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Address

Pjazza Kastilja
Valletta VLT 1060
Malta

Telephone

(+356) 2550 0000

Fax

(+356) 2550 2500

Website

<http://www.centralbankmalta.org>

E-mail

info@centralbankmalta.org

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ABBREVIATIONS

EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EEA	European Economic Area
EMU	Economic and Monetary Union
EONIA	Euro OverNight Index Average
ERM II	exchange rate mechanism II
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
FI	fungibility issue
FSB	Financial Stability Board
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
IFC	International Finance Corporation
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
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
OPEC	Organisation of Petroleum Exporting Countries
RPI	Retail Price Index
ULC	unit labour costs

FOREWORD

During the fourth quarter of 2010 and the first quarter of 2011, the ECB's Governing Council left official interest rates unchanged, as price developments were expected to remain moderate over the policy relevant horizon. However, on 7 April, the Governing Council raised key ECB interest rates by 25 basis points, in view of emerging upside risks to price stability in the euro area. As a result, the interest rate on the MROs was raised to 1.25%.

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

These decisions were taken in an economic environment characterised by recovery, even though the general outlook remained uncertain. The euro area economy in fact expanded by 2.0% on a year earlier in the fourth quarter, the same rate recorded in the previous quarter. Growth was driven by domestic demand, particularly by household consumption and inventories, although government consumption and investment also picked up on a year earlier. Net exports also contributed positively, as exports outpaced imports.

Meanwhile, annual HICP inflation in the euro area remained on an upward path, rising to 2.2% in December from 1.9% in September. The increase in inflation during the fourth quarter of 2010 mainly reflected developments in energy, although food prices also accelerated.

According to the March 2011 ECB staff macroeconomic projections the euro area is expected to record moderate growth ranging between 1.3% and 2.1% in 2011 and between 0.8% and 2.8% in 2012. Primarily because of increases in the energy and food components, HICP inflation is projected to remain high in 2011, ranging between 2.0% and 2.6%, before falling to between 1.0% and 2.4% in 2012.

In Malta, the economy accelerated in the fourth quarter to record a year-on-year rate of 3.9%, after an expansion of 3.1% in the third quarter. Growth was mainly driven by investment, although a recovery in private and public consumption also contributed. While exports continued to rise, their net contribution to growth was modest due to a strong increase in imports.

Labour market conditions remained favourable, as unemployment declined further in the fourth quarter, while LFS survey data and ETC records up to November show year-on-year increases in employment.

Consumer prices measured in terms of the HICP increased by 4.0% in December on an annual basis, from 2.4% in September. The higher rate of inflation was mainly attributable to rising prices of services, non-energy industrial goods and energy.

Developments related to external price competitiveness were mixed. Unit labour costs declined during the quarter, as compensation per employee fell more than productivity. In contrast to developments in unit labour costs, the HCI shows a slight loss in competitiveness during the

fourth quarter, particularly in real effective terms, as Malta's inflation differential vis-à-vis the euro area amplified the negative effects of an appreciating exchange rate.

In the external sector, the current account of the balance of payments recorded a deficit in the fourth quarter of roughly the same magnitude as a year earlier. Over the year as a whole, the imbalance on this account was equivalent to 4.1% of GDP, compared with 7.0% in 2009.

The contribution, in nominal terms, of Maltese MFIs to the euro area broad money stock continued to increase on an annual basis during the fourth quarter as residents' deposits rose further. At the same time, the annual rate of expansion in credit to residents continued to moderate. Yields increased in the primary money market in line with developments in their counterparts abroad.

Although the general government deficit in the fourth quarter rose substantially compared with the same period of 2009, for the year as a whole it stood at 3.6% of GDP, against 3.7% a year earlier. The improvement reflected stronger revenue flows and expenditure restraint. This notwithstanding, gross general government debt continued to rise, standing at 68.0% of GDP in 2010, compared with 67.6% at the end of 2009.

As the economy continues to recover, policy efforts should focus on further fiscal consolidation. Measures aimed at lowering the deficit ratio to below 3% this year in line with the Stability Programme target need to be strictly adhered to, particularly since the structural balance is still expected to fall short of the Government's medium-term objective of a balanced budget in 2014. From a broader perspective, the case for a stronger fiscal effort should also be seen against the background of a more uncompromising attitude by financial markets in assessing sovereign related risks and the expected gradual tightening of monetary conditions in the euro area. For Malta, a more ambitious programme of fiscal rebalancing is also warranted in the light of rising age-related costs.

The fiscal consolidation process should also be supported by structural reforms aimed at promoting growth and at enhancing the economy's external competitiveness, with particular emphasis on sectoral policies that are designed to ensure the effective functioning of the market mechanism.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

During the last quarter of 2010 economic activity in the major industrial countries generally moderated. In contrast, the main emerging market economies continued to register strong growth. Inflationary pressures increased during the quarter, principally due to higher food and commodity prices.

In the euro area real GDP continued to expand in the final three months of 2010, growing at the same annual rate as in the previous quarter. Labour market conditions improved, with employment expanding for the first time since the beginning of 2009 and the unemployment rate falling slightly in December. Meanwhile, euro area inflation continued to rise, mainly driven by higher energy and food prices.

Looking ahead, according to the Eurosystem staff macroeconomic projections published in March, real GDP in the euro area is expected to continue to recover as domestic demand acts as a driver for growth. HICP inflation is set to remain above 2% until the end of 2011, principally as a result of higher energy and food prices.

International economic developments

Economic growth in the United States moderates

Economic activity in the United States continued to grow in the fourth quarter of 2010 although at a slower annual rate than in the previous two quarters, with real GDP rising by 2.8% (see Table 1.1). Growth was entirely driven by domestic demand, mainly household consumption and private investment, which expanded at a faster annual rate than in the previous quarter. In contrast, the other components of domestic demand grew at a slower rate. Additionally, both exports and imports grew less rapidly than in the third quarter, but as imports grew faster, net exports contributed negatively to economic growth. On a quarter-on-quarter basis, real GDP continued to expand, rising by 0.8%, slightly higher than in the previous quarter. The unemployment rate rose further in the beginning of the fourth quarter, reaching 9.8% in November. However, the jobless rate fell to 9.4% in December, slightly lower than 9.6% in September. Going forward, the rate continued to decline, falling to 8.8% in March.

Table 1.1
REAL GDP GROWTH

Annual percentage changes, seasonally adjusted

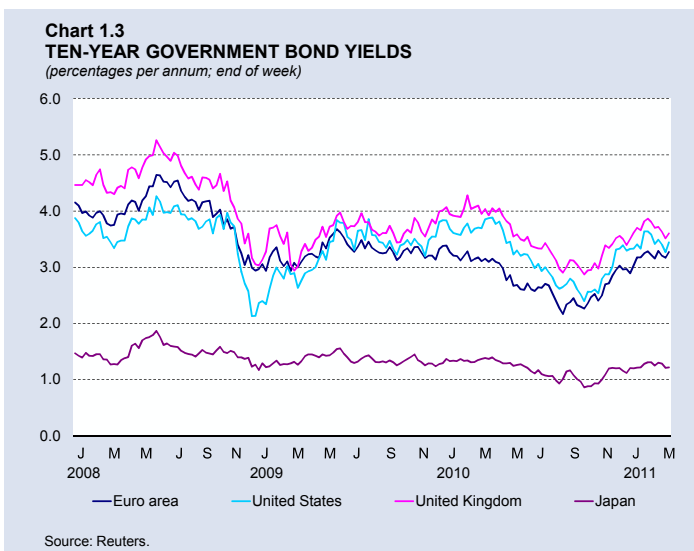
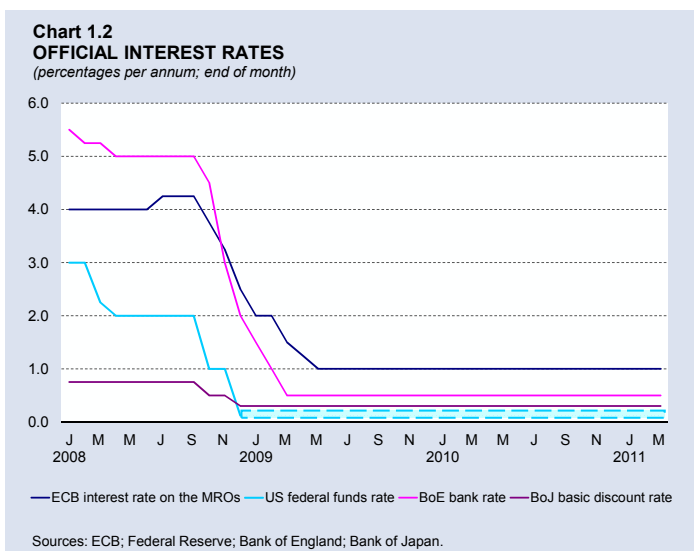
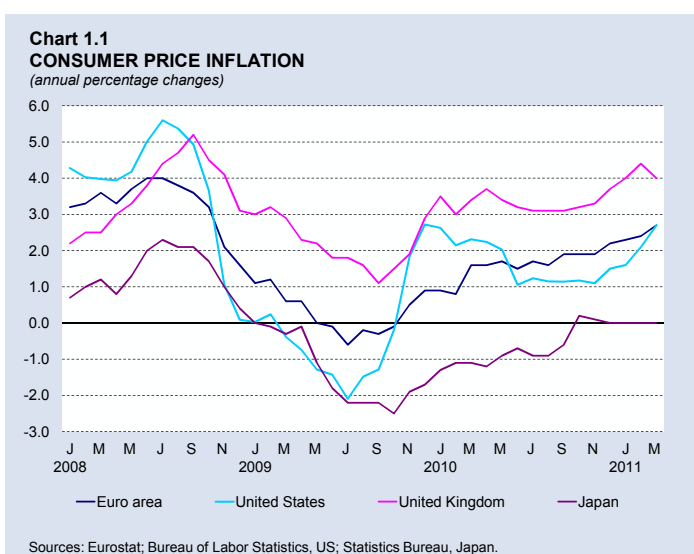
	2009		2010		
	Q4	Q1	Q2	Q3	Q4
United States	0.2	2.4	3.0	3.2	2.8
Euro area	-2.1	0.8	2.0	2.0	2.0
United Kingdom	-2.8	-0.4	1.5	2.5	1.5
Japan	-1.8	5.4	3.3	4.7	2.5

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

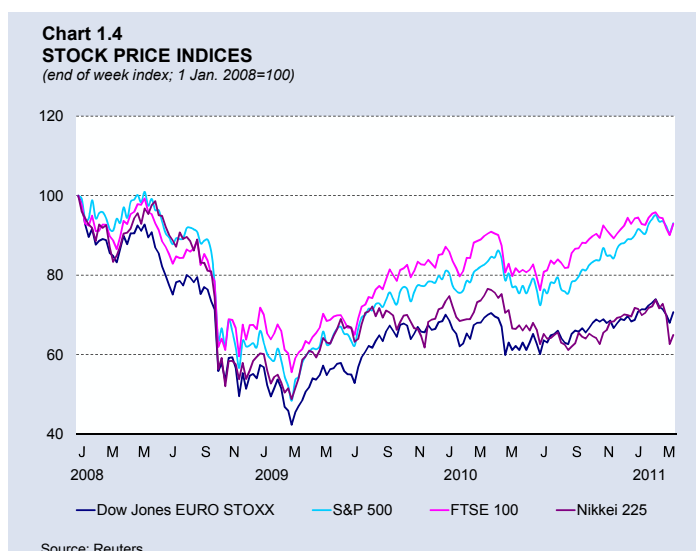
Until November annual consumer price inflation in the United States remained within the range of 1.1% to 1.2% observed since June (see Chart 1.1). In December, however, inflation picked up to 1.5% as a result of higher food and energy prices. Going forward, prices continued to accelerate, with inflation reaching 2.7% in March.

During the last quarter of 2010, the Federal Reserve decided to maintain the federal funds rate target in a range between zero and 0.25% and to keep reinvesting the principal payments from its maturing securities (see Chart 1.2). In its assessment of the US economy, the Fed noted that the recovery was continuing, but unemployment was high and underlying inflation was low. Moreover, in November the US central bank decided to purchase an additional USD600 billion in longer-term Treasury securities by June 2011. Throughout the first quarter of 2011, it maintained the existing policy stance.

Ten-year US government bond yields increased during the last quarter of 2010, ending December around 78 basis points higher than at end-September (see Chart 1.3). After falling to 2.39% in early October, the lowest rate since early 2009, bond yields rebounded and reached 3.30% by the end of the quarter. The rise in yields generally reflected positive macroeconomic data throughout the quarter, which outweighed concerns about the strength of



the economic recovery. In addition, however, the extension of expansionary fiscal policy measures in December also boosted yields. The positive economic outlook continued to support bond yields in the beginning of 2011. However, this increase was partly reversed during February and March, when political tensions in North Africa and the Middle East triggered safe-haven flows. Ten-year bond yields ended March at 3.47%.



During the final three months of the year, US equity prices, as measured by the Standard & Poor's Index, rose for the second consecutive quarter (see Chart 1.4). Equity prices gained around 10%, largely driven by favourable company earning announcements, despite concerns about the recovery going forward. Going into the following quarter, equity prices continued to appreciate, increasing by a further 5% by the end of March.

UK economic activity moderates

Economic growth in the United Kingdom slowed down in the fourth quarter. On a quarter-on-quarter basis, real GDP contracted by 0.5% after four consecutive quarterly expansions. As a result, GDP expanded by just 1.5% on a yearly basis, down from 2.5% in the previous quarter. Growth was primarily driven by inventory changes, followed by private investment and government expenditure. Conversely, household consumption contracted marginally and acted as a drag on growth. Net exports also contributed negatively to growth as imports grew faster than exports, albeit at a slower pace than in the previous quarter. Labour market conditions remained relatively stable. In line with the pattern observed since mid-2009, the unemployment rate ranged between 7.7% and 7.9% and ended the year at 7.8%. The jobless rate fell slightly to 7.7% in January.

Annual consumer price inflation rose during the fourth quarter, reaching 3.7% in December from 3.1% in September. The acceleration in inflation reflected the restoration of the standard VAT rate to 17.5% at the beginning of the year, higher energy prices and the lagged effects of the earlier depreciation of the pound sterling. The more recent upsurge in commodity prices also contributed to inflationary pressures. Subsequently, the annual inflation rate accelerated to 4.4% in February, but moderated to 4.0% in March.

Throughout the last quarter of 2010 and the first quarter of 2011, the Bank of England decided to maintain the official bank rate at 0.50%, unchanged since March 2009. It also decided to continue with its asset purchase programme. The Bank considered its policy stance appropriate to bring inflation back to its medium-term target since the downside pressure on prices stemming from spare capacity would likely offset temporary factors that were supporting higher prices.

During the December quarter, movements in ten-year UK government bond yields mirrored those in the United States. Yields fell to 2.85% in early October before generally following an upward trend throughout the rest of the quarter. Thus, yields rose by 45 basis points over the quarter and reached 3.40% by the end of the year. Ten-year bond yields continued to rise during the following quarter, ending March at 3.69%. UK equity prices, as measured by the FTSE 100, moved in line with US prices and increased for the second consecutive quarter, ending the year 6.3% higher than at end-September. Stock market prices remained relatively constant over the first quarter of 2011.

Japanese economic growth moderates

Economic growth in Japan slowed down during the December quarter. On a quarterly basis, real GDP contracted by 0.3% after an expansion of 0.8% in the third quarter. Consequently, the annual rate of economic growth fell to 2.5% from 4.7% in the previous quarter. Annual growth was driven by all expenditure components, especially by inventory changes and net exports, though all of them grew at a slower pace compared with the previous quarter. Labour market conditions improved slightly, with the unemployment rate edging down to 4.9% in December from 5.0% in September. Going into the first quarter of 2011, the jobless rate continued to decline, reaching 4.6% in February.

Inflation in Japan remained subdued. After having been negative since February 2009, consumer price inflation turned marginally positive in October 2010. The increase reflected a higher tax on cigarettes, together with a rise in food and energy prices. However, the annual inflation rate slowed down over the quarter and reached zero in December. Subsequently, inflation remained constant at zero during the first three months of 2011.

The Bank of Japan maintained an accommodative stance during the final quarter of 2010 and in the following quarter. The central bank kept the basic discount rate unchanged at 0.3% and, in October, further enhanced monetary easing by reducing its targeted uncollateralized overnight call rate from around 0.1% to a range of between zero and 0.1%. In November, it also began an asset purchase programme of around 35 trillion yen, aiming to buy various financial assets, including commercial paper and corporate bonds. In response to the earthquake that hit Japan in March, the Bank of Japan increased the amount of the asset purchase programme by 5 trillion yen.

Ten-year Japanese government bond yields fell to 0.84% in early October before rebounding and rising steadily until mid-December. Subsequently, partly reflecting the stance of Japanese monetary policy, they edged down again and ended the year at 1.12%, 18 basis points higher than at end-September. In the first quarter of 2011, bond yields added a further 14 basis points, ending March at 1.26%. Equity prices, as measured by the Nikkei 225, rose by 9.2% during the last quarter of 2010. They then remained relatively stable until the March earthquake, when they fell sharply. The Nikkei then recovered, but still ended March 4.6% below its end-December level.

Emerging Asian economies continue to grow strongly

The major emerging Asian economies continued to expand robustly during the last quarter of 2010. Annual real GDP growth in China accelerated to 9.8% in the December quarter from 9.6% in the previous quarter. Strong growth was mainly driven by investment. Consumption contributed less to economic growth than in the previous quarter, while the contribution from net exports remained positive reflecting strong external demand. Conversely, the Indian economy expanded at an annual rate of 9.7%, down from 10.5% in the September quarter.

Price pressures remained relatively high during the fourth quarter. Annual consumer price inflation in China accelerated to 5.1% in November from 3.6% in September, supported by higher food prices. Subsequently, inflation moderated to 4.6% in December in response to administrative measures introduced to dampen the rise in food prices. Going forward, however, inflation rose again to 4.9% in February.

In India, wholesale price inflation continued to moderate during the fourth quarter, falling to 7.5% in November before higher food and commodity prices pushed it up to 8.4% in December. Nevertheless, at this level, inflation was still 0.2 percentage points below the rate in September.

Commodities

Oil prices increase further

The price of Brent crude rose for the second consecutive quarter, adding around 17% between end-September and end-December (see Chart 1.5). The steady rise in the price of oil was supported by tightening market conditions due to growing demand, especially in the United States. Brent crude reached USD94.23 per barrel by the end of the year.

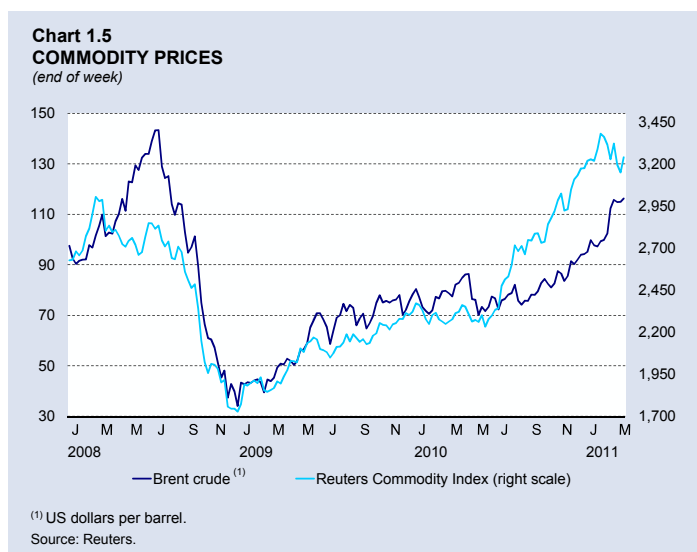
Oil prices rose further in the following quarter, supported by strong demand, but also by uncertain supply prospects resulting from political unrest in the Middle East and North Africa. The price of Brent crude ended March at USD117.93 per barrel, 25.2% higher than at end-December.

Commodity prices continue to rise steadily

Prices of non-energy commodities, as measured by the Reuters Commodity Index, also continued to rise steadily during the final quarter of 2010 (see Chart 1.5).¹ The index climbed by 16.1% during the December quarter, after rising by 18.4% in the previous quarter. Higher prices were recorded for food, mainly maize, corn, wheat and sugar, reflecting both strong demand and adverse weather conditions. Metal prices, especially copper, also increased, as a result of supply constraints. Commodity prices went even higher in the first quarter of 2011, driven both by food and metal prices, dipping only in March following the earthquake in Japan. The Index rose by 2.1% over the quarter as a whole.

Gold price breaks record highs

During the last quarter of 2010 the price of gold rose by 8.5%, extending the upward trend that had begun towards the end of 2008 as investors increasingly viewed gold as a safe-haven asset (see Chart 1.6). During the quarter reviewed, robust demand for gold reflected a



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

weakening dollar, concerns about inflation and uncertainty about the evolution of the sovereign debt crisis in Europe. Gold ended the year at USD1,419.45 per ounce. Although the price fell at the beginning of 2011 as safe-haven demand declined, it subsequently recovered and reached a record high of USD1,436.20 on 23 March. The price of gold ended the first quarter 0.7% higher than at the end of December.

Economic and monetary developments in the euro area

Euro area GDP expands further

Economic activity in the euro area expanded for the fourth consecutive quarter in the last three months of 2010. Real GDP grew by 2.0% on a year earlier, the same rate as in the

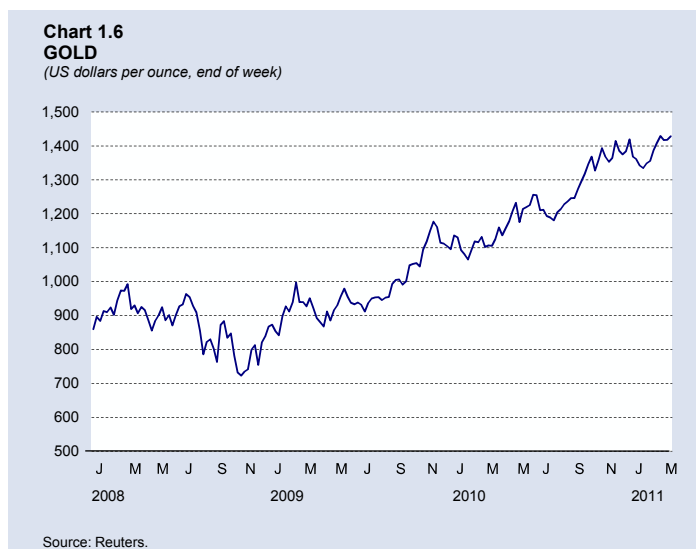


Table 1.2
REAL GDP GROWTH IN THE EURO AREA

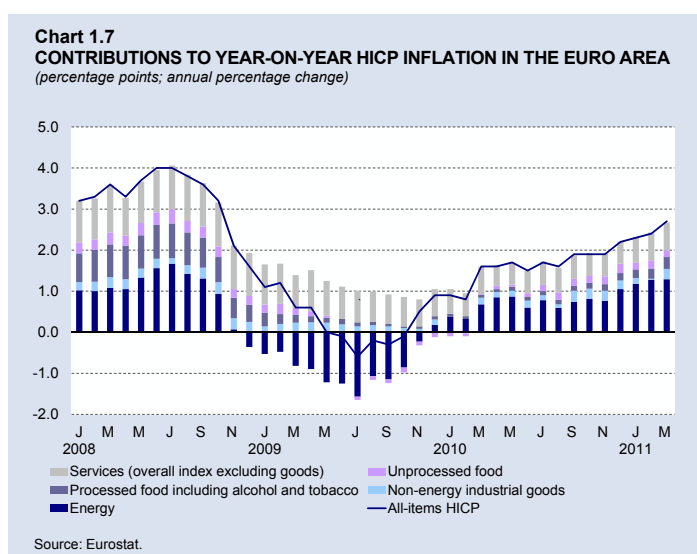
Seasonally adjusted

	2009		2010		
	Q4	Q1	Q2	Q3	Q4
	<i>Annual percentage changes</i>				
Private consumption	-0.4	0.5	0.6	1.0	1.1
Government consumption	1.9	1.1	0.6	0.5	0.6
Gross fixed capital formation	-9.5	-4.7	-0.6	0.5	1.1
Domestic demand	-2.7	-0.4	1.2	1.3	1.5
Exports	-5.2	7.0	12.9	12.3	11.6
Imports	-6.8	3.6	11.1	10.8	10.7
GDP	-2.1	0.8	2.0	2.0	2.0
	<i>Percentage point contributions</i>				
Private consumption	-0.2	0.3	0.4	0.6	0.6
Government consumption	0.4	0.2	0.1	0.1	0.1
Gross fixed capital formation	-2.0	-1.0	-0.1	0.1	0.2
Changes in inventories	-0.8	0.1	0.8	0.5	0.5
Domestic demand	-2.7	-0.4	1.2	1.3	1.5
Exports	-2.1	2.5	4.6	4.5	4.3
Imports	2.7	-1.3	-3.8	-3.8	-3.8
Net exports	0.6	1.2	0.8	0.7	0.6
GDP	-2.1	0.8	2.0	2.0	2.0

Source: Eurostat.

previous quarter (see Table 1.2). On a quarterly basis, economic growth stood at 0.3%, marginally below that of the previous quarter.

Private consumption contributed most to annual real GDP growth, as it expanded by 1.1%, up from 1.0% in the previous quarter. Government consumption and private investment also grew at a faster pace, putting on 0.6% and 1.1%, respectively. As a result, the rate of growth of domestic demand accelerated in the fourth quarter. Meanwhile, net exports' contribution to growth remained positive, but eased from 0.7 to 0.6 percentage points in the last quarter, as export growth slowed down more than imports'.



HICP inflation edges up

The annual HICP inflation rate in the euro area continued its upward trend in the fourth quarter of 2010, rising to 2.2% in December from 1.9% in September (see Chart 1.7). In contrast, core inflation, measured by excluding energy and food prices from HICP, fell from 1.2% to 1.0% during the same period.

The rise in headline inflation in the fourth quarter of 2010 was primarily driven by the energy component. Reflecting international oil price developments, energy price inflation rose by 3.3 percentage points to reach an annual growth rate of 11.0% in December. Additionally, unprocessed and processed food price inflation accelerated to 3.2% and 1.5%, respectively. Conversely, the annual rate of change of prices of non-energy industrial goods and services moderated slightly to 0.7% and 1.3%, respectively.

Going into the first quarter of 2011, area-wide HICP inflation accelerated by 0.5 percentage points, reaching 2.7% in March.

Labour market conditions improve

Conditions in the euro area labour market improved in the fourth quarter of 2010. Employment rose slightly over the previous quarter, while it expanded on an annual basis for the first time after six consecutive quarterly declines. In fact, employment rose at an annual rate of 0.3% after having contracted by 0.2% in the previous quarter. Additionally, the unemployment rate seemed to have reached a turning point in the last three months of the year (see Chart 1.8). The jobless rate remained at 10.1% in October and November before falling marginally to 10.0% in December. The rate declined by a further 0.1 percentage point to 9.9% in January and remained at that level till March.

Labour cost indicators for the euro area as a whole remained contained. Compensation per employee increased by 1.6%, year-on-year, during the final quarter of 2010, up from 1.5% in the previous quarter.

Euro area real GDP and HICP forecasts are revised upwards

ECB staff macroeconomic projections, which were published in March, suggest that domestic demand will eventually overtake exports as the main driver of recovery. This reflects the impact of previous accommodative monetary policy decisions and efforts to restore the functioning of the financial system. Nonetheless, this outlook for growth is weighed down by the need to repair balance sheets across several sectors and by the impact of fiscal consolidation required to ensure confidence in medium-term sustainability. Annual real GDP growth in the euro area is expected within a range of 1.3% and 2.1% in 2011 and between 0.8% and 2.8% in 2012 (see Table 1.3). When compared with the previous projections, the lower end of the ranges were revised upwards reflecting higher projected global economic activity, an increase in euro area exports and stronger domestic demand.

