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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 indicators
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 third and fourth quarters of 2010, the ECB's Governing Council left official interest rates unchanged. The Council expected price developments to remain moderate over the policy relevant horizon and inflation expectations to stay firmly anchored. Thus, the interest rate on the MROs was held at 1.00% over the entire period. The Council also left the monetary policy stance unchanged in January 2011.

During the period reviewed, the Governing Council continued to implement non-standard monetary policy measures to ensure that liquidity provision in the euro area remained ample. MROs and the special-term refinancing operations with a maturity of one maintenance period continued to be conducted as fixed rate tender procedures with full allotment. Similarly, three-month LTROs were also carried out as fixed rate tender procedures with full allotment, with interest rates set at the average rate of the MROs over the life of the respective operation.

The Governing Council's monetary policy decisions were taken in an environment in which, in spite of an improved economic outlook, uncertainty remained high. During the third quarter of 2010, activity in most industrial economies expanded at a faster rate, but quarterly growth patterns were uneven and financial market tensions in the euro area persisted. In contrast, the principal emerging market economies continued to expand robustly. Meanwhile, global inflationary pressures started to mount towards the end of the year, as energy and commodity prices increased.

Euro area economic activity grew further during the third quarter of 2010, though the annual rate of GDP growth slowed down to 1.9%, compared with 2.0% in the previous quarter. Growth in the quarter reviewed was driven entirely by domestic demand, as private consumption continued to recover, inventories accumulated and investment picked up. At the same time, both exports and imports grew at a slower annual rate.

Annual HICP inflation accelerated moderately during the third quarter, rising to 1.8% in September from 1.4% three months earlier. The pick-up in inflation during the quarter largely reflected increases in prices of energy and of unprocessed food. Inflation continued to accelerate in the following quarter, so that by December it reached 2.2%.

According to the latest Eurosystem staff macroeconomic projections published in December, the euro area economy is set to extend its recovery, though real GDP growth is expected to remain moderate, in a range between 0.7% and 2.1% in 2011 and between 0.6% and 2.8% in 2012. Inflation is forecast to remain contained over the projection horizon, ranging between 1.3% and 2.3% in 2011 and between 0.7% and 2.3% in 2012.

The recovery in the markets of Malta's major trading partners also stimulated economic activity locally during the third quarter of 2010. Real GDP increased by 3.6% on a year earlier, slightly below the 4.0% rate in the previous quarter. Growth was driven by exports, which rose faster than imports. Inventory changes and, to a lesser degree, a pick-up in investment, also contributed to this economic expansion. At the same time, however, both private and government consumption fell.

Economic growth had a positive impact on the labour market. Both survey data for the third quarter and administrative records up to August show year-on-year increases in employment, while labour force participation also rose. At the same time, unemployment generally eased and extended its downward trend during the fourth quarter.

Inflation increased further during the final two quarters of 2010. The annual HICP inflation rate accelerated to 2.4% in September from 1.8% in June, mainly driven by rising prices of unprocessed food and services. In contrast, energy prices rose at a slower annual rate, while prices of non-energy industrial goods decreased moderately. HICP inflation went up again during the following quarter, with the annual rate hitting 4.0% in December, with significant contributions coming from unprocessed food, energy and services.

With output continuing to expand faster than employment, labour productivity rose further, outpacing labour compensation and lowering ULC for the fourth consecutive quarter. The decline in domestic ULC moderated, however, and with ULC falling in the euro area as well, the earlier narrowing of the gap between the two came to a halt. At the same time, the pick-up in domestic inflation contributed to an increase in the real HCI during the final two quarters of 2010, which indicates some erosion of external competitiveness.

In the external sector, the current account of the balance of payments showed a surplus during the third quarter. This notwithstanding, over the four quarters to September the cumulative balance on this account remained in substantial deficit.

The contribution of Maltese MFIs to the euro area broad money stock continued to increase during the third quarter and up to November, as growth in residents' deposits maintained its momentum. At the same time, the annual rate of credit growth moderated further, while remaining relatively high. In line with movements in money market rates abroad, domestic short-term interest rates rose during the quarter. Bond yields declined further, however, before picking up again by the end of November.

Meanwhile, the fiscal position continued to improve, with the general government deficit over the first nine months of 2010 narrowing on a year earlier, as revenue grew faster than expenditure, partly as a result of temporary measures. As a result, the cumulative deficit-to-GDP ratio extended its downward trend, reaching 2.9% during the year to September.

