
June	1.8	935.3	11.9	5.4	954.3
Sep.	1.8	911.9	32.0	6.8	952.5
Dec.	1.8	910.3	42.9	4.4	959.4
<b>2011</b>					
Mar.	1.9	862.6	40.6	5.9	910.9

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

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

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

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

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

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

## Monetary, Banking and Financial Markets

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

EUR millions

End of period	Currency and Deposits <sup>2</sup>	Holdings of securities other than shares	Holdings of shares and other equity		External assets <sup>3,8</sup>	Fixed and other assets <sup>4,8</sup>	Total assets
			Investment fund shares/units	Other shares and equity			
2005	61.7	347.6	57.4	103.6	358.1	192.1	1,120.5
2006	103.0	373.8	61.3	112.0	462.0	209.8	1,321.9
2007	193.9	418.5	68.4	121.0	482.9	244.5	1,529.2
2008	222.6	442.6	59.5	97.0	481.0	266.9	1,569.6
2009	252.9	486.0	21.5	163.1	622.3	265.6	1,811.4
<b>2010</b>							
Q1	283.5	485.7	21.1	169.2	660.4	276.3	1,896.2
Q2	233.2	544.0	20.4	158.8	688.8	276.8	1,922.0
Q3	250.3	553.6	19.7	161.1	712.3	271.0	1,968.0
Q4	240.6	547.4	20.4	166.7	780.6	275.1	2,030.8
<b>2011</b>							
Q1	216.6	562.3	21.4	161.7	800.8	279.1	2,041.9

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

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves <sup>5</sup>	External liabilities <sup>6,8</sup>	Other liabilities <sup>7,8</sup>	Total liabilities
2005	17.1	177.5	863.0	17.1	45.7	1,120.5
2006	21.1	205.1	1,027.1	15.7	52.9	1,321.9
2007	21.3	238.9	1,196.7	15.6	56.7	1,529.2
2008	24.9	229.2	1,229.3	34.3	52.0	1,569.6
2009	20.6	265.0	1,430.7	37.7	57.3	1,811.4
<b>2010</b>						
Q1	20.3	277.5	1,495.9	42.8	59.7	1,896.2
Q2	22.6	269.9	1,530.4	45.4	53.7	1,922.0
Q3	22.5	280.2	1,570.2	45.4	49.7	1,968.0
Q4	22.6	283.0	1,627.0	45.1	53.1	2,030.8
<b>2011</b>						
Q1	23.1	282.5	1,634.0	47.8	54.5	2,041.9

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

<sup>2</sup> Includes loans.

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

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

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

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

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

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



## Monetary, Banking and Financial Markets

**Table 1.16 Monetary policy operations of the Central Bank of Malta<sup>1</sup>**

EUR thousands

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos <sup>2</sup>			Marginal lending during the period <sup>3</sup>	Term deposits <sup>4</sup>			Overnight deposits <sup>5</sup>
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
2003	-	-	-	2,329	8,197,531	8,196,832	242,954	247,845
2004	-	-	-	13,520	6,282,017	6,476,054	48,917	202,306
2005	-	-	-	26	866,527	930,585	109,015	37,037
<b>2006</b>								
Jan.	-	-	-	531	856,976	731,423	234,568	2,562
Feb.	-	-	-	54	1,033,077	985,791	281,854	122,176
Mar.	-	-	-	373	1,103,424	1,201,258	184,020	29,816
Apr.	-	-	-	-	704,868	727,463	161,426	-
May	-	-	-	182	692,290	671,791	181,924	2,096
June	-	-	-	-	1,379,688	1,219,194	342,418	43,093
July	-	-	-	-	1,392,732	1,411,367	323,783	-
Aug.	-	-	-	61	1,487,771	1,392,732	418,821	14,675
Sep.	-	-	-	100	1,717,680	1,783,601	352,900	80,363
Oct.	-	-	-	-	1,341,952	1,339,623	355,229	8,153
Nov.	-	-	-	-	1,324,948	1,373,399	306,778	37,503
Dec.	-	-	-	6,988	1,448,637	1,506,872	248,544	20,498
<b>2007</b>								
Jan.	-	-	-	-	1,082,693	1,034,242	296,995	38,435
Feb.	-	-	-	-	1,257,862	1,247,147	307,710	21,430
Mar.	-	-	-	1,398	1,469,602	1,498,253	279,059	20,266
Apr.	-	-	-	-	863,965	971,815	171,209	-
May	-	-	-	-	756,580	769,392	158,397	24,225
June	-	-	-	-	1,065,455	1,058,467	165,386	191,148
July	-	-	-	-	903,564	855,812	213,138	16,771
Aug.	-	-	-	-	1,227,347	1,156,301	284,184	42,860
Sep.	-	-	-	-	1,121,593	1,092,010	313,767	44,258
Oct.	-	-	-	-	1,224,319	1,251,572	286,513	16,306
Nov.	-	-	-	-	1,835,080	1,694,153	427,440	56,441
Dec.	-	-	-	466	1,592,127	1,688,097	331,470	81,761

<sup>1</sup> The information shown in this Table represents the position till end-2007. As from January 2008, the Central Bank of Malta conducts monetary operations within the Eurosystem monetary policy operational framework.

<sup>2</sup> The Central Bank of Malta used to inject liquidity into the banking system through an auction of reverse repos in the event of a liquidity shortage. With effect from 15 September 2005, the maturity period of reverse repos used to be 7 days.

<sup>3</sup> The Central Bank of Malta used to provide a marginal lending facility to credit institutions in order to satisfy their liquidity needs arising from normal banking business.

<sup>4</sup> The Central Bank of Malta used to accept placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity from the banking system. Up to 14 September 2005 the maturity period of such deposits was 14 days. Thereafter the maturity period was reduced to 7 days.

<sup>5</sup> The Central Bank of Malta used to provide an overnight deposit facility to credit institutions to absorb temporary liquidity excesses that could not be taken up by the market.

## Monetary, Banking and Financial Markets

**Table 1.17 Monetary financial institutions' interest rates on deposits and loans to residents of Malta<sup>1</sup>**

% per annum	2008	2009	2010							2011		
			June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
<b>NEW BUSINESS<sup>2</sup></b>												
<b>Deposits</b>												
Households and NPISH												
Overnight deposits <sup>3,4</sup>	0.57	0.30	0.29	0.30	0.29	0.28	0.28	0.28	0.28	0.28	0.28	0.28
Savings deposits redeemable at notice <sup>3,5</sup>												
up to 3 months	2.09	1.70	1.67	1.67	1.65	1.63	1.64	1.68	1.69	1.65	1.65	1.69
Time deposits with agreed maturity												
up to 1 year	3.06	1.95	1.79	1.89	1.86	1.88	1.82	1.77	2.04	2.12	1.90	1.87
over 1 and up to 2 years	4.60	3.00	3.17	3.14	2.78	2.80	2.83	3.13	3.19	3.13	2.87	2.55
over 2 years	4.77	3.39	3.79	3.75	3.61	3.72	3.64	3.90	3.86	3.29	3.56	3.94
Non-financial corporations												
Overnight deposits <sup>3,4</sup>	0.64	0.23	0.22	0.23	0.26	0.25	0.26	0.25	0.24	0.24	0.25	0.24
Time deposits with agreed maturity	2.60	0.85	1.51	1.76	1.48	1.64	1.43	1.80	1.51	1.95	1.88	1.42
<b>Loans</b>												
Households and NPISH												
Overdrafts <sup>3,9</sup>	7.16	6.44	5.73	5.70	5.72	5.75	5.74	5.76	5.75	5.78	5.77	5.80
Loans												
Lending for house purchase	3.84	3.52	3.39	3.37	3.40	3.33	3.34	3.40	3.43	3.37	3.36	3.35
Consumer credit <sup>7</sup>	6.12	6.02	5.63	5.55	5.89	5.55	5.80	5.80	5.81	5.61	5.46	5.53
Other lending	6.44	5.56	4.79	6.01	5.22	5.91	5.65	5.37	5.86	5.73	6.48	5.67
Non-financial corporations												
Overdrafts <sup>3,9</sup>	5.30	5.08	4.87	4.87	4.87	5.06	5.06	5.05	5.03	5.03	5.02	5.06
Loans <sup>7</sup>	5.50	4.95	5.25	5.12	5.48	4.78	4.93	4.50	4.86	4.96	5.31	5.29
APRC <sup>6</sup> for loans to households and NPISH												
Lending for house purchase	4.35	3.71	3.61	3.62	3.78	3.52	3.53	3.63	3.63	3.60	3.62	3.58
Consumer credit <sup>7</sup>	6.25	6.10	5.71	5.62	5.99	5.62	5.87	5.87	5.89	5.70	5.57	5.59
<b>OUTSTANDING AMOUNTS<sup>2</sup></b>												
<b>Deposits</b>												
Households and NPISH												
Time deposits with agreed maturity												
up to 2 years	3.90	2.22	2.09	2.09	2.08	2.08	2.07	2.07	2.08	2.05	2.05	2.05
over 2 years	3.19	3.06	3.03	3.16	3.13	3.13	3.13	3.14	3.15	3.16	3.16	3.16
Non-financial corporations												
Time deposits with agreed maturity												
up to 2 years	3.39	2.01	1.98	2.03	1.95	2.00	2.04	2.03	1.97	1.97	2.00	1.99
over 2 years	3.26	3.35	3.28	3.27	3.20	3.20	3.20	3.25	3.24	3.15	3.11	3.13
<b>Loans</b>												
Households and NPISH												
Lending for house purchase	4.03	3.51	3.48	3.48	3.47	3.47	3.46	3.46	3.46	3.45	3.45	3.45
Consumer credit and other lending <sup>8</sup>	5.80	5.67	5.67	5.65	5.53	5.57	5.57	5.57	5.58	5.58	5.58	5.57
Non-financial corporations <sup>8</sup>	5.45	4.91	4.96	4.75	4.71	4.70	4.71	4.70	4.67	4.67	4.69	4.71

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

<sup>2</sup> Weighted average rates as at end of period.

<sup>3</sup> 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.

<sup>4</sup> Overnight deposits include current/cheque accounts and savings withdrawable on demand.

<sup>5</sup> Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.

<sup>6</sup> The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

<sup>7</sup> Excludes bank overdrafts.

<sup>8</sup> Includes bank overdrafts.

<sup>9</sup> As from June 2010, overdrafts also include revolving loans.