HICP inflation is expected to remain above 2% until the end of 2011, primarily due to the current upsurge in energy and food prices. Subsequently, while import price increases are expected to moderate, domestic price pressures are set to intensify, reflecting economic expansion and higher wage growth. In this context, the average annual rate of inflation is projected to lie between 2.0% and 2.6% in 2011 and to fall to between 1.0% and 2.4% in 2012. Compared with the December projections, the projected range of overall HICP inflation for both 2011 and 2012 has been revised upwards in line with stronger-than-expected increases in prices of energy and food.

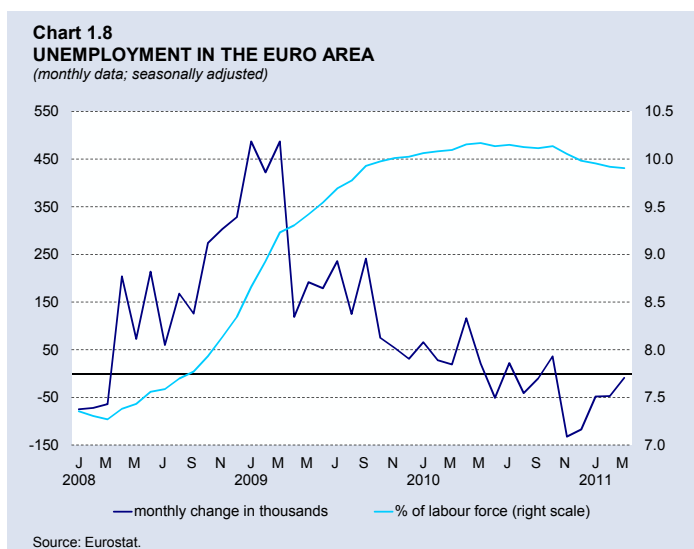


Table 1.3

MACROECONOMIC PROJECTIONS FOR THE EURO AREA⁽¹⁾

Average annual percentage changes, working-day-adjusted data.

	2010	2011	2012
Private consumption	0.8	0.6 – 1.4	0.4 – 2.2
Government consumption	0.7	-0.3 – 0.5	-0.5 – 0.9
Gross fixed capital formation	-0.8	0.4 – 3.4	0.7 – 5.5
Exports	11.1	4.9 – 9.5	3.0 – 9.2
Imports	9.3	3.5 – 7.7	2.8 – 8.4
Real GDP	1.8	1.3 – 2.1	0.8 – 2.8
HICP	1.6	2.0 – 2.6	1.0 – 2.4

⁽¹⁾ ECB staff macroeconomic projections (March 2011).

Source: ECB.

ECB pursues an unchanged monetary policy stance

The ECB left its key official interest rates unchanged in the final quarter of 2010 and the first quarter of 2011. During both quarters, the Governing Council considered that current interest rates remained 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 prices. On 7 April, however, in the light of upside risks to price stability, the Governing Council decided to raise official interest rates by 25 basis points, bringing the MRO rate up to 1.25%.

The Eurosystem continued to implement non-standard monetary policy measures throughout the period reviewed. In December the Governing Council decided to keep 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 April 2011 for the MROs, and until 31 March 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 in the first quarter of 2011 as fixed rate tender procedures with full allotment at the average MRO rate over the life of the respective LTRO. In addition, the Council also announced a temporary liquidity swap facility with the Bank of England, extended a similar arrangement with the Federal Reserve and decided to continue with the US dollar liquidity-providing operations in the form of repurchase operations against eligible collateral as fixed rate tender procedures with full allotment.

In March, the 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 for as long as necessary, and at least until 12 July 2011 for the MROs, and until 30 June 2011 for the special-term refinancing operations. The fixed rate in the special-term refinancing operation 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.

Broad money growth continues to pick up

After turning moderately positive in the third quarter of 2010, the annual growth rate of the broad monetary aggregate M3 continued to rise, increasing to 1.7% in December from 1.1% three months earlier (see Table 1.4). Growth increased temporarily to 2.1% in November, but slowed

Table 1.4
EURO AREA MONETARY AGGREGATES

Annual percentage changes, seasonally adjusted

	2010			2011		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
M1	4.9	4.6	4.3	3.2	2.9	3.0
Currency in circulation	5.9	5.6	4.8	5.4	5.1	3.7
Overnight deposits	4.7	4.4	4.2	2.7	2.4	2.8
M2-M1 (Other short-term deposits)	-1.3	-0.5	-0.4	1.1	1.8	2.2
Deposits with an agreed maturity of up to two years	-9.0	-7.7	-6.7	-3.2	-1.6	-0.3
Deposits redeemable at notice of up to three months	7.4	7.3	6.3	5.6	5.2	4.8
M2	2.1	2.3	2.2	2.3	2.4	2.6
M3	1.1	2.1	1.7	1.5	2.1	2.3

Source: ECB.

down in the following month. The yield curve steepened slightly in the last quarter, which encouraged shifts out of M3 – and especially out of narrow money (M1) – into less liquid but higher-yielding assets.

The annual growth rates of the components of the broad money aggregate gradually converged. During the fourth quarter of 2010, the annual growth rate of M1 declined considerably, falling by almost two percentage points to 4.3% in December. At the same time, the annual growth rates of short-term deposits other than overnight deposits (M2-M1) and those of marketable instruments (M3-M2) became less negative. This convergence mainly reflected interest rate developments. The shift from overnight deposits into more highly remunerated deposits within M3 reflected high interest rates on short-term time and saving deposits.

In the first quarter of 2011, annual M3 growth accelerated further to 2.3% in March. Meanwhile, annual M1 growth continued on its downwards path, falling to 3.0% in March.

Bank lending growth accelerates

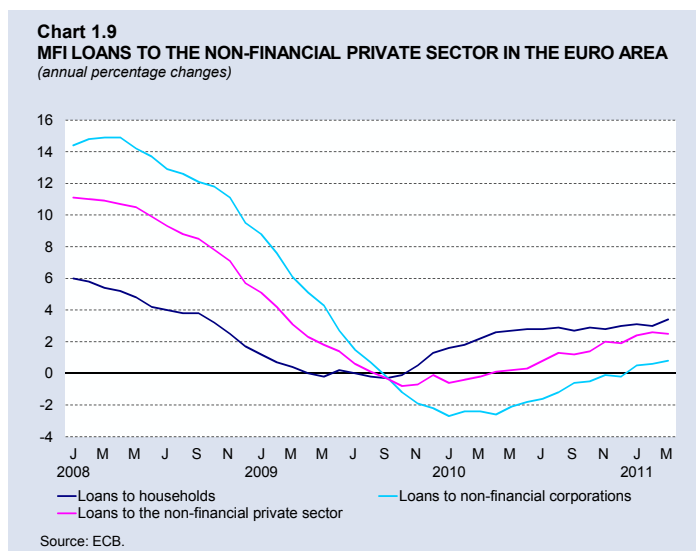
On the counterpart side, the annual growth rate of credit to euro area residents extended its gradual recovery following the drop in the wake of the financial crisis. Credit growth went up to 3.4% in December from 2.2% in September. The increase was driven by a rise in the annual rate of expansion of credit to both the private sector and to general government, which accelerated to 1.6% and 11.7%, respectively, by December.

MFI loans continued to rise further during the December quarter. The annual growth rate of loans to the non-financial private sector rose to 1.9% in December from 1.2% three months earlier (see Chart 1.9). This reflected developments in both loans to non-financial corporations and to households. Loans to the former continued to recover, with the annual growth rate edging up by 0.4 percentage points to -0.2% in December. At the same time, the annual growth rate of loans to households accelerated by 0.3 percentage points to 3.0% in December, though it remained around levels seen since the middle of the year. This rise was driven by a higher annual growth rate in loans for house purchases, reflecting increasing house prices in some euro area countries. Aggregate euro area developments mask divergences in loan demand and supply patterns across countries.

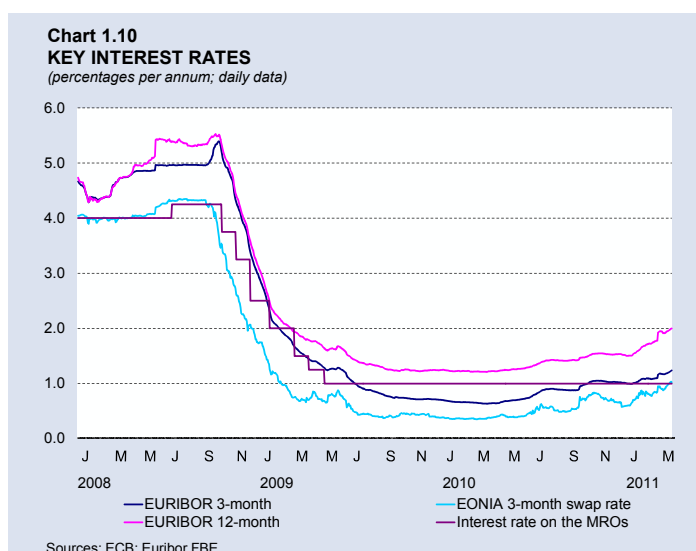
The annual growth rate of MFI loans to the private sector increased further in the first quarter of 2011, reaching 2.5% in March as a result of a higher rate of growth of loans to non-financial corporations and households.

Money market rates increase further

Money market interest rates in the euro area continued to increase during the fourth quarter of 2010, partly due to



a seasonal demand for liquidity. Between end-September and end-December, unsecured money market interest rates, as measured by EURIBOR, rose by 11 basis points to 1.01% at the three-month maturity and by seven basis points to 1.51% at the 12-month maturity (see Chart 1.10).² Thus, the three-month EURIBOR exceeded the MRO rate for the first time since July 2009, possibly reflecting tighter liquidity conditions. During the first quarter of 2011 EURIBOR rates rose further, by 23 basis points at the three-month maturity and by 49 basis points at the 12-month maturity, ending March at 1.24% and 2.0%, respectively.



Secured rates, such as those derived from the three-month EONIA swap index, remained volatile during the fourth quarter.³ The index increased during October, rising by 24 basis points from end-September. However, it fell in the subsequent two months, ending the year at 0.60%, the same level as at end-September. The EONIA swap index rose by 43 basis points in the first quarter of 2011.

The spread between unsecured EURIBOR rates and secured EONIA swap rates at the three-month maturity declined to an average of 24 basis points during October, which signals diminishing concerns about the health of the banking sector. However, the difference between the two rates was still wide compared with levels prior to the financial turmoil. The spread widened again in the subsequent two months, reaching 41 basis points at the end of the year. During the first quarter of 2011, the difference between the two rates declined again and stood at 22 basis points at end-March.

Benchmark euro area long-term government bond yields rebound

During the last quarter of 2010, ten-year German government bond yields, which are often taken as a benchmark in the euro area, rebounded significantly rising by 71 basis points to 2.97% at the end of the year (refer to Chart 1.3). During the period German yields moved in line with those in the US, although displaying a lower degree of volatility. The rise in yields reflected the generally positive outlook for the German economy. Meanwhile, spreads between yields on ten-year bonds issued by most euro area countries and Germany narrowed. The differentials widened in the case of Greece and Ireland, however, reflecting market concerns about fiscal sustainability in these countries.

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

³ 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.

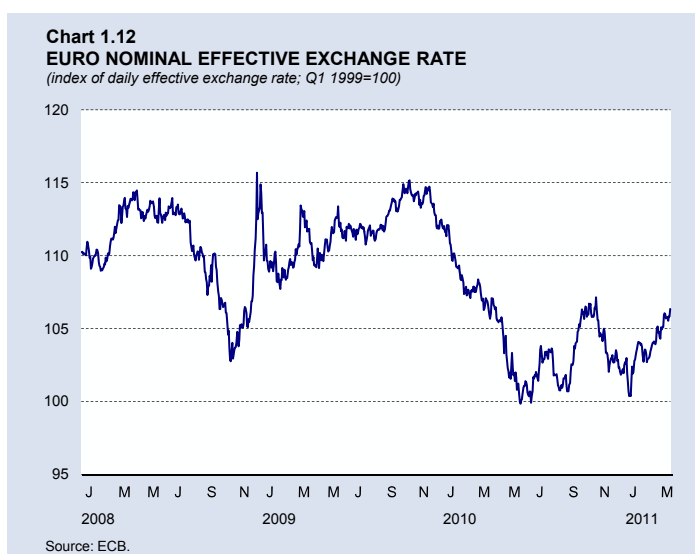
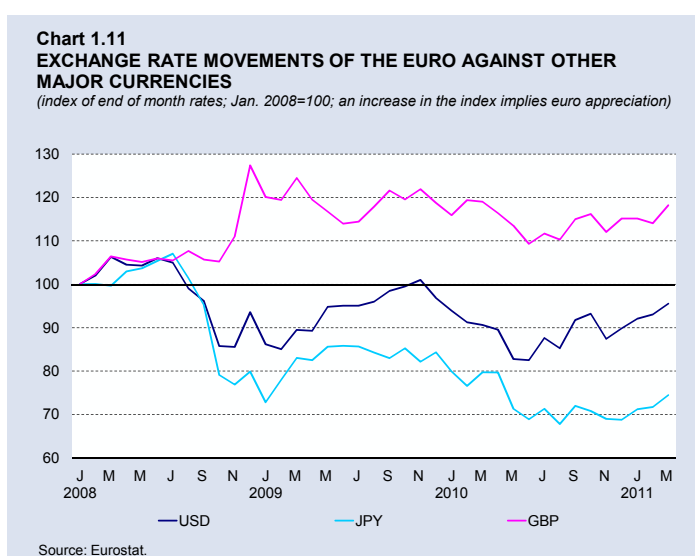
Benchmark euro area government bond yields continued to rise in the first quarter of 2011, when they increased by 38 basis points to 3.35% at the end of March.

Euro area equity prices generally rise

Euro area stock prices, as measured by the Dow Jones EURO STOXX index, increased during the December quarter, rising by 3.8% (refer to Chart 1.4). In general, equity markets in the euro area benefited from broadly positive economic news and higher corporate earnings growth. However, the escalation of tension in sovereign debt markets hit investor sentiment, which led to a decline in euro area equity prices, and particularly financial stock prices, in November. Euro area equities reversed their earlier losses by December, as bank stock prices rebounded. The increase in euro area stock prices continued during the first quarter of 2011, when the Dow Jones EURO STOXX index added a further 3.6%.

Euro depreciates against major currencies

On a bilateral basis, the euro generally weakened against other major currencies during the last quarter of 2010. The appreciation of the euro against the US dollar observed since mid-June continued up to early November, mainly driven by expectations of further quantitative easing by the Federal Reserve. However, the euro then weakened amid the intensification of market concerns about sovereign debt issued by certain euro area countries. The euro strengthened slightly against the US dollar in December, partly reversing previous losses. By the end of the quarter, however, the euro had depreciated by 2.1% against the US currency (see Chart 1.11). Concurrently, the euro weakened against the Japanese yen by 4.4%, but remained relatively stable against the pound sterling. In contrast, the euro appreciated against major currencies in the first quarter of 2011, rising by 6.3%, 8.2% and 2.7% against the US dollar, Japanese yen and the pound sterling, respectively.



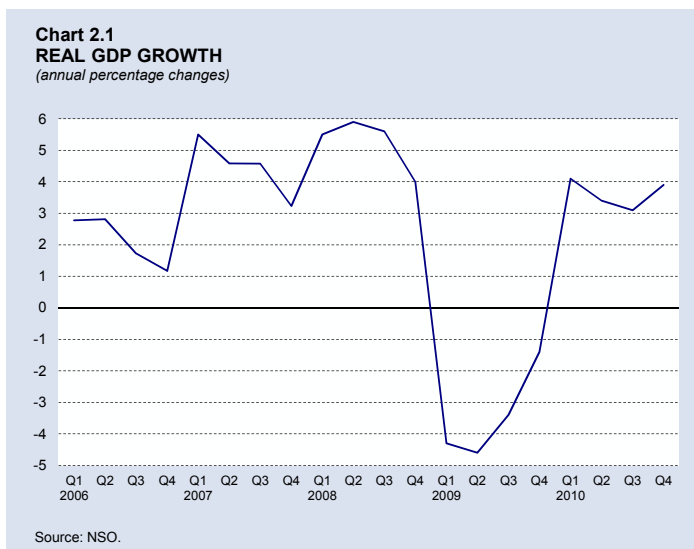
Similarly, the euro's nominal effective exchange rate (NEER), as measured against the currencies of 20 of the euro area's main trading partners, appreciated in October, primarily reflecting developments in the US dollar-euro exchange rate. Throughout the rest of the quarter the NEER depreciated, ending December 2.1% lower than at end-September (see Chart 1.12). In the first quarter of 2011, the NEER then reversed almost all the previous quarter's losses, as it appreciated by 3.5%.

2. THE MALTESE ECONOMY

Output

Economic activity continues to expand

The Maltese economy continued to recover into the fourth quarter of 2010, expanding at an annual rate of 3.9% (see Chart 2.1). This compared with an average growth rate of 3.5% during the first three quarters of the year. Growth in the fourth quarter was primarily driven by domestic demand, particularly investment spending, though net exports too provided a modest contribution (see Table 2.1).



Investment increases robustly

The main source of growth in domestic demand during the period under review was the rise of almost a quarter in gross fixed capital formation, albeit from the relatively low level recorded a year earlier. The increase mainly reflected a higher level of spending on machinery and equip-

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2009		2010		
	Q4	Q1	Q2	Q3	Q4
	<i>Annual percentage changes</i>				
Private final consumption expenditure	0.5	1.0	-1.0	-3.1	0.3
Government final consumption expenditure	-4.7	-1.6	2.6	-2.5	3.8
Gross fixed capital formation	-8.9	6.5	2.5	7.7	23.1
Changes in inventories (% of GDP) ⁽¹⁾	3.6	3.8	-5.3	-1.4	3.3
Domestic demand	1.9	3.1	-6.4	-0.9	3.6
Exports of goods & services	-3.0	21.8	20.5	16.0	11.7
Imports of goods & services	0.8	19.3	8.7	12.2	10.9
Gross domestic product	-1.4	4.1	3.4	3.1	3.9
	<i>Percentage point contributions</i>				
Private final consumption expenditure	0.3	0.7	-0.7	-2.0	0.2
Government final consumption expenditure	-0.9	-0.3	0.5	-0.5	0.7
Gross fixed capital formation	-1.2	0.9	0.3	1.1	3.0
Changes in inventories ⁽¹⁾	3.8	2.1	-6.7	0.5	-0.1
Domestic demand	1.9	3.3	-6.5	-0.9	3.8
Exports of goods & services	-2.7	16.7	17.4	14.9	10.2
Imports of goods & services	-0.7	-15.9	-7.5	-10.9	-10.0
Net exports	-3.3	0.8	9.9	4.0	0.2
Gross domestic product	-1.4	4.1	3.4	3.1	3.9

⁽¹⁾ Includes acquisitions less disposal of valuables.

Source: NSO.

ment, particularly in the energy sector. The construction component of the investment aggregate rose moderately, mainly on account of an increased level of government construction. In contrast, the decline in private construction investment continued, mirroring subdued conditions in the housing market (see Box 2).

Changes in inventories, which also include the statistical discrepancy, were positive and equivalent to 3.3% of GDP in the fourth quarter. Although inventories recovered after having declined in the previous two quarters, the change in inventories was smaller than that recorded in the last quarter of 2009. Consequently, the contribution of inventories to GDP growth was a negative 0.1 percentage points.

Consumption expands moderately

After having contracted at an annual rate of 3.1% in the previous quarter, private consumption expanded by 0.3%, thereby contributing 0.2 percentage points to GDP growth. The positive though weak rate of consumption growth coincided with a modest rise in nominal employee compensation.

Government consumption grew more robustly at 3.8%, adding 0.7 percentage points to GDP growth. The fourth-quarter rise mainly resulted from higher health-related expenditure, although employee compensation, especially in health and education, also recorded an increase.

Net exports become less negative

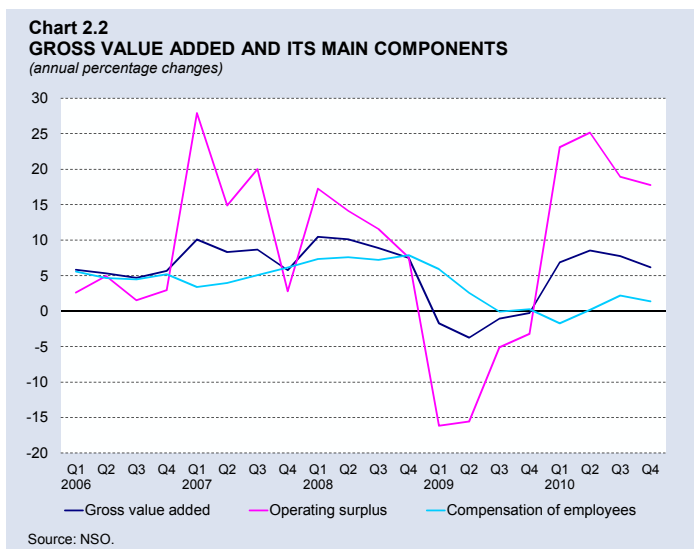
Exports and imports continued to register substantial growth, but decelerated to annual rates of 11.7% and 10.9%, respectively. As a result the trade gap narrowed, with net exports making a marginal contribution of 0.2 percentage points to GDP growth in the quarter under review.

Data in nominal terms on the balance of payments indicate that the increase in exports was predominantly driven by fuel re-exports, sales of semiconductors and receipts from financial services and travel. Higher imports of electronics & transport equipment and fuel, as well as higher spending by residents on travel abroad, accounted for most of the rise in imports.

Compared with a year earlier, the terms of trade deteriorated slightly as import prices rose faster than export prices.

Operating surplus drives growth in nominal incomes

In nominal terms, GDP grew by 6.7% during the December quarter, while gross value added (GVA) increased by 6.2% (see Chart 2.2 and Table 2.2).¹



¹ GDP at market prices is equal to gross value added plus taxes on products less subsidies on them.

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

Percentage points

	2009		2010		
	Q4	Q1	Q2	Q3	Q4
Agriculture, hunting & forestry	0.1	-0.1	0.0	0.0	0.1
Manufacturing	-2.5	-0.2	1.7	1.1	1.0
Electricity, gas & water supply	0.6	0.5	0.7	1.1	0.3
Construction	-0.5	-0.5	0.3	0.0	0.1
Wholesale & retail trade	-0.5	0.7	0.1	-0.2	0.3
Hotels & restaurants	-0.4	0.2	0.1	1.1	0.4
Transport, storage & communication	-1.2	0.2	0.1	0.1	0.2
Financial intermediation	2.8	3.4	2.6	1.8	1.1
Real estate, renting & business activities	1.2	0.8	0.9	0.8	0.6
Public administration	0.3	0.2	0.0	0.0	-0.1
Education	0.3	0.5	0.5	0.4	0.4
Health & social work	0.3	0.4	0.3	0.4	0.5
Other community, social & personal services	-0.7	0.0	0.3	0.3	0.5
Other ⁽¹⁾	0.0	0.0	0.0	0.0	0.0
Gross value added	-0.2	6.0	7.5	6.7	5.2
Net taxation on products	1.3	1.8	-1.4	-0.3	1.5
Annual nominal GDP growth (%)	1.1	7.8	6.1	6.4	6.7

⁽¹⁾ Includes fishing, mining and quarrying and private households with employed persons.

Source: NSO.

The operating surplus component of GVA, which tends to display a strong degree of volatility, continued to recover from the previous year's decline. During the final quarter of 2010 it grew by 17.8%, with profits recorded by the manufacturing sector and financial intermediation services together accounting for more than half of the increase. Meanwhile, employee compensation maintained its gradual expansion, increasing by 1.4% on a year-on-year basis.

Services remain the main engine of growth

With regard to the sectorial contribution of GVA growth in the December quarter, most sectors showed a year-on-year increase in output, but particularly the services sector. Thus the financial intermediation sub-sector was up by almost a fifth on an annual basis, and accounted for 1.1 percentage points out of a total increase of 6.7% in nominal GDP. The growth during the quarter mainly reflected a further increase in operating surplus.

Another sub-sector of services, covering real estate, renting & business activities contributed a further 0.6 percentage points with the "other business" segment, which includes a broad range of business and professional services, responsible for over 40% of the overall increase.

The continued robust performance of the tourism industry (see Box 3) was mirrored in the sector's annual growth rate of 14.1% and in its contribution of 0.4 percentage points to nominal GDP growth. Hotels accounted for around 80% of the annual increase in GVA.

In contrast, the GVA of the public administration sector declined by 1.9%, reflecting lower employee compensation. As a result it contributed to a reduction of GDP growth by around 0.1 percentage points.

Table 2.3
INDUSTRIAL PRODUCTION

Percentages; annual percentage changes

	Shares	2009		2010		
		Q4	Q1	Q2	Q3	Q4
Industrial production	100	-8.3	6.1	13.5	7.1	0.6
Computer, electronic & optical products	18.5	5.1	34.9	32.7	25.8	20.5
Food products	10.2	-12.1	-20.1	-6.8	-6.6	-12.1
Energy ⁽¹⁾	8.0	-2.9	-4.1	-3.7	-2.7	0.9
Wearing apparel	6.5	-48.1	-30.8	-21.9	-1.3	14.6
Rubber & plastic products	6.2	1.2	23.7	39.2	9.0	1.1
Basic pharmaceutical products & pharmaceutical preparations	5.5	-21.5	9.8	49.1	27.2	-0.2
Textiles	5.2	12.9	15.6	25.3	117.9	22.4
Repair and installation of machinery and equipment	5.0	-30.7	-14.6	-13.0	-18.3	-20.2

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

Source: NSO.

Manufacturing also contributes significantly

Manufacturing GVA rose for the third consecutive quarter, thus extending its recovery following the contraction recorded in 2009. During the last three months of the year GVA in the sector rose by a further 8.6% in annual terms, after registering annual growth of 10.4% in the third quarter. The sector added 1.0 percentage points to nominal GDP growth in the review period.

Meanwhile industrial production statistics covering the final quarter of the year show a substantial moderation in output growth. This decelerated to 0.6% on the corresponding period of 2009 (see Table 2.3). This notwithstanding, the average growth rate over the whole year stood at 6.7%.

The overall slowdown in industrial production partly reflected declining output in the food, repair & installation and pharmaceutical sectors, which make up approximately a fifth of the total. Moreover, production grew at a slower pace in the semiconductors sector (included under computer, electronic & optical products in Table 2.3), as well as in the rubber & plastic products and textile sectors. In contrast, production levels increased in the wearing apparel sector after a protracted period of negative growth.

Industrial production data suggest that the volume of output in the energy sector rose after two years of contraction. Indeed, GVA in the electricity, gas & water supply sector continued to increase, albeit more moderately compared with the first three quarters of the year. The growth rate of 16.9% in GVA contributed 0.3 percentage points to nominal GDP growth. Apart from a greater volume of output, the increase in gross value added partly reflected the impact of higher prices.