The Bank's latest projections indicate that the Maltese economy expanded by 3.2% in 2010, boosted by net exports.[1] The Bank expects growth to moderate in 2011, with real GDP forecast to expand by 2.3%, driven mainly by domestic demand. In contrast, as growth in world trade is expected to lose momentum, both exports and imports are set to expand at a slower pace. Average annual HICP inflation is also expected to slow down slightly to 1.8% in 2011. The projections are characterised by a high degree of uncertainty, with risks to growth being tilted slightly to the downside. At the same time, there are slight upside risks to inflation, which relate mainly to rising international commodity prices.

In sum, the recovery in the Maltese economy is ongoing, though it is expected to moderate in 2011, while inflation is set to remain contained. However, it is important to ensure that the recent pick-up in domestic inflation, which exceeds the euro area average, does not persist. In a currency union, sustained periods of above-average inflation at the national level have negative

[1] The Bank's outlook for the Maltese economy is based on information available up to 19 November 2010 and is conditional on a number of technical assumptions concerning exchange rates, interest rates and commodity prices.

implications for competitiveness, which can only be remedied through downward adjustments to prices of goods and services.

The improvement in the fiscal position seen in recent quarters and the tightening thrust of fiscal policy should contribute positively to macroeconomic balance. Fiscal consolidation will work towards the sustainability of public finances and, if expenditure-based, could dampen inflationary pressures. In addition, the credibility of the consolidation effort would be enhanced by the introduction of tighter fiscal rules to reinforce budgetary discipline and increase transparency.

Broader structural reforms are also needed to support growth and to enhance the economy's external competitiveness. Reforms should aim at increasing the degree of competition in key areas of the economy and raising labour force participation and skill levels. Given the high proportion of labour costs within the economy's output structure, increased labour market flexibility and wage moderation – especially in the public sector – are also important.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

During the third quarter of 2010, economic activity in major industrial countries expanded further. However, although growth accelerated in some cases, quarterly patterns remained uneven, reflecting the fragile nature of the recovery. On the other hand, the principal emerging market economies expanded strongly, boosting global economic growth. Inflationary pressures started to build up towards the end of the year, propelled by higher commodity prices.

In the euro area, economic activity continued to expand, though at a slower rate than in the previous quarter. The slowdown reflected inventory changes, as the contribution of final domestic demand increased while that of net exports remained stable compared with the previous quarter. While area-wide HICP inflation rose further during the quarter, core inflation remained significantly below the headline rate. Labour market conditions seemed to have stabilised, with employment unchanged over the previous quarter and contracting at a slower rate on an annual basis, while the unemployment rate levelled off.

Looking forward, according to the Eurosystem staff macroeconomic projections published in December, economic activity in the euro area is expected to recover moderately as exports rise and domestic demand gradually gathers momentum. At the same time, HICP inflation is set to remain below 2% over the projection horizon, despite a marginal increase in domestic price pressures in line with the forecast recovery.

International economic developments

The US economy expands further

In the United States economic activity expanded further in the third quarter, with real GDP growth rising by 0.2 percentage points to 3.2% on an annual basis (see Table 1.1). Similarly, on a quarter-on-quarter basis the rate of growth accelerated to 0.6% from 0.4% in the previous quarter.

Annual GDP growth was mainly driven by a build-up of inventories and an acceleration in household consumption and investment. Government expenditure contributed minimally to growth. However, net exports dampened growth as imports outpaced exports, with both increasing at

Table 1.1
REAL GDP GROWTH
Annual percentage changes, seasonally adjusted

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
United States	-2.7	0.2	2.4	3.0	3.2
Euro area	-4.0	-2.0	0.8	2.0	1.9
United Kingdom	-5.3	-2.8	-0.3	1.6	2.7
Japan	-6.3	-1.4	5.9	3.5	5.3

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

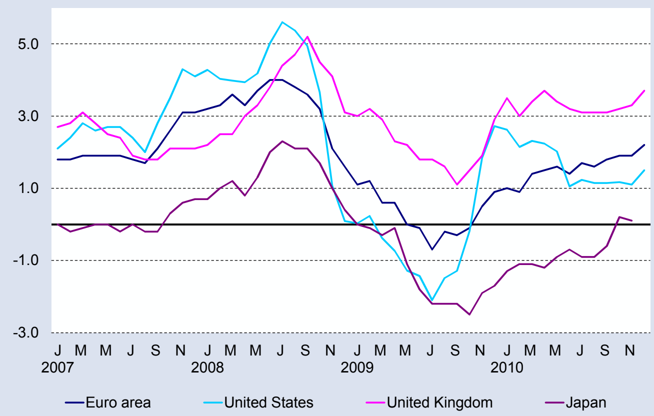
a slower rate than in the second quarter. Labour market conditions worsened slightly during the quarter, with the unemployment rate, which had decreased during the previous quarter, edging up to 9.6% by September. Going into the last quarter of the year, the jobless rate fell and ended December at 9.4%.