## Monetary, Banking and Financial Markets

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

% per annum	2008	2009	2010							2011		
			June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
<b>NEW BUSINESS<sup>2</sup></b>												
<b>Deposits</b>												
Households and NPISH												
Overnight deposits <sup>3,4</sup>	0.57	0.30	0.29	0.30	0.29	0.28	0.28	0.28	0.28	0.28	0.28	0.28
Savings deposits redeemable at notice <sup>3,5</sup> up to 3 months	2.09	1.70	1.67	1.67	1.65	1.63	1.64	1.69	1.69	1.65	1.65	1.69
Time deposits with agreed maturity up to 1 year	3.05	1.97	1.78	1.89	1.86	1.88	1.82	1.77	1.97	2.09	1.94	1.87
over 1 and up to 2 years	4.60	3.00	3.07	3.14	2.78	2.80	2.83	3.13	3.18	3.14	2.87	2.55
over 2 years	4.77	3.39	3.79	3.75	3.61	3.71	3.65	3.90	3.86	3.29	3.56	3.94
Non-financial corporations												
Overnight deposits <sup>3,4</sup>	0.65	0.23	0.24	0.24	0.27	0.26	0.27	0.26	0.25	0.26	0.26	0.24
Time deposits with agreed maturity	2.06	1.44	2.80	2.36	1.84	1.91	1.56	1.09	1.11	1.86	1.84	1.67
<b>Loans</b>												
Households and NPISH												
Overdrafts <sup>3,9</sup>	7.16	6.45	5.73	5.70	5.72	5.75	5.74	5.76	5.76	5.78	5.77	5.80
Loans												
Lending for house purchase	3.84	3.52	3.39	3.37	3.40	3.32	3.35	3.41	3.42	3.37	3.38	3.37
Consumer credit <sup>7</sup>	6.12	6.01	5.63	5.55	5.89	5.55	5.80	5.80	5.81	5.60	5.47	5.53
Other lending	6.43	5.56	4.79	6.01	5.22	5.91	5.62	5.37	5.86	5.73	6.45	5.67
Non-financial corporations												
Overdrafts <sup>3,9</sup>	5.14	5.08	4.87	4.86	4.87	5.05	5.06	5.04	5.02	5.03	5.02	5.06
Loans <sup>7</sup>	4.93	4.42	4.54	4.50	5.02	4.46	4.59	4.28	4.46	4.61	5.10	4.96
APRC <sup>6</sup> for loans to households and NPISH												
Lending for house purchase	4.35	3.71	3.61	3.62	3.78	3.52	3.54	3.63	3.63	3.60	3.64	3.59
Consumer credit <sup>7</sup>	6.25	6.09	5.71	5.62	5.99	5.62	5.87	5.87	5.89	5.70	5.57	5.59
<b>OUTSTANDING AMOUNTS<sup>2</sup></b>												
<b>Deposits</b>												
Households and NPISH												
Time deposits with agreed maturity up to 2 years	3.89	2.21	2.09	2.09	2.08	2.07	2.07	2.07	2.08	2.05	2.05	2.05
over 2 years	3.24	3.10	3.03	3.16	3.13	3.13	3.13	3.14	3.15	3.16	3.16	3.16
Non-financial corporations												
Time deposits with agreed maturity up to 2 years	3.57	2.03	2.23	2.15	1.92	2.01	1.89	1.74	1.71	1.82	1.85	1.87
over 2 years	3.28	3.13	3.37	3.35	3.31	3.30	3.31	3.34	3.33	3.27	3.26	3.26
<b>Loans</b>												
Households and NPISH												
Lending for house purchase	4.03	3.51	3.49	3.48	3.47	3.47	3.47	3.46	3.46	3.45	3.45	3.45
Consumer credit and other lending <sup>8</sup>	5.79	5.67	5.67	5.65	5.53	5.57	5.57	5.57	5.58	5.58	5.58	5.57
Non-financial corporations <sup>8</sup>	5.11	4.13	4.46	4.26	4.29	4.23	4.35	4.24	4.26	4.27	4.29	4.32

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

<sup>2</sup> Weighted average rates as at end of period.

<sup>3</sup> 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.

<sup>4</sup> Overnight deposits include current/cheque accounts and savings withdrawable on demand.

<sup>5</sup> Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.

<sup>6</sup> The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

<sup>7</sup> Excludes bank overdrafts.

<sup>8</sup> Includes bank overdrafts.

<sup>9</sup> As from June 2010, overdrafts also include revolving loans.

## Monetary, Banking and Financial Markets

Table 1.19 Key Central Bank of Malta, ECB and money market interest rates

	2006	2007	2008	2009	2010	2011 Mar.
<b>INTEREST RATES (%)<sup>1</sup></b>						
<b>Key ECB interest rates<sup>2</sup></b>						
Marginal lending facility	4.50	5.00	3.00	1.75	1.75	1.75
Main refinancing operations - minimum bid rate	3.50	4.00	2.50	1.00	1.00	1.00
Deposit facility	2.50	3.00	2.00	0.25	0.25	0.25
<b>Money market rates (period averages)</b>						
Overnight deposit (EONIA)	2.84	3.86	3.86	0.72	0.44	0.68
Rates for fixed term deposits (EURIBOR)						
1 month	2.94	4.08	4.27	0.90	0.57	0.86
3 months	3.08	4.28	4.63	1.23	0.81	1.10
6 months	3.23	4.35	4.72	1.44	1.08	1.36
1 year	3.44	4.45	4.81	1.62	1.35	1.73
<b>Central Bank of Malta<sup>2</sup></b>						
Central intervention rate	3.75	4.00				
Money market intervention rates:						
Term deposit rate	3.70	3.95				
Reverse repo rate	3.80#	4.05#				
Rate on standby (collateralised) loans	4.75	5.00				
Rate on overnight deposits	2.75	3.00				
Remuneration on required reserves	3.50	4.00				

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

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

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

## Monetary, Banking and Financial Markets

Table 1.20 Other rates and indicators

	2006	2007	2008	2009	2010	2011
	Mar.					
<b>INTEREST RATES (%)<sup>1</sup></b>						
<b>Other monetary financial institutions<sup>2</sup></b>						
Weighted average deposit rate	2.37	3.00	2.57	1.44	1.37	1.35
Current deposits	0.57	0.78	0.51	0.29	0.28	0.26
Savings deposits	1.17	1.73	0.73	0.33	0.35	0.35
Time deposits	3.27	3.97	3.74	2.30	2.27	2.27
Weighted average lending rate	5.90	6.30	4.96	4.46	4.72	4.79
Non-financial companies	6.34	6.74	5.31	4.93	5.31	5.37
Households and individuals	5.38	5.80	4.51	3.91	4.05	4.10
Consumer credit	7.42	7.84	7.15	5.90	5.97	6.01
House purchase	4.95	5.39	3.98	3.47	3.63	3.71
Other lending	6.46	6.74	5.54	4.96	5.35	5.33
<b>Government securities</b>						
Treasury bills (primary market) <sup>3</sup>						
1 month	3.51	4.32	-	-	-	-
3 month	3.91	4.35	3.65	1.40	0.99	1.10
6 month	4.00	4.54	2.75	1.52	1.10	1.38
1 year	4.20	4.39	-	-	-	-
Treasury bills (secondary market)						
1 month	3.75	4.32	2.64	1.36	0.77	0.93
3 month	3.90	4.35	2.64	1.40	0.94	1.07
6 month	4.00	4.54	2.65	1.46	1.23	1.43
1 year	4.20	4.58	2.73	1.69	1.28	1.72
<b>Government long-term debt securities (period averages)</b>						
2 year	3.73	4.58	3.43	2.41	1.88	2.28
5 year	3.94	4.65	4.01	3.66	3.05	3.46
10 year	4.32	4.82	4.53	4.54	4.19	4.60
15 year	4.54	5.11	4.76	4.96	-	-
<b>MALTA STOCK EXCHANGE SHARE INDEX</b>	4,873	4,938	3,208	3,461	3,781	3,464

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

<sup>2</sup> Rates agreed between the OMFI and its customer; weighted averages are calculated by multiplying the outstanding amount of each agreement by the interest rate applied thereto and dividing by the total amount. Interest rates paid and charged by MFIs in Malta reported according to harmonised definitions established by the ECB are shown in Tables 1.16 and 1.17.

<sup>3</sup> '-' denotes that no transactions occurred during the reference period.

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

## Monetary, Banking and Financial Markets

**Table 1.21 Debt securities, by sector of resident issuers<sup>1</sup>**

EUR millions

End of period	Outstanding amounts as at end of period					Net issues during period					Net valuation changes
	General government	OMFIs	Financial corporations other than OMFIs	Non-financial companies	Total	General government	OMFIs	Financial corporations other than OMFIs	Non-financial companies	Total	
2004	2,935.1	202.4	0.0	619.9	3,757.4	388.4	-5.0	0.0	0.0	383.4	-39.6
2005	3,064.4	160.3	0.0	649.6	3,874.4	129.3	-45.8	0.0	-17.1	66.4	50.6
2006	2,998.1	87.9	17.0	593.0	3,696.0	-66.3	-69.3	17.0	-17.5	-136.1	-42.3
2007	3,116.3	145.0	17.0	625.0	3,903.2	118.2	60.0	0.0	68.1	246.3	-39.1
2008	3,328.3	172.4	17.0	665.4	4,183.1	211.9	26.0	0.0	22.6	260.5	19.3
2009	3,698.3	254.1	17.0	667.7	4,637.1	370.1	82.8	0.0	1.5	454.4	-0.3
2010	3,989.2	306.0	17.0	743.2	5,055.4	290.9	54.5	0.0	62.9	408.3	10.0
<b>2010<sup>2</sup></b>											
Q1	3,796.9	279.7	17.0	694.7	4,788.3	98.6	23.4	0.0	15.1	137.1	14.1
Q2	3,922.2	288.5	17.0	748.0	4,975.7	125.3	5.5	0.0	34.3	165.2	22.2
Q3	4,007.9	283.8	17.0	771.9	5,080.6	85.7	-1.4	0.0	46.1	130.4	-25.5
Q4	3,989.2	306.0	17.0	743.2	5,055.4	-18.7	27.0	0.0	-32.7	-24.4	-0.8
<b>2011<sup>2</sup></b>											
Q1	4,134.9	304.8	17.0	730.8	5,187.4	145.6	0.0	0.0	-0.7	144.9	-13.0

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

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

Sources: Central Bank of Malta; MSE.

**Table 1.22 Quoted shares, by sector of resident issuers<sup>1</sup>**

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	OMFIs	Financial corporations other than OMFIs	Non-financial companies	Total	OMFIs	Financial corporations other than OMFIs	Non-financial companies	Total	
2004	1,347.6	115.8	651.2	2,114.5	0.0	0.0	0.0	0.0	640.9
2005	2,525.5	147.9	800.8	3,474.2	2.2	0.0	20.0	22.2	1,337.5
2006	2,474.5	183.0	758.2	3,415.7	0.8	0.0	53.3	54.1	-112.7
2007	2,520.0	170.1	1,163.9	3,854.0	9.9	0.0	387.3	397.2	41.2
2008	1,495.2	90.0	981.4	2,566.7	2.1	0.0	38.2	40.3	-1,327.6
2009	1,771.5	91.8	980.6	2,844.0	1.9	40.2	36.4	78.5	198.8
2010	1,920.9	113.2	1,188.1	3,222.2	0.3	0.0	214.2	214.5	163.7
<b>2010</b>									
Q1	1,814.0	91.5	1,026.7	2,932.1	0.0	0.0	0.0	0.0	88.2
Q2	1,664.3	116.6	1,005.8	2,786.7	0.3	0.0	0.0	0.3	-145.8
Q3	1,671.7	102.5	1,024.0	2,798.2	0.0	0.0	0.0	0.0	11.5
Q4	1,920.9	113.2	1,188.1	3,222.2	0.0	0.0	214.2	214.2	209.9
<b>2011</b>									
Q1	1,751.9	100.6	1,092.8	2,945.3	0.0	0.0	0.0	0.0	-276.9

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

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

Source: MSE.