The labour market²

Conditions in the labour market remained generally favourable in the last quarter of 2010. In fact, both the LFS and ETC records point towards higher employment. LFS data, however, indicate that growth in employment has moderated. Similarly, the declining trend in unemployment,

² This section draws mainly on labour market statistics obtained from two sources. The LFS is a household survey conducted by the NSO on the basis of definitions set by the International Labour Organisation and Eurostat, while ETC's findings are computed from administrative records compiled 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

	2009		2010			Annual change %
	Q4	Q1	Q2	Q3	Q4	
Labour supply	173,866	177,135	177,532	177,206	175,101	0.7
Employed	160,829	164,377	165,443	165,152	163,123	1.4
<i>By type of employment:</i>						
Full-time	142,280	143,377	145,711	144,131	143,238	0.7
Full-time with reduced hours	2,258	3,458	3,685	3,467	2,663	17.9
Part-time	16,291	17,542	16,047	17,554	17,222	5.7
Unemployed	13,037	12,758	12,089	12,054	11,978	-8.1
Activity rate (%)	59.5	59.6	59.9	61.0	60.4	
Male	76.1	77.0	78.3	77.7	77.5	
Female	42.3	41.5	40.8	43.6	42.8	
Employment rate (%)	55.0	55.3	55.9	56.8	56.3	
Male	70.9	71.4	73.5	72.2	71.9	
Female	38.5	38.5	37.5	40.7	40.0	
Unemployment rate (%)	7.5	7.2	6.8	6.8	6.8	
Male	6.7	7.2	6.2	6.9	7.0	
Female	9.0	7.2	8.1	6.6	6.5	

Source: NSO.

which began at the beginning of 2010 and continued into the fourth quarter, appears to be bottoming out.

Employment levels continue to recover

LFS data point to a higher demand for labour in the fourth quarter of 2010 compared with the corresponding period of the previous year. Employment grew by 1.4% on a year earlier, a more moderate rate than the annual growth rates observed in the first three quarters of the year (see Table 2.4). The female category contributed a full percentage point to the overall increase, while males added the remaining 0.4 points. Employment growth reflected higher levels of both full-time and part-time employment. At 56.3%, the employment rate was 1.3 percentage points higher than during the same period of 2009.³ The rate for women increased at a faster pace than that for men, narrowing the gender gap.

A sectoral analysis shows that employment gains were mainly driven by firms operating in the services and manufacturing sectors. In contrast, job losses were recorded within the agriculture & fishing and construction industries.

During the same period, the labour supply also moderated. After accelerating progressively between the third quarter of 2009 and the first quarter of 2010, growth in the labour force decelerated, falling to 0.7% in the final quarter of the year. The activity rate stood at 60.4%, adding 0.9 percentage points on a year earlier.⁴

³ The employment rate measures the number of persons employed on a full-time or part-time basis as a share of the population aged between 15 and 64 years.

⁴ The activity rate measures the number of persons in the labour force as a proportion of the working age population, that is, people aged between 15 and 64 years.

LFS data for the year as a whole point to a notable improvement in labour market conditions. In fact, on average, employment expanded by 2.0% in 2010, up from 0.6% growth in the previous year. In addition, at 56.1%, the employment rate added 1.2 percentage points on a year earlier, reaching the highest level since the inception of the survey.

ETC records available up to November 2010 show that the year-on-year employment gains observed since June continued (see Chart 2.3). In fact, the gainfully occupied population, which

consists of persons who hold a full-time job, rose progressively since June and posted a year-on-year increase of 1.5% in November, thus surpassing the earlier high registered in mid-2008.

Full-time private sector employment continued to increase, whereas public sector employment declined (see Table 2.5). The former expanded by 2.3% year-on-year, mainly driven by increases in the “other business activities” category, which comprises a broad range of business-related services. In addition, gains were recorded in the recreational sector, in IT-related activities, as well as in the financial sector.

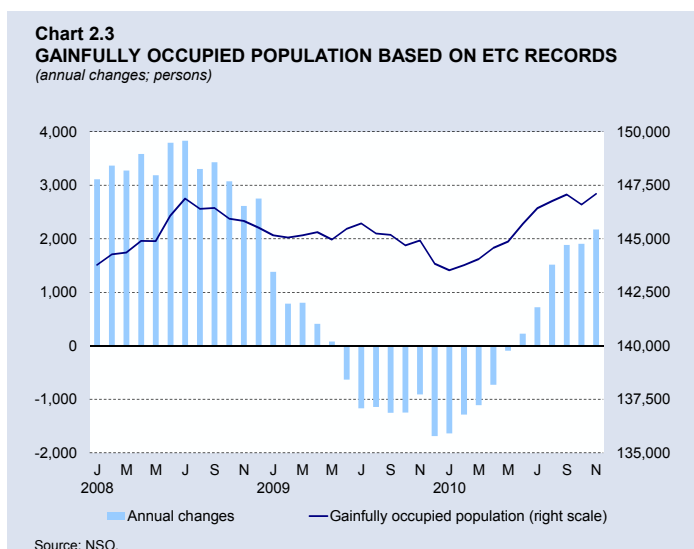


Table 2.5
LABOUR MARKET INDICATORS BASED ON ETC ADMINISTRATIVE RECORDS

Persons; annual percentage changes

	2009		2010			Annual change %
	Nov.	Mar.	June	Sep.	Nov.	
Labour supply	152,509	151,603	152,465	153,722	153,749	0.8
Gainfully occupied ⁽¹⁾	144,921	144,047	145,690	147,067	147,094	1.5
Registered unemployed	7,588	7,556	6,775	6,655	6,655	-12.3
Unemployment rate (%)	5.0	5.0	4.4	4.3	4.3	
Private sector	103,559	102,844	104,669	106,185	105,941	2.3
Direct production	31,659	31,111	31,407	32,016	31,983	1.0
Market services	71,900	71,733	73,262	74,169	73,958	2.9
Public sector	40,732	40,565	40,391	40,326	40,481	-0.6
Temporary employment	630	638	630	556	672	6.7
Part-time jobs	48,769	49,540	51,551	52,136	51,904	6.4
Primary	27,396	27,854	29,451	29,680	29,224	6.7
Secondary ⁽²⁾	21,373	21,686	22,100	22,456	22,680	6.1

⁽¹⁾ This category measures full-time employment.

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

Source: NSO.

BOX 1: BUSINESS AND CONSUMER SURVEYS¹

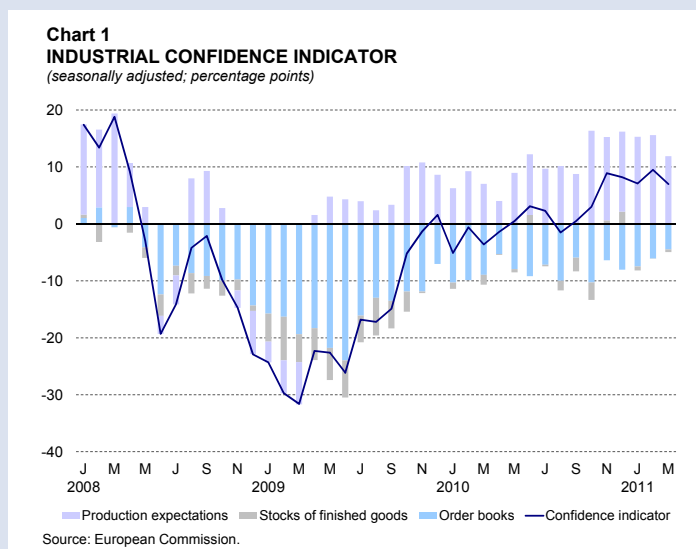
Survey results indicate almost unchanged sentiment levels in manufacturing industry as well as an improvement among service providers and in the construction sector during the first quarter of 2011. However, consumer confidence declined further.

Industrial confidence remains broadly unchanged in the first quarter²

After having risen in the preceding quarter, sentiment among Maltese manufacturers remained practically unchanged during the first quarter of 2011. In fact, the seasonally-adjusted indicator fell by one percentage point in March from eight in December, remaining in positive territory and above its average level for 2010 (see Chart 1).

The minimal decline in confidence reflected higher accumulation of stocks and a deterioration in production expectations over the subsequent three months. On the other hand, compared with December, a lower proportion of respondents reported insufficient order book levels. In addition, survey data show that employment expectations improved, with most of the participants foreseeing employment levels rising. Meanwhile, the majority of manufacturers indicated that the current production capacity was not enough to meet demand. In the March quarter, respondents also anticipated a fall in their selling prices in the subsequent three months.

Turning to seasonally-unadjusted data, for which a more detailed breakdown is available, the overall index rose to nine in March from two in December. Confidence increased among manufacturers across all broad categories, namely consumer, intermediate and investment goods. More specifically, as regards manufacturers of food and beverages, the indicator was up by five percentage points in March from its December level of zero. Furthermore, sentiment among pharmaceutical firms rose after having deteriorated during the last quarter of 2010. Sentiment expressed by manufacturers of rubber & plastic products also improved. However, confidence deteriorated in sectors related to printing & reproduction media and fabricated metal products. In the latter case the confidence measure turned negative.



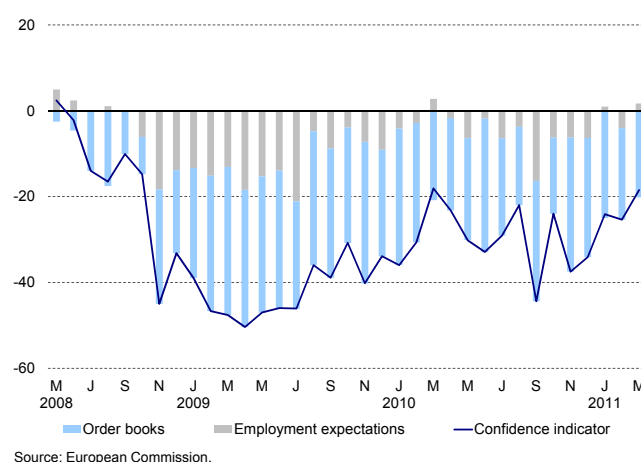
¹ Since May 2010, survey data for industry, construction and services are compiled according to the NACE Revision 2 classification. However, aggregates for each category are unlikely to be affected by this change in methodology. The compilation methodology of the consumer survey remained unchanged.

² 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.

Sentiment improves in construction³

The seasonally-unadjusted indicator for the construction industry, which exhibits a large degree of volatility, improved during the first three months of 2011 – remaining, however, in negative territory. The relevant index stood at -19 in March, 16 percentage points above the December level and 12 percentage points higher than the 2010 average (see Chart 2). This improvement reflected respondents' intentions to increase their labour complement over the subsequent three months, while a smaller number of firms reported weak order books.

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

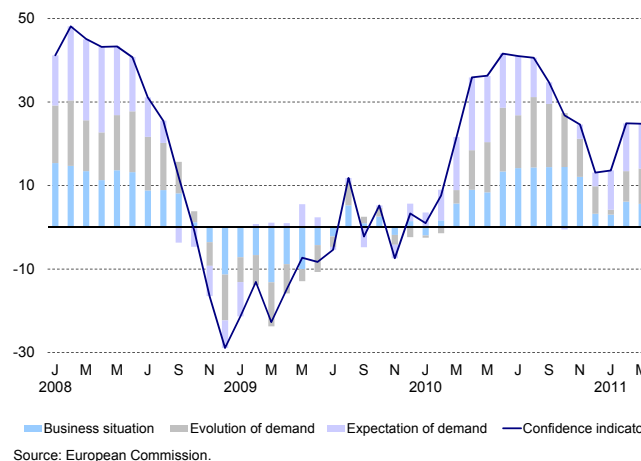


Confidence strengthens among service providers⁴

Likewise, after having declined during the second half of 2010, confidence among service providers rose to 25 in March from 13 in December (see Chart 3). This reflected an improvement in demand expectations for the subsequent three months, a more favourable business situation and an increase in demand in the previous three months. Nonetheless, the index was below its average level, of 27, for 2010. Supplementary data show a deterioration in employment expectations, while respondents expect selling prices to increase in the following three months, especially in the tourism industry.

Details show that compared with December respondents in the accommodation sector were less pessimistic about their business prospects, while sentiment remained high among firms in the financial intermediation sector. In addition, firms in real estate, travel-related activities and motion picture, video & TV programming reported strong gains in sentiment, with the balance of

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



³ The construction confidence indicator is the arithmetic average of the balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months. Balances are not seasonally adjusted.

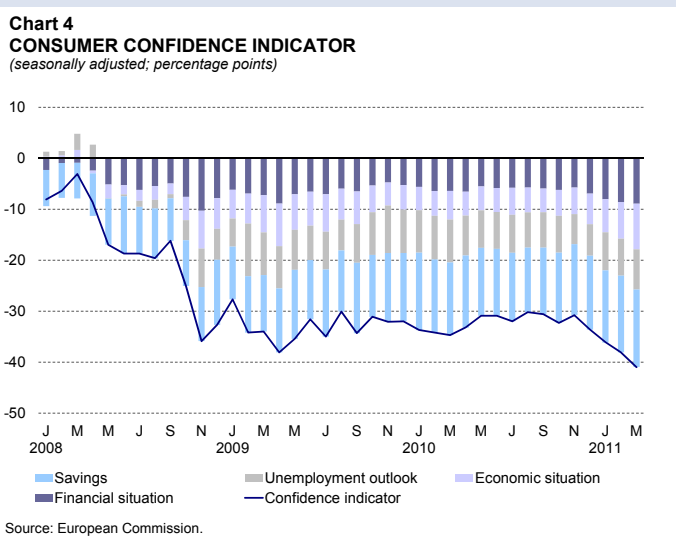
⁴ The services confidence indicator is the arithmetic average of the balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months. Balances are not seasonally adjusted.

replies turning positive. On the other hand, business confidence among participants engaged in programming & broadcasting activities and telecommunications turned negative.

Consumers remain pessimistic⁵

On the other hand, sentiment among consumers continued to deteriorate. The index reached a record low of -41 in March, seven percentage points below the level registered in December (see Chart 4). All the components of the index declined, particularly households' assessments of the general economic situation and their own financial position over the subsequent 12 months. Respondents were also more pessimistic about their ability to save and about unemployment prospects. The decline in sentiment was spread across most occupational segments.

Additional survey data indicate that, on balance, compared with December, a larger number of consumers expected prices to rise in the subsequent 12 months. Moreover, in view of the general economic situation, the number of respondents believing that the time was appropriate to make major purchases remained roughly unchanged.



⁵ 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.

Furthermore, after having stabilised in the previous quarter the annual rate of growth of employment in direct production turned positive and increased to 1.0%, mainly reflecting the continued recovery in manufacturing activity. Within the latter, higher employment levels were observed in the transport equipment, furniture and rubber & plastic sub-sectors. In contrast, jobs in the construction industry declined.

Meanwhile, employment in the public sector was down by 0.6%, mainly reflecting the ongoing strike-off of people formerly employed at the government-owned shipyard, which was transferred to a private operator in mid-2010. However, this decline was partly offset by job creation in education and health & social work.

The increase in part-time employment observed in the LFS is also reflected in ETC records. According to the latter, in November the number of part-time jobs expanded by 6.4% on a year earlier, with workers whose sole employment was part-time accounting for almost 60% of the increase and those with part-time jobs as their secondary employment making up the remainder. A sectoral analysis shows a significant increase in part-time employment in hotels & restaurants, which reflected the buoyant activity in the tourism industry (see Box 3). Other gains were registered in the “other business activities” category and in education.

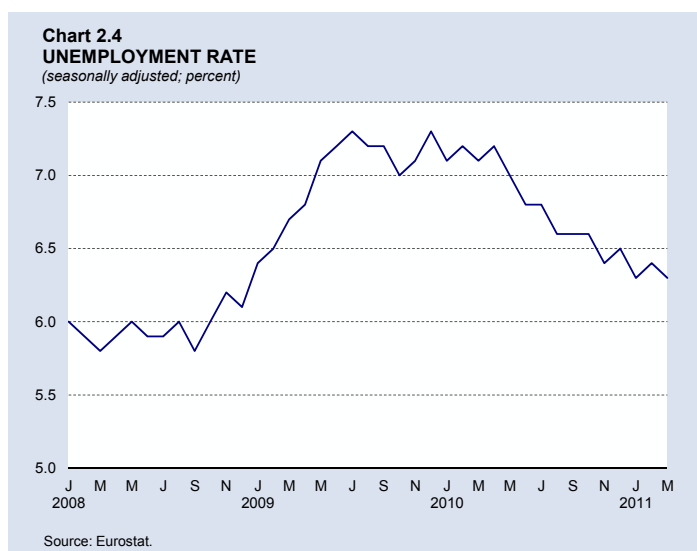
Unemployment eases further but signs of stabilisation emerge

In parallel with higher labour demand, a number of related indicators pointed towards further easing in unemployment during the last quarter of 2010. In fact, the seasonally-adjusted unemployment rate ended the year at 6.5%, 0.8 percentage points below the previous year’s level (see Chart 2.4).⁵

Similarly, in December, the number of unemployed persons registering with the ETC declined for the eighth consecutive month, falling by 1,074, or 14.0%, from a year earlier (see Chart 2.5). Another positive development was that the long-term unemployed, namely those registering for work for more than 12 months, declined during the last three months of the year on a year-on-year basis, after having increased since April 2009. Furthermore, the number of those recorded in the short-term category continued to decrease.

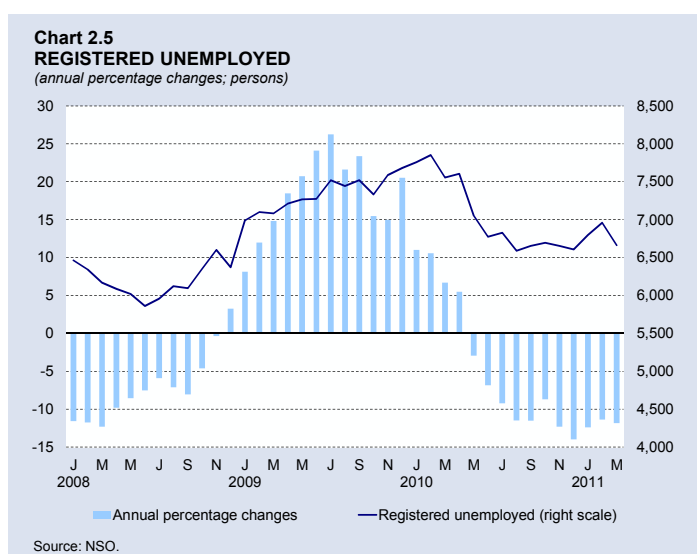
LFS data also show an annual decline in unemployment, as the labour supply grew moderately while employment increased at a faster rate (see Table 2.4). The corresponding unemployment rate stood at 6.8% in the last quarter, stable when compared with the previous two quarters, but 0.7 percentage points below the level recorded in the same period of 2009.

In the first quarter of 2011 conditions in the labour market



⁵ See Eurostat Press Release 62/2011.

appeared to have stabilised. The seasonally-adjusted unemployment rate fell again in January, increased slightly in February, on a month-on-month basis, but returned to its January level in March (see Chart 2.4). Meanwhile, the latest ETC data indicate that on a month-on-month basis, the number of persons registered as unemployed increased during the first two months of 2011, but fell back again in March (see Chart 2.5). The number of registered unemployed remained almost 900 below the level in March 2010.



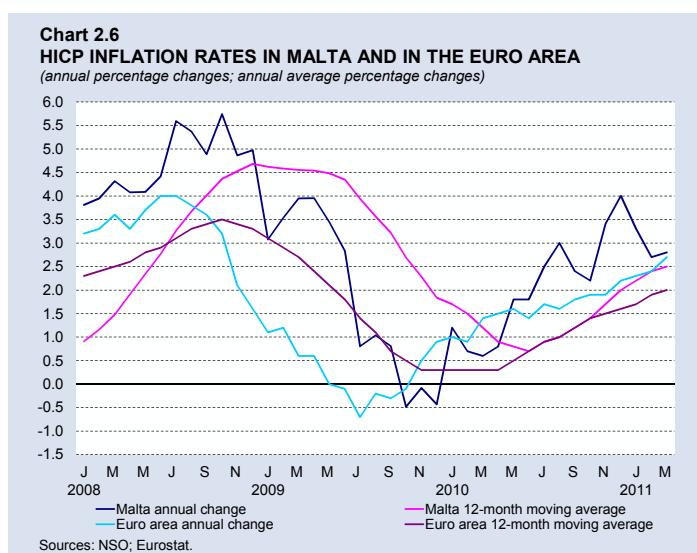
Prices

Malta's HICP inflation increases further during the fourth quarter

The HICP-based inflation rate rose further in the fourth quarter of 2010, from an annual rate of 2.4% in September to 4.0% in December.⁶ Similarly, the 12-month moving average rate reached 2.0% in December from 1.2% three months earlier.

This compares with inflation in the euro area, which stood at an annual rate of 2.2% in December, with a corresponding 12-month moving average rate of 1.6% at the end of the year. As a result, Malta's average inflation rate for 2010 was 0.4 percentage points higher than that of the euro area (see Chart 2.6).

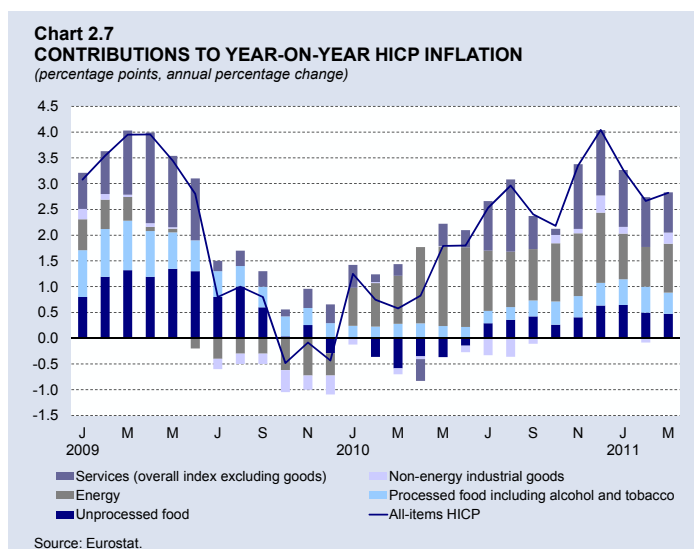
Although the increase observed in Malta's inflation rate during the final quarter was broadly based, energy prices remained the largest contributor to the annual rate of inflation, as can be seen in Chart 2.7. Their growth rate rose to 21.7% in December from 15.9% in September, contributing 1.4 percentage points to the overall rate at the end of the quarter. The acceleration mainly reflected



⁶ In January 2010 the HICP weights were revised to reflect changes in household consumption patterns. The combined weight of processed and unprocessed food was reduced by about three percentage points to 20.5%. In contrast, shares of non-energy industrial goods and services rose by one point and around two points, respectively, to 31.7% and 41.5%. Within the services category, the weights given to restaurants and postal services were halved, while that of air transport doubled. The share allotted to energy remained almost unchanged at 6.3%.

increases in vehicle fuel prices. However, utility prices remained stable, and although gas prices also rose markedly their impact on overall energy prices was small.

Meanwhile, the services category doubled from 1.5% in September to 3.1% in December. This was partly due to higher prices of passenger transport, particularly air fares, which partly reversed earlier drops in the same category. Service price inflation accounted for 1.3 percentage points of the total inflation rate in December.



Food prices, which account for just over a fifth of the HICP, registered an annual growth rate of 5.2% in December, up from 3.6% in September. Unprocessed and processed food made a combined contribution of 1.1 percentage points to overall inflation in December. Prices in the former category rose at an annual rate of 8.3% in December, compared with 5.6% in September, with fruit, vegetable and meat prices rising, while fish & seafood prices dropped. Processed food prices also rose, though less rapidly, with the annual rate increasing to 3.4% in December from 2.4% in September, mainly due to higher prices charged for bread & cereals.

Whereas prices of non-energy industrial goods had fallen on a year-on-year basis in September, they rose by 1.0% in December. This swing pushed up their contribution to overall inflation to 0.3 percentage points at the end of the year.

The annual HICP inflation rate moderated to 2.8% in March resulting from a deceleration in the rates of growth of energy and services prices, which fell to 14.3% and 1.9% respectively.

RPI inflation also increases

The annual rate of inflation based on the RPI moved broadly in line with the HICP counterpart with both indices reaching their highest point for 2010 in December.⁷ Annual RPI inflation rose to 3.3% from 1.8% in September, primarily reflecting an acceleration of food price inflation to 5.1% in December from 3.1% three months earlier. This component accounted for 1.1 percentage points in the overall rate in December.

Although prices in the water, electricity, gas & fuel category increased only marginally during the course of the quarter, their December level stood 27.5% higher than a year earlier, contributing 0.9 points to the aggregate annual inflation rate in that month.

⁷ Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the methodologies underlying the 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 2.6
CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION

Percentage points

	2010				2011		
	Sept.	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
RPI (annual percentage change)	1.8	1.7	2.4	3.3	2.7	2.3	2.7

Sources: Central Bank of Malta; NSO.

There was a reversal of price movements where the transport & communications category was concerned. Inflation in this category rose to 3.8% in December from a negative rate of 0.5% in September, adding 0.9 percentage points to overall inflation at the end of the year.⁸

Furthermore, the drop in prices of 6.8% seen in September in the clothing & footwear component moderated to -2.3% in December, dampening overall inflation by 0.2 points. There were no significant changes in the other major categories.

The annual inflation rate is heavily influenced by a number of relatively volatile components, including food and water & electricity charges. Underlying price pressures can be better gauged by examining developments in the Bank's core RPI inflation index.⁹ According to this index, core inflation dropped to 0.7% in December 2010 from 1.7% in September, with the most significant source of the decline coming from the slowdown registered in the recreation & culture category.

Data running into the first quarter of 2011 show that RPI inflation moderated to 2.7% in March, as a result of a smaller increase in the water, electricity, gas & fuel category.

Costs and competitiveness

Producer prices increase further in the fourth quarter

The industrial Producer Price Index (PPI), which measures the prices of goods at factory gate, is commonly used to monitor inflationary pressures at the production stage.¹⁰ In Malta producer price inflation has been more volatile than consumer price inflation in recent years, reflecting

⁸ In the RPI, vehicle fuel prices are included only in the transport & communications component, whereas they form part of the energy component of the HICP.

⁹ 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.

¹⁰ 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.

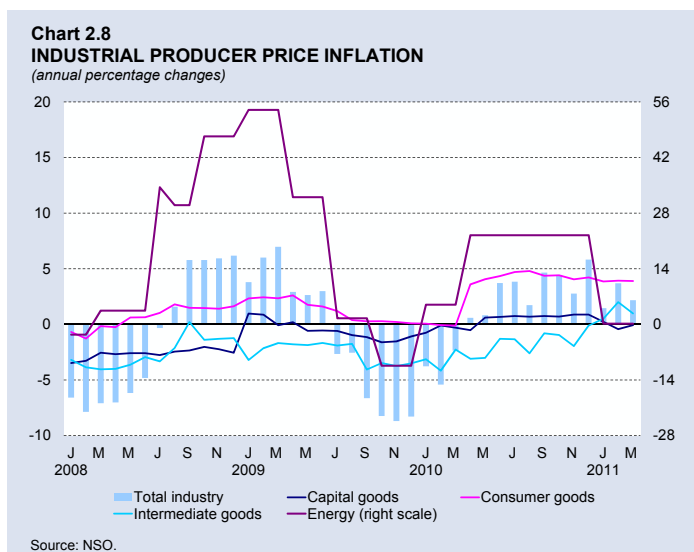
During the fourth quarter of 2010, the annual rate of producer price inflation increased further to 5.8% in December from 4.7% in September (see Chart 2.8). This mostly reflected a slower drop in prices in the intermediate goods category, where the annual rate of decline eased from -2.2% in September to -0.3% in December. Moreover, inflation in the capital goods component increased slightly between September and December, to 0.9%.

On the other hand, consumer goods price inflation dropped marginally, due to a slight moderation in the non-durable category. At the same time, however, with utility tariffs remaining stable, the annual rate of increase in energy prices remained unchanged at 22.4%.

Producer price inflation declined to 1.5% in January 2011 before rising to 2.2% in March. The drop in PPI inflation between December and March 2011 mostly reflected lower capital goods prices and a decline in energy inflation. On the other hand, the annual rate of change of intermediate goods prices, which had been negative during the fourth quarter, turned positive during the first quarter of 2011.