Consumer price inflation remained relatively stable during the third quarter of 2010, with the annual rate increasing by 0.1 percentage points to 1.2% in July, reflecting higher energy prices. However, inflation fell back to 1.1% during the last two months of the quarter. Inflation rose again in the following quarter, reaching 1.5% by December (see Chart 1.1).

The Federal Reserve kept the federal funds rate target in a range from zero to 0.25% throughout the period reviewed (see Chart 1.2). In August, to buttress the economic recovery in a context of price stability, it adopted a policy of reinvesting the principal payments from its holdings of maturing debt in longer-term Treasury securities and to roll over current Treasury securities. In the fourth quarter, the Federal Reserve retained the existing policy measures and decided to purchase an additional USD600 billion worth of longer-term Treasury securities by the first half of 2011.

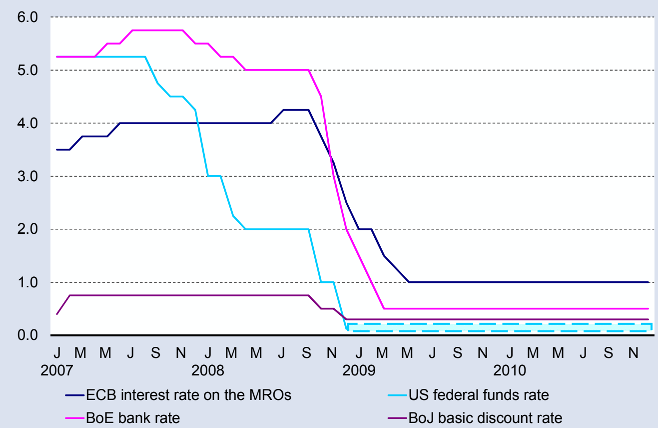
US ten-year government bond yields fell further during the third quarter of 2010, ending September at 2.51%, 43 basis points lower than at end-June (see Chart 1.3). After having remained rela-

Chart 1.1
CONSUMER PRICE INFLATION
(annual percentage changes)



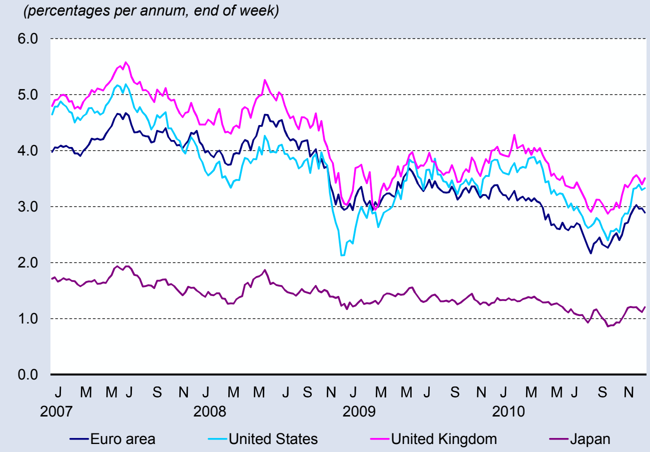
Sources: Eurostat; Bureau of Labor Statistics, US; Statistics Bureau, Japan.

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



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

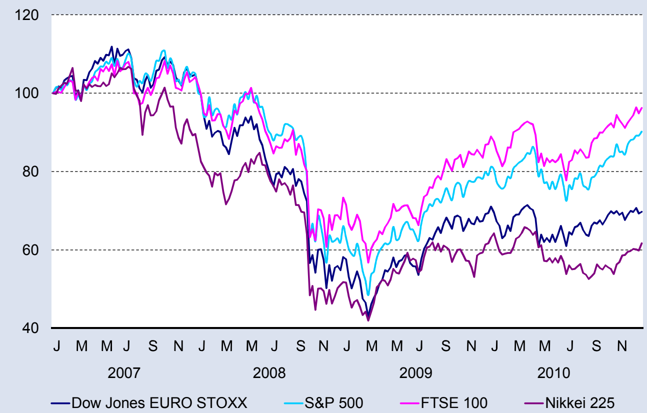
Chart 1.3
TEN-YEAR GOVERNMENT BOND YIELDS
(percentages per annum, end of week)



Source: Reuters.

tively stable at the beginning of the quarter, market concern about the sustainability of the global economic recovery led to increased risk aversion, dragging US bond yields down. Yields recovered temporarily in early September before losing momentum once more by the end of the quarter, as investors increasingly expected the Federal Reserve to take further quantitative easing measures entailing additional purchases of government securities. Going into the following quarter, in October ten-year government bond yields reached their lowest levels since January 2009, before generally rising to end the year at 3.30%.