## Government Finance

**Table 2.1 General government revenue and expenditure<sup>1</sup>**

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+) <sup>2</sup>
	Current	Capital	Total	Current	Capital	Total		
2003	1,640.2	23.6	1,663.8	1,746.3	353.8	2,100.1	-436.2	-286.7
2004	1,745.2	89.4	1,834.6	1,843.1	204.7	2,047.8	-213.2	-49.1
2005	1,835.7	172.9	2,008.6	1,909.4	241.2	2,150.6	-142.0	35.8
2006	1,937.5	167.8	2,105.4	2,002.0	244.3	2,246.3	-140.9	38.8
2007	2,129.9	70.6	2,200.4	2,106.8	222.1	2,328.9	-128.5	52.8
2008	2,252.9	46.8	2,299.6	2,373.5	193.7	2,567.2	-267.6	-79.9
2009	2,245.3	63.5	2,308.8	2,347.5	178.4	2,525.9	-217.0	-33.6
2010	2,307.2	108.2	2,415.4	2,429.2	212.5	2,641.7	-226.3	-42.9
<b>2010</b>								
Q1	554.6	18.1	572.6	564.9	52.4	617.2	-44.6	-12.2
Q2	558.3	36.1	594.4	624.0	48.1	672.1	-77.7	-20.9
Q3	552.2	24.7	577.0	582.1	38.3	620.4	-43.4	-9.8
Q4	642.2	29.3	671.4	658.2	73.8	732.0	-60.6	4.1
<b>2011</b>								
Q1	617.6	20.8	638.3	633.5	47.8	681.3	-43.0	4.6

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

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden <sup>3</sup>
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2003	519.6	566.1	349.6	82.1	110.0	12.8	1,640.2	6.2	17.4	23.6	1,663.8	1,441.6
2004	502.4	657.9	360.3	99.9	98.2	26.4	1,745.2	9.4	80.1	89.4	1,834.6	1,529.9
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	801.7	398.3	109.5	72.8	21.6	2,129.9	15.7	54.9	70.6	2,200.4	1,941.7
2008	742.8	830.2	432.0	151.9	70.4	25.5	2,252.9	15.1	31.7	46.8	2,299.6	2,020.0
2009	795.4	812.5	434.9	114.4	69.2	18.9	2,245.3	14.0	49.5	63.5	2,308.8	2,056.8
2010	807.8	832.2	456.4	105.9	84.1	20.9	2,307.2	14.7	93.4	108.2	2,415.4	2,111.1
<b>2010</b>												
Q1	181.7	196.6	107.4	23.9	40.8	4.0	554.6	2.3	15.8	18.1	572.6	488.0
Q2	224.8	167.8	117.7	27.4	16.5	4.0	558.3	5.5	30.6	36.1	594.4	515.8
Q3	198.0	206.1	102.4	23.9	17.1	4.7	552.2	3.7	21.1	24.7	577.0	510.2
Q4	203.2	261.7	128.9	30.6	9.6	8.1	642.2	3.3	26.0	29.3	671.4	597.1
<b>2011</b>												
Q1	229.6	202.1	118.4	27.9	34.6	4.9	617.6	3.0	17.8	20.8	638.3	553.1

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

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

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

Sources: Eurostat; NSO.

## Government Finance

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

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total <sup>2</sup>	
2003	647.2	580.3	149.6	220.8	95.6	52.8	1,746.3	206.8	139.4	353.8	2,100.1
2004	658.5	599.8	164.1	248.6	86.0	86.1	1,843.1	173.5	39.2	204.7	2,047.8
2005	668.4	642.7	177.8	238.2	101.2	81.2	1,909.4	227.1	48.7	241.2	2,150.6
2006	678.4	666.5	179.7	285.6	109.4	82.4	2,002.0	204.3	47.9	244.3	2,246.3
2007	706.9	718.6	181.3	295.8	112.1	92.2	2,106.8	205.6	43.2	222.1	2,328.9
2008	831.1	751.5	187.7	382.6	125.1	95.6	2,373.5	137.2	47.7	193.7	2,567.2
2009	829.7	812.2	183.4	350.3	63.6	108.3	2,347.5	129.1	58.4	178.4	2,525.9
2010	838.1	842.0	187.5	384.1	59.7	117.8	2,429.2	130.4	77.4	212.5	2,641.7
<b>2010</b>											
Q1	210.7	197.9	32.4	78.5	8.9	36.3	564.9	36.3	13.7	52.4	617.2
Q2	209.0	224.8	56.8	99.7	20.8	12.9	624.0	13.9	31.0	48.1	672.1
Q3	209.8	197.2	33.6	90.1	11.3	40.0	582.1	24.1	14.5	38.3	620.4
Q4	208.6	222.0	64.7	115.7	18.7	28.5	658.2	56.1	18.2	73.8	732.0
<b>2011</b>											
Q1	216.9	228.2	47.5	104.7	8.6	27.5	633.5	38.4	7.0	47.8	681.3

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

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

Sources: Eurostat; NSO.

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

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2003	277.7	38.3	75.6	415.0	63.5	41.1	263.7	29.0	273.2	623.0	2,100.1
2004	337.3	44.2	75.3	280.1	65.3	37.6	274.3	32.6	261.2	639.9	2,047.8
2005	326.5	43.7	76.2	304.8	73.5	35.8	309.1	31.6	272.5	677.0	2,150.6
2006	347.9	37.1	75.9	310.4	81.6	37.1	325.7	29.1	287.0	714.5	2,246.3
2007	344.6	35.7	80.4	329.0	87.1	33.7	316.2	31.7	296.4	774.2	2,329.0
2008	394.9	38.0	86.1	431.1	94.7	40.0	315.3	36.1	310.7	820.3	2,567.2
2009	421.0	51.9	90.3	293.6	103.5	16.9	324.2	35.9	321.7	866.9	2,525.9

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

Sources: Eurostat; NSO.



## Government Finance

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

*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	
2004	307.4	0.0	43.0	1,024.5	164.0	1,538.9	0.0	3,204.7	324.8	241.7	3,771.2	-2,232.3
2005	399.1	0.0	29.2	1,117.8	218.9	1,765.0	0.0	3,420.9	300.5	332.0	4,053.4	-2,288.4
2006	431.7	0.0	26.4	842.9	208.8	1,509.8	0.0	3,297.4	265.5	358.9	3,921.9	-2,412.1
2007	486.8	0.0	27.5	821.7	297.9	1,633.9	8.3	3,311.1	267.0	423.8	4,010.2	-2,376.3
2008	474.8	0.0	32.8	725.5	340.1	1,573.2	31.2	3,664.9	278.2	526.7	4,501.0	-2,927.7
2009	577.8	0.0	29.5	797.3	373.6	1,778.2	37.2	3,994.2	228.9	529.0	4,789.3	-3,011.1
<b>2010</b>												
Mar.	516.5	0.0	28.6	824.1	541.9	1,911.0	36.9	4,137.6	229.0	571.1	4,974.5	-3,063.5
June	592.9	0.0	44.0	817.9	538.8	1,993.6	38.8	4,318.7	220.6	600.0	5,178.2	-3,184.6
Sept.	672.2	0.0	48.7	818.4	510.9	2,050.3	40.6	4,417.6	227.4	628.9	5,314.4	-3,264.1
Dec.	583.7	0.0	63.0	849.1	412.2	1,908.0	41.0	4,307.5	228.1	522.5	5,099.0	-3,191.0
<b>2011</b>												
Mar.	553.9	0.0	112.9	838.7	564.7	2,067.2	40.7	4,381.1	232.8	613.9	5,268.6	-3,201.4

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

Sources: Eurostat; NSO.

## Government Finance

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

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other <sup>2</sup>	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2003	469.6	-436.2	155.8	-58.3	0.0	2.6	-6.7	-56.1	33.4
2004	210.1	-213.2	19.3	-5.5	0.0	-1.4	-13.2	-2.3	-3.1
2005	106.0	-142.0	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	-86.6	-242.6
2007	131.4	-128.5	60.3	1.1	0.0	-32.1	-7.8	-18.5	2.9
2008	247.4	-267.6	-6.3	5.3	0.0	-5.1	20.3	-34.4	-20.1
2009	321.6	-217.0	136.5	-3.3	0.0	-1.7	-1.0	-26.0	104.5
2010	294.3	-226.3	46.9	33.5	0.0	-0.9	-0.1	-11.3	68.1
<b>2010</b>									
Q1	97.6	-44.6	-15.4	-0.9	0.0	0.1	15.0	54.2	53.0
Q2	121.0	-77.7	74.7	15.4	0.0	-1.2	-4.9	-40.6	43.3
Q3	93.3	-43.4	75.0	4.8	0.0	0.0	10.3	-40.3	49.9
Q4	-17.7	-60.6	-87.5	14.3	0.0	0.2	-20.6	15.3	-78.2
<b>2011</b>									
Q1	149.4	-43.0	-25.2	49.9	0.0	-7.4	-38.2	127.3	106.4

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

<sup>2</sup> Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).

Source: Eurostat.

**Table 2.7 General government debt and guaranteed debt outstanding**

Period	Coins issued	Debt securities			Loans			Total general government debt <sup>1</sup>	Government guaranteed debt <sup>2</sup>
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2003	-	541.1	2,112.9	2,654.0	131.5	253.7	385.3	3,039.2	508.3
2004	-	571.5	2,355.8	2,927.3	84.5	237.5	322.0	3,249.3	590.4
2005	-	443.1	2,614.4	3,057.5	76.8	221.1	297.9	3,355.4	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	3,385.0	602.8
2008	31.2	365.8	2,954.4	3,320.2	70.3	210.7	281.1	3,632.4	684.8
2009	37.2	474.1	3,216.4	3,690.5	34.0	192.3	226.3	3,954.0	866.8
<b>2010</b>									
Mar.	36.9	534.8	3,254.4	3,789.1	25.1	200.5	225.6	4,051.6	894.8
June	38.8	552.6	3,361.8	3,914.4	26.9	192.5	219.4	4,172.7	920.0
Sep.	40.6	460.3	3,539.8	4,000.1	30.6	194.7	225.3	4,266.0	912.4
Dec.	41.0	377.8	3,603.6	3,981.4	34.0	192.0	226.0	4,248.3	998.1
<b>2011</b>									
Mar.	40.7	416.8	3,710.2	4,127.0	30.8	199.1	230.0	4,397.7	1,025.0

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

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

Sources: Eurostat; NSO.