Malta's HCIs increase marginally

After having fallen during the first half of 2010 to their lowest levels since 2006, both the nominal HCI and its real counterpart generally increased through October 2010, before partly reversing course by the end of the year.¹¹ At the end of December, the nominal and real indices stood, respectively, 0.1% and 0.4% higher than in September (see Chart 2.9). Whereas the increase in the nominal HCI reflected exchange rate movements, notably the appreciation



of the euro against the pound sterling, the larger increase in the real index also reflected the adverse impact of the inflation differential between Malta and its main trading partners.

The average level of the nominal HCI over the course of 2010 points to a depreciation in Malta's effective exchange rate of 5.7%. With domestic inflation exceeding the average of its trading partners' by a more modest 1.3%, the net effect was a decline in the real HCI of 4.3% during the year.¹²

HCI data going into the first quarter of 2011 show further increases in both indices. In March 2011 the nominal HCI and its real counterpart were 1.8% and 0.2%, respectively, above those in the previous December.

ULC drop further

Between September and December 2010 Malta's ULC dropped for the fourth consecutive quarter. Computed on the basis of a four-quarter moving average, they fell by 0.7% over the previous quarter, for a year-on-year decrease of 3.2%.¹³ As Chart 2.10 shows, ULC in Malta decreased in recent quarters whereas, on average, they were broadly stable in the euro area as a whole.

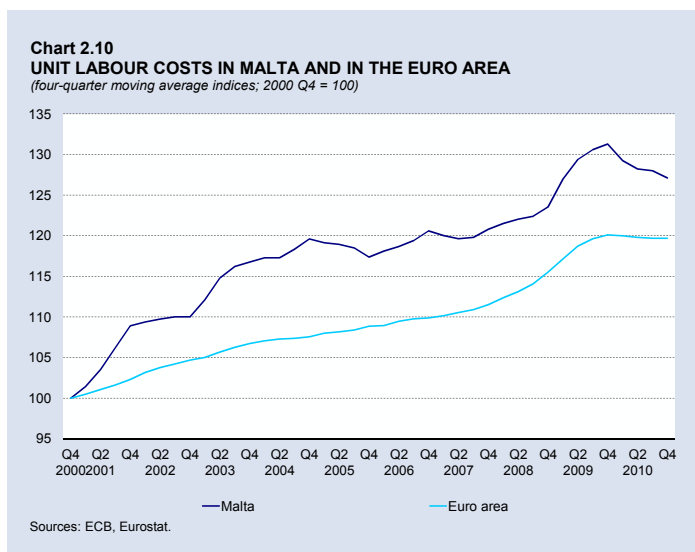
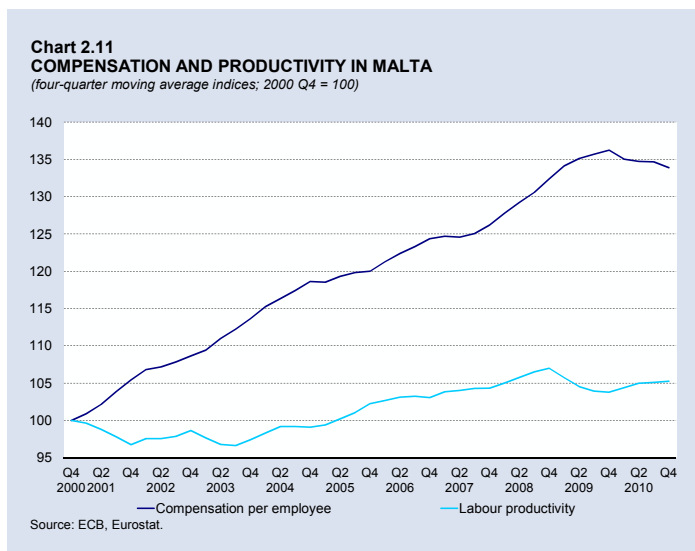


Chart 2.11 displays the paths followed by the two components of ULC: compensation per employee and labour productivity. The latter increased by 0.1% over the previous quarter, following a similar rise three months earlier. On the other hand, employee compensation dropped by 0.6% on a quarter-on-quarter basis, after falling by 0.1% in the previous quarter. In sum, therefore, the decline in Malta's ULC during the quarter stemmed mostly from lower labour costs, as the gain in productivity was only marginal.



¹² Due 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.

¹³ 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 fourth quarter¹

Advertised property prices fell on an annual basis by 2.0% in the fourth quarter of 2010, mostly on account of declining apartment prices. The decrease followed three quarters of persistent growth, so that for 2010 as a whole, the Bank's index increased at an average rate of 1.1%, following a drop of 5.0% in 2009 (see Chart 1).

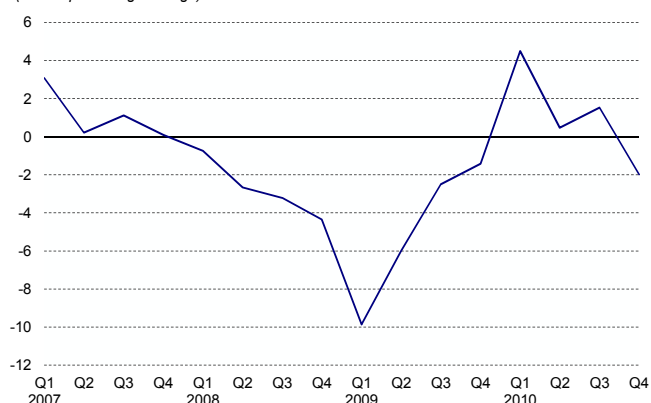
Although the decline was spread across most housing categories, the most significant drop in prices during the quarter was for apartments and, to a lesser extent, for terraced houses and properties in the "other" category.

Prices of apartments, which make up almost three-fifths of advertised properties, experienced a decline of 0.8% (see Chart 2). This drop contributed around 1.1 percentage points to the overall decrease during the quarter. Over the year as a whole, apartment prices were 2.6% higher than in 2009.

During the fourth quarter, asking prices for terraced houses declined by 7.7%, contributing a negative half a percentage point to the overall change in the property price index. Prices in the "other" category, which consists of townhouses, houses of character and villas, fell by 13.0% largely as a result of a reduction in asking prices for villas. Consequently, the category contributed 0.8 points to the total drop. In contrast, prices of maisonnettes gained 0.4%, softening the drop in overall property price inflation by 0.4 percentage points.

A measure of activity in the housing market is provided by the

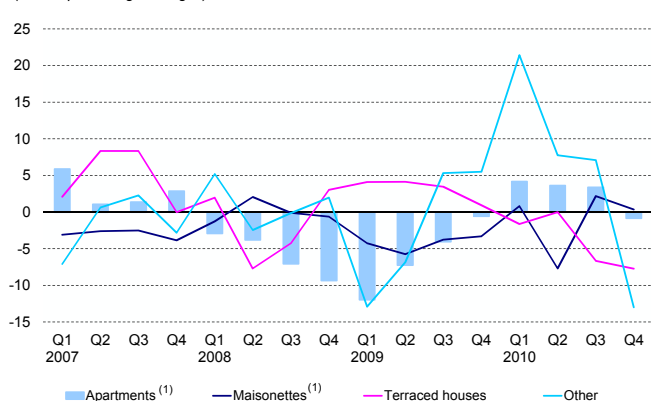
Chart 1
RESIDENTIAL PROPERTY PRICE INFLATION⁽¹⁾
(annual percentage change)



⁽¹⁾ Based on advertised prices.

Source: Central Bank of Malta.

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



⁽¹⁾ Includes both units in shell form and finished units.

Source: Central Bank of Malta.

¹ This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in 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, while properties are sorted into three categories in the NSO statistics. The latest data available from the NSO relate to the first quarter of 2010.

number of advertised properties captured in the Bank's survey. This contracted by 12.4% on a year earlier in the December quarter, compared with a 1.0% decline in the September quarter. For the year as a whole, the number of advertised properties declined by 5.9%.

Moreover, the number of building permits issued by the Malta Environment and Planning Authority (MEPA) decreased by 22.4% year-on-year in the December quarter, following an increase of 4.3% in the previous quarter. This was mostly due to a lower number of permits issued for apartments (which make up over four-fifths of the total issued) and maisonettes, both of which fell by around a quarter. In 2010, the number of issued permits was 16.1% smaller than in 2009.

The balance of payments

In the last quarter of 2010 the deficit on the current account of the balance of payments was largely unchanged from that recorded in the same quarter of 2009. A wider surplus on the services balance and on current transfers was entirely offset by unfavourable developments on the goods and income accounts.

During the same period, the net inflow on the capital and financial account was significantly lower than in the fourth quarter of 2009. The drop was mostly driven by developments on the financial account, although a decline in the capital account surplus also contributed.

In contrast, over the year as a whole, the current account deficit was considerably smaller than in 2009, due to a wider surplus on the services balance and to a narrower merchandise trade gap. At the same time, the capital and financial account registered a small net outflow as against a net inflow a year earlier.¹⁴

The current account deficit remains practically unchanged

In the fourth quarter of 2010 the deficit on the current account stood at EUR169.4 million, up by a mere EUR0.3 million compared with the same quarter of the previous year (see Table 2.7). Over the year as a whole, however, it decreased by EUR150.2 million to EUR257.3 million (see Chart 2.12). As a share of GDP, it was equivalent to 4.1%, as against 7.0% in 2009.

The merchandise trade gap widens

The merchandise trade deficit widened to EUR280.3 million during the last quarter of 2010, up by EUR56.8 million, or 25.4%, compared with the same quarter of 2009. Although both imports

Table 2.7
BALANCE OF PAYMENTS
EUR millions

	2009		four-quarter moving sum				
	2009	2010	2009	2010			
	Q4	Q4	Q4	Q1	Q2	Q3	Q4
Current account	-169.2	-169.4	-407.5	-293.5	-194.9	-257.0	-257.3
Goods	-223.5	-280.3	-981.9	-939.8	-844.6	-857.2	-914.0
Services	145.9	186.1	943.0	945.8	984.6	1,028.7	1,068.9
Income	-102.9	-111.9	-411.5	-355.5	-378.4	-431.5	-440.6
Current transfers	11.3	36.8	42.9	56.0	43.5	3.0	28.5
Capital and financial account	200.1	96.0	157.4	-221.4	25.8	89.4	-16.3
Capital account	57.2	43.7	76.0	68.3	93.0	94.2	80.7
Financial account	142.9	52.3	81.5	-289.7	-67.2	-4.8	-97.0
Direct investment	111.9	166.0	450.5	-18.7	748.9	666.8	720.9
Portfolio investment	-841.7	-571.9	-1,918.8	-2,885.8	-3,914.7	-3,498.9	-3,229.1
Financial derivatives	6.8	-35.2	-70.4	4.6	17.3	73.1	31.0
Other investment	889.9	476.3	1,622.6	2,590.6	2,929.0	2,819.1	2,403.9
Reserve assets	-24.0	17.1	-2.4	19.6	152.3	-64.8	-23.6
Errors and omissions	-30.9	73.5	250.0	514.9	169.1	167.6	272.0

Source: NSO.

¹⁴ During 2010, positive net errors and omissions were recorded; this implies an overestimation of either the current account deficit or of the net outflows on the capital and financial account, or both.

and exports rose sharply, the rise in imports was more pronounced.

In the October-December 2010 period, imports increased by EUR170.3 million, or 23.7%, on a year-on-year basis. Customs data indicate that the surge was driven by higher purchases of industrial supplies, capital goods and fuel. Imports of industrial supplies were up by 23.5%, largely under the impact of higher purchases of electronic components, which, in turn, reflected a robust export performance of the semiconductors industry. In addition, capital goods rose by 71.9%, mostly on account of higher imports of sea craft, while the fuel import bill climbed by 85.8%. While this was due in part to steeper international oil prices, the higher volume of oil imports was also linked to fuel re-exports which rose substantially over the period. In contrast, imports of consumer goods declined marginally.

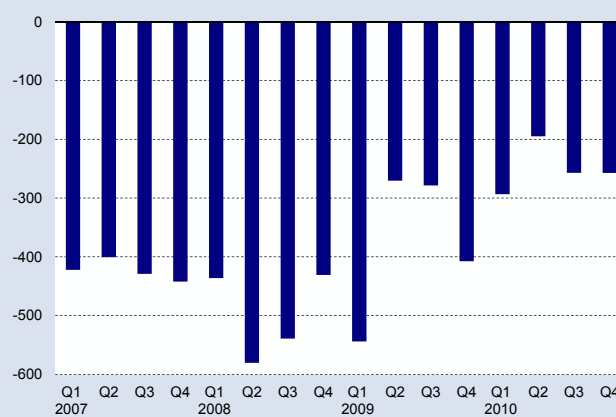
Meanwhile, exports were up by EUR113.5 million, or 23.0%, compared with the December quarter of 2009. This was mainly attributable to previously mentioned factors – namely a surge in fuel re-exports as well as to continued increases in sales of semiconductors – along with a significant rise in exports of food, particularly fish. Higher exports of pharmaceuticals and semi-manufactured goods also contributed.

As a result of these developments, the visible trade gap measured on a four-quarter cumulative basis, which had widened slightly during the third quarter of 2010, expanded at a faster pace during the last three months of the year (see Chart 2.13).

This notwithstanding, the deficit on the goods balance during 2010 as a whole was 6.9% lower than in 2009 with an increase in exports of EUR572.6 million, or 33.0%, outpacing a rise in imports of EUR504.7 million, or 18.6%.

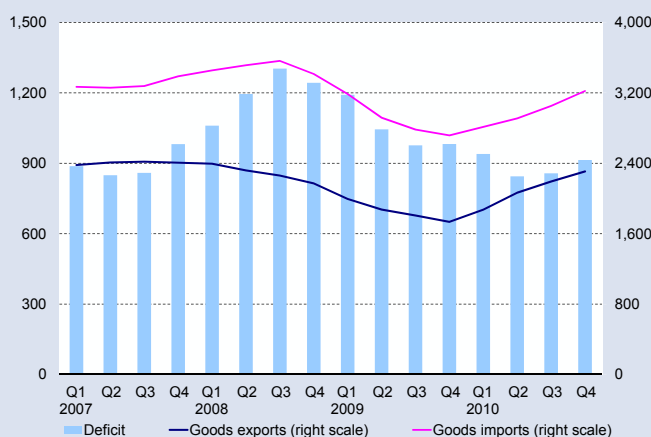
Nearly two-fifths of the rise in exports during 2010 was the result of a surge in sales of electrical machinery, mainly semiconductors. Furthermore, strong increases were also recorded in fuel re-exports, and exports of pharmaceuticals and food.

Chart 2.12
CURRENT ACCOUNT BALANCE
(four-quarter moving sum; EUR millions)



Source: NSO.

Chart 2.13
GOODS BALANCE
(four-quarter moving sums; EUR millions)



Source: NSO.

Similarly, when compared with 2009, the largest upturns in imports were recorded in purchases of semi-finished industrial supplies, fuel and capital goods equipment. Meanwhile, imports of consumer goods were up only moderately.

More recent Customs data indicate that during the first two months of 2011 combined, the visible trade deficit narrowed further, contracting by EUR4.9 million on the same period of 2010.

The surplus on services strengthens

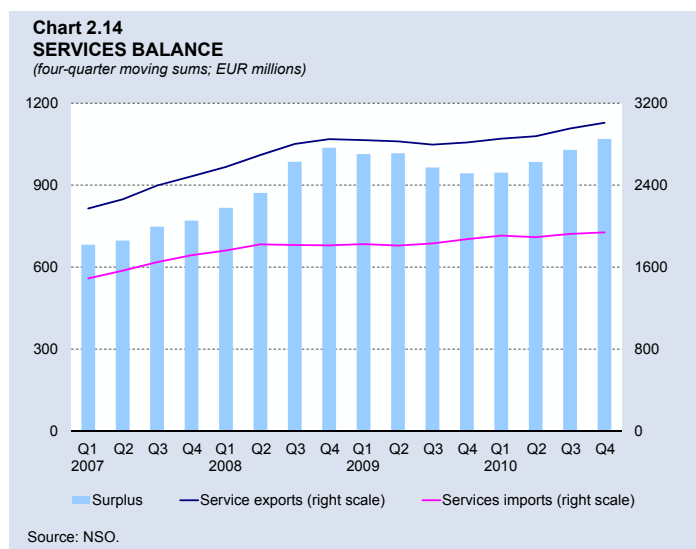
During the final quarter of 2010 the surplus on services stood at EUR186.1 million, up by EUR40.2 million, or 27.5%, from the corresponding quarter of 2009. This increase was largely attributable to a rise of EUR52.0 million in net receipts on the “other services” component, which was in turn driven by higher net receipts from financial services as well as by lower net outflows on business, professional and technical services. To a lesser extent, increased net exports of travel-related services, amounting to EUR6.6 million also contributed. Meanwhile, an upswing in tourism receipts was partly outweighed by higher spending on the part of Maltese residents travelling abroad. In contrast, net payments were registered for transport services as against net receipts a year earlier. This was partly driven by higher net payments in connection with freight.

On a four-quarter moving sum basis, the positive balance on services rose for the fourth consecutive quarter (see Chart 2.14). As a result, during 2010 as a whole, net receipts from trade in services climbed by EUR125.9 million, or 13.4%, compared with 2009. Higher inflows from travel and financial services contributed most of the rise in exports, which increased by 6.8%. On the import side, higher payments for transport services accounted for the bulk of the additional 3.6% in payments.

Net outflows on the income account rise

In the last quarter of 2010 net outflows on the income account edged up to EUR111.9 million, EUR9.1 million higher than in the same quarter of 2009. The increase in outward flows was mainly on account of an additional EUR96.1 million in interest payments on foreign loans, as well as of an expansion of EUR18.0 million in profits recorded by foreign-owned firms in Malta. These outflows were partly counterbalanced by increased earnings on residents’ portfolio investment abroad, which were up by EUR107.1 million on the final quarter of 2009. Flows on the income account were predominantly driven by resident banks that conduct the bulk of their operations with non-residents.

Developments in the quarter under review were in line with the pattern for the year as a whole. During 2010, net outflows on the income account amounted to EUR440.6 million, an increase



of EUR29.1 million over 2009. Outflows were driven by higher interest payments on foreign borrowing, which entirely offset substantial increases in residents' earnings on portfolio investment abroad. Over the year, outflows in connection with profits registered by foreign-owned firms declined marginally.

The positive balance on transfers increases

In the last quarter of 2010, the positive balance on current transfers amounted to EUR36.8 million, triple the level recorded in the December quarter of 2009. This was largely due to timing differences in connection with tax payments and receipts by companies registered in Malta engaged in international business. However, during the year as a whole, net inward transfers were EUR14.5 million lower than in 2009.

Net inflows on the capital and financial account decrease

In the fourth quarter of 2010, net inflows on the capital and financial account declined to EUR94.4 million, notably less than the EUR200.1 million posted in the comparable period of 2009 (see Table 2.7). This was largely on account of a substantial contraction in net inflows on the financial account, which stood at EUR50.7 million, down from EUR142.9 million a year earlier. Movements on this account were heavily influenced by transactions involving internationally-oriented banks. Nevertheless, a fall of EUR13.5 million on the capital account also contributed.

The drop in net inflows on the financial account during the October-December 2010 period principally reflected movements in the "other investment" component. Net inflows on the latter amounted to EUR474.7 million, contracting by EUR415.3 million on a year earlier. The reduction in net inflows was driven by a rise in residents' loans (including deposits) abroad that was partly offset by increased deposits held by non-residents with banks in Malta. Moreover, a swing to net outflows on financial derivatives contributed negatively to the financial account.

Conversely, higher net inward direct investment was observed as well as a reduction in Maltese residents' portfolio investment abroad. The former was largely attributable to higher reinvested earnings by foreign-owned firms in Malta and to increased trade-related claims of foreign parent companies on their Maltese subsidiaries. Meanwhile, the contraction in net portfolio investment outflows was driven by a decline in residents' holdings of debt securities that was only marginally offset by a rise in equity holdings. At the same time, inflows on the financial account also reflected a fall in reserve assets.

During 2010 as a whole, net outflows of EUR16.3 million were recorded on the capital and financial account as against net inflows of EUR157.4 million in 2009. This shift was entirely due to a surge in net portfolio investment outflows, predominantly under the impact of an expansion in residents' holdings of foreign debt securities. The surge in portfolio outflows was partly financed by a considerable increase in net inflows in the "other investment" component and, to a lesser extent, in foreign direct investment.

BOX 3: TOURISM ACTIVITY

Continued robust performance in tourism

The recovery in the tourism industry seen in the first three quarters of 2010 continued into the fourth quarter, with strong growth in the number of visitors, nights stayed and expenditure. In terms of each of these indicators, the results for 2010 as a whole outperformed those obtained in 2009 and 2008.

Between October and December arrivals to Malta increased by 13.0% on a year earlier, compared with a rise of 14.6% in the previous quarter. The increase in

arrivals during the fourth quarter exceeded the average observed in the Southern/Mediterranean Europe region as a whole, which rose by 2.0% on a year earlier (see Chart 1).¹

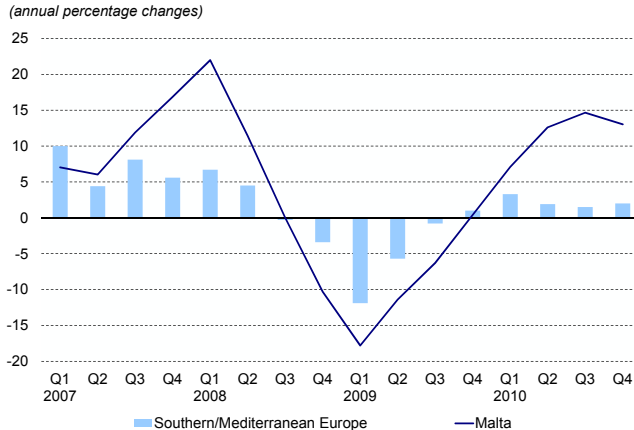
The average length of stay of tourist visitors to Malta dropped by 0.2 nights, to 7.6 nights, extending the declining trend of recent years which was temporarily reversed in the previous quarter.

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, 14.6% and 13.4% higher than a year earlier.

In terms of geographical distribution, sharp increases were recorded in arrivals from various source markets during the fourth quarter. Visitors from France and Scandinavia rose by around half over their year-ago levels while the number of visitors from Italy, Malta's second largest source market, increased by two-fifths during the fourth quarter, with the corresponding share in the total rising to 13.1%. At the same time, the number of visitors from Spain and the Netherlands over the year grew by almost a quarter. The strong addition in tourist numbers from Italy and Spain mainly reflects the introduction of additional flights by low-cost airlines. Robust growth in the number of Spanish tourists buttresses a shift in Malta's tourism profile, with Spain becoming one of Malta's main markets. Moreover, arrivals from Germany increased by 9.2% during the fourth quarter.

On the other hand, the number of visitors from the United Kingdom, Malta's main market accounting for 32.2% of total arrivals, dropped marginally compared with year-ago levels.

Chart 1
TOURIST ARRIVALS IN MALTA AND SOUTHERN/MEDITERRANEAN EUROPE
(annual percentage changes)

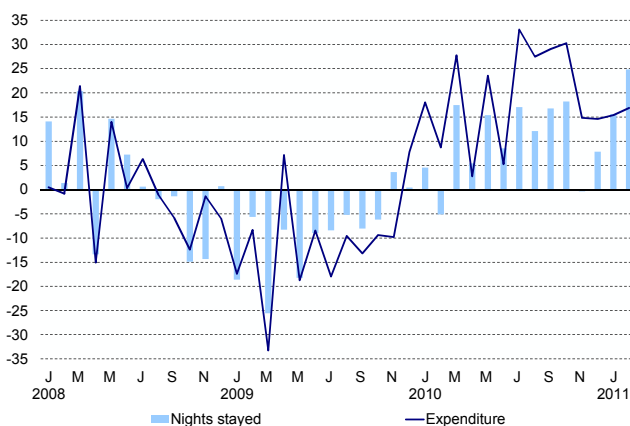


Sources: NSO, UNWTO.

¹ UNWTO *World Tourism Barometer*, January 2011.

The expansion in tourist numbers during the fourth quarter generated an even larger increase in expenditure (see Chart 2).² Total tourist spending rose by an annual 23.0%, and was mainly due to an increase of 23.4% in spending on package holidays and to 28.5% higher expenditure on the “other” component. Robust growth in these two components partly reflects a rebound from the weak performance of the previous year. Expenditure on non-package holidays, which is split between accommodation and travel, rose by 15.5%, with accommodation recording the largest increase. In part, the latter development reflected growth in the total number of nights stayed, which rose by an annual 10.6%.

Chart 2
TOURISM INDICATORS
(annual percentage changes)

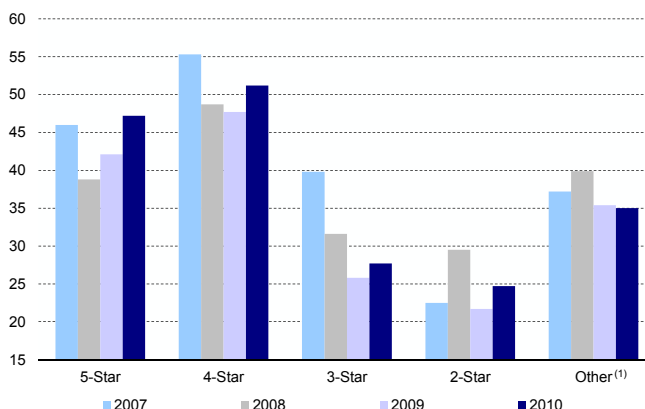


Source: NSO.

An industry survey for the December quarter reported a small increase in average achieved room rates at 5-star and 4-star hotels, while rates in the 3-star category dropped marginally.³ Compared with the same period of 2009, gross operating profits per available room increased in the higher-rated hotel categories. Meanwhile, accommodation prices in the December quarter were higher than in the corresponding period of 2009. However this annual increase was less pronounced than in the previous two quarters.

On the supply side, the net number of bed places was marginally higher than a year earlier.⁴ However, the increase in nights stayed during the quarter still led to an improvement in occupancy rates across all hotel categories. NSO data indicate that overall hotel occupancy rates in the period rose by 3.1 percentage points compared with a year earlier, to 42.9%. However, growth was more contained than the 9.7 percentage points rise registered in the third quarter.

Chart 3
AVERAGE OCCUPANCY RATES IN THE FOURTH QUARTER
(per cent)



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

² 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.

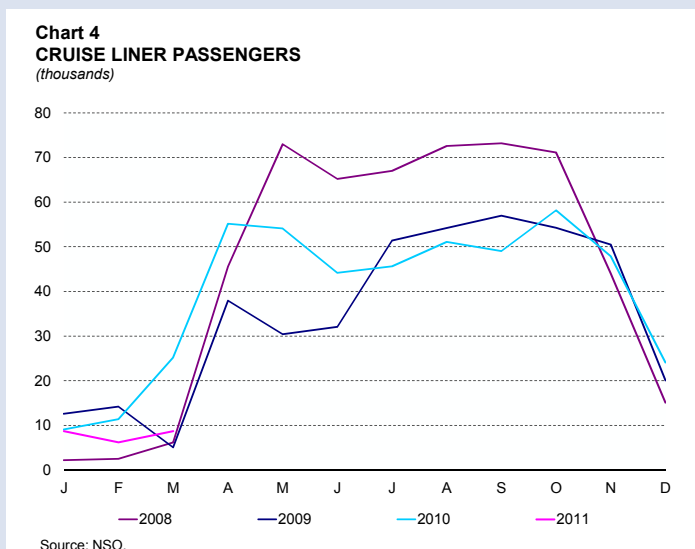
³ See BOV-MHRA Survey – Q4 2010.

⁴ Net use of bed-places is the occupancy rate calculated for all active accommodation establishments net of seasonal closures and other temporary closures for decoration, etc. The net use of bed-places is the percentage of total nights spent divided by the net bed-places and the number of days of the month under review.