Chart 1.4
STOCK PRICE INDICES
(end of week index, 1 Jan. 2007=100)



Source: Reuters.

US equity prices, as measured by the Standard & Poor's 500 index, rebounded in the third quarter and rose by 10.7% (see Chart 1.4). In July, market sentiment was boosted by results of the European bank stress tests. However, equity price gains were later pared back due to concerns about the outlook for the global economy and for the United States in particular. Nevertheless, positive macroeconomic news towards the end of the quarter, together with favourable data on company earnings, supported equity prices. Going into the last quarter of 2010, equity prices rose further, increasing by 10.2% by December.

Real GDP growth in the United Kingdom steps up

Economic activity in the United Kingdom grew for the second consecutive quarter, as annual real GDP growth picked up to 2.7% in the September quarter from 1.6% in the previous quarter. However, on a quarter-on-quarter basis, growth slowed to 0.7%, down by almost half a percentage point from the previous quarter.

The increase in GDP on a year earlier was driven by all components of domestic demand, but mainly by inventory changes and private consumption. Conversely, net exports contributed negatively to growth, as imports grew faster than exports. Labour market conditions remained relatively stable during the quarter, with an unemployment rate that was unchanged at 7.8% by September. Going forward, the jobless rate remained constant at 7.8% in October.

HICP inflation stood unchanged at a relatively high level during the September quarter, with the annual rate at 3.1%, reflecting an increase in the standard VAT rate at the beginning of 2010 and the past depreciation of the pound sterling. The current upsurge in commodity prices further contributed to inflationary pressures. Going into the following quarter, the annual inflation rate accelerated, ending December at 3.7%.

Throughout the period reviewed, the Bank of England decided to maintain the official bank rate at 0.50%, unchanged since March 2009 and, given the outlook for inflation in the medium term, kept up its asset purchase programme.

Ten-year UK government bond yields continued to decline during the September quarter, shedding 41 basis points. Concerns about the fiscal sustainability of some euro area countries boosted demand for British government debt, pushing up prices and lowering yields. In August, yields fell to historical lows before recovering slightly to end the quarter at 2.95%. Going further, however, UK government bond yields generally rose, ending December at 3.4%. UK equity prices, as measured by the FTSE 100, moved in line with US equity prices and rebounded by 12.8% during the September quarter. Equity prices continued to increase thereafter, with the FTSE 100 ending December 6.3% higher than three months earlier.

Japanese economic growth accelerates

Economic growth in Japan accelerated during the September quarter, rising to 5.3% on an annual basis from 3.5% in the previous quarter. Real GDP growth was driven by all its components, though primarily by private consumption and net exports. On a quarterly basis, GDP growth went up to 1.1% from 0.7% in the previous quarter. Concurrently, labour market conditions improved as unemployment fell to 5.0% in September from 5.3% in June. In the following quarter the jobless rate rose to 5.1% in November.

Consumer price inflation remained negative, owing to substantial slack in the economy. After declining further in July and August, the annual rate edged up to end September at -0.6%, marginally higher than in June. Going into the last quarter, the inflation rate turned positive for the first time since December 2008 and ended November at 0.1%.

The Bank of Japan decided to maintain an accommodative monetary policy stance during the September quarter to counter deflation. The basic discount rate was kept unchanged at 0.3% and in August a six-month fixed rate fund liquidity operation against pooled collateral was introduced. During the following quarter, the Bank of Japan eased the monetary policy stance further by reducing its targeted uncollateralized overnight call rate from around 0.1% to a range of between zero and 0.1%, and by introducing an asset purchase programme.

Japanese ten-year government bond yields moved in line with those of other major industrial economies and declined over the third quarter. Yields fell by 15 basis points and reached historical lows during September, ending the quarter at 0.94%. Subsequently, they recovered and closed the year at 1.12%. In contrast with rising stock markets elsewhere, however, equity prices, as measured by the Nikkei 225, remained relatively stable over the quarter. In August, stocks declined due to disappointing Japanese macroeconomic data, but rebounded in September. The rally persisted in the following quarter, when the Nikkei index gained 9.2% by December.