## Government Finance

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

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs <sup>4</sup>	Others <sup>2</sup>	Total	MFIs	Others <sup>2</sup>	Total
2003	1,660.0	1,415.5	289.8	1,705.3	461.8	79.2	541.1
2004	1,387.7	1,170.0	248.1	1,418.1	466.7	104.8	571.5
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
<b>2010</b>							
Jan.	99.8	80.0	10.7	90.7	338.8	126.2	465.0
Feb.	93.3	115.9	1.1	117.0	381.8	106.8	488.7
Mar.	97.0	121.0	22.0	143.0	448.8	86.0	534.8
Apr.	150.9	127.0	31.8	158.8	457.2	85.5	542.7
May	104.2	139.3	5.4	144.7	499.5	83.7	583.2
June	146.2	90.0	25.6	115.6	471.6	81.0	552.6
July	125.9	125.6	25.2	151.1	514.3	63.6	577.8
Aug.	120.7	52.0	6.5	58.5	445.8	69.8	515.6
Sep.	76.9	21.5	0.1	21.6	390.9	69.5	460.3
Oct.	135.3	122.3	11.3	133.6	380.6	78.0	458.6
Nov.	120.3	73.7	3.5	77.2	347.4	68.1	415.5
Dec.	71.2	23.5	10.0	33.5	319.9	57.9	377.8
<b>2011</b>							
Jan.	66.4	117.7	7.2	124.9	386.4	49.8	436.2
Feb.	94.0	78.8	9.0	87.8	365.7	64.3	430.0
Mar.	61.4	43.1	5.2	48.2	352.5	64.2	416.8

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

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

<sup>3</sup> On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).

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

Sources: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.9 Treasury bills issued and outstanding<sup>1</sup> (as at end-March 2010)**

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding <sup>3</sup>
				OMFIs <sup>4</sup>	Others <sup>2</sup>	MFIs	Others <sup>2</sup>	
02/Jul/2010	01/Apr/2011	0.918	N/A <sup>4</sup>	23.0	0.0	23.0	0.0	23.0
07/Jan/2011	08/Apr/2011	0.837	0.828	10.3	0.0	10.0	0.3	10.3
08/Oct/2010	08/Apr/2011	1.169	0.828	23.1	4.0	15.0	12.1	27.1
16/Jul/2010	15/Apr/2011	1.009	0.864	41.0	0.0	41.0	0.0	41.0
21/Jan/2011	21/Apr/2011	0.930	0.897	24.6	5.0	21.0	8.6	29.6
28/Jan/2011	29/Apr/2011	1.000	0.933	3.3	0.0	3.0	0.3	3.3
05/Nov/2010	06/May/2011	1.194	0.949	39.8	0.0	38.0	1.8	39.8
11/Feb/2011	13/May/2011	1.003	0.965	0.0	5.0	0.0	5.0	5.0
13/Aug/2010	13/May/2011	1.274	0.965	5.0	0.1	5.0	0.1	5.1
18/Feb/2011	20/May/2011	1.021	0.980	24.0	0.0	24.0	0.0	24.0
25/Feb/2011	27/May/2011	1.000	0.996	3.0	0.0	3.0	0.0	3.0
04/Mar/2011	03/Jun/2011	1.007	1.012	4.7	0.2	4.0	0.9	4.9
03/Dec/2010	03/Jun/2011	1.122	1.012	3.0	0.0	2.5	0.5	3.0
11/Mar/2011	10/Jun/2011	1.049	1.027	5.3	0.0	5.0	0.3	5.3
18/Mar/2011	17/Jun/2011	1.100	1.043	3.3	0.0	3.0	0.3	3.3
17/Dec/2010	17/Jun/2011	1.104	1.043	6.4	0.0	5.0	1.4	6.4
25/Mar/2011	24/Jun/2011	1.100	1.059	14.0	4.0	10.0	8.0	18.0
07/Jan/2011	08/Jul/2011	1.107	1.106	10.3	0.2	10.0	0.5	10.5
14/Jan/2011	15/Jul/2011	1.041	1.134	19.0	0.9	19.0	0.9	19.9
15/Oct/2010	15/Jul/2011	0.850	1.134	4.0	0.0	4.0	0.0	4.0
28/Jan/2011	29/Jul/2011	1.136	1.190	14.3	1.1	14.0	1.3	15.3
04/Feb/2011	05/Aug/2011	1.259	1.218	31.5	2.0	23.0	10.5	33.5
11/Feb/2011	12/Aug/2011	1.326	1.246	20.3	2.0	19.1	3.2	22.3
12/Nov/2010	12/Aug/2011	1.315	1.246	3.1	3.5	2.0	4.6	6.6
25/Mar/2011	23/Sep/2011	1.379	1.413	15.9	1.0	13.0	3.9	16.9
14/Jan/2011	14/Oct/2011	1.161	1.468	36.0	0.0	36.0	0.0	36.0
Total				387.9	28.9	352.6	64.2	416.8

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

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

<sup>3</sup> On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).

<sup>4</sup> As from September 2010, OMFIs include the money market funds.

Sources: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.10 Malta government long-term debt securities outstanding<sup>1</sup> (as at end-March 2010)**

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price <sup>5</sup>	ISMA Yield (%)	Interest dates	Held by		Amount
						MFIs <sup>2</sup>	Others	
7.50	2011 (I)	1996	100	N/A6	28/03 - 28/09	22.6	12.3	34.9
7.00	2011 (III) <sup>3</sup>	2002	100	1.73	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	1.84	24/05 - 24/11	40.9	39.4	80.4
7.00	2012 (II) <sup>3</sup>	2002	100	2.44	30/06 - 30/12	0.0	0.4	0.4
5.70	2012 (III) <sup>4</sup>	2005/2007	100/103.25/103.64/ 105.5/108/108.5/109.7	2.19	30/03 - 30/09	293.4	135.4	428.9
7.80	2013 (I)	1997	100	2.90	18/04 - 18/10	41.7	38.1	79.8
6.35	2013 (II) <sup>4</sup>	2001	100	2.78	19/05 - 19/11	9.7	50.9	60.6
7.00	2013 (III) <sup>3</sup>	2003	100	2.97	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV) <sup>4</sup>	2009	100	2.90	18/04 - 18/10	197.5	89.5	287.0
6.60	2014 (I) <sup>4</sup>	2000	100	3.04	30/03 - 30/09	6.3	18.1	24.5
6.45	2014 (II) <sup>4</sup>	2001	100	3.31	24/05 - 24/11	22.5	47.4	69.9
5.10	2014 (III) <sup>4</sup>	03/04/06/07/08	100/103.25/ 103.64/105.5	3.14	06/01 - 06/07	149.8	239.1	388.9
7.00	2014 (IV) <sup>3</sup>	2004	100	3.35	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I) <sup>4</sup>	2000	100	3.52	10/06 - 10/12	30.3	39.6	69.9
5.90	2015 (II) <sup>4</sup>	02/03/07	100/102/105	3.64	09/04 - 09/10	32.1	84.4	116.5
7.00	2015 (III) <sup>3</sup>	2005	100	3.72	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV) <sup>3</sup>	2005	100	3.72	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI) <sup>4</sup>	2010	100	3.69	03/06 - 03/12	84.0	41.5	125.4
3.75	2015 (VI) <sup>4</sup>	2010	100	3.69	03/06 - 03/12	0.0	6.1	6.1
6.65	2016 (I) <sup>4</sup>	2001	100	3.80	28/03 - 28/09	11.1	58.8	69.9
4.80	2016 (II) <sup>4</sup>	03/04/06	100/101/104	3.96	26/05 - 26/11	71.1	115.2	186.4
7.00	2016 (III) <sup>3</sup>	2006	100	3.98	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I) <sup>3</sup>	2007	100	4.18	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II) <sup>3</sup>	29/06/1905	100	4.18	30/06 - 30/12	0.0	10.3	10.3
4.25	2017 (III)	2011	100	4.14	06/05 - 06/11	59.3	55.8	115.1
7.80	2018 (I)	1998	100	4.30	15/01 - 15/07	83.6	79.4	163.1
7.00	2018 (II) <sup>3</sup>	2008	100	4.40	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III) <sup>3</sup>	2008	100	4.40	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	4.52	01/03 - 01/09	44.0	58.5	102.5
7.00	2019 (II) <sup>3</sup>	2009	100	4.59	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I) <sup>4</sup>	2007	100	4.66	10/06 - 10/12	10.3	42.1	52.4
4.60	2020 (II) <sup>4</sup>	2009	100	4.64	25/04 - 25/10	95.9	62.4	158.3
7.00	2020 (III)	2010	100	4.70	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I) <sup>4</sup>	04/05/07/08	98.5/100	4.76	08/02 - 08/08	142.0	316.8	458.8
5.10	2022 (I) <sup>4</sup>	2004	100	4.85	16/02 - 16/08	7.9	63.2	71.0
5.50	2023 (I) <sup>4</sup>	2003	100	4.93	06/01 - 06/07	17.1	61.7	78.8
5.25	2030 (I) <sup>4</sup>	2010	100	5.23	13/06 - 23/12	60.2	235.3	295.5
5.25	2030 (I) <sup>4</sup>	2011	100	5.23	23/06 - 23/12	1.9	82.8	84.7
F.R. 6-mth Euribor <sup>7</sup>	2013 (V) <sup>4</sup>	2010	100	1.803/0.3867	24/02 - 24/08	7.0	0.3	7.3
F.R. 6-mth Euribor <sup>7</sup>	2013 (VI) <sup>4</sup>	2010	100	1.786/0.3917	11/02 - 11/08	30.0	0.0	30.0
F.R. 6-mth Euribor <sup>7</sup>	2015 (V) <sup>4</sup>	2009	100	2.039/0.8507	25/04 - 25/10	11.2	18.6	29.8
<b>Total</b>						<b>1,583.6</b>	<b>2,134.5</b>	<b>3,718.1</b>

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

<sup>2</sup> Comprising resident MFIs.

<sup>3</sup> Coupons are reviewable every 2 years and will be set one percentage point less than the normal maximum lending rate allowed at law subject to a minimum of 7%. Redemption proceeds are payable at €110 per €100 nominal.

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

<sup>5</sup> The price for new issues prior to 2008 is denominated in Maltese lira.

<sup>6</sup> ISMA yields are not available as securities were not listed on the MSE by the end of the reference period.

<sup>7</sup> 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<sup>1</sup>**

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2003	103.8	487.8	723.3	630.6	181.3	2,126.8
2004	128.1	567.9	797.5	627.1	243.0	2,363.6
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
<b>2010</b>						
Mar.	79.3	1,560.1	841.6	781.1	0.0	3,262.2
June	36.2	1,659.8	970.8	609.1	93.7	3,369.6
Sep.	163.1	1,561.7	1,010.9	609.1	202.9	3,547.7
Dec.	128.4	1,810.9	767.9	608.7	295.5	3,611.5
<b>2011</b>						
Mar.	35.2	1,880.8	813.1	608.7	380.3	3,718.1

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

Sources: Central Bank of Malta; MSE.