In particular, occupancy rates in 5-star hotels, which account for almost a quarter of total hotel bed stock, rose by 5.1 percentage points. Occupancy for 4-star hotels was up by about 3.5 percentage points over 2009, with this category having the highest overall occupancy rate at 51.2%. Occupancy in 3-star hotels rose by 1.9 percentage points, partly reversing the sharp drop that was observed in 2009 (see Chart 3). On the other hand, occupancy in the “other” category was slightly below the corresponding period of 2009.⁵ 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 hotel category and the highest occupancy levels in 4-star hotels.

Following a weak performance in the third quarter of the year, cruise liner tourism recovered slightly during the fourth quarter as a whole (see Chart 4). The number of cruise liner passengers rose by an annual 4.2%, although the frequency of port calls by cruise liners remained unchanged on a year earlier.

Going into the first quarter of 2011, the available information suggests that the recovery in the tourism industry maintained its positive momentum. In January and February, tourist numbers, expenditure and nights stayed all increased significantly over their year-ago levels, even after an adjustment for the impact of the arrival of a significant number of evacuees from Libya at the end of February following the conflict in that country. On the other hand, cruise liner business declined in the first quarter of 2011, with a drop of 48.3% in the number of passengers over the same period of 2010.



⁵ The “other” category consists of guesthouses, holiday complexes and hostels.

Government finance

In the fourth quarter of 2010 the general government deficit increased on a year-on-year basis as expenditure grew faster than revenue. At the same time, the Consolidated Fund surplus declined.¹⁵ General government debt decreased during the quarter, mainly reflecting a draw-down of assets.

During the year as a whole, however, the general government deficit edged down to 3.6% of GDP from 3.7% in 2009. Meanwhile, the general government debt-to-GDP ratio rose to 68.0% from 67.6% at the end of the previous year.

General government deficit increases in the fourth quarter

Between October and December 2010, the general government deficit widened by EUR40.6 million on the same period of 2009. As a result, the deficit for the year as a whole increased by EUR9.3 million, to EUR226.3 million (see Table 2.8). The primary deficit, which excludes interest payments from expenditure, widened by EUR5.2 million to EUR38.8 million.

The decline in the general government deficit ratio during 2010 reflected expenditure restraint. Indeed, whereas the revenue-to-GDP ratio declined by 0.8 percentage points during 2010 to

Table 2.8
GENERAL GOVERNMENT BALANCE
EUR millions

	2009	2010	Change		2009	2010	Change	
	Q4	Q4	Amount	%			Amount	%
Revenue	658.4	673.0	14.5	2.2	2,308.9	2,415.3	106.4	4.6
Taxes on production and imports	235.6	261.8	26.2	11.1	812.5	830.8	18.3	2.3
Current taxes on income and wealth	231.3	203.7	-27.5	-11.9	795.4	809.2	13.8	1.7
Social contributions	120.9	128.9	7.9	6.6	434.9	456.4	21.5	4.9
Capital and current transfers	28.1	38.3	10.2	36.4	82.4	129.0	46.6	56.5
Other ⁽¹⁾	42.6	40.2	-2.3	-5.4	183.6	189.9	6.3	3.4
Expenditure	669.5	724.6	55.1	8.2	2,525.9	2,641.6	115.7	4.6
Compensation of employees	204.4	208.6	4.2	2.1	829.7	838.1	8.5	1.0
Intermediate consumption	92.7	108.3	15.7	16.9	350.3	384.1	33.8	9.6
Social benefits	212.9	222.0	9.1	4.3	812.2	842.0	29.8	3.7
Subsidies	12.3	18.8	6.5	53.1	63.6	59.8	-3.8	-6.0
Interest	50.0	64.7	14.6	29.3	183.4	187.4	4.0	2.2
Current transfers payable	30.6	28.3	-2.3	-7.5	104.1	117.4	13.4	12.8
Gross fixed capital formation	43.5	56.0	12.6	28.9	129.1	130.2	1.1	0.8
Capital transfers payable	18.8	18.2	-0.6	-3.4	58.4	77.4	19.0	32.5
Other ⁽²⁾	4.4	-0.2	-4.6	-104.7	-4.9	5.1	10.1	204.9
Primary balance	39.0	13.0	-26.0	-	-33.6	-38.8	-5.2	-
General government balance	-11.0	-51.7	-40.6	-	-217.0	-226.3	-9.3	-

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

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

Source: NSO.

¹⁵ The Consolidated Fund captures most of the transactions of central government, excluding extra-budgetary units and local councils; transactions are measured 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; transactions are measured on an accrual basis. Differences in the timing of recording of income tax and VAT revenues explain most of the differences between the two approaches in the measurement of the government balance.

38.7%, the expenditure-to-GDP ratio fell at a faster pace, shedding 0.9 percentage points, to reach 42.3% (see Chart 2.15).

Revenue rises moderately

General government revenue rose by EUR14.5 million, or 2.2%, in the fourth quarter of 2010 compared with the same period of 2009. In particular, inflows from taxes on production and imports surged by EUR26.2 million, as increased VAT takings more than made up for a decline in revenue from customs and excise duties. The latter is attributable to the timing of receipts of

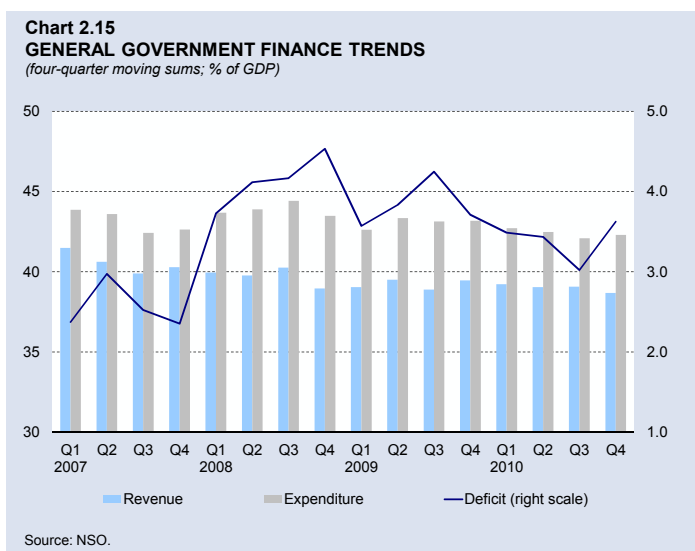
duties on fuel, which were exceptionally high during the final quarter of 2009. Intakes from capital and current transfers rose by EUR10.2 million, buoyed by investment grants from the EU. Meanwhile, improving labour market conditions led to a EUR7.9 million increase in inflows from social contributions.

In contrast, the quarter under review saw a drop of EUR27.5 million in revenue from current taxes on income and wealth compared with the same period of 2009. Income tax revenue was previously boosted by an amnesty scheme on penalties and interest on tax arrears, which was launched in September 2009. At the same time, intakes from “other” revenue decreased by EUR2.3 million, mostly due to lower market output of entities within general government.

As a result, during 2010, revenue rose by EUR106.4 million, or 4.6%. All components increased over the 2009 level. Receipts from capital and current transfers registered the fastest growth, rising by 56.5% on the back of EU investment grants. A recovery in economic activity contributed to higher intakes from social contributions, taxes on production and imports and from taxes on income and wealth, which rose by 4.9%, 2.3% and 1.7% respectively. Indirect tax receipts were dampened by lower intakes from motor vehicle registration tax, which declined from their 2009 peak when a new registration system was introduced. Inflows from an amnesty scheme, which was announced in July and which closed in November, also had a positive impact on revenue from taxes on income and wealth.

Expenditure grows at a faster pace

Between October and December 2010, general government expenditure went up by EUR55.1 million, or 8.2%, compared with the last three months of 2009. Around a third of the overall increase stemmed from higher spending on intermediate consumption, which was mostly targeted towards the health sector. Interest expenditure went up by a considerable EUR14.6 million due to the timing of coupon payments, reversing a decline of a similar size in the third quarter. At the same time, outlays on gross fixed capital formation grew by EUR12.6 million triggered by higher spending related to the development of University facilities.



Payments on social benefits went up by EUR9.1 million, driven by higher retirement pension commitments, while additional support to agriculture pushed up outlays on subsidies, which climbed by EUR6.5 million. Spending on compensation of employees rose by EUR4.2 million, mainly due to higher personal emoluments in the education sector.

In contrast, expenditure on current transfers declined by EUR2.3 million mostly due to lower payments to the EU budget, which payments had risen in the previous quarter. Spending on capital transfers also decreased marginally.

Over the year, therefore, expenditure grew by EUR115.7 million, or 4.6%, compared with 2009. More than half of the increase came from additional outlays on intermediate consumption, which rose by 9.6%, and on social benefits, which grew by 3.7%. Capital transfers payable increased by almost a third, reflecting higher spending on the sewage treatment infrastructure. Expenditure on current transfers grew by 12.8% partly due to a one-off payment to support households in view of the revised utility tariffs. Meanwhile, outlays on subsidies declined by 6.0% following lower spending on incentives to the film industry.

Consolidated Fund surplus narrows

In line with seasonal patterns, the Consolidated Fund swung into surplus during the last three months of 2010 (see Chart 2.16). However, the positive balance contracted by EUR16.3 million compared with the same period of 2009. Revenue expanded by 2.7% on account of a 13.1% increase in direct taxes, which captured inflows from the amnesty mentioned earlier (see Table 2.9). In contrast, the intake from indirect taxes dropped by 5.6% as a result of lower receipts from customs and excise duties, which were exceptionally high in the last quarter of 2009. At the same time, expenditure rose by 5.2%, entirely reflecting increased recurrent outlays. In turn, the latter was mainly due to a higher volume of interest payments on government securities.

Overall, the Consolidated Fund deficit narrowed by EUR17.8 million in 2010 to reach EUR279.2 million. Revenue increased by 6.6% mainly due to higher receipts from direct taxes and grants.

Table 2.9
CONSOLIDATED FUND BALANCE

EUR millions

	2009	2010	Change		2009	2010	Change	
	Q4	Q4	Amount	%			Amount	%
Revenue	750.2	770.6	20.4	2.7	2,195.5	2,341.5	146.0	6.6
Direct tax ⁽¹⁾	340.7	385.5	44.8	13.1	1,090.2	1,169.4	79.2	7.3
Indirect tax	307.5	290.2	-17.3	-5.6	864.6	889.2	24.6	2.9
Non-tax ⁽²⁾	102.0	95.0	-7.0	-6.9	240.6	282.8	42.2	17.5
Expenditure	713.3	750.1	36.8	5.2	2,492.5	2,620.7	128.2	5.1
Recurrent ⁽¹⁾	611.0	648.2	37.2	6.1	2,221.1	2,309.2	88.0	4.0
<i>Of which:</i> Interest payments	33.4	54.9	21.5	64.3	192.0	196.8	4.7	2.5
Capital	102.3	101.9	-0.5	-0.4	271.3	311.5	40.1	14.8
Primary balance⁽³⁾	70.2	75.4	5.1	-	-105.0	-82.5	22.5	-
Consolidated Fund balance	36.9	20.5	-16.3	-	-297.0	-279.2	17.8	-

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

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

⁽³⁾ Revenue less expenditure excluding interest payments.

Source: NSO.

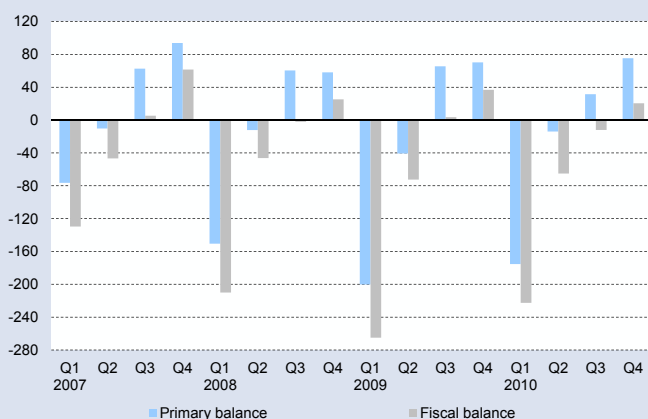
Total expenditure went up by 5.1% as both recurrent and capital outlays increased.

General government debt decreases

The stock of general government debt amounted to EUR4,248.3 million by December 2010, or EUR17.7 million lower than the September level (see Table 2.10). The Government was able to reduce its gross debt by drawing on financial assets, mainly bank deposits. Consequently, the debt-to-GDP ratio went down by 1.4 percentage points during the quarter to reach 68.0% (see Chart 2.17).

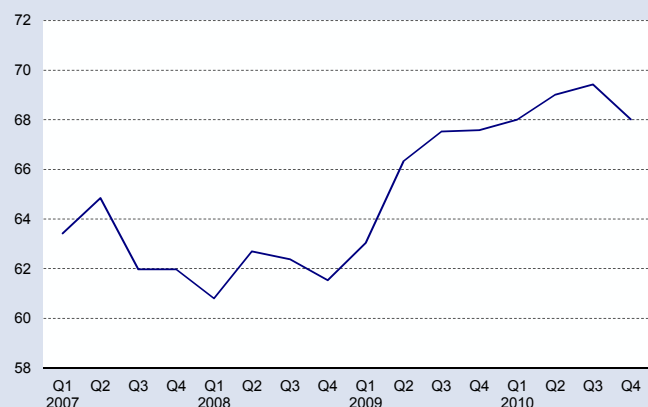
During the quarter under review the debt composition changed as the share of long-term securities rose at the expense of short-term securities. The latter declined by EUR82.6 million as maturing Treasury bills were not rolled over, so that their share relative to the total debt stock fell to 8.9% in December from 10.8% three months earlier. At the same time, long-term securities climbed by

Chart 2.16
CONSOLIDATED FUND DEVELOPMENTS
(EUR millions)



Source: NSO.

Chart 2.17
GENERAL GOVERNMENT DEBT
(% of GDP; GDP data are four-quarter moving sums)



Source: NSO.

Table 2.10
GENERAL GOVERNMENT DEBT

(EUR millions)

	2009		2010		
	Q4	Q1	Q2	Q3	Q4
General government debt⁽¹⁾	3,954.0	4,051.6	4,172.7	4,266.0	4,248.3
Currency & deposits	37.2	36.9	38.8	40.6	41.0
Securities	3,690.5	3,789.1	3,914.4	4,000.1	3,981.4
Short-term	474.1	534.8	552.6	460.3	377.8
Long-term	3,216.4	3,254.4	3,361.8	3,539.8	3,603.6
Loans	226.3	225.6	219.4	225.3	226.0
Short-term	34.0	25.1	26.9	30.6	34.0
Long-term	192.3	200.5	192.5	194.7	192.0

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

Source: NSO.

EUR63.8 million, with new MGS issues exceeding the value of maturing stocks as the Government took advantage of the prevailing low interest rate environment to secure longer-term funding. Consequently, the proportion of long-term securities in total debt increased to 84.8% from 83.0%.

Meanwhile, the value of loans outstanding edged up slightly by EUR0.7 million, as a decline in long-term loans brought about by the repayment of foreign loans was offset by higher short-term bank borrowings. Liabilities in the form of Maltese euro coins in issue also increased slightly, rising by EUR0.4 million.

Over the year, general government debt went up by EUR294.3 million, with the debt-to-GDP ratio rising by 0.4 percentage points compared with the December 2009 level.

Monetary and financial developments

During the final quarter of 2010, the contribution of Maltese MFIs to the euro area broad money stock increased as growth in residents' deposits kept up its momentum.¹⁶ Concurrently, growth in credit to residents expanded at a slower pace than in the previous quarter, while net claims on non-residents extended their upward trend.

Furthermore, 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 increased. The spread over comparable euro area yields widened in the money market, but narrowed at longer maturities. Meanwhile, the MSE share price index rose substantially.

Growth in residents' deposits decelerates marginally

The contribution of Maltese MFIs to the euro area money stock (M3) increased at a faster pace during the fourth quarter of 2010, with its year-on-year growth rate rising to 5.5% in December from 3.3% in September (see Table 2.11). Growth was driven by the narrow money component of M3, which expanded at an annual rate of 14.7% in December. Conversely, deposits with an agreed maturity of up to two years declined, though at a slower pace than in the previous quarter.

Residents' overnight deposits, which form part of M1, and which have been expanding strongly since the beginning of 2009, increased by 16.3% year-on-year in December as opposed to 17.8%

Table 2.11
CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES⁽¹⁾
EUR millions; annual percentage changes

	2010	2009	2010			
	Dec.	Q4	Q1	Q2	Q3	Q4
Narrow money (M1)	4999.0	13.2	13.0	19.5	16.6	14.7
Intermediate money (M2)	9128.9	-1.7	-0.1	2.7	3.1	5.3
Broad money (M3)	9370.5	0.2	0.7	2.6	3.3	5.5

⁽¹⁾ 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.

¹⁶ 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**RESIDENTS' DEPOSITS ⁽¹⁾***EUR millions; annual percentage changes*

	2010	2009	2010			
	Dec.	Q4	Q1	Q2	Q3	Q4
Overnight deposits	4,225.1	16.5	14.2	21.7	17.8	16.3
Deposits redeemable at notice up to 3 months	123.5	-2.3	-1.3	1.2	3.6	10.7
Deposits with agreed maturity up to 2 years	3,848.1	-13.1	-8.8	-11.0	-7.9	-5.2
Total residents' deposits	8,196.7	-1.3	0.8	3.4	3.8	5.1

⁽¹⁾ Data only include deposits belonging to residents of Malta.

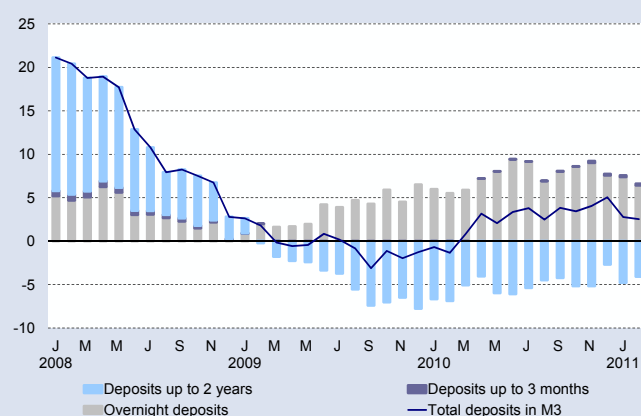
Source: Central Bank of Malta.

in September (see Table 2.12). Growth was mainly driven by balances belonging to households and private non-financial companies, possibly reflecting the modest opportunity cost of holding such liquid assets in an environment of low interest rates.

Turning to other components of M2, residents' deposits redeemable at up to three months' notice expanded by 10.7% during the year to December, but these account for 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 5.2% in December, as against a drop of 7.9% in September. 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 above-mentioned shift into more liquid monetary assets, the sharp decline in these deposits may have 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 29.5% during the year to December, boosted by two new saving schemes offered by the banks. In addition, considerable bond issues in the primary market played a role in diverting funds away from monetary assets.

Overall, the annual rate of growth of residents' deposits increased to 5.1% in December from 3.8% in September (see Chart 2.18). Growth was driven entirely by overnight deposits, which accounted for just over half of the total at the end of 2010. Going into the first quarter of 2011, however, growth in residents' deposits decelerated to 2.5% in February.

The weighted average interest rate paid by MFIs on all residents' deposits remained unchanged at 1.37% during the fourth quarter of 2010. While the average rate on time deposits increased by two basis points to 2.27%, inter-

Chart 2.18
CONTRIBUTION TO ANNUAL GROWTH IN RESIDENTS' DEPOSITS
(percentage points; annual percentage change)

Source: Central Bank of Malta.

Table 2.13**MFI INTEREST RATES ON NEW DEPOSITS BELONGING TO RESIDENTS⁽¹⁾***Percentages per annum; weighted average rates for the period*

	2009		2010		
	Dec.	Mar.	June	Sep.	Dec.
Households and NPISH					
Overnight deposits ^(2,3)	0.30	0.30	0.29	0.28	0.28
Savings deposits redeemable at notice up to 3 months ^(2,4)	1.70	1.71	1.67	1.63	1.69
Time deposits with agreed maturity					
Up to 1 year	1.95	1.87	1.79	1.88	2.03
Over 1 and up to 2 years	3.00	3.19	3.17	2.80	3.00
Over 2 years	3.44	3.37	3.79	3.72	3.86
Non-financial corporations					
Overnight deposits ^(2,3)	0.23	0.22	0.27	0.25	0.24
Time deposits with agreed maturity	0.85	1.29	1.51	1.64	1.51

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

⁽²⁾ 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.

⁽³⁾ Overnight deposits include current accounts and savings deposits withdrawable on demand.

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

Source: Central Bank of Malta.

est on demand deposits edged up by one basis point to 0.28%. In contrast, the rate on savings deposits contracted by one basis point, reaching 0.35%.¹⁷

Meanwhile, developments in interest rates on new accounts were mixed. While rates paid to households generally rose, those paid on corporate deposits declined. The largest changes included a rise of 20 basis points on deposits with a maturity of over one and up to two years, which ended December at 3.00%, and a 13 basis point decline in the rate offered on corporate time deposits, which reached 1.51% at the end of the quarter (see Table 2.13).¹⁸

Going into the first quarter of 2011, the weighted average deposit rate added one basis point and reached 1.38% in February. Interest rates on new business, which are more volatile, generally reversed the movements in the final quarter of 2010. Deposit rates offered to households decreased, whereas those paid to the corporate sector rose. For instance, rates on new deposits with terms to maturity of over one and up to two years contracted by 24 basis points, while those offered on corporate time deposits increased by 31 basis points.

Credit growth slows down further

The annual growth rate of credit to residents slowed down further during the last three months of 2010, to end December at 5.8% from 7.3% in September (see Table 2.14). The deceleration in part reflected a shift towards market-debt based financing, which dampened credit growth to the corporate sector. However, credit to households and to general government also expanded less rapidly.

¹⁷ In this context, savings deposits include those that can be withdrawn on demand. The latter are included with overnight deposits in MFI interest rates statistics.

¹⁸ 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.

Table 2.14
CREDIT TO RESIDENTS⁽¹⁾

EUR millions; annual percentage changes

	2010	2009	2010			
	Dec.	Q4	Q1	Q2	Q3	Q4
Total credit	10,279.1	9.4	10.0	7.8	7.3	5.8
Credit to general government	2,091.0	19.1	19.8	12.0	10.6	8.5
Credit to other residents	8,188.1	7.2	7.7	6.8	6.4	5.1

⁽¹⁾ Data only include credit granted to residents of Malta.

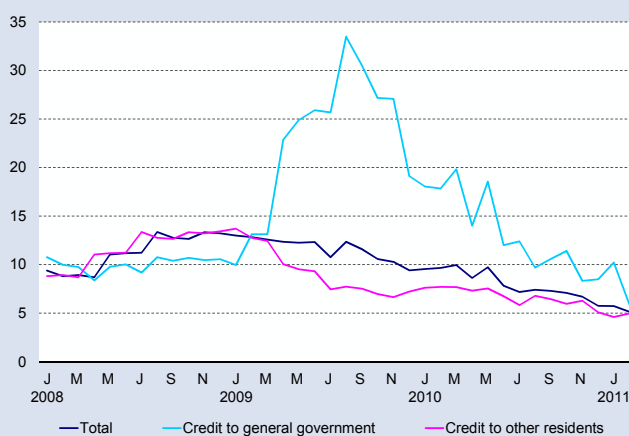
Source: Central Bank of Malta.

The annual rate of credit growth to general government fell to 8.5% in December from 10.6% in September, which partly mirrored a reduction in the banks' Treasury bill portfolio (see Chart 2.19). The increase recorded during the 12 months to December primarily reflected an increase in MGS held by the banking system.

During the fourth quarter, the year-on-year growth rate of credit to other residents also eased, falling to 5.1% in December from 6.4% three months earlier (see Table 2.15).¹⁹ Expansion stemmed predominantly from

credit to the non-bank private sector, mainly in the form of house loans. Nevertheless, the annual rate of growth of private sector credit decelerated to 5.4%. Similarly, credit to the non-bank public sector continued to slow down further, falling to 1.4% in December from 3.5% in September.

Chart 2.19
CREDIT TO RESIDENTS
(annual percentage changes)



Source: Central Bank of Malta.

Table 2.15
CREDIT TO OTHER RESIDENTS⁽¹⁾

EUR millions; annual percentage changes

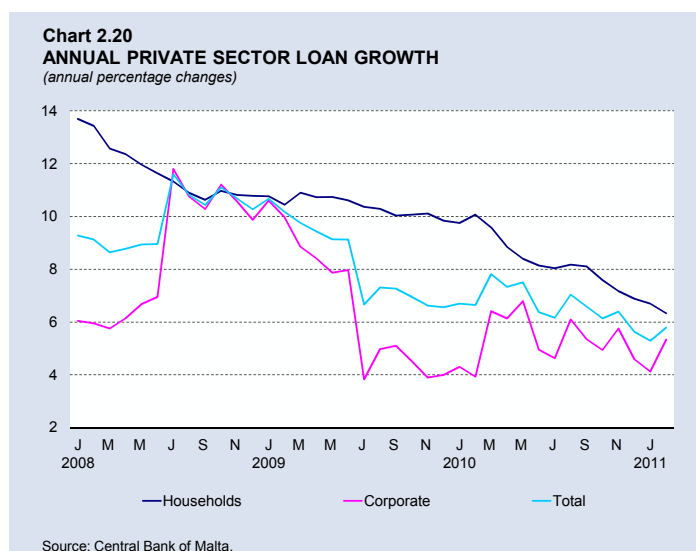
	2010	2009	2010			
	Dec.	Q4	Q1	Q2	Q3	Q4
Total credit to other residents	8,188.1	7.2	7.7	6.8	6.4	5.1
Credit to the non-bank private sector	7,503.6	6.6	7.9	6.4	6.7	5.4
Credit to the non-bank public sector	684.5	13.8	5.8	10.6	3.5	1.4
Total loans	7,962.9	7.5	7.8	6.6	6.3	5.2

⁽¹⁾ 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.

¹⁹ The term "other residents" represents all economic sectors that are residents of Malta but do not form part of general government, principally households and non-financial corporations.

The overall deceleration mirrored developments in loans, which account for 98% of all credit to other residents. These expanded at a slower pace, with their year-on-year growth rate dropping to 5.2% in December from 6.3% in September. In particular, household mortgages, which remained the largest single category of bank borrowing by residents, increased at an annual rate of 8.5% in December, down from 9.8% in September (see Chart 2.20). Meanwhile, year-on-year growth in corporate loans declined to 4.6% from 5.3% in September.



Going into the first quarter of 2011, the annual growth rate of total credit to residents declined to 5.1% in February as both credit to general government and to other residents eased.

Meanwhile, credit granted by resident MFIs to other euro area residents slowed down sharply, with the annual rate of growth dropping to 19.2% in December from 32.7% at the end of the previous quarter.²⁰ At the end of the year, such credit outstanding totalled EUR4.2 billion, with resident MFI holdings of government securities accounting for most of the growth during the year.

While official interest rates remained unchanged during the final quarter of the year, the weighted average interest rate charged by MFIs on loans to residents decreased by three basis points, ending the quarter at 4.72%. Conversely, MFI rates on new loans generally increased. For example, rates charged to households for loans for house purchases and for consumer credit rose by 10 and 26 basis points to 3.43% and 5.81%, respectively (see Table 2.16).²¹ Similarly, rates on loans to NFCs increased by eight basis points, to 4.86% in December.

In February, the weighted average lending rate edged up by one basis point to 4.73%. As regards new business, developments were mixed again. For instance, while rates charged for loans to non-financial companies increased by 45 basis points over December to 5.31%, interest on consumer credit to households declined by 35 points to 5.46%.