Emerging Asian economies drive the global economic recovery

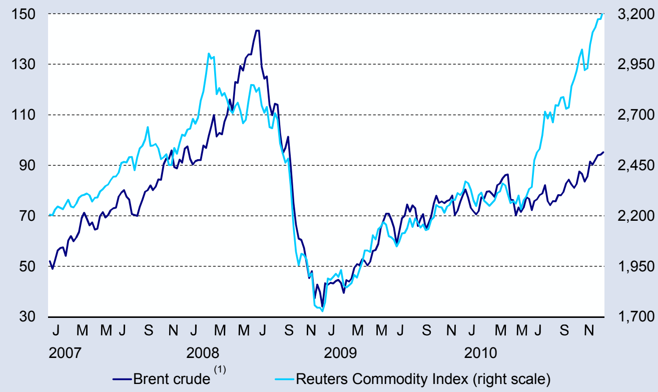
Emerging Asian economies continued to expand robustly during the third quarter of 2010. In China, real GDP grew by 9.6% on a year earlier, driven by private investment and net exports. This represents a slowdown from 10.3% in the previous quarter as fiscal stimuli were gradually withdrawn. On the other hand, Indian real GDP growth rose by 0.1 percentage point to 8.9% in the third quarter.

Price pressures in the emerging economies remained relatively high. The annual consumer inflation rate in China rose to 3.6% in September from 2.9% in June, supported by higher food prices. Inflation then accelerated to 5.1% in November. In India wholesale price inflation moderated during the third quarter, after remaining at double-digits for five consecutive months ending July. In fact, the inflation rate fell to 8.6% in September from 10.3% in July, in line with easing pressure from rising food prices. Inflation moderated further in the following quarter, ending November at 7.5%.

Commodities

Oil prices supported by higher demand

Chart 1.5
COMMODITY PRICES
(end of week)



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

The price of Brent crude rebounded during the September quarter, rising by 7.1%, after having decreased in the previous quarter (see Chart 1.5). The oil price was initially supported by strong demand. However, it declined in August due to high inventory levels and to a weak outlook for US economic growth. Brent crude then recovered, reaching USD80.88 per barrel by the end of September on the back of rising demand from China. Demand pressures pushed oil prices further up during the December quarter, with the price ending the year at USD94.23 per barrel.

Commodity prices rise steadily

After remaining relatively stable during the first half of 2010, prices of non-energy commodities as measured by the Reuters Commodity Index rose substantially during the third quarter (see Chart 1.5).[1] The 18.4% increase was primarily driven by higher prices for wheat and sugar following adverse weather conditions. Concurrently, metal prices also increased, while cotton reached record highs. Commodity prices expanded further during the December quarter, reaching peak highs and ending the quarter around 16% higher than at the end of the previous quarter.

Gold prices break further records

Chart 1.6
GOLD
(US dollars per ounce, end of week)

Source: Reuters.

During the third quarter, the price of gold extended the upward path that began towards the end of 2008 (see Chart 1.6). During July, the price dipped slightly, influenced by a temporary pick-up in market confidence. However, a subsequent recurrence of risk aversion and the announcement of further quantitative easing by the Federal Reserve in August contributed to the upsurge in the price, which reached a high

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

of USD1,308.9 per ounce on 29 September and ended the quarter 5.4% above its end-June level. The price kept on rising throughout the last quarter of the year, ending December at USD1,419.5.

Economic and monetary developments in the euro area

Euro area GDP grows at a slower rate

Economic activity in the euro area has been expanding on an annual basis since the first quarter of 2010. In the third quarter real GDP grew at a slightly slower rate of 1.9% on a year earlier, following a 2.0% increase in the previous quarter (see Table 1.2). Concurrently, the quarter-on-quarter growth rate also slowed down, when real GDP rose by 0.3% following an exceptional rise of 1.0% in the June quarter.

The slowdown in annual real GDP growth in the September quarter was entirely driven by changes in inventories, which added 1.2 percentage points to GDP growth compared with 1.7 percentage points in the previous quarter. In contrast, both private consumption and investment grew at a faster rate than in the previous quarter and therefore raised their contributions to GDP growth. Meanwhile, the contribution of government consumption remained unchanged. As a result of these developments, the rate of growth of domestic demand slowed marginally in the third quarter. Both exports and imports grew at a somewhat slower rate than in the previous quarter, with external demand making no contribution to growth in both quarters.

HICP inflation picks up

The moderately rising trend in euro area inflation observed since July 2009 persisted in the third quarter, with the annual HICP inflation rate rising to 1.8% in September from 1.4% in June (see

Table 1.2
REAL GDP GROWTH IN THE EURO AREA
Seasonally adjusted