**Table 2.12 General government external loans by currency<sup>1</sup> and remaining term to maturity<sup>2</sup>**

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2003	2.0	177.8	1.1	16.4	0.0	3.1	200.3
2004	1.1	168.6	0.0	12.3	0.4	1.8	184.2
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008 <sup>3</sup>	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009 <sup>3</sup>	1.7	98.9	0.0	1.0	0.0	0.7	102.3
<b>2010<sup>3</sup></b>							
Mar.	0.9	98.8	0.0	1.0	0.0	0.8	101.4
June	0.9	90.0	0.0	1.0	0.0	0.8	92.7
Sep.	0.0	89.9	0.0	0.9	0.0	0.7	91.5
Dec.	0.5	85.6	0.0	0.9	0.0	0.7	87.7
<b>2011<sup>3</sup></b>							
Mar.	0.8	85.2	0.0	0.8	0.0	0.6	87.4

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

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

<sup>3</sup> Provisional.

## Exchange Rates, External Transactions and Positions

**Table 3.1a Selected Maltese lira exchange rates (end of period closing middle rates)<sup>1</sup>**

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD
2003	0.4317	2.9197	1.6351	312.16	3.6104	3.8859	3.7692
2004	0.4343	3.1393	1.6252	321.71	3.5536	4.0301	3.7866
2005	0.4293	2.7570	1.6012	323.95	3.6230	3.7588	3.2072
2006	0.4293	3.0699	1.5639	364.89	3.7463	3.8869	3.5642
<b>2007</b>							
Jan.	0.4293	3.0141	1.5458	366.61	3.7784	3.9136	3.5685
Feb.	0.4293	3.0788	1.5693	364.14	3.7589	3.9038	3.5954
Mar.	0.4293	3.1014	1.5850	366.71	3.7865	3.8397	3.5802
Apr.	0.4293	3.1739	1.5908	379.49	3.8331	3.8252	3.5285
May	0.4293	3.1375	1.5856	381.37	3.8386	3.7865	3.3910
June	0.4293	3.1367	1.5666	385.38	3.8522	3.7065	3.3374
July	0.4293	3.1928	1.5700	381.28	3.8484	3.7115	3.3689
Aug.	0.4293	3.1898	1.5784	371.23	3.8310	3.8751	3.3678
Sep.	0.4293	3.3075	1.6243	380.90	3.8673	3.7474	3.2951
Oct.	0.4293	3.3650	1.6244	388.13	3.9065	3.6472	3.2044
Nov.	0.4293	3.4399	1.6648	381.24	3.8550	3.8739	3.4283
Dec.	0.4293	3.4291	1.7082	384.18	3.8544	3.9033	3.3657

<sup>1</sup> All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the rate against the euro, which denotes units of Maltese lira per one euro. Table discontinued as from 1 January 2008.

**Table 3.1b Selected Maltese lira exchange rates (averages for the period)<sup>1</sup>**

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD
2003	0.4261	2.6543	1.6237	307.39	3.5683	4.0806	3.7134
2004	0.4279	2.9061	1.5853	314.19	3.6085	3.9469	3.7801
2005	0.4299	2.8959	1.5910	318.35	3.6015	3.7978	3.5121
2006	0.4293	2.9259	1.5882	340.24	3.6642	3.8828	3.3182
2007	0.4293	3.1920	1.5943	375.51	3.8268	3.8103	3.4224
<b>2007</b>							
Jan.	0.4293	3.0247	1.5445	364.38	3.7633	3.8665	3.5578
Feb.	0.4293	3.0459	1.5556	367.10	3.7768	3.8928	3.5671
Mar.	0.4293	3.0825	1.5834	361.87	3.7576	3.8930	3.6021
Apr.	0.4293	3.1473	1.5829	373.99	3.8145	3.8074	3.5733
May	0.4293	3.1481	1.5870	380.17	3.8446	3.8158	3.4495
June	0.4293	3.1243	1.5739	383.21	3.8548	3.7114	3.3304
July	0.4293	3.1945	1.5710	388.41	3.8593	3.6835	3.3571
Aug.	0.4293	3.1744	1.5787	370.52	3.8160	3.8298	3.3619
Sep.	0.4293	3.2345	1.6030	371.97	3.8378	3.8320	3.3291
Oct.	0.4293	3.3138	1.6216	384.00	3.8916	3.6882	3.2370
Nov.	0.4293	3.4205	1.6507	379.62	3.8409	3.8135	3.2996
Dec.	0.4293	3.3940	1.6792	380.91	3.8643	3.8898	3.4033

<sup>1</sup> Calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates. All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the rate against the euro, which denotes units of Maltese lira per one euro. Table discontinued as from 1 January 2008.

## Exchange Rates, External Transactions and Positions

Table 3.2a Euro exchange rates against the major currencies<sup>1</sup> (*end of period*)

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.2630	0.7048	135.05	1.5579	1.6802	1.6234
2004	1.3621	0.7051	139.65	1.5429	1.7459	1.6416
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
<b>2010</b>						
Jan.	1.3966	0.8666	126.15	1.4662	1.5639	1.4924
Feb.	1.3570	0.8927	120.92	1.4638	1.5240	1.4354
Mar.	1.3479	0.8898	125.93	1.4276	1.4741	1.3687
Apr.	1.3315	0.8703	125.81	1.4341	1.4292	1.3379
May	1.2307	0.8486	112.62	1.4230	1.4576	1.2894
June	1.2271	0.8175	108.79	1.3283	1.4403	1.2890
July	1.3028	0.8349	112.62	1.3541	1.4466	1.3454
Aug.	1.2680	0.8248	107.07	1.2935	1.4304	1.3489
Sep.	1.3648	0.8600	113.68	1.3287	1.4070	1.4073
Oct.	1.3857	0.8686	111.87	1.3708	1.4216	1.4150
Nov.	1.2998	0.8377	109.00	1.2990	1.3595	1.3306
Dec.	1.3362	0.8608	108.65	1.2504	1.3136	1.3322
<b>2011</b>						
Jan.	1.3692	0.8609	112.49	1.2891	1.3763	1.3679
Feb.	1.3834	0.8528	113.26	1.2840	1.3601	1.3535
Mar.	1.4207	0.8837	117.61	1.3005	1.3736	1.3785

<sup>1</sup> All the above exchange rates denote units of currency per one euro.

Source: ECB.



## Exchange Rates, External Transactions and Positions

Table 3.2b Euro exchange rates against the major currencies (*averages for the period*)<sup>1</sup>

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.1312	0.6920	130.97	1.5212	1.7379	1.5817
2004	1.2439	0.6787	134.44	1.5438	1.6905	1.6167
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
<b>2010</b>						
Jan.	1.4272	0.8831	130.34	1.4765	1.5624	1.4879
Feb.	1.3686	0.8760	123.46	1.4671	1.5434	1.4454
Mar.	1.3569	0.9016	123.03	1.4482	1.4882	1.3889
Apr.	1.3406	0.8746	125.33	1.4337	1.4463	1.3467
May	1.2565	0.8571	115.83	1.4181	1.4436	1.3060
June	1.2209	0.8277	110.99	1.3767	1.4315	1.2674
July	1.2770	0.8357	111.73	1.3460	1.4586	1.3322
Aug.	1.2894	0.8236	110.04	1.3413	1.4337	1.3411
Sep.	1.3067	0.8399	110.26	1.3089	1.3943	1.3515
Oct.	1.3898	0.8764	113.67	1.3452	1.4164	1.4152
Nov.	1.3661	0.8551	112.69	1.3442	1.3813	1.3831
Dec.	1.3220	0.8481	110.11	1.2811	1.3304	1.3327
<b>2011</b>						
Jan.	1.3360	0.8471	110.38	1.2779	1.3417	1.3277
Feb.	1.3649	0.8464	112.77	1.2974	1.3543	1.3484
Mar.	1.3999	0.8665	114.40	1.2867	1.3854	1.3672

<sup>1</sup> Calculated on the arithmetic mean of the daily ECB reference exchange rates.

Source: ECB.

## Exchange Rates, External Transactions and Positions

**Table 3.3 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			
2004	2,188.2	2,881.5	1,364.6	846.4	781.1	826.2	178.6	224.8	-266.3	69.8	3.0
2005	2,083.2	2,987.5	1,617.2	969.5	973.9	1,173.5	277.5	241.6	-420.4	165.9	10.2
2006 <sup>2</sup>	2,335.4	3,301.5	2,053.1	1,405.4	1,462.4	1,635.8	417.0	423.4	-498.2	158.3	5.6
2007 <sup>2</sup>	2,406.7	3,388.2	2,486.0	1,716.0	1,973.5	2,175.2	639.5	668.5	-442.1	75.5	6.8
2008 <sup>2</sup>	2,171.6	3,414.4	2,844.3	1,812.5	2,211.2	2,429.9	903.8	910.3	-436.2	34.9	6.5
2009 <sup>2</sup>	1,734.5	2,716.4	2,784.2	1,872.0	1,652.8	2,063.8	1,431.3	1,388.4	-437.8	83.7	7.7
2010 <sup>2</sup>	2,331.3	3,257.9	2,981.1	1,941.7	1,646.7	2,087.0	1,296.9	1,268.4	-298.9	90.2	9.5
<b>2010<sup>2</sup></b>											
Q1	516.5	690.0	628.0	471.4	357.3	474.1	204.3	220.6	-150.0	2.4	2.4
Q2	604.3	749.6	733.5	454.4	436.3	491.1	394.2	380.9	92.3	36.6	2.4
Q3	581.0	893.4	912.3	485.8	410.3	559.4	210.1	215.3	-40.2	5.2	2.4
Q4	629.5	924.9	707.3	530.1	442.8	562.4	488.3	451.6	-201.0	46.0	2.4
<b>2011<sup>2</sup></b>											
Q1	758.3	846.3	609.1	432.4	381.4	537.8	192.5	204.5	-79.8	7.4	2.4

EUR millions

Period	Financial account <sup>1</sup>										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2004	-5.6	318.5	-1,686.2	3.8	-13.8	-0.2	-1,028.4	2,387.2	161.1	136.3	63.2
2005	16.6	543.5	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	299.8	-35.1
2006 <sup>2</sup>	-23.9	1,467.0	-1,965.1	-15.3	40.5	-15.6	-3,294.2	4,200.8	-83.0	311.2	34.4
2007 <sup>2</sup>	-10.2	734.7	367.7	-0.2	-134.6	254.8	-7,616.7	7,015.7	-326.5	284.7	88.7
2008 <sup>2</sup>	-210.0	573.6	200.6	167.0	3.2	-346.2	-4,477.1	4,190.1	108.7	209.8	198.0
2009 <sup>2</sup>	-96.5	541.4	-1,887.5	-31.3	-6.6	-63.8	3,794.9	-2,172.4	-2.4	75.9	285.9
2010 <sup>2</sup>	-65.4	792.1	-3,230.5	-3.4	-43.9	74.9	573.2	1,825.0	-23.6	-101.8	320.0
<b>2010<sup>2</sup></b>											
Q1	-19.2	-229.9	-700.6	38.7	-64.7	11.3	-997.5	1,958.2	7.1	3.5	146.6
Q2	-36.6	729.3	-1,337.5	-53.0	24.2	56.1	839.4	-437.5	75.1	-140.5	14.1
Q3	1.0	108.2	-605.6	0.6	-14.8	54.1	861.6	-297.1	-122.9	-14.8	52.1
Q4	-10.7	184.5	-586.9	10.2	11.4	-46.6	-130.3	601.4	17.1	50.1	107.2
<b>2011<sup>2</sup></b>											
Q1	1.7	10.4	-219.5	5.7	15.4	-26.2	715.8	-615.5	-12.7	-125.0	199.7