The Bank Lending Survey (BLS) conducted in January 2011 indicated that credit standards on lending to households and enterprises remained unchanged during the fourth quarter of 2010.²² While banks reported that demand for business loans and mortgages remained unchanged, consumer credit requests slightly declined. Over the following quarter, banks expected a slight tightening in credit standards for business loans, but generally no change in lending standards for

²⁰ See footnote 16 above.

²¹ See footnote 18 above.

²² 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 2.16**MFI INTEREST RATES ON NEW LOANS TO RESIDENTS⁽¹⁾***Percentages per annum; weighted average rates for the period*

	2009		2010		
	Dec.	Mar.	June	Sep.	Dec.
Households and NPISH					
Overdrafts ⁽²⁾	6.44	6.45	5.73	5.75	5.75
Loans					
Lending for house purchases	3.52	3.45	3.39	3.33	3.43
Consumer credit ⁽³⁾	6.02	5.89	5.63	5.55	5.81
Other lending	5.56	6.03	4.79	5.91	5.86
Non-financial corporations					
Overdrafts ⁽²⁾	5.09	5.12	4.87	5.06	5.03
Loans ⁽³⁾	4.95	5.90	5.25	4.78	4.86

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

⁽²⁾ 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.

⁽³⁾ Excludes bank overdrafts.

Source: Central Bank of Malta.

households. Demand for business loans and consumer credit was envisaged to remain stable, whereas demand for mortgages was expected to increase slightly.

Net claims on non-residents of the euro area rise

During the year to December, resident MFIs' net claims on non-residents of the euro area rose by 23.1%, as against an increase of 32.5% in the 12 months to September (see Table 2.17). The operations of a newly-licensed credit institution in March 2010 continued to have a major impact on the annual growth rate. Indeed, claims on non-residents of the euro area expanded by 20.5%, owing primarily to a significant rise in holdings of government securities, coupled with an increase in deposits held with non-euro area banks. At the same time, the corresponding liabilities grew by 19.6%, mainly due to higher deposits by customers residing outside the euro area.

Other counterparts (net), which are generally heavily influenced by interbank transactions within the euro area, expanded by 20.8% during the year to December. This was primarily driven by a rise in bank equity, notably from the inclusion of the newly-licensed credit institution mentioned earlier.

Table 2.17**EXTERNAL AND OTHER COUNTERPARTS⁽¹⁾***EUR millions; percentage changes on the previous quarter*

	2009	2010	Amount	Change %
	Dec.	Dec.		
External counterpart	6,646.9	8,183.3	1,536.4	23.1
Claims on non-residents of the euro area	24,843.9	29,948.7	5,104.8	20.5
Liabilities to non-residents of the euro area	18,197.0	21,765.5	3,568.5	19.6
Other counterparts (net)⁽²⁾	10,995.6	13,279.4	2,283.8	20.8

⁽¹⁾ Figures show the contribution of Maltese MFIs to the euro area totals.

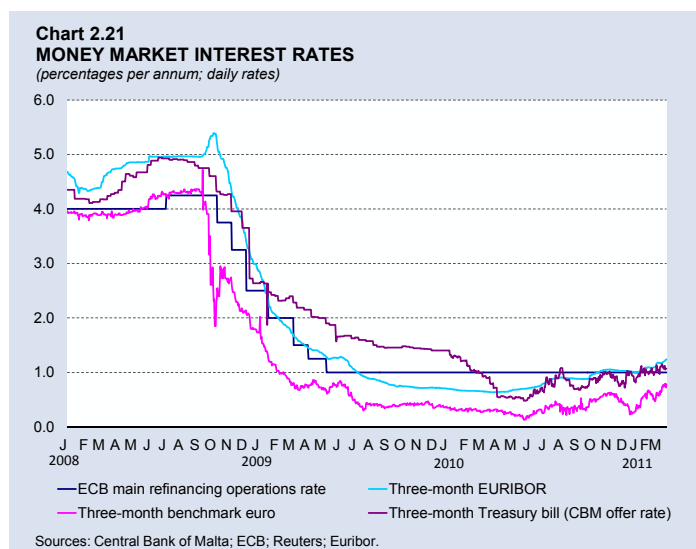
⁽²⁾ Includes net interbank claims/liabilities.

Source: Central Bank of Malta.

Money market rates increase

The ECB kept official interest rates unchanged during the final quarter of 2010, leaving the MRO at 1.00%. However, the three-month EURIBOR rose by 11 basis points during the quarter, ending December at 1.01% (see Chart 2.21).

The rise in euro area money market rates influenced domestic short-term interest rates as well. The primary market yield on domestic three-month Treasury bills increased to 0.99% at end-December from 0.72% at end-September.



The Treasury issued a total of EUR244.2 million worth of bills, slightly up from the issue of EUR231.2 million during the third quarter. One-month bills accounted for around two-fifths of the total issued, while six-month bills made up slightly less than a third. Domestic banks participated heavily in the auctions and bought three-fourths of the amount issued.

Turnover in the secondary Treasury bill market increased substantially to EUR32.7 million in the final quarter, from EUR27.0 million in the preceding three months. 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 EUR29.2 million and EUR0.2 million, respectively.

In the secondary market, the yield on benchmark three-month government securities in the euro area went down by 19 basis points during the quarter, ending the year at 0.26%. Conversely, the corresponding domestic yield rose by 12 basis points to stand at 0.94% at the end of 2010. As a result, the spread over the euro area benchmark widened to 68 basis points (see Chart 2.21).²³

During the first quarter of 2011, the domestic primary three-month Treasury bill rose to 1.1% by end-March. After having risen by 13 basis points, the corresponding secondary market rate stood at 1.07%. With the benchmark rate on euro area government securities gaining 52 basis points, the increase in the differential recorded during the final quarter of 2010 was partly reversed, with the spread narrowing to 29 basis points by end-March.

Bond yields rise

The Government raised additional funds through two MGS issues for a total of EUR98.8 million in November. These bonds have a maturity of 5 and 20 years and offer coupon rates of 3.75% and 5.25%, respectively. The amount issued was purchased at fixed prices, predominantly by households.

²³ The benchmark for the euro area is the secondary market rate on the three-month securities issued by the French government, which is also shown in Chart 2.21.

The final quarter was also characterised by additional issues of corporate debt securities. FIM-Bank plc issued EUR33 million worth of bonds at a coupon rate of 4.25%, redeemable in 2013, while Mediterranean Bank plc issued EUR15 million 6.25% bonds due in 2015. Both issues were oversubscribed.

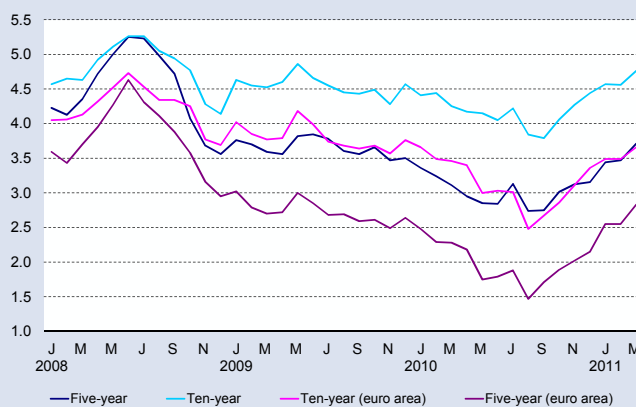
During the fourth quarter, turnover in the secondary market for government bonds declined by EUR49.4 million on the previous quarter, ending at EUR43.3 million mainly driven by a EUR38.5 million drop in transactions in long-term securities.²⁴ The Central Bank of Malta, in its role as market-maker, accounted for almost two-thirds of the value traded.

Over the quarter, yields on both five-year and ten-year government bonds rose by 41 and 65 basis points, respectively (see Chart 2.22). With the corresponding yields on euro area government bonds increasing by 44 and 69 basis points, respectively, the spread on five-year domestic government bonds edged down by three basis points to 101 basis points, while the ten-year differential narrowed by four basis points to 108.²⁵

Turnover in the secondary corporate bond market also dropped substantially during the quarter, halving to EUR8.4 million from EUR17.8 million. Trading was concentrated in 14 securities, with yields generally increasing.

Meanwhile, activity in the equity market picked up, with turnover increasing to EUR10.9 million from EUR6.6 million in the third quarter. The MSE share index recovered, gaining 11.6% in the last three months to end the year at 3781.24 (see Chart 2.23). Over the year as a whole, the share index rose by 9.3%.

Chart 2.22
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

Chart 2.23
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)



Source: MSE.

²⁴ Long-term bonds are those with an original term to maturity exceeding 15 years.

²⁵ Euro area yields are based on AAA-rated central government bonds.

During the first quarter of 2011, yields on five-year and ten-year government bonds increased further, reaching 3.71% and 4.76%, respectively, in March. The spread between domestic and euro area government bonds edged up by two basis points for five-year bonds, while that at the ten-year maturity declined by 13 basis points. At the same time, the MSE share index lost its upward momentum and declined by 8.4%.

COMBATING COUNTERFEITING IN MALTA

The Central Bank of Malta is responsible for the authenticity and good quality of the currency in circulation in Malta, which has been the euro since the beginning of 2008 when Malta joined the Eurosystem. In part, the Bank fulfils this responsibility by detecting counterfeit notes and coins and taking immediate action to withdraw them from circulation. This article provides an overview of the counterfeit deterrence systems in place to protect the public from counterfeit banknotes. It also analyses developments with regard to counterfeits in Malta over recent years.

An overview of the counterfeit deterrence set-up

The Eurosystem has set up an effective deterrence system against the proliferation of counterfeit euro notes through the establishment of the Counterfeit Analysis Centre (CAC). This centre is located at the ECB and coordinates the work of the National Counterfeit Centres (NCCs) run by the national central banks (see Figure 1).

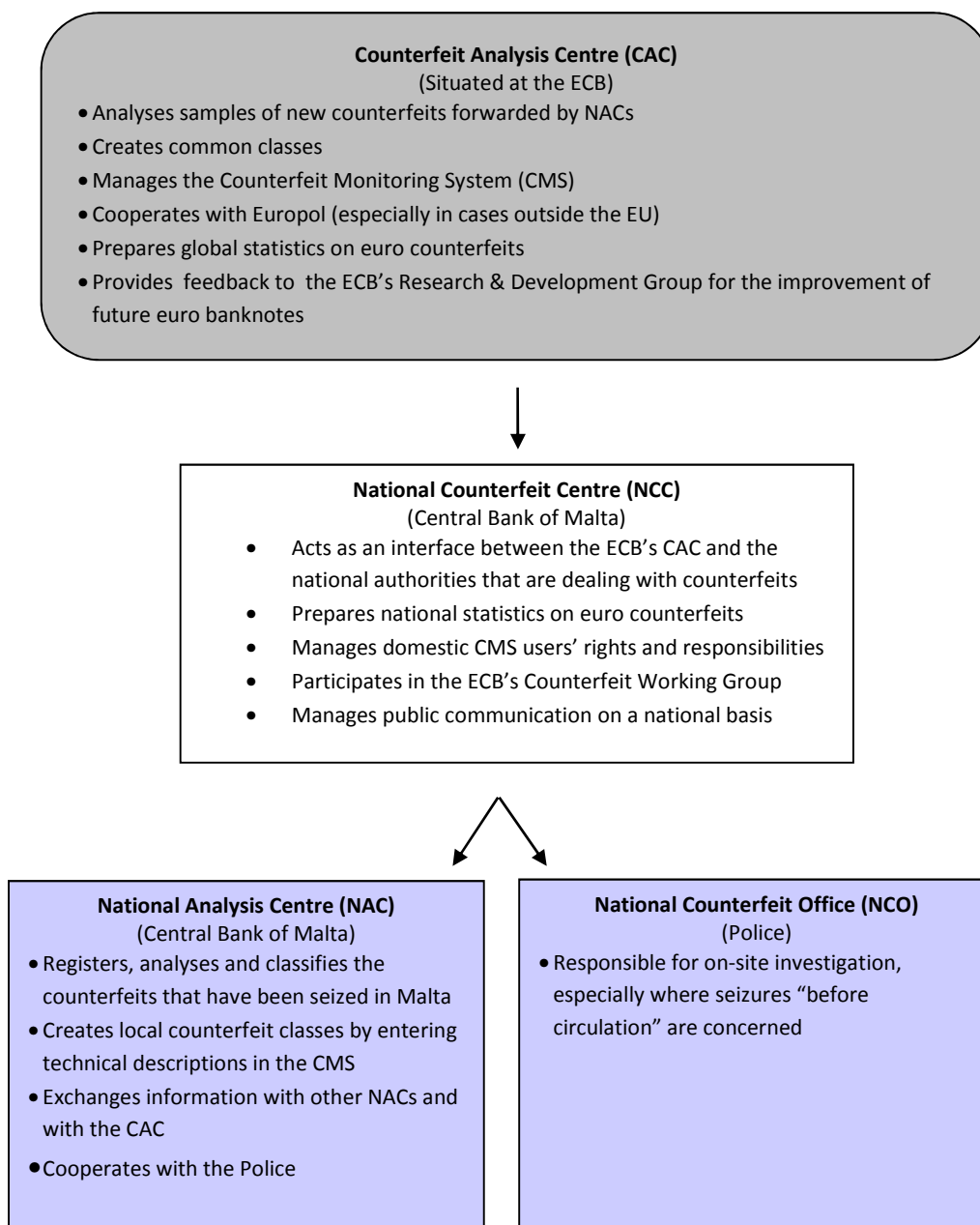
The Malta NCC, which is located at the Central Bank of Malta, is mainly responsible for the analysis and classification of counterfeits. Other related tasks are shared by the Bank and the Police. The NCC therefore acts as an interface between the ECB's CAC and the national authorities that deal with counterfeiting; it also transmits national statistics on euro counterfeiting through the Counterfeit Monitoring System (CMS), which is the ECB's database for counterfeits in the euro area. Furthermore, the Bank's official heading the NCC actively participates in the ECB's Counterfeit Working Group and manages public communication on counterfeits at a national level.

The Malta NCC is also directly responsible for two units: a National Analysis Centre (NAC) and a National Counterfeit Office (NCO). The NAC staff, who are trained in identifying counterfeits, are mainly responsible for the registration and classification of counterfeits that have been seized in Malta. They are also involved in the exchange of information with other National Analysis Centres in the euro area, the CAC and the local Police. The NCO is located at the Police Headquarters and is operated by Police officers. It is mainly responsible for on-site investigation in cases concerning seizure of counterfeits before circulation. All the functions of the NCC and the NAC are centralised within the Currency Surveillance Unit (CSU), which forms part of the Bank's Currency Operations Office.

At the ECB, the CMS performs an important function. It provides a database for all NCBs enabling them to input data relevant to counterfeit notes detected in their respective countries. ECB experts then analyse these data and inform the NCBs on new cases and on evolving trends in counterfeiting.

At the global level, the Central Bank Counterfeit Deterrence Group (CBCDG) was set up under the auspices of the Group of Ten to combat counterfeiting. The CBCDG monitors counterfeit trends and targets the deployment of technologies, in partnership with industrial manufacturers, that interrupt the digital production of counterfeit currency. The CBCDG also works towards the continuous enhancement of technology to maintain the integrity of its counterfeit deterrence systems and to meet the needs of the environment in which it operates. Finally the Group carries out research to strengthen and upgrade its systems of counterfeit deterrence. The Central Bank of Malta is a member of the CBCDG and participates in its activities.

FIGURE 1: THE COUNTERFEIT DETERRENCE FRAMEWORK



The euro counterfeit situation during 2010

The ECB regularly monitors and reports on counterfeit developments in the euro area and, twice a year, it issues a press release giving an overview of the counterfeit situation. In its latest release, issued on 17 January 2011, the ECB gave an account of developments in the second half of 2010. The information was based on data inputted by the respective NCBs in the Counterfeit Monitoring System.

The Central Bank of Malta regularly contributes to the CMS and informs the ECB on the counterfeit situation in Malta. Additionally, the Bank produces four quarterly internal reports, mainly covering euro notes. The final quarterly report provides data and an assessment for the whole year.

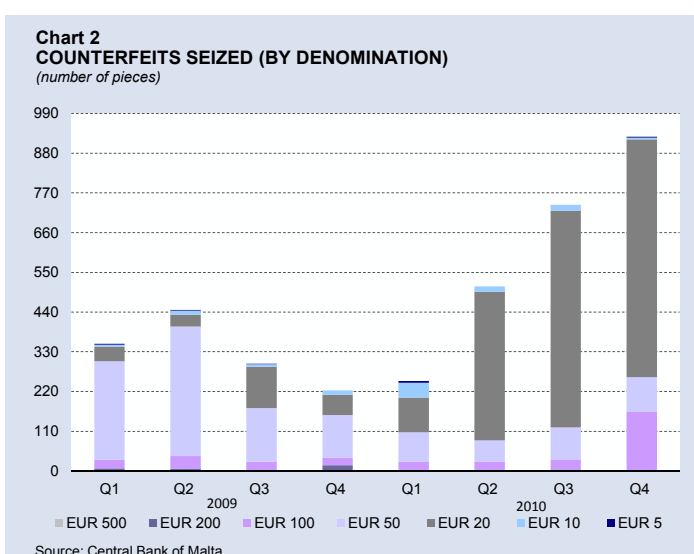
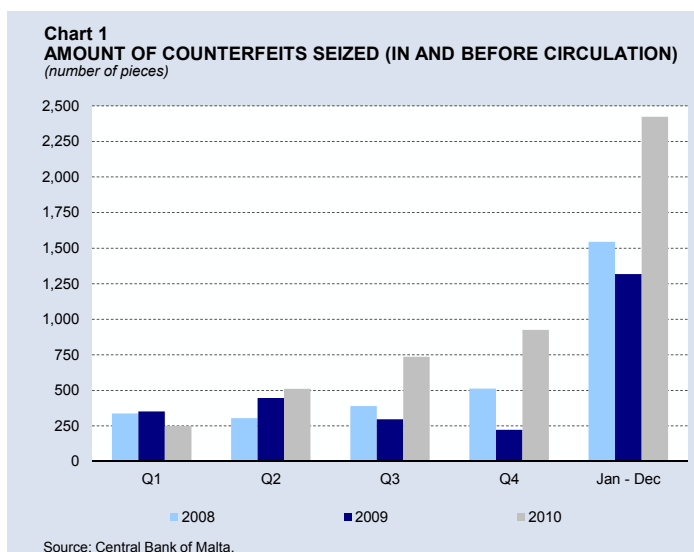
During 2010 the Bank's Currency Surveillance Unit (CSU) examined a total of 2,269 euro counterfeit notes found in circulation, together with 154 notes seized by the Police before being circulated, for a total of 2,423 euro bank notes

(see Chart 1). This represents an increase of 1,105 notes over 2009 and an increase of 878 over 2008. Apart from these, the CSU examined 79 suspected counterfeit euro banknotes in 2010 which turned out to be genuine. This is more than double the number of such notes examined in 2009.

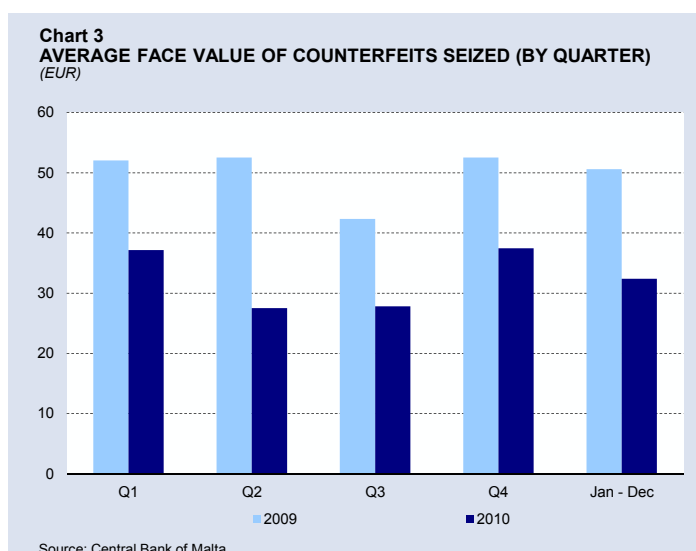
Notwithstanding this increase, the number of counterfeits seized in Malta in 2010 is considered to be insignificant when compared with the estimated 23 million euro banknotes in circulation in the country as at the end of 2010.

The financial damage, or loss suffered by the general public or financial institutions from the seized euro counterfeit notes in 2010, is equivalent to EUR63,705 which was lower than the amount reported for 2009. This was mainly due to the fact that during 2010 most of the counterfeit banknotes seized were of the EUR20 denomination rather than the EUR50 denomination as in 2009.

An analysis of counterfeit seizures in Malta by denomination shows that the EUR20 note accounted for 72.8% of the total of 2,423 counterfeit pieces detected and seized during 2010 (see Chart 2). The next most common counterfeit was the EUR50 note. These two denominations together represented over 86% of all counterfeits seized. In contrast, in the euro area as a whole, the EUR50 note was the most common counterfeit with 43.5% of the total seized, followed by the EUR20 note at 38%.



As stated above, the shift from the EUR50 to the EUR20 counterfeits seized locally resulted in a drop in the average face value of the counterfeits during 2010. As a result, the average value of the counterfeit notes seized fell to EUR32.40, which is much lower than the EUR50.62 of the previous year (see Chart 3).¹



In counterfeit terminology, a distinction is usually made between “local classes” and “common classes”. Local classes are those counterfeits manufactured by counterfeiters in the respective country and defined as “local” by the NCB where the counterfeit is detected for the first time. However, if similar counterfeits are found in other countries, such notes may later be reclassified in the common class. Common classes are widely distributed and of a generally better quality, and thus become well known to the counterfeit deterrence authorities. Statistics on both local and common classes are made available by the ECB for ease of reference. As is usually the case for Malta, the number of counterfeits seized in Malta belonging to “common classes” surpassed the “local classes” counterfeits during 2010.

However, the number of locally-manufactured counterfeits seized has increased in recent years. Whereas in 2009 the share of local classes in the total was 11.5%, in 2010 the ratio rose to 21.2% (i.e. 513 out of 2,423 notes).

Conclusion

The Central Bank of Malta, as part of the Eurosystem, continues to exercise strong vigilance where currency in circulation is concerned. It continues to cooperate with the Police, other NCBs and the ECB to safeguard the integrity of euro banknotes circulating in Malta. The Bank also invests in state-of-the-art processing machines that can reliably identify and withdraw counterfeits from circulation.

The Bank endeavours to ensure that the public and financial institutions are constantly updated on the domestic situation. The Bank plans to enhance its education campaign in this area so that all stakeholders are well informed about the features of the paper currency to be in a better position to recognise counterfeit banknotes. In this regard, the Bank regularly reminds the public to remain alert when receiving banknotes for cash transactions.²

¹ The average value is arrived at by dividing the total face value of the seized counterfeit notes by their quantity.

² Genuine banknotes can be easily recognised using the simple “Feel-Look-Tilt” test, described on the ECB’s website, <http://www.ecb.int/euro/banknotes/security/html/index.en.html> and the Central Bank of Malta’s website, <http://www.centralbankmalta.org/site/counterfeit.html>. Above all, when checking a suspected banknote, it is advisable to compare it with one that is known to be genuine, for example a banknote withdrawn from an ATM.

NEWS NOTES

LOCAL NEWS

The Central Bank of Malta joins the Cash SSP

On 15 December 2010 the Governor signed a cooperation agreement whereby the Central Bank of Malta joined the Cash Single Shared Platform (Cash SSP), becoming the eighth national central bank within the Eurosystem to use this leading logistical cash management system. The Cash SSP, which is designed for cash operations, makes extensive use of modern information technology to handle the exchange of notes and coins with commercial banks and to automate the currency management processes. The development of the Cash SSP represents a further step in the harmonisation of currency supply throughout the Eurosystem.

Excessive Deficit Procedure – Malta

On 18 January the ECOFIN Council decided that the Maltese Government's fiscal consolidation measures aimed at addressing an excessive deficit position represented adequate progress within the established time limit set by the Council. These measures are expected to correct the excessive deficit by 2011. However, the Council called for rigorous execution of the budget and for close monitoring of budgetary developments to ensure that the deficit target of 2.8% of GDP is reached in 2011.

Privatisation of Malta Super Yacht Yard

On 18 March the Government privatised the Malta Super Yacht Yard facility through a concession agreement with the Italian-owned shipyard company, Palumbo Malta Superyacht Limited. Under the agreement, which runs for a period of 30 years, the company will pay a global amount of EUR29.4 million, made up of a purchase agreement of EUR7.5 million and rentals of EUR0.5 million revisable by 15% every five years for the duration of the concession period. It is also committed to invest a minimum of EUR3.6 million in the yard during the first five years.

Capital market developments

Issue of Government Stocks

On 28 January the Government, through Legal Notice 29 of 2011, launched EUR120 million worth of Malta Government Stocks. The issue was divided into 4.25% Malta Government Stock 2017(III), 5.25% Malta Government Stock 2030(I) Fungibility Issue, or any combination of the two stocks. Bids and applications for a total exceeding EUR326 million were received; all subscriptions by the public, amounting to EUR107.8 million, were accepted in full.

Bank holidays

On 7 January the Minister of Finance, the Economy and Investment, through Legal Notice 6 of 2011 declared 25 April 2011 and 26 December 2011 as bank holidays.

Double taxation relief agreement

Legal Notice 14 of 2011

This Legal Notice issued on 18 January amended the relevant double taxation relief agreement between the Republic of Malta and the Republic of Italy.

Legislation related to banking and finance

Act II of 2011

On 8 March Act No. II of 2011 was enacted to amend the Banking Act, Cap. 371. The amendments included provisions affecting the competent authority in respect of supervisory tools and practices as well as of its functions as consolidating supervisor. The amendments also covered, among others, the opening of bank branches, the disclosure of information by the competent authority, as well as banks' remuneration policies and practices. Legal Notice 108 of 2011, issued on 25 March, established 18 March as the date when several provisions of the Act came into force.

Legal Notice 3 of 2011

This Legal Notice, issued on 7 January and titled Investment Services Act (Contractual Funds) Regulations, 2011, provided for the establishment, administration and dissolution of contractual funds.

Legal Notice 39 of 2011

This Legal Notice, issued on 1 February, titled Insurance Business (Fees) (Amendment) Regulations, 2011, added new definitions and a new regulation to the Insurance Business (Fees) Regulations S.L. 403.04.

Legal Notice 62 of 2011

This Legal Notice, issued on 22 February, amended the Investor Compensation Scheme Regulations regarding payment of contributions by licence holders. These regulations came into force on 1 January 2011.

Legal Notice 63 of 2011

This Legal Notice, issued on 22 February and titled Investment Services Act (Financial Capital Adequacy Consolidation) Regulations, 2011, partly implemented several articles of Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast) as amended by the Second Capital Requirements Directive.

Legal Notice 117 of 2011

This Legal Notice, issued on 29 March, amended the Protection and Compensation Fund Regulations under the Insurance Business Act (Cap. 403) with regard to provisions for the submission of a report on activities of the Fund, as well as on submission and publication of the Fund's financial statements.

Legal Notice 118 of 2011

This Legal Notice, issued on 29 March, published the Financial Collateral Arrangements (Amendment) Regulations, 2011, to implement, in part, provisions of Directive 2009/44/EC of the European Parliament and of the Council of 6 May 2009 amending Directive 98/26/EC on the settlement finality in payment and securities settlement systems and Directive 2002/47/EC on financial collateral arrangements in linked systems and credit claims.

INTERNATIONAL NEWS

Estonia joins the euro area

On 1 January Estonia became the 17th EU Member State to adopt the euro. As a consequence Eesti Pank, the national central bank of Estonia, became a member of the Eurosystem, in accordance with the Statute of the ESCB and the ECB.