<sup>1</sup> A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.4 Official reserve assets<sup>1</sup>**

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets <sup>2</sup>	
2003	1.4	35.4	47.8	1,587.7	524.2	3.7	2,200.3
2004	1.4	35.5	46.5	930.9	1,014.3	0.1	2,028.8
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009 <sup>3</sup>	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
<b>2010<sup>3</sup></b>							
July	5.7	111.8	31.4	33.9	162.8	-19.5	326.0
Aug.	6.1	114.0	32.0	71.3	168.0	-29.0	362.5
Sep.	6.1	109.2	30.7	105.1	156.2	1.7	409.0
Oct.	6.1	108.7	32.0	65.9	164.6	6.4	383.7
Nov.	3.3	112.4	33.1	89.9	170.1	-9.7	399.0
Dec.	3.3	111.0	35.8	75.2	178.5	1.1	404.9
<b>2011<sup>3</sup></b>							
Jan.	3.0	109.5	42.4	60.4	179.8	6.7	401.8
Feb.	3.2	109.0	36.1	22.8	194.7	10.0	375.8
Mar.	6.4	107.0	43.8	69.0	170.8	16.1	413.0

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

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

<sup>3</sup> Provisional.

**Table 3.5 International investment position (IIP) - (end of period amounts)**

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2004	823.1	2,981.7	7,144.4	354.6	10.7	38.1	6,745.2	11,563.0	2,029.0	1,815.0
2005	840.5	3,645.5	10,053.9	413.0	42.3	44.2	9,595.9	16,839.5	2,188.9	1,779.4
2006 <sup>1</sup>	873.5	4,994.2	11,371.0	408.1	34.4	49.3	12,350.8	19,999.3	2,240.6	1,419.4
2007 <sup>1</sup>	819.7	5,694.8	10,695.9	407.0	106.8	79.1	19,403.7	26,485.6	2,561.4	920.9
2008 <sup>1</sup>	769.3	5,856.0	10,187.6	551.1	276.8	281.7	25,704.7	30,402.5	268.3	115.4
2009 <sup>1</sup>	1,078.0	6,597.0	12,437.0	492.6	138.1	177.8	21,914.7	27,880.8	373.7	793.3
<b>2010<sup>1</sup></b>										
June	1,213.3	11,797.1	15,128.8	626.7	218.5	333.3	28,631.3	31,824.8	290.2	900.2

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

Table 3.6 Gross external debt by sector, maturity and instrument<sup>1</sup>

EUR millions

	2008 <sup>2</sup>	2009 <sup>2</sup>	2010 <sup>2</sup>				2011 <sup>2</sup>
			Mar.	June	Sep.	Dec.	
<b>General Government</b>	292.9	264.3	295.1	200.3	201.5	227.9	239.6
<i>Short-term</i>	84.0	63.8	95.2	4.9	6.7	36.3	50.1
Money market instruments	76.6	31.4	63.4	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.9	0.0	0.0	0.0	0.0
Trade credits	7.4	32.4	31.0	4.9	6.7	36.3	50.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	208.9	200.4	199.8	195.5	194.8	191.6	189.5
Bonds and notes	89.9	98.1	99.3	102.7	103.3	103.9	102.0
Loans	119.0	102.3	100.6	92.7	91.5	87.7	87.4
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Monetary Authorities</b>	677.8	826.3	818.8	865.8	1,077.6	1,228.9	1,307.4
<i>Short-term</i>	677.8	826.3	818.8	865.8	1,077.6	1,228.9	1,307.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	677.8	826.3	818.8	865.8	1,077.6	1,228.9	1,307.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>OMFIs<sup>3</sup></b>	28,503.4	25,835.3	28,780.0	29,681.2	27,898.8	28,068.4	26,273.1
<i>Short-term</i>	23,271.7	20,616.8	23,242.7	22,431.8	20,817.3	21,558.3	19,110.8
Money market instruments	0.0	3.4	3.7	0.0	0.0	0.0	0.0
Loans	9,291.0	7,299.9	8,720.2	5,983.4	4,726.2	4,753.7	3,933.9
Currency and deposits	13,116.8	13,181.4	14,398.5	16,292.0	15,958.6	16,623.0	15,031.1
Other debt liabilities	863.9	132.1	120.4	156.4	132.5	181.6	145.8
<i>Long-term</i>	5,231.7	5,218.5	5,537.3	7,249.4	7,081.5	6,510.1	7,162.3
Bonds and notes	13.7	13.9	15.0	15.8	14.9	14.9	15.2
Loans	4,986.1	5,111.1	5,474.7	7,233.6	7,066.6	6,495.2	7,147.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	231.9	93.4	47.5	0.0	0.0	0.0	0.0
<b>Other Sectors<sup>4</sup></b>	1,463.3	1,492.4	1,523.3	1,584.5	1,723.8	1,767.6	1,852.3
<i>Short-term</i>	800.4	761.7	773.5	802.3	881.0	912.4	979.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	74.6	33.9	36.9	35.6	37.4	39.7	41.4
Currency and deposits	102.1	103.3	103.6	103.9	104.3	104.7	105.0
Trade credits	623.7	624.4	633.0	662.8	739.4	768.0	832.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	662.9	730.8	749.8	782.3	842.8	855.2	873.2
Bonds and notes	212.8	210.6	216.2	213.4	215.8	212.3	215.8
Loans	432.7	497.1	510.7	558.3	613.5	628.6	642.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	17.4	23.0	22.9	10.6	13.5	14.2	15.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Direct Investment: Intercompany lending</b>	1,026.6	1,060.7	1,115.0	1,162.2	1,214.3	1,260.8	1,314.1
Debt liabilities to affiliated enterprises	71.6	79.7	85.0	86.1	90.9	96.1	99.1
Debt liabilities to direct investors	955.0	981.0	1,030.0	1,076.1	1,123.4	1,164.8	1,215.0
<b>Gross External Debt</b>	<b>31,964.0</b>	<b>29,478.9</b>	<b>32,532.1</b>	<b>33,494.0</b>	<b>32,116.0</b>	<b>32,553.6</b>	<b>30,986.5</b>
<b>of which: OMFIs</b>	<b>28,503.4</b>	<b>25,835.3</b>	<b>28,780.0</b>	<b>29,681.2</b>	<b>27,898.8</b>	<b>28,068.4</b>	<b>26,273.1</b>
<b>Gross External Debt excluding OMFIs' debt liabilities</b>	<b>3,460.6</b>	<b>3,643.6</b>	<b>3,752.1</b>	<b>3,812.8</b>	<b>4,217.2</b>	<b>4,485.2</b>	<b>4,713.4</b>

<sup>1</sup> Gross external debt illustrates only a fraction of the overall International Investment Position of Malta with other countries. Gross external debt data do not comprise Malta's claims vis-à-vis other countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found in Table 3.5.

<sup>2</sup> Provisional.

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

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

## Exchange Rates, External Transactions and Positions

**Table 3.7 Malta's foreign trade<sup>1</sup>**

*EUR millions*

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2003	2,162.5	2,984.6	-822.1
2004	2,112.3	3,328.5	-1,216.2
2005	1,959.1	3,117.2	-1,158.1
2006	2,256.8	3,487.9	-1,231.1
2007 <sup>2</sup>	2,287.5	3,580.4	-1,292.9
2008 <sup>2</sup>	2,093.1	3,654.3	-1,561.2
2009 <sup>2</sup>	1,665.5	3,149.5	-1,484.0
2010 <sup>2</sup>	2,259.0	3,718.1	-1,459.1
<b>2010<sup>2</sup></b>			
Jan.	152.0	223.6	-71.6
Feb.	175.5	279.3	-103.8
Mar.	193.6	325.9	-132.3
Apr.	199.6	268.8	-69.2
May	180.0	266.1	-86.1
June	206.8	282.6	-75.8
July	187.7	370.2	-182.5
Aug.	191.2	372.8	-181.6
Sep.	174.5	334.0	-159.5
Oct.	194.7	349.6	-154.9
Nov.	220.5	331.2	-110.7
Dec.	182.9	314.0	-131.1
<b>2011<sup>2</sup></b>			
Jan.	272.4	317.8	-45.4
Feb.	203.7	333.0	-129.3
Mar.	267.5	344.9	-77.4

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2003	280.5	221.5	72.9	113.4	688.3	253.9	15.8	958.1	576.3	312.8	315.3	2,162.5
2004	327.4	228.3	65.0	86.8	707.5	242.3	67.6	1,017.4	544.3	330.5	220.1	2,112.3
2005	283.7	236.2	100.6	93.0	713.5	216.0	75.3	1,004.8	461.0	263.9	229.4	1,959.1
2006	326.7	282.8	81.5	165.6	856.6	213.0	81.0	1,150.6	631.3	275.4	199.5	2,256.8
2007 <sup>2</sup>	271.2	305.3	90.7	131.6	798.8	222.0	86.1	1,106.9	719.9	246.7	214.0	2,287.5
2008 <sup>2</sup>	237.3	270.5	114.8	99.4	722.0	165.3	66.7	954.0	713.9	182.8	242.4	2,093.1
2009 <sup>2</sup>	187.3	222.0	94.9	88.5	592.7	99.1	63.6	755.4	528.1	152.4	229.6	1,665.5
2010 <sup>2</sup>	221.6	281.2	147.7	116.6	767.1	126.9	110.6	1,004.6	686.7	196.3	371.4	2,259.0
<b>2010<sup>2</sup></b>												
Jan.	20.0	21.1	8.6	6.2	55.9	7.6	6.6	70.1	51.2	14.7	16.0	152.0
Feb.	20.8	18.2	7.3	9.2	55.5	9.8	6.1	71.4	43.8	15.8	44.5	175.5
Mar.	18.2	26.1	10.0	10.0	64.3	20.0	7.5	91.8	54.1	18.9	28.8	193.6
Apr.	20.5	27.7	11.4	7.6	67.2	6.9	9.7	83.8	60.6	18.1	37.1	199.6
May	18.7	23.1	13.2	9.4	64.4	14.6	11.5	90.5	50.8	16.3	22.4	180.0
June	21.3	24.2	14.4	11.0	70.9	12.1	10.6	93.6	53.8	19.9	39.5	206.8
July	18.0	24.4	14.3	12.0	68.7	8.8	16.5	94.0	48.4	14.3	31.0	187.7
Aug.	16.3	26.8	8.2	7.9	59.2	8.8	8.5	76.5	59.0	16.6	39.1	191.2
Sep.	18.2	23.3	13.6	10.8	65.9	11.0	8.8	85.7	51.5	17.9	19.4	174.5
Oct.	16.8	24.3	25.0	11.8	77.9	8.6	10.8	97.3	49.6	13.8	34.0	194.7
Nov.	15.1	22.7	8.8	10.3	56.9	9.2	4.9	71.0	102.4	12.3	34.8	220.5
Dec.	17.7	19.3	12.9	10.4	60.3	9.5	9.1	78.9	61.5	17.7	24.8	182.9
<b>2011<sup>2</sup></b>												
Jan.	13.7	23.7	7.9	22.3	67.6	10.0	7.9	85.5	64.2	11.4	111.3	272.4
Feb.	14.9	23.7	10.5	9.1	58.2	10.7	9.3	78.2	75.0	13.0	37.5	203.7
Mar.	22.7	28.4	11.4	10.1	72.6	17.2	12.2	102.0	77.0	20.8	67.7	267.5

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.9 Direction of trade - imports<sup>1</sup>**

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2003	509.9	235.0	685.8	276.0	1,706.7	276.5	37.3	2,020.5	489.6	252.3	222.2	2,984.6
2004	566.3	392.0	772.3	327.8	2,058.4	367.4	71.3	2,497.1	458.0	162.8	210.6	3,328.5
2005	291.4	280.0	956.9	334.6	1,862.9	325.8	77.0	2,265.7	417.7	162.5	271.3	3,117.2
2006	406.0	263.2	966.3	373.4	2,008.9	344.0	69.3	2,422.2	635.1	179.5	251.1	3,487.9
2007 <sup>2</sup>	420.2	290.3	876.8	375.3	1,962.6	498.8	103.0	2,564.4	598.6	206.6	210.8	3,580.4
2008 <sup>2</sup>	381.4	267.3	1,003.1	445.6	2,097.4	457.3	135.3	2,690.0	594.0	73.4	296.9	3,654.3
2009 <sup>2</sup>	318.3	270.6	797.6	443.8	1,830.3	365.4	80.2	2,275.9	437.5	84.2	351.9	3,149.5
2010 <sup>2</sup>	299.3	293.6	864.8	464.1	1,921.8	324.6	161.5	2,407.9	568.9	92.7	648.6	3,718.1
<b>2010<sup>2</sup></b>												
Jan.	16.5	21.9	53.1	39.6	131.1	22.4	4.6	158.1	36.1	5.7	23.7	223.6
Feb.	17.4	19.5	62.8	39.2	138.9	26.7	11.8	177.4	37.7	6.1	58.1	279.3
Mar.	23.6	26.9	94.4	44.0	188.9	28.5	5.6	223.0	47.6	6.3	49.0	325.9
Apr.	36.9	23.4	62.2	27.1	149.6	21.2	5.3	176.1	47.5	10.6	34.6	268.8
May	24.4	20.4	71.1	35.3	151.2	24.0	7.6	182.8	44.6	5.7	33.0	266.1
June	23.2	26.3	67.2	29.9	146.6	38.9	8.0	193.5	34.1	10.1	44.9	282.6
July	23.6	28.5	71.5	36.6	160.2	32.9	20.6	213.7	74.8	8.8	72.9	370.2
Aug.	23.7	33.7	62.8	29.4	149.6	37.9	7.7	195.2	46.9	5.4	125.3	372.8
Sep.	26.5	20.9	66.0	30.6	144.0	24.2	9.1	177.3	52.9	5.6	98.2	334.0
Oct.	25.0	23.0	85.2	34.6	167.8	22.8	53.3	243.9	49.6	8.0	48.1	349.6
Nov.	28.8	27.7	86.0	51.9	194.4	26.0	12.7	233.1	47.8	13.7	36.6	331.2
Dec.	29.7	21.4	82.5	65.9	199.5	19.1	15.2	233.8	49.3	6.7	24.2	314.0
<b>2011<sup>2</sup></b>												
Jan.	37.4	26.4	53.0	35.9	152.7	21.7	25.0	199.4	55.6	22.1	40.7	317.8
Feb.	22.2	30.8	97.6	31.0	181.6	23.7	11.9	217.2	39.8	33.5	42.5	333.0
Mar.	35.5	26.0	78.6	35.2	175.3	43.1	10.7	229.1	48.7	3.9	63.2	344.9

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

<sup>2</sup> Provisional.

Source: NSO.

## Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net		
2004	3,044.5	933.5	883.7	-164.7	4,697.0	3,552.8	3,727.8	-175.1	4,522.0	4,466.1
2005	3,221.0	940.8	1,048.2	-121.3	5,088.7	3,700.3	3,957.0	-256.7	4,832.0	4,614.1
2006	3,336.7	1,011.7	1,133.1	-91.9	5,389.6	4,388.5	4,707.0	-318.5	5,071.1	4,885.1
2007	3,418.8	1,042.0	1,235.0	-13.9	5,681.8	4,892.7	5,104.2	-211.5	5,470.3	5,252.0
2008	3,683.8	1,216.4	1,013.6	215.2	6,129.1	5,015.9	5,226.7	-210.7	5,918.4	5,678.3
2009	3,703.3	1,238.9	881.4	115.1	5,938.7	4,518.6	4,588.4	-69.8	5,868.9	5,448.2
2010	3,783.7	1,292.4	1,038.9	9.0	6,124.0	5,308.2	5,199.0	109.2	6,233.3	5,782.1
<b>2010</b>										
Q1	913.4	307.7	213.1	54.8	1,489.0	1,144.5	1,161.4	-16.8	1,472.1	1,352.8
Q2	919.9	325.2	233.7	-80.9	1,397.9	1,337.8	1,204.0	133.8	1,531.7	1,472.8
Q3	919.6	319.1	298.1	-18.8	1,518.1	1,493.3	1,379.2	114.1	1,632.1	1,477.8
Q4	1,030.8	340.4	294.0	53.9	1,719.0	1,332.6	1,454.4	-121.7	1,597.3	1,478.7
<b>2011</b>										
Q1	955.5	333.9	213.0	-46.4	1,455.9	1,370.9	1,281.6	89.3	1,545.3	1,386.2

<sup>1</sup> Provisional.

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

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

Source: NSO.

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net	
2004	2,839.6	796.9	809.8	-149.2	4,297.1	3,751.9	3,975.9	-224.0	4,073.1
2005	2,929.0	789.8	966.2	-110.9	4,574.0	3,774.9	4,104.3	-329.4	4,244.7
2006	2,969.3	835.0	978.3	-82.6	4,700.0	4,127.6	4,503.5	-375.9	4,324.1
2007	2,992.4	839.6	1,020.7	-11.4	4,841.3	4,255.7	4,575.1	-319.4	4,521.9
2008	3,112.6	941.0	760.1	187.2	5,000.9	4,293.8	4,529.3	-235.5	4,765.4
2009	3,073.6	928.8	621.3	90.2	4,714.0	3,924.3	4,030.1	-105.8	4,608.2
2010	3,050.2	938.8	690.3	8.0	4,687.2	4,629.4	4,563.2	66.2	4,753.4
<b>2010</b>									
Q1	755.0	224.8	150.5	43.4	1,173.8	1,002.0	1,056.5	-54.6	1,119.2
Q2	739.5	236.2	157.8	-61.6	1,071.8	1,168.5	1,066.4	102.0	1,173.9
Q3	728.1	229.8	186.7	-14.2	1,130.4	1,280.1	1,188.7	91.3	1,221.7
Q4	827.5	248.1	195.2	40.4	1,311.2	1,178.9	1,251.5	-72.7	1,238.5
<b>2011</b>									
Q1	770.0	242.0	131.8	-37.9	1,105.9	1,138.8	1,099.2	39.6	1,145.5

<sup>1</sup> Provisional.

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

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

Source: NSO.



## Real Economy Indicators

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

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	145.0	1,170.6
2006	73.4	125.8	112.5	151.1	462.9	431.3	79.3	973.5	150.7	1,124.2
2007	75.1	130.0	113.7	177.8	496.6	482.4	103.5	1,082.5	161.0	1,243.5
2008	81.1	150.8	144.5	204.1	580.5	454.4	98.7	1,133.5	157.3	1,290.9
2009	70.6	126.3	160.4	195.5	552.8	407.6	86.0	1,046.4	136.2	1,182.7
2010	86.5	126.1	214.3	211.0	637.9	415.1	103.4	1,156.4	175.7	1,332.1
<b>2010</b>										
Jan.	2.0	5.3	13.0	7.3	27.6	16.9	4.6	49.1	7.8	56.8
Feb.	3.5	5.5	7.1	7.6	23.6	19.7	3.0	46.3	6.7	53.0
Mar.	3.6	10.0	13.3	10.4	37.2	27.5	4.2	68.9	7.4	76.3
Apr.	7.7	9.0	19.5	15.7	51.9	30.4	5.9	88.2	12.3	100.5
May	10.3	12.8	15.4	23.7	62.2	39.2	10.2	111.7	15.5	127.2
June	8.8	11.9	19.5	20.4	60.6	48.9	10.8	120.3	16.5	136.8
July	9.9	11.7	26.7	28.2	76.4	43.3	16.0	135.8	23.8	159.5
Aug.	14.9	13.6	42.3	36.1	107.0	51.7	12.8	171.5	21.6	193.1
Sep.	8.7	14.2	20.9	20.4	64.3	47.8	14.5	126.6	23.4	150.0
Oct.	9.4	18.1	14.7	23.0	65.2	49.3	12.3	126.9	19.5	146.4
Nov.	4.8	9.7	10.7	10.9	36.2	24.6	5.3	66.1	12.5	78.6
Dec.	2.9	4.3	11.1	7.3	25.6	15.8	3.7	45.2	8.6	53.7
<b>2011</b>										
Jan.	3.4	5.3	15.6	8.3	32.7	16.8	5.0	54.5	10.4	64.9
Feb.	5.3	4.1	9.1	7.5	26.1	24.0	3.5	53.6	11.9	65.5
Mar.	6.1	9.7	13.8	12.4	42.0	30.5	4.7	77.1	22.5	99.7

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

## Real Economy Indicators

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

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	104.1	41.6	145.7	97.9	40.1	137.9	6.3	6.1	1.4	3.4	7.7	5.3
2004	104.1	42.0	146.2	97.5	40.4	137.9	6.6	6.3	1.7	3.9	8.3	5.6
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	98.4	46.6	145.1	5.7	5.4	1.7	3.5	7.3	4.8
2010 <sup>3</sup>	103.4	49.4	152.8	97.9	47.9	145.7	5.5	5.4	1.5	3.1	7.1	4.6
<b>2010<sup>3</sup></b>												
Jan.	103.4	48.5	151.9	97.4	46.8	144.2	6.0	5.8	1.7	3.6	7.8	5.1
Feb.	103.5	48.7	152.2	97.5	46.9	144.4	6.1	5.9	1.8	3.6	7.9	5.2
Mar.	103.0	48.6	151.6	97.1	47.0	144.0	5.9	5.7	1.7	3.5	7.6	5.0
Apr.	103.2	49.0	152.2	97.3	47.3	144.6	6.0	5.8	1.6	3.4	7.6	5.0
May	103.0	48.9	151.9	97.4	47.4	144.9	5.6	5.4	1.5	3.0	7.1	4.6
June	103.2	49.2	152.5	97.9	47.8	145.7	5.4	5.2	1.4	2.8	6.8	4.4
July	103.6	49.7	153.3	98.2	48.2	146.4	5.4	5.2	1.5	2.9	6.8	4.5
Aug.	103.6	49.8	153.4	98.4	48.4	146.8	5.2	5.0	1.4	2.8	6.6	4.3
Sep.	103.9	49.9	153.7	98.6	48.5	147.1	5.3	5.1	1.4	2.8	6.7	4.3
Oct.	103.4	49.9	153.3	98.1	48.5	146.6	5.3	5.1	1.4	2.8	6.7	4.4
Nov.	103.6	50.2	153.7	98.4	48.7	147.2	5.3	5.1	1.4	2.8	6.7	4.3
Dec.	103.4	50.1	153.6	98.2	48.7	146.9	5.2	5.0	1.4	2.8	6.6	4.3
<b>2011<sup>3</sup></b>												
Jan.	103.7	50.3	153.9	98.3	48.8	147.1	5.4	5.2	1.4	2.8	6.8	4.4
Feb.	103.8	50.5	154.3	98.3	49.0	147.3	5.5	5.3	1.5	2.9	7.0	4.5

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

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

<sup>3</sup> Provisional.