European Systemic Risk Board holds inaugural meeting

On 20 January the European Systemic Risk Board (ESRB), which is chaired by the President of the ECB, held its first official meeting in Frankfurt. The ESRB is an independent EU body which forms part of the European System of Financial Supervision responsible for the macro-prudential oversight of the financial system within the EU. It contributes to the prevention or mitigation of systemic risks to financial stability in the Union through the implementation of the appropriate macro-prudential tools and policies. The General Board of the ESRB will meet on a quarterly basis.

ECOFIN Council - main topics discussed and decisions taken

During its meeting on 18 January the ECOFIN Council initiated the 2011 “European Semester”, examining the Commission’s annual growth survey and drawing lessons from an assessment of Member States’ draft national reform programmes. The Council also discussed the follow-up to the December European Council on the strengthening of EU economic governance and on the establishment of a new mechanism to ensure the stability of the euro area.

On 15 February a first discussion was held on a package of legislative measures intended to strengthen economic governance in the EU – and more specifically in the euro area – to face up to the challenges posed by the sovereign debt crisis. A directive was adopted to strengthen administrative cooperation in the field of taxation so as to enable Member States to better combat tax fraud. The Council adopted conclusions providing policy guidance to Member States for tackling macroeconomic and fiscal challenges with regard to the European Semester.

During its meeting of 15 March the Council agreed on a package of measures to strengthen economic governance in the EU, and more specifically in the euro area. As part of the EU’s response to challenges posed by the sovereign debt crisis, the measures would enhance budgetary discipline in Member States and address macroeconomic imbalances within the EU.

Euro area Heads of State or Government

On 11 March the Heads of State or Government of euro area Member States met in Brussels and agreed that the European Stability Mechanism would have an overall effective lending capacity of EUR500 billion. They also agreed that the introduction of a financial transaction tax should be explored and developed further in the euro area and at EU and international levels. The Heads of State or Government also endorsed the Pact for the Euro, which established stronger economic policy coordination for competitiveness and convergence.

European Council Meetings

At its meeting on 4 February the European Council advised the European Banking Authority and other relevant authorities to conduct ambitious stress tests and called on Member States to ensure that concrete plans, compliant with EU State aid rules, were in place to deal with any bank that demonstrated vulnerabilities in the stress tests.

The European Council also met on 24 and 25 March. It endorsed the priorities for fiscal consolidation and structural reform, emphasising the need to give priority to the restoration of sound budgets and fiscal sustainability, to the reduction of unemployment through labour market reforms and to new efforts to enhance growth. The Council also endorsed a package of proposals on economic governance, including amendments to the Stability and Growth Pact to enhance surveillance of fiscal policies by applying enforcement measures more consistently and at an earlier stage, new provisions on national fiscal frameworks and a new surveillance of macroeconomic imbalances. During the same meeting, the euro area Heads of State or Government, together with a number of other EU Member States, agreed on the Euro Plus Pact to further strengthen the economic pillar of EMU and to achieve a new quality of economic policy coordination.

G7 foreign exchange intervention

On 17 March the G7 Finance Ministers decided that, in response to recent movements in the exchange rate of the yen associated with the consequences of the devastating earthquake in Japan, the authorities of the United States, the United Kingdom, Canada and the European Central Bank would, in conjunction with those of Japan, make a concerted intervention in exchange markets on 18 March 2011 to stabilise the yen. This decision was taken in the light of their previous statements about the adverse effects of excess volatility and disorderly movements in exchange rates.

G20 Meetings

On 18-19 February the G20 Finance Ministers and Central Bank Governors met in Paris and agreed on a set of indicators to allow them to focus on persistently large imbalances in certain countries, which required policy actions through an integrated process. The Group also agreed to refrain from introducing protectionist trade actions and recognised the importance of a prompt conclusion to the Doha trade negotiations. The Group was committed to free trade and investment, which were recognised as essential for global recovery.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

(as at end-Dec 2010, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km ²	
CURRENCY UNIT	Euro exchange rates ¹ :	EUR 1 = USD 1.3362 EUR 1 = GBP 0.86075
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 ²	3.9%
	GDP per capita at current market prices ²	EUR15,100
	GDP per capita in PPS relative to the EU-27 average (2009)	81.0%
	Ratio of gross general government debt to GDP ²	68.0%
	Ratio of general government deficit to GDP ²	3.6%
	RPI inflation rate	1.5%
	HICP inflation rate	2.0%
	Ratio of exports of goods and services to GDP ²	85.1%
	Ratio of current account deficit to GDP ²	4.1%
	Employment rate	56.3%
	Unemployment rate	6.8%
POPULATION	Total Maltese and foreigners (2009)	412,970
	Males	205,419
	Females	207,551
	Age composition in % of population (2009)	
	0 - 14	16%
	15 - 64	70%
	65 +	14%
	Average annual growth rate (1990-2009)	0.8%
	Density per km ² (2009)	1,307
HEALTH	Life expectancy at birth (2009)	
	Males	78
	Females	82
	Crude birth rate, per 1,000 Maltese inhabitants (2009)	10.0
	Crude mortality rate, per 1,000 Maltese inhabitants (2009)	7.8
	Doctors (2010)	1,462
EDUCATION	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	110.3
	Private motor vehicle licences per 1,000 population	566
	Internet subscribers per 100 population	29.0

¹ End of month ECB reference rates.

² Provisional.

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

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at December 2010:

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.
Finansbank (Malta) Ltd. (from July 2005)
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)
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.

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Monetary, Banking and Financial Markets

Table 1.1 Financial statement of the Central Bank of Malta¹ (assets)

EUR millions

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

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets ⁴	Total assets/liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
2010									
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

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

² Includes IMF reserve position and holdings of SDRs.

³ Mainly includes cash and bank balances, placements with banks and securities.

⁴ Including items in course of settlement.

Monetary, Banking and Financial Markets

Table 1.1 Financial statement of the Central Bank of Malta¹ (*liabilities*)

EUR millions

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

EUR millions

End of period	Banknotes in circulation ²	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities ³	Capital and reserves ⁴
			Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008	693.1	483.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010										
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

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

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

³ Includes items in course of settlement.

⁴ Includes provisions and revaluation accounts.

Monetary, Banking and Financial Markets

Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles¹ (assets)

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets ³	Total assets/liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets ²	Total		
2008	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
2009	0.4	5.4	214.7	220.2	1,069.8	355.4	246.9	1,672.1	1,380.8	3,273.4
2010										
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

Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles¹ (liabilities)

EUR millions

End of period	Currency issued ⁴	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities ³
		Withdrawable on demand ⁵	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities ²	Total		
2008	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
2009	710.5	445.5	5.6	451.0	814.6	86.8	109.2	1,010.6	419.9	681.3
2010										
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

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

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

³ Includes resident interbank transactions.

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

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

Monetary, Banking and Financial Markets

Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles¹ (assets)

EUR millions

End of period	Balances held with Central Bank of Malta ²	Claims on residents of Malta			External assets				Other assets ³	Total assets/liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
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
2010										
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

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

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

³ Includes resident interbank claims.

Monetary, Banking and Financial Markets

Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles¹ (liabilities)

EUR millions

End of period	Deposits from residents of Malta ²				External liabilities				Debt securities issued ³	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 ³	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
2010											
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

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

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

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

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

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

EUR millions

End of period	Broad money (M3)								
	Intermediate money (M2)							M3-M2 ⁴	Total (M3) ⁵
	Narrow money (M1)			Deposits redeemable at notice up to 3 months ³		Deposits with agreed maturity up to 2 years ³			
	Currency issued ²	Overnight deposits ³		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents		
From residents of Malta		From other euro area residents							
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
2010									
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

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

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

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

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

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

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

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

EUR millions

End of period	Broad money (M3) ⁴	Credit counterpart ³					External counterpart			Other counterparts (net) ²
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009	8,883.3	1,927.4	7,792.4	1,238.3	2,273.9	13,232.0	24,843.9	18,197.0	6,646.9	10,995.6
2010										
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

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

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

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

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

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 ³
	Notional amount of banknotes issued by the Central Bank of Malta ¹	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins ²	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009	673.4	37.2	-	70.7	639.8	95.1
2010						
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

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

² For 2008 only, currency issued includes any outstanding Maltese lira banknotes and coins. A breakdown of Maltese lira banknotes and coins outstanding by denomination is shown in Table 1.7a (Denominations of Maltese currency issued and outstanding). For December 2008 the figure shown under "outstanding Maltese lira banknotes and coins" differs from that shown under the 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).

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

Monetary, Banking and Financial Markets

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins ¹	Currency notes					Total
		Lm20	Lm10 ²	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
2010							
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

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

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

Table 1.7b Denominations of euro banknotes allocated to Malta¹

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009	-3.8	35.1	331.4	214.3	23.2	50.4	117.9	768.5
2010								
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

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

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2008	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
2009	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.3	37.2
2010									
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

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 ¹	Monetary financial institutions ²	Insurance companies and pension funds	Other financial intermediaries & auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents		Non-residents of the euro area				
								Total						
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				
2010														
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				

¹ Including extra-budgetary units.

² 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 currency¹

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL ²	EUR	GBP	USD	Other	MTL ²	EUR	Other		
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
2010										
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

¹ Also includes loans granted to the reporting MFIs.

² 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 class¹

EUR millions

End of period	Size classes ²				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
2010					
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

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

² The euro amounts are approximations.

Monetary, Banking and Financial Markets

Table 1.11 Other monetary financial institutions' loans to residents of Malta by economic activity¹

End of Period	Electricity, gas & water supply	Transport, storage, information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals ²				Other ³	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
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	476.8	676.2	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	691.1	444.2	1,521.4	212.7	214.6	1,948.7	427.6	401.1	4,823.2
2006	188.9	340.7	266.7	586.4	492.9	715.0	612.8	1,769.9	250.4	230.7	2,251.1	380.7	421.3	5,414.0
2007	196.6	322.6	301.3	677.5	474.3	732.3	725.1	2,014.9	287.6	276.1	2,578.6	356.8	438.3	5,926.7
2008	333.1	429.2	340.6	730.4	457.4	757.1	931.3	2,219.8	329.9	307.8	2,857.5	333.9	634.1	6,536.4
2009	432.1	480.0	296.4	733.0	485.8	767.2	1,033.2	2,457.8	373.8	307.2	3,138.8	316.3	733.0	6,949.8
2010														
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

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

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

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

Monetary, Banking and Financial Markets

Table 1.12 Other monetary financial institutions' loans by sector

End of Period	Lending to residents of Malta							Lending to non-residents of Malta		Total lending
	General government ²	Monetary financial institutions ¹	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
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
2010										
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

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

² 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 ¹								
	MTL ²			EUR			Other			MTL ²			EUR			Other			MTL ²	EUR	Other
	Less than 1 year	Over 1 year	Over 1 year	Less than 1 year	Over 1 year	Over 1 year	Less than 1 year	Over 1 year	Over 1 year	Less than 1 year	Over 1 year	Over 1 year	Less than 1 year	Over 1 year	Over 1 year	Less than 1 year	Over 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					
2010																					
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					

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

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

Monetary, Banking and Financial Markets

Table 1.14 Aggregated statement of assets and liabilities - investment funds¹ (assets)

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets ²	Fixed and other assets ³	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
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
2009								
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
2010								
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

Table 1.14 Aggregated statement of assets and liabilities - investment funds¹ (liabilities)

EUR millions

End of period	Loans	Shareholders' units/funds ⁴	External liabilities ⁵	Other liabilities ⁶	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
2009					
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
2010					
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

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

² Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties. As from June 2010, changes to the figures in this version of the *Quarterly Review* were due to a reclassification of an investment fund from a resident to a non-resident entity.

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

⁴ Includes share capital and reserves.

⁵ Includes loans, creditors, accruals, shareholders' units/ funds and other liabilities to non-resident counterparties. As from June 2010, changes to the figures in this version of the *Quarterly Review* were due to a reclassification of an investment fund from a resident to a non-resident entity.

⁶ Includes creditors, accruals and other liabilities.

Monetary, Banking and Financial Markets

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations¹ (assets)

EUR millions

End of period	Currency and Deposits ²	Holdings of securities other than shares	Holdings of shares and other equity		External assets ³	Fixed and other assets ⁴	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	794.3	93.5	1,811.4
2010							
Q1	283.5	485.7	21.1	169.2	773.7	163.0	1,896.2
Q2	233.2	544.0	20.4	158.8	802.1	163.5	1,922.1
Q3	250.3	553.6	19.7	161.1	883.8	99.5	1,967.9
Q4	240.5	547.3	20.4	168.0	954.9	100.9	2,032.0

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations¹ (liabilities)

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves ⁵	External liabilities ⁶	Other liabilities ⁷	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	38.5	56.6	1,811.4
2010						
Q1	20.3	277.5	1,496.3	44.1	58.0	1,896.2
Q2	22.6	269.9	1,530.9	46.5	52.2	1,922.1
Q3	22.5	280.2	1,570.2	46.4	48.5	1,967.9
Q4	22.6	283.7	1,626.6	46.5	52.6	2,032.0

¹ Comprising the resident insurance companies.

² Includes loans.

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

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

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

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

⁷ Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.

Monetary, Banking and Financial Markets

Table 1.16 Monetary policy operations of the Central Bank of Malta¹

EUR thousands

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos ²			Marginal lending during the period ³	Term deposits ⁴			Overnight deposits ⁵
	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
2006								
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
2007								
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

¹ 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.

² 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.

³ 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.

⁴ 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.

⁵ 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 Malta¹

	2008	2009	2010									
			Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	
NEW BUSINESS²												
Deposits												
Households and NPISH												
Overnight deposits ^{3,4}	0.57	0.30	0.29	0.29	0.29	0.30	0.29	0.28	0.28	0.28	0.28	0.28
Savings deposits redeemable at notice ^{3,5} up to 3 months	2.09	1.70	1.70	1.70	1.67	1.67	1.65	1.63	1.64	1.68	1.69	1.69
Time deposits with agreed maturity up to 1 year	3.06	1.95	1.82	1.78	1.79	1.89	1.86	1.88	1.82	1.77	2.04	2.04
over 1 and up to 2 years	4.60	3.00	2.72	3.27	3.17	3.14	2.78	2.80	2.83	3.13	3.19	3.19
over 2 years	4.77	3.39	3.65	3.23	3.79	3.75	3.61	3.72	3.64	3.90	3.86	3.86
Non-financial corporations												
Overnight deposits ^{3,4}	0.64	0.23	0.22	0.21	0.22	0.23	0.26	0.25	0.26	0.25	0.24	0.24
Time deposits with agreed maturity	2.60	0.85	0.90	1.69	1.51	1.76	1.48	1.64	1.43	1.80	1.51	1.51
Loans												
Households and NPISH												
Overdrafts ^{3,9}	7.16	6.44	6.54	6.57	5.73	5.70	5.72	5.75	5.74	5.76	5.75	5.75
Loans												
Lending for house purchase	3.84	3.52	3.40	3.41	3.39	3.37	3.40	3.33	3.34	3.40	3.43	3.43
Consumer credit ⁷	6.12	6.02	6.04	5.86	5.63	5.55	5.89	5.55	5.80	5.80	5.81	5.81
Other lending	6.44	5.56	5.67	5.69	4.79	6.01	5.22	5.91	5.65	5.37	5.86	5.86
Non-financial corporations												
Overdrafts ^{3,9}	5.30	5.08	5.11	5.11	4.87	4.87	4.87	5.06	5.06	5.05	5.03	5.03
Loans ⁷	5.50	4.95	5.58	5.54	5.25	5.12	5.48	4.78	4.93	4.50	4.86	4.86
APRC ⁶ for loans to households and NPISH												
Lending for house purchase	4.35	3.71	3.70	3.68	3.61	3.62	3.78	3.52	3.53	3.63	3.63	3.63
Consumer credit ⁷	6.25	6.10	6.11	5.93	5.71	5.62	5.99	5.62	5.87	5.87	5.89	5.89
OUTSTANDING AMOUNTS²												
Deposits												
Households and NPISH												
Time deposits with agreed maturity up to 2 years	3.90	2.22	2.13	2.10	2.09	2.09	2.08	2.08	2.07	2.07	2.08	2.08
over 2 years	3.19	3.06	3.11	3.09	3.03	3.16	3.13	3.13	3.13	3.14	3.15	3.15
Non-financial corporations												
Time deposits with agreed maturity up to 2 years	3.39	2.01	1.67	1.99	1.98	2.03	1.95	2.00	2.04	2.03	1.97	1.97
over 2 years	3.26	3.35	3.37	3.39	3.28	3.27	3.20	3.20	3.20	3.25	3.24	3.24
Loans												
Households and NPISH												
Lending for house purchase	4.03	3.51	3.49	3.49	3.48	3.48	3.47	3.47	3.46	3.46	3.46	3.46
Consumer credit and other lending ⁸	5.80	5.67	5.69	5.69	5.67	5.65	5.53	5.57	5.57	5.57	5.58	5.58
Non-financial corporations ⁸	5.45	4.91	4.98	4.96	4.96	4.75	4.71	4.70	4.71	4.70	4.67	4.67

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

² Weighted average rates as at end of period.

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

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

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

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

⁷ Excludes bank overdrafts.

⁸ Includes bank overdrafts.

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

Monetary, Banking and Financial Markets

Table 1.18 Monetary financial institutions' interest rates on deposits and loans to euro area residents¹

% per annum	2008	2009	2010									
			Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	
NEW BUSINESS²												
Deposits												
Households and NPISH												
Overnight deposits ^{3,4}	0.57	0.30	0.29	0.29	0.29	0.30	0.29	0.28	0.28	0.28	0.28	0.28
Savings deposits redeemable at notice ^{3,5}												
up to 3 months	2.09	1.70	1.70	1.70	1.67	1.67	1.65	1.63	1.64	1.69	1.69	1.69
Time deposits with agreed maturity												
up to 1 year	3.05	1.97	1.81	1.78	1.78	1.89	1.86	1.88	1.82	1.77	1.97	1.97
over 1 and up to 2 years	4.60	3.00	2.72	3.27	3.07	3.14	2.78	2.80	2.83	3.13	3.18	3.18
over 2 years	4.77	3.39	3.65	3.23	3.79	3.75	3.61	3.71	3.65	3.90	3.86	3.86
Non-financial corporations												
Overnight deposits ^{3,4}	0.65	0.23	0.23	0.22	0.24	0.24	0.27	0.26	0.27	0.26	0.25	0.25
Time deposits with agreed maturity	2.06	1.44	1.38	2.51	2.80	2.36	1.84	1.91	1.56	1.09	1.11	1.11
Loans												
Households and NPISH												
Overdrafts ^{3,9}	7.16	6.45	6.54	6.57	5.73	5.70	5.72	5.75	5.74	5.76	5.76	5.76
Loans												
Lending for house purchase	3.84	3.52	3.39	3.42	3.39	3.37	3.40	3.32	3.35	3.41	3.42	3.42
Consumer credit ⁷	6.12	6.01	6.04	5.86	5.63	5.55	5.89	5.55	5.80	5.80	5.81	5.81
Other lending	6.43	5.56	5.67	5.69	4.79	6.01	5.22	5.91	5.62	5.37	5.86	5.86
Non-financial corporations												
Overdrafts ^{3,9}	5.14	5.08	5.11	5.11	4.87	4.86	4.87	5.05	5.06	5.04	5.02	5.02
Loans ⁷	4.93	4.42	4.86	4.95	4.54	4.50	5.02	4.46	4.59	4.28	4.46	4.46
APRC ⁶ for loans to households and NPISH												
Lending for house purchase	4.35	3.71	3.70	3.70	3.61	3.62	3.78	3.52	3.54	3.63	3.63	3.63
Consumer credit ⁷	6.25	6.09	6.11	5.93	5.71	5.62	5.99	5.62	5.87	5.87	5.89	5.89
OUTSTANDING AMOUNTS²												
Deposits												
Households and NPISH												
Time deposits with agreed maturity												
up to 2 years	3.89	2.21	2.13	2.10	2.09	2.09	2.08	2.07	2.07	2.07	2.08	2.08
over 2 years	3.24	3.10	3.14	3.13	3.03	3.16	3.13	3.13	3.13	3.14	3.15	3.15
Non-financial corporations												
Time deposits with agreed maturity												
up to 2 years	3.57	2.03	1.80	2.15	2.23	2.15	1.92	2.01	1.89	1.74	1.71	1.71
over 2 years	3.28	3.13	3.16	3.18	3.37	3.35	3.31	3.30	3.31	3.34	3.33	3.33
Loans												
Households and NPISH												
Lending for house purchase	4.03	3.51	3.49	3.49	3.49	3.48	3.47	3.47	3.47	3.46	3.46	3.46
Consumer credit and other lending ⁸	5.79	5.67	5.69	5.69	5.67	5.65	5.53	5.57	5.57	5.57	5.58	5.58
Non-financial corporations ⁸	5.11	4.13	4.20	4.20	4.46	4.26	4.29	4.23	4.35	4.24	4.26	4.26

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

² Weighted average rates as at end of period.

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

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

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

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

⁷ Excludes bank overdrafts.

⁸ Includes bank overdrafts.

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

Monetary, Banking and Financial Markets

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

	2006	2007	2008	2009	2010			
					Mar.	June	Sep.	Dec.
INTEREST RATES (%)¹								
Key ECB interest rates²								
Marginal lending facility	4.50	5.00	3.00	1.75	1.75	1.75	1.75	1.75
Main refinancing operations - minimum bid rate	3.50	4.00	2.50	1.00	1.00	1.00	1.00	1.00
Deposit facility	2.50	3.00	2.00	0.25	0.25	0.25	0.25	0.25
Money market rates (period averages)								
Overnight deposit (EONIA)	2.84	3.86	3.86	0.36	0.34	0.35	0.45	0.60
Rates for fixed term deposits (EURIBOR)								
1 month	2.94	4.08	4.27	0.45	0.42	0.42	0.61	0.81
3 months	3.08	4.28	4.63	0.72	0.66	0.69	0.88	1.02
6 months	3.23	4.35	4.72	1.00	0.96	0.98	1.13	1.25
1 year	3.44	4.45	4.81	1.24	1.23	1.25	1.40	1.52
Central Bank of Malta²								
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						

¹ End of period rates unless otherwise indicated.

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

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

Monetary, Banking and Financial Markets

Table 1.20 Other rates and indicators

	2006	2007	2008	2009	2010			
					Mar.	June	Sep.	Dec.
INTEREST RATES (%)¹								
Other monetary financial institutions²								
Weighted average deposit rate	2.37	3.00	2.57	1.44	1.43	1.37	1.37	1.37
Current deposits	0.57	0.78	0.51	0.29	0.29	0.27	0.27	0.28
Savings deposits	1.17	1.73	0.73	0.33	0.34	0.35	0.36	0.35
Time deposits	3.27	3.97	3.74	2.30	2.27	2.26	2.25	2.27
Weighted average lending rate	5.90	6.30	4.96	4.46	4.47	4.47	4.75	4.72
Non-financial companies	6.34	6.74	5.31	4.93	4.97	5.16	5.35	5.31
Households and individuals	5.38	5.80	4.51	3.91	3.90	3.66	4.08	4.05
Consumer credit	7.42	7.84	7.15	5.90	5.90	5.92	5.96	5.97
House purchase	4.95	5.39	3.98	3.47	3.46	3.15	3.67	3.63
Other lending	6.46	6.74	5.54	4.96	5.04	5.10	5.29	5.35
Government securities								
Treasury bills (primary market) ³								
1 month	3.51	4.32	-	-	-	-	0.70	-
3 month	3.91	4.35	3.65	1.40	0.80	0.68	0.72	0.99
6 month	4.00	4.54	2.75	1.52	0.86	0.75	-	1.10
1 year	4.20	4.39	-	-	-	-	-	-
Treasury bills (secondary market)								
1 month	3.75	4.32	2.64	1.36	0.76	0.62	0.73	0.77
3 month	3.90	4.35	2.64	1.40	0.71	0.71	0.82	0.94
6 month	4.00	4.54	2.65	1.46	0.80	0.74	1.11	1.23
1 year	4.20	4.58	2.73	1.69	1.13	0.99	1.35	1.28
Government long-term debt securities (period averages)								
2 year	3.73	4.58	3.43	2.30	1.99	1.72	1.81	2.00
5 year	3.94	4.65	4.01	3.52	3.35	2.92	2.93	3.02
10 year	4.32	4.82	4.53	4.43	4.44	4.15	4.01	4.15
15 year	4.54	5.11	4.76	4.86	n/a	n/a	n/a	n/a
MALTA STOCK EXCHANGE SHARE INDEX	4,873	4,938	3,208	3,461	3,549	3,365	3,387	3,781

¹ End of period rates unless otherwise indicated.

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

³ '-' 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 issuers¹

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
2010²											
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

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

² Figures are provisional.

Sources: Central Bank of Malta; MSE.

Table 1.22 Quoted shares, by sector of resident issuers¹

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
2010									
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

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

² Figures are provisional.

Source: MSE.

Government Finance

Table 2.1 General government revenue and expenditure¹

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+) ²
	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	1,937.6	167.8	2,105.4	2,002.0	244.3	2,246.3	-140.9	38.8
2007	2,129.9	70.6	2,200.5	2,106.8	222.2	2,329.0	-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	2,245.4	63.5	2,308.9	2,347.5	178.4	2,525.9	-217.0	-33.6
2010	2,307.1	108.2	2,415.3	2,429.2	212.4	2,641.6	-226.3	-42.9
2010								
Q1	554.3	18.1	572.4	567.1	52.3	619.5	-47.1	-14.6
Q2	558.0	36.1	594.1	627.5	48.1	675.6	-81.5	-24.7
Q3	552.0	23.8	575.8	583.7	38.3	621.9	-46.1	-12.5
Q4	642.8	30.2	673.0	650.9	73.7	724.6	-51.7	13.0

Table 2.2 General government revenue by main components¹

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden ³
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
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	1,937.6	14.7	153.2	167.8	2,105.4	1,773.4
2007	726.0	801.7	398.3	109.6	72.8	21.6	2,129.9	15.7	54.9	70.6	2,200.5	1,941.7
2008	742.8	830.2	432.0	152.0	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	2,245.4	14.0	49.5	63.5	2,308.9	2,056.8
2010	809.2	830.8	456.4	105.8	84.1	20.9	2,307.1	14.7	93.4	108.2	2,415.3	2,111.1
2010												
Q1	181.7	196.4	107.4	23.9	40.8	4.0	554.3	2.3	15.8	18.1	572.4	487.8
Q2	225.4	167.0	117.7	27.3	16.5	4.0	558.0	5.5	30.6	36.1	594.1	515.6
Q3	198.3	205.6	102.4	23.9	17.1	4.7	552.0	3.7	20.1	23.8	575.8	510.0
Q4	203.7	261.8	128.9	30.6	9.6	8.1	642.8	3.3	26.9	30.2	673.0	597.7

¹ Based on ESA95 methodology. Data are provisional.

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

³ The fiscal burden comprises taxes and social security contributions.

Sources: Eurostat; NSO.

Government Finance

Table 2.3 General government expenditure by main components¹

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total ²	
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	222.2	2,329.0
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	187.4	384.1	59.8	117.8	2,429.2	130.2	77.4	212.4	2,641.6
2010											
Q1	210.7	197.9	32.4	80.8	8.9	36.3		36.3	13.7	52.3	619.5
Q2	209.0	224.8	56.7	103.3	20.8	12.9	627.5	13.8	31.0	48.1	675.6
Q3	209.8	197.2	33.6	91.7	11.3	40.0	583.7	24.1	14.5	38.3	621.9
Q4	208.6	222.0	64.7	108.3	18.8	28.5	650.9	56.0	18.2	73.7	724.6

¹ Based on ESA95 methodology. Data are provisional.

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

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function¹

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

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

Sources: Eurostat; NSO.