Source: ETC.

## Real Economy Indicators

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

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	110.1	49.9	159.9	102.3	45.5	147.8	7.8	7.1	4.3	8.7	12.1	7.6
2004	110.4	48.9	159.3	103.3	44.5	147.9	7.1	6.4	4.4	9.0	11.5	7.2
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 <sup>3</sup>	116.0	60.5	176.7	108.1	56.1	164.2	7.9	6.8	4.3	7.1	12.2	6.9
<b>2010<sup>3</sup></b>												
Q1	115.6	60.1	175.8	107.3	55.8	163.1	8.3	7.2	4.3	7.2	12.7	7.2
Q2	118.6	58.9	177.5	111.3	54.1	165.4	7.3	6.2	4.8	8.1	12.1	6.8
Q3	115.3	62.4	178.6	107.4	57.8	165.2	8.0	6.9	4.1	6.6	12.1	6.8
Q4	114.6	60.5	175.1	106.5	56.6	163.1	8.1	7.0	3.9	6.5	12.0	6.8
<b>2011<sup>3</sup></b>												
Q1	117.2	62.3	179.5	110.3	57.8	168.0	7.0	6.0	4.5	7.3	11.5	6.4

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

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

<sup>3</sup> Provisional.

Source: NSO.

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

Period	Total	Apartments	Maisonettes	Terraced houses	Others <sup>1</sup>
2004	155.6	157.0	155.4	151.1	153.8
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
<b>2010</b>					
Q1	168.4	164.9	174.9	207.0	183.0
Q2	167.2	168.9	161.9	202.2	183.0
Q3	169.9	167.6	178.4	194.5	194.6
Q4	163.0	164.1	171.9	194.1	153.3
<b>2011</b>					
Q1	164.0	166.5	174.5	194.3	159.6

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

Source: Central Bank of Malta estimates.

## Real Economy Indicators

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

Period	Commercial and social								Other permits <sup>5</sup>	Total permits
	Agriculture	Manufacturing <sup>2</sup>	Warehousing, retail & offices <sup>3</sup>	Hotels & tourism related	Restaurants & bars	Social <sup>4</sup>	Parking	Total		
2003	242	26	181	15	24	91	134	713	2,685	3,398
2004	261	31	192	8	25	49	105	671	2,583	3,254
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

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

<sup>2</sup> Includes quarrying.

<sup>3</sup> Including the construction of offices, shops and retail outlets, warehouses, mixed offices and retail outlets, mixed residential premises, offices and retail outlets, mixed residential premises and retail outlets.

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

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

Source: Malta Environment & Planning Authority.

**Table 4.7 Development permits for dwellings, by type<sup>1</sup>**

Period	Number of permits <sup>2</sup>			Number of units <sup>3</sup>				
	New dwellings <sup>4</sup>	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2003	1,321	517	1,838	4,548	1,085	414	81	6,128
2004	1,378	435	1,813	5,265	966	353	123	6,707
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

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

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

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

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

Source: Malta Environment & Planning Authority.

## Real Economy Indicators

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

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

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

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

## Real Economy Indicators

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

Period	12-month moving average rates of change (%) <sup>1</sup>											
	All items Index	All items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2003	85.1	1.3	2.3	2.7	-6.4	2.2	0.0	-1.0	2.6	3.3	0.4	4.2
2004	87.5	2.8	0.2	9.2	-2.5	3.8	1.3	2.2	4.0	5.1	1.2	8.0
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
<b>2010</b>												
Jan.	99.5	1.9	5.7	4.2	-0.6	2.9	14.0	0.4	-3.9	3.2	0.7	1.8
Feb.	99.9	1.6	4.7	3.9	-0.9	2.8	12.1	0.6	-3.6	3.2	0.7	1.8
Mar.	100.4	1.3	3.5	3.6	-1.3	2.7	10.2	0.7	-3.2	3.2	0.7	1.7
Apr.	101.4	1.0	2.6	3.3	-1.6	2.7	10.4	0.9	-3.1	3.1	0.7	1.7
May	101.6	0.9	1.7	3.0	-1.9	2.6	10.5	1.0	-2.8	3.0	0.9	1.6
June	101.2	0.7	0.9	2.8	-2.4	2.6	10.6	1.0	-2.3	2.9	1.0	1.6
July	101.1	0.8	0.7	2.6	-2.9	2.6	12.7	1.0	-2.3	2.9	1.0	1.6
Aug.	101.0	0.8	0.4	2.4	-3.4	2.5	14.3	0.9	-1.7	2.6	1.3	1.7
Sep.	101.7	0.8	0.3	2.3	-3.7	2.4	15.8	0.9	-1.5	2.4	1.5	1.7
Oct.	102.4	1.0	0.4	2.2	-3.9	2.3	18.6	0.9	-1.1	2.3	1.6	1.7
Nov.	102.7	1.2	0.5	2.1	-4.1	2.2	21.5	0.7	-0.4	2.2	1.6	1.6
Dec.	103.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
<b>2011</b>												
Jan.	102.2	1.6	1.4	1.9	-4.1	2.3	23.0	0.2	0.6	1.8	1.7	1.7
Feb.	102.1	1.8	2.0	1.9	-4.2	2.6	21.6	-0.2	0.9	1.8	1.6	1.9
Mar.	103.1	2.0	2.5	1.8	-3.9	2.8	20.3	-0.7	1.2	1.8	1.6	2.1

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

## Real Economy Indicators

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

Period	12-month moving average rates of change (%)													
	All Items Index	All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Communications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2003	94.9	1.9	2.0	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
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
<b>2010</b>														
Jan.	107.8	1.7	5.8	3.6	-0.4	6.4	1.1	4.6	-4.1	-1.7	-0.7	6.9	1.2	2.4
Feb.	108.1	1.5	4.7	3.6	-0.5	5.7	1.2	4.5	-3.8	-2.3	-0.6	6.9	1.1	2.5
Mar.	109.6	1.2	3.5	3.6	-0.8	5.1	1.3	4.5	-3.5	-2.9	-0.5	6.9	0.9	2.5
Apr.	112.4	0.9	2.5	3.5	-1.1	5.2	1.3	4.3	-3.1	-3.5	-0.7	7.3	0.6	2.6
May	113.7	0.8	1.6	3.5	-1.3	5.3	1.4	4.0	-2.6	-4.1	-0.8	7.7	0.9	2.7
June	113.6	0.7	0.8	3.5	-1.7	5.5	1.4	3.8	-1.8	-4.7	-1.1	8.1	1.1	2.8
July	114.3	0.9	0.6	3.5	-2.0	6.2	1.3	3.5	-1.4	-5.3	-1.3	8.4	2.1	2.8
Aug.	115.4	1.0	0.3	3.5	-2.3	6.8	1.3	3.2	-0.9	-5.9	-1.5	8.8	3.3	3.0
Sep.	114.6	1.2	0.2	3.4	-2.4	7.3	1.3	2.9	-0.3	-6.5	-1.7	9.2	4.1	3.2
Oct.	113.9	1.4	0.4	3.4	-2.4	8.2	1.3	2.6	0.4	-6.5	-2.0	8.7	4.6	3.2
Nov.	112.2	1.7	0.5	3.4	-2.4	9.1	1.2	2.3	1.3	-6.2	-1.8	8.3	5.0	3.3
Dec.	112.8	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
<b>2011</b>														
Jan.	111.3	2.2	1.5	3.3	-2.4	9.7	0.8	1.6	2.9	-6.4	-1.6	7.4	5.9	3.5
Feb.	111.0	2.4	2.1	3.3	-2.7	9.4	0.5	1.6	3.4	-6.5	-1.6	6.9	6.3	3.6
Mar.	112.7	2.5	2.8	3.3	-2.5	9.0	0.3	1.5	4.0	-6.5	-1.5	6.5	6.5	3.8

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.

(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 OMFIs 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 Mal-

tese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem<sup>1</sup> in the total issue of banknotes in the area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column 'Banknotes in circulation' in the Financial Statements of the Bank will be a notional amount conforming to the banknote allocation key, and may be quite different from the amount of euro banknotes in the hands of Maltese residents. Moreover, Maltese residents' holdings of M3 within the euro area aggregate will include their holdings of deposits and other monetary instruments issued by MFIs anywhere in the euro area, the amount of which is not known.

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

## Compilation and valuation principles

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

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

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

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

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

### **Release of monetary statistics**

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

### **Investment funds**

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

## Insurance corporations

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

## Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.17 and 1.18 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 1.20 (see details below).

Up to 31 December 2007, the Table entitled 'Financial Markets' 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 1.18 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 1.20 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 1.21 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 1.22 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 2.5 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 2.6), 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 2.11 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

Up to end-2007, statistics on exchange rates showed the end-of-period and average exchange rates of the Maltese lira against other currencies. The Maltese lira average exchange rates were calculated as the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates in the reference period.

From 2008, statistics on exchange rates (Tables 3.2a-3.2b) 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 3.3-3.5) 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. Wherever possible a distinction is made between transactions and positions with residents of other euro area countries and those with non-residents of the euro area. Up to the end of 2007, official reserve assets (Table 3.4) 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. Historical data are updated by the Central Bank of Malta on a monthly basis, going back thirteen months, while every calendar quarter data are revised going back three years.

The concepts used in the compilation of gross external debt generally comply with the IMF's "*External debt statistics – guide for compilers and users*". Such data may not be fully reconcilable with the data shown in the IIP primarily due to some conceptual differences. The external debt of the MFIs is being shown separately as a memorandum item as such debt is fully backed by foreign assets of these institutions.

#### **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.