Government Finance

Table 2.5 General government financial balance sheet¹

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
2010												
Mar.	516.6	0.0	28.6	824.1	540.0	1,909.3	36.9	4,137.6	229.0	569.8	4,973.3	-3,064.0
June	593.1	0.0	44.0	817.9	536.9	1,991.9	38.8	4,318.7	220.6	598.8	5,177.0	-3,185.1
Sep.	672.4	0.0	48.7	818.4	509.1	2,048.6	40.6	4,417.6	227.4	627.6	5,313.2	-3,264.6
Dec.	583.9	0.0	63.0	849.1	409.2	1,905.3	41.0	4,307.5	228.1	520.0	5,096.5	-3,191.3

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

Sources: Eurostat; NSO.

Government Finance

Table 2.6 General government deficit-debt adjustment¹

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other ²	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
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	-6.1	5.3	0.0	-5.1	20.3	-34.5	-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	-11.4	68.1
2010									
Q1	97.6	-47.1	-15.4	-0.9	0.0	0.1	12.6	54.2	50.6
Q2	121.0	-81.5	74.7	15.4	0.0	-1.2	-8.7	-40.6	39.6
Q3	93.3	-46.1	75.0	4.8	0.0	0.0	7.7	-40.3	47.2
Q4	-17.7	-51.7	-87.4	14.3	0.0	0.2	-11.7	15.2	-69.3

¹ Based on ESA95 methodology. Data are provisional.

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

Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt ¹	Government guaranteed debt ²
		Short- term	Long-term	Total	Short-term	Long-term	Total		
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
2010									
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

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

² Represents outstanding balances on general government guaranteed debt.

Sources: Eurostat; NSO.

Government Finance

Table 2.8 Treasury bills issued and outstanding¹

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding ³ and held by		
		OMFIs ⁴	Others ²	Total	MFIs	Others ²	Total
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
2010							
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

¹ Amounts are at nominal prices.

² Includes the Malta Government sinking fund.

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

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

Sources: Central Bank of Malta; The Treasury.

Government Finance

Table 2.9 Treasury bills issued and outstanding¹ (as at end-December 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 ³
				OMFIs ⁴	Others ²	MFIs	Others ²	
09/Jul/2010	07/Jan/2011	0.819	0.918	24.6	0.0	24.6	0.0	24.6
16/Jul/2010	14/Jan/2011	0.819	0.867	18.6	7.5	17.6	8.5	26.1
22/Oct/2010	21/Jan/2011	0.862	0.815	8.5	7.3	5.0	10.8	15.8
06/Aug/2010	04/Feb/2011	1.187	0.792	35.0	0.0	35.0	0.0	35.0
14/May/2010	11/Feb/2011	0.766	0.810	50.0	0.0	50.0	0.0	50.0
19/Nov/2010	18/Feb/2011	0.910	0.829	4.0	0.0	4.0	0.0	4.0
26/Nov/2010	25/Feb/2011	0.825	0.847	5.0	0.0	5.0	0.0	5.0
04/Jun/2010	04/Mar/2011	0.738	0.865	19.9	0.0	15.0	4.9	19.9
10/Dec/2010	11/Mar/2011	0.802	0.884	9.6	10.0	8.0	11.6	19.6
17/Dec/2010	18/Mar/2011	0.987	0.902	4.5	0.0	4.0	0.5	4.5
25/Jun/2010	25/Mar/2011	0.883	0.920	17.5	0.0	17.5	0.0	17.5
02/Jul/2010	01/Apr/2011	0.918	0.939	23.0	0.0	21.7	1.3	23.0
08/Oct/2010	08/Apr/2011	1.169	0.961	23.1	4.0	15.0	12.1	27.1
16/Jul/2010	15/Apr/2011	1.009	0.984	41.0	0.0	41.0	0.0	41.0
05/Nov/2010	06/May/2011	1.194	1.051	39.8	0.0	38.0	1.8	39.8
13/Aug/2010	13/May/2011	1.274	1.073	5.0	0.1	5.0	0.1	5.1
03/Dec/2010	03/Jun/2011	1.122	1.140	3.0	0.0	2.5	0.5	3.0
17/Dec/2010	17/Jun/2011	1.104	1.185	6.4	0.0	5.0	1.4	6.4
15/Oct/2010	15/Jul/2011	0.850	1.226	4.0	0.0	4.0	0.0	4.0
12/Nov/2010	12/Aug/2011	1.315	1.227	3.1	3.5	2.0	4.6	6.6
Total				345.4	32.4	319.9	57.9	377.8

¹ Amounts are at nominal prices.

² Includes the Malta Government sinking fund.

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

⁴ As from 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 outstanding¹ (as at end-December 2010)

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price ⁵	ISMA Yield (%)	Interest dates	Held by		Amount
						Resident MFIs ²	Others	
7.50	2011 (I)	1996	100	1.45	28/03 - 28/09	20.6	14.4	34.9
6.25	2011 (II) ⁴	2001	100	N/A ⁶	01/02 - 01/08	55.0	38.2	93.2
7.00	2011 (III) ³	2002	100	1.57	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	1.80	24/05 - 24/11	39.3	41.1	80.4
7.00	2012 (II) ³	2002	100	1.92	30/06 - 30/12	0.0	0.4	0.4
5.70	2012 (III) ⁴	2005/2007	100/102.75/ 103.85/105.95	1.86	30/03 - 30/09	283.8	145.1	428.9
7.80	2013 (I)	1997	100	2.09	18/04 - 18/10	41.3	38.5	79.8
6.35	2013 (II) ⁴	2001	100	2.00	19/05 - 19/11	9.1	51.4	60.6
7.00	2013 (III) ³	2003	100	2.16	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV) ⁴	2009	100	2.09	18/04 - 18/10	197.0	90.0	287.0
6.60	2014 (I) ⁴	2000	100	2.23	30/03 - 30/09	6.3	18.2	24.5
6.45	2014 (II) ⁴	2001	100	2.44	24/05 - 24/11	22.5	47.4	69.9
5.10	2014 (III) ⁴	03/04/06/07/08	100/103.25/ 103.64/105.5	2.32	06/01 - 06/07	148.5	240.4	388.9
7.00	2014 (IV) ³	2004	100	2.48	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I) ⁴	22/06/1905	100	2.63	10/06 - 10/12	30.2	39.7	69.9
5.90	2015 (II) ⁴	02/03/07	100/102/105	2.74	09/04 - 09/10	32.0	84.6	116.5
7.00	2015 (III) ³	2005	100	2.82	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV) ³	2005	100	2.82	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (V) ⁴	2010	100	2.79	03/06 - 03/12	83.9	41.5	125.4
3.75	2015 (VI) ⁴	2010	100	2.79	03/06 - 03/12	0.0	6.1	6.1
6.65	2016 (I) ⁴	2001	100	2.89	28/03 - 28/09	10.9	58.9	69.9
4.80	2016 (II) ⁴	03/04/06	100/101/104	3.09	26/05 - 26/11	70.0	116.3	186.4
7.00	2016 (III) ³	2006	100	3.11	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I) ³	29/06/1905	100	3.36	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II) ³	2007	100	3.36	30/06 - 30/12	0.0	10.3	10.3
7.80	2018 (I)	1998	100	3.48	15/01 - 15/07	81.6	81.4	163.1
7.00	2018 (II) ³	2008	100	3.57	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III) ³	2008	100	3.57	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	3.69	01/03 - 01/09	43.0	59.5	102.5
7.00	2019 (II) ³	2009	100	3.73	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I) ⁴	2007	100	3.80	10/06 - 10/12	10.2	42.2	52.4
4.60	2020 (II) ⁴	2009	100	3.79	25/04 - 25/10	95.8	62.6	158.3
7.00	2020 (III)	2010	100	3.85	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I) ⁴	04/05/07/08	98.5/100	3.89	08/02 - 08/08	141.1	317.8	458.8
5.10	2022 (I) ⁴	2004	100	3.97	16/02 - 16/08	7.7	63.3	71.0
5.50	2023 (I) ⁴	2003	100	4.04	06/01 - 06/07	16.0	62.8	78.8
5.25	2030 (I) ⁴	2010	100	4.97	13/06 - 23/12	56.3	239.2	295.5
F.R. 6-mth Euribor ⁷	2013 (V) ⁴	2010	100	1.598/0.427 ⁷	24/02 - 24/08	7.0	0.3	7.3
F.R. 6-mth Euribor ⁷	2013 (VI) ⁴	2010	100	1.605/0.358 ⁷	11/02 - 11/08	30.0	0.0	30.0
F.R. 6-mth Euribor ⁷	2015 (V) ⁴	2009	100	2.039/0.850 ⁷	25/04 - 25/10	11.2	18.6	29.8
Total						1,550.2	2,061.3	3,611.5

¹ Amounts are at nominal prices.

² Comprising of Resident of Malta MFIs.

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

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

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

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

⁷ Floating Rate (F.R.) MGS linked to the 6-month EURIBOR plus a fixed spread until maturity (quoted margin). The interest rate will be reset semi-annually in accordance with the applicable 6-month EURIBOR rate in effect 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 maturity¹

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
2010						
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

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

Sources: Central Bank of Malta; MSE.

Table 2.12 General government external loans by currency¹ and remaining term to maturity²

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 ³	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009 ³	1.7	98.9	0.0	1.0	0.0	0.7	102.3
2010³							
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

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

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

³ Provisional.

Exchange Rates, External Transactions and Positions

Table 3.1a Selected Maltese lira exchange rates (end of period closing middle rates)¹

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
2007							
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

¹ 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)¹

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
2007							
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

¹ 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 currencies¹ (*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
2010						
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

¹ 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*)¹

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
2010						
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

¹ 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 ²	2,335.4	3,301.5	2,053.3	1,405.4	1,462.4	1,635.8	417.0	423.4	-498.0	158.3	5.6
2007 ²	2,406.7	3,388.2	2,486.1	1,716.0	1,973.5	2,175.5	639.5	668.5	-442.3	75.5	6.8
2008 ²	2,171.6	3,414.4	2,849.0	1,812.5	2,211.2	2,429.3	903.8	910.3	-430.8	34.9	6.5
2009 ²	1,734.5	2,716.4	2,815.5	1,872.5	1,652.8	2,064.3	1,431.3	1,388.4	-407.5	83.7	7.7
2010 ²	2,307.1	3,221.1	3,008.2	1,939.3	1,646.6	2,087.2	1,296.1	1,267.6	-257.3	90.2	9.5
2010²											
Q1	516.5	690.0	636.6	471.3	357.3	475.9	203.5	219.9	-143.2	2.4	2.4
Q2	604.3	749.6	736.5	454.7	436.3	492.9	394.2	381.1	93.0	36.6	2.4
Q3	578.5	893.4	921.4	485.6	410.3	563.8	210.1	215.2	-37.7	5.2	2.4
Q4	607.8	888.1	713.7	527.6	442.7	554.7	488.3	451.5	-169.4	46.0	2.4

EUR millions

Period	Financial account ¹									Errors & omissions	
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets		Total
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
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 ²	-23.9	1,467.0	-1,965.1	-15.3	40.5	-15.6	-3,294.1	4,200.8	-83.0	311.3	34.0
2007 ²	-10.2	735.0	367.7	-0.2	-134.6	254.8	-7,616.7	7,015.7	-326.5	285.1	88.6
2008 ²	-208.5	577.2	200.7	167.0	3.2	-346.2	-4,480.9	4,191.4	108.7	212.3	190.2
2009 ²	-96.5	547.0	-1,887.5	-31.3	-6.6	-63.8	3,794.9	-2,172.3	-2.4	81.5	250.0
2010 ²	-65.5	786.4	-3,225.7	-3.4	-43.9	74.9	580.8	1,824.6	-23.6	-95.4	272.0
2010²											
Q1	-19.2	-227.4	-700.6	38.7	-64.7	11.3	-997.7	1,958.4	7.1	6.0	137.3
Q2	-36.6	723.9	-1,337.5	-53.0	24.2	56.1	841.0	-437.2	75.1	-144.1	16.9
Q3	1.0	113.1	-605.6	0.6	-14.8	54.1	862.0	-297.2	-122.9	-9.6	44.4
Q4	-10.8	176.7	-582.1	10.2	11.4	-46.6	-124.4	600.7	17.1	52.3	73.5

¹ A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.

² Provisional.

Source: NSO.

Exchange Rates, External Transactions and Positions

Table 3.4 Official reserve assets¹

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets ²	
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 ³	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010³							
Jan.	4.6	106.6	36.8	77.7	146.2	-17.1	354.7
Feb.	4.8	108.2	37.3	76.2	158.2	-26.8	357.9
Mar.	4.9	107.9	37.2	69.8	162.2	-17.0	364.9
Apr.	5.2	108.7	29.5	97.0	164.0	-17.6	386.7
May	3.1	114.3	32.7	42.6	168.5	-36.7	324.5
June	3.1	115.4	33.0	5.0	172.1	-38.4	290.2
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

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

² Comprising net gains or losses on financial derivatives.

³ Provisional.

Table 3.5 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 ¹	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 ¹	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 ¹	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 ¹	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
2010¹										
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

¹ Provisional.

Source: NSO.

Exchange Rates, External Transactions and Positions

Table 3.6 Gross external debt by sector, maturity and instrument¹

EUR millions

	2008 ²	2009 ²	2010 ²			
			Mar.	June	Sep.	Dec.
General Government	292.9	264.3	295.1	200.3	201.5	227.9
<i>Short-term</i>	84.0	63.8	95.2	4.9	6.7	36.3
Money market instruments	76.6	31.4	63.4	0.0	0.0	0.0
Loans	0.0	0.0	0.9	0.0	0.0	0.0
Trade credits	7.4	32.4	31.0	4.9	6.7	36.3
Other debt liabilities	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
Bonds and notes	89.9	98.1	99.3	102.7	103.3	103.9
Loans	119.0	102.3	100.6	92.7	91.5	87.7
Trade credits	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
Monetary Authorities	677.8	826.3	818.8	865.8	1,077.6	1,228.9
<i>Short-term</i>	677.8	826.3	818.8	865.8	1,077.6	1,228.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	677.8	826.3	818.8	865.8	1,077.6	1,228.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	0.0	0.0	0.0	0.0	0.0	0.0
OMFIs³	28,503.4	25,835.3	28,780.0	29,681.2	27,898.8	28,068.4
<i>Short-term</i>	23,271.7	20,616.8	23,242.7	22,431.8	20,817.2	21,558.3
Money market instruments	0.0	3.4	3.7	0.0	0.0	0.0
Loans	9,291.0	7,299.9	8,720.2	5,983.4	4,726.2	4,753.6
Currency and deposits	13,116.8	13,181.4	14,398.5	16,292.0	15,958.5	16,623.1
Other debt liabilities	863.9	132.1	120.4	156.4	132.5	181.6
<i>Long-term</i>	5,231.7	5,218.5	5,537.3	7,249.4	7,081.5	6,510.1
Bonds and notes	13.7	13.9	15.0	15.8	14.9	14.9
Loans	4,986.1	5,111.1	5,474.7	7,233.6	7,066.6	6,495.2
Currency and deposits	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
Other Sectors⁴	1,456.2	1,493.1	1,524.2	1,585.7	1,723.7	1,769.6
<i>Short-term</i>	800.9	762.4	774.4	803.5	880.9	914.4
Money market instruments	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
Currency and deposits	102.1	103.3	103.6	103.9	104.3	104.7
Trade credits	624.2	625.1	633.9	664.0	739.3	770.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	655.3	730.8	749.8	782.3	842.8	855.2
Bonds and notes	212.8	210.6	216.2	213.4	215.8	212.3
Loans	425.2	497.1	510.7	558.3	613.5	628.6
Currency and deposits	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
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,026.1	1,061.3	1,115.9	1,156.5	1,207.4	1,253.9
Debt liabilities to affiliated enterprises	73.1	79.7	85.0	86.1	90.9	96.1
Debt liabilities to direct investors	953.1	981.5	1,030.9	1,070.3	1,116.5	1,157.9
Gross External Debt	31,956.4	29,480.2	32,534.0	33,489.5	32,109.0	32,548.7
of which: OMFIs	28,503.4	25,835.3	28,780.0	29,681.2	27,898.8	28,068.4
Gross External Debt excluding OMFIs' debt liabilities	3,453.0	3,644.9	3,754.0	3,808.3	4,210.2	4,480.3

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

² Provisional.

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

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

Exchange Rates, External Transactions and Positions

Table 3.7 Malta's foreign trade¹

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 ²	2,287.5	3,580.4	-1,292.9
2008 ²	2,090.9	3,643.1	-1,552.2
2009 ²	1,665.2	3,088.7	-1,423.5
2010 ²	2,254.8	3,656.8	-1,402.0
2010²			
Jan.	151.8	208.2	-56.4
Feb.	175.5	274.4	-98.9
Mar.	193.5	311.1	-117.6
Apr.	198.1	268.3	-70.2
May	179.9	265.9	-86.0
June	206.7	280.9	-74.2
July	187.5	367.6	-180.1
Aug.	191.1	371.2	-180.1
Sep.	174.4	332.5	-158.1
Oct.	194.2	345.7	-151.5
Nov.	219.8	327.5	-107.7
Dec.	182.3	303.5	-121.2

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

² Provisional.

Source: NSO.

Exchange Rates, External Transactions and Positions

Table 3.8 Direction of trade - exports¹

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	2162.5
2004	327.4	228.3	65.0	86.8	707.5	242.3	67.6	1017.4	544.3	330.5	220.1	2112.3
2005	283.7	236.2	100.6	93.0	713.5	216.0	75.3	1004.8	461.0	263.9	229.4	1959.1
2006	326.7	282.8	81.5	165.6	856.6	213.0	81.0	1150.6	631.3	275.4	199.5	2256.8
2007 ²	271.2	305.3	90.7	131.6	798.8	222.0	86.1	1106.9	719.9	246.7	214.0	2287.5
2008 ²	237.3	268.8	114.8	99.1	720.0	165.3	66.1	951.4	713.9	182.8	242.8	2090.9
2009 ²	187.3	222.0	94.9	88.6	592.8	99.1	63.2	755.1	528.1	152.4	229.6	1665.2
2010 ²	221.5	277.8	146.6	117.2	763.1	126.8	110.3	1000.2	686.7	196.2	371.7	2254.8
2010²												
Jan.	20.0	21.1	8.5	6.1	55.7	7.6	6.7	70.0	51.2	14.7	15.9	151.8
Feb.	20.8	18.2	7.3	9.1	55.4	9.8	6.1	71.3	43.8	15.8	44.6	175.5
Mar.	18.2	26.0	9.9	10.1	64.2	20.0	7.6	91.8	54.1	18.9	28.7	193.5
Apr.	20.5	26.6	11.3	7.5	65.9	6.8	9.5	82.2	60.6	18.1	37.2	198.1
May	18.7	23.1	13.1	9.4	64.3	14.6	11.5	90.4	50.8	16.3	22.4	179.9
June	21.3	24.2	14.3	11.0	70.8	12.1	10.6	93.5	53.8	19.9	39.5	206.7
July	18.0	24.4	14.2	11.9	68.5	8.8	16.5	93.8	48.4	14.3	31.0	187.5
Aug.	16.3	26.8	8.2	7.8	59.1	8.8	8.4	76.3	59.0	16.6	39.2	191.1
Sep.	18.2	22.2	13.6	11.8	65.8	11.0	8.8	85.6	51.5	17.9	19.4	174.4
Oct.	16.7	24.0	24.9	11.8	77.4	8.6	10.8	96.8	49.6	13.8	34.0	194.2
Nov.	15.1	22.3	8.6	10.2	56.2	9.2	4.8	70.2	102.4	12.2	35.0	219.8
Dec.	17.7	18.9	12.7	10.5	59.8	9.5	9.0	78.3	61.5	17.7	24.8	182.3

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

² Provisional.

Source: NSO.

Exchange Rates, External Transactions and Positions

Table 3.9 Direction of trade - imports¹

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 ²	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 ²	379.5	266.6	1,001.7	440.1	2,087.9	455.5	135.3	2,678.7	594.0	73.4	297.0	3,643.1
2009 ²	315.3	270.5	764.1	429.4	1,779.3	365.1	70.3	2,214.7	437.5	84.2	352.3	3,088.7
2010 ²	297.0	292.2	853.2	426.6	1,869.0	321.3	157.2	2,347.5	568.6	92.4	648.3	3,656.8
2010²												
Jan.	16.5	21.9	53.0	24.4	115.8	22.4	4.6	142.8	36.1	5.7	23.6	208.2
Feb.	17.4	19.5	62.6	38.9	138.4	26.7	7.3	172.4	37.7	6.1	58.2	274.4
Mar.	23.6	26.9	94.1	29.8	174.4	28.3	5.5	208.2	47.6	6.3	49.0	311.1
Apr.	36.9	23.4	62.0	26.9	149.2	21.1	5.3	175.6	47.5	10.6	34.6	268.3
May	24.4	20.4	71.0	35.2	151.0	23.9	7.7	182.6	44.6	5.7	33.0	265.9
June	23.2	26.2	67.2	28.7	145.3	38.5	8.0	191.8	34.1	10.1	44.9	280.9
July	23.6	28.5	71.1	34.4	157.6	32.9	20.6	211.1	74.8	8.8	72.9	367.6
Aug.	23.7	33.6	61.6	29.3	148.2	37.7	7.8	193.7	46.9	5.4	125.2	371.2
Sep.	26.4	20.8	65.5	30.1	142.8	24.0	9.1	175.9	52.9	5.6	98.1	332.5
Oct.	24.9	22.9	83.8	33.1	164.7	22.2	53.3	240.2	49.5	7.9	48.1	345.7
Nov.	28.7	27.3	84.9	51.0	191.9	25.0	12.7	229.6	47.7	13.6	36.6	327.5
Dec.	27.7	20.8	76.4	64.8	189.7	18.6	15.3	223.6	49.2	6.6	24.1	303.5

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

² Provisional.

Source: NSO.

Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption ²	General government consumption	Gross fixed capital formation	Changes in inventories ³	Total	Exports of goods and services	Imports of goods and services	Net		
2004	3,047.1	933.5	884.5	-199.8	4,665.3	3,552.8	3,727.8	-175.1	4,490.3	4,434.4
2005	3,224.9	940.8	1,048.1	-135.6	5,078.1	3,700.3	3,957.0	-256.7	4,821.4	4,603.5
2006	3,342.1	1,011.7	1,122.9	-88.8	5,387.8	4,388.7	4,707.0	-318.3	5,069.6	4,883.5
2007	3,424.9	1,041.9	1,228.7	-21.7	5,673.9	4,892.8	5,104.2	-211.4	5,462.5	5,243.8
2008	3,690.0	1,216.4	1,012.1	187.9	6,106.4	5,020.4	5,223.1	-202.7	5,903.8	5,664.3
2009	3,704.4	1,239.4	875.5	69.7	5,889.0	4,540.9	4,579.2	-38.3	5,850.7	5,429.4
2010	3,787.4	1,287.0	1,017.5	5.0	6,096.9	5,304.4	5,155.5	149.0	6,245.8	5,811.9
2010										
Q1	914.6	308.5	211.5	53.9	1,488.5	1,151.4	1,164.2	-12.8	1,475.7	1,356.1
Q2	922.6	327.6	231.4	-81.2	1,400.4	1,335.1	1,198.1	137.0	1,537.4	1,478.3
Q3	921.0	320.7	294.3	-22.4	1,513.6	1,499.9	1,379.0	120.9	1,634.4	1,479.9
Q4	1,029.3	330.2	280.2	54.7	1,694.4	1,318.1	1,414.2	-96.1	1,598.3	1,497.5

¹ Provisional.

² Consumption by households and NPISH.

³ Including acquisitions less disposals of valuables.

Source: NSO.

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption ²	General government consumption	Gross fixed capital formation	Changes in inventories ³	Total	Exports of goods and services	Imports of goods and services	Net	
2004	2,841.6	796.9	810.6	-181.0	4,268.0	3,751.9	3,975.9	-224.0	4,044.0
2005	2,932.5	789.8	966.0	-124.0	4,564.2	3,774.9	4,104.3	-329.4	4,234.8
2006	2,974.4	835.0	969.5	-79.8	4,699.2	4,127.7	4,503.5	-375.8	4,323.4
2007	2,998.0	839.5	1,015.7	-18.2	4,834.9	4,255.7	4,575.1	-319.4	4,515.5
2008	3,118.0	940.9	759.0	163.5	4,981.4	4,297.3	4,525.9	-228.6	4,752.8
2009	3,074.6	929.1	617.8	54.6	4,676.2	3,938.2	4,022.5	-84.3	4,591.9
2010	3,053.3	934.6	679.3	5.0	4,672.2	4,615.4	4,528.1	87.3	4,759.5
2010									
Q1	755.9	225.5	149.8	42.7	1,173.9	1,007.2	1,059.9	-52.7	1,121.2
Q2	741.2	238.1	156.7	-61.9	1,074.1	1,161.9	1,059.7	102.3	1,176.4
Q3	729.3	231.0	184.9	-16.9	1,128.2	1,282.9	1,188.7	94.2	1,222.4
Q4	826.8	240.1	188.0	41.2	1,296.1	1,163.3	1,219.9	-56.5	1,239.5

¹ Provisional.

² Consumption by households and NPISH.

³ Including acquisitions less disposals of valuables.

Source: NSO.

Real Economy Indicators

Table 4.2 Tourist departures by nationality¹

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	86.4	125.5	213.0	210.3	635.2	418.4	103.0	1,156.7	175.6	1,332.2
2010										
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	9.3	12.1	9.5	34.5	30.8	3.8	69.1	7.3	76.4
Apr.	7.7	9.0	19.5	15.8	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

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

Real Economy Indicators

Table 4.3 Labour market indicators based on administrative records

Thousands

Period ¹	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% ²	Number	% ²	Number	% ²
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 ³	104.1	48.3	152.4	98.4	46.6	145.1	5.7	5.4	1.7	3.5	7.3	4.8
2010³												
Jan.	102.9	48.4	151.3	96.9	46.6	143.5	6.0	5.9	1.7	3.6	7.8	5.1
Feb.	103.1	48.5	151.6	97.0	46.7	143.8	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

¹ Annual figures reflect the average for the year.

² As a percentage of male, female and total labour supply, respectively.

³ Provisional.

Source: ETC.

Real Economy Indicators

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period ¹	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% ²	Number	% ²	Number	% ²
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 ³	116.4	60.5	177.1	108.4	56.1	164.5	7.9	6.8	4.3	7.1	12.2	6.9
2010³												
Q1	117.0	60.1	177.1	108.6	55.8	164.4	8.4	7.2	4.3	7.2	12.8	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

¹ Annual figures reflect the average for the year.

² As a percentage of male, female and total labour supply, respectively.

³ Provisional.

Source: NSO.

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

Period	Total	Apartments	Maisonettes	Terraced houses	Others ¹
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
2010					
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

¹ Consists of town houses, houses of character and villas.

Source: Central Bank of Malta estimates.

Real Economy Indicators

Table 4.6 Development permits for commercial, social and other purposes¹

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

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

² Includes quarrying.

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

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

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

Source: Malta Environment & Planning Authority.

Table 4.7 Development permits for dwellings, by type¹

Period	Number of permits ²			Number of units ³				
	New dwellings ⁴	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

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

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

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

⁴ Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Real Economy Indicators

Table 4.8 Inflation rates measured by the Retail Price Index¹ (base 1946 = 100)

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

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

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

Real Economy Indicators

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

Period	12-month moving average rates of change (%) ¹											
	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
2010												
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

¹ 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	1.3	1.8	3.5	-1.6	6.7	1.3	3.5	-1.5	-4.6	-1.2	7.9	2.5	2.9
2010														
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

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 Eurosystem¹ 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 area². '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.

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

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

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

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

Release of monetary statistics

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

Investment funds

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

Insurance corporations

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

Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.17 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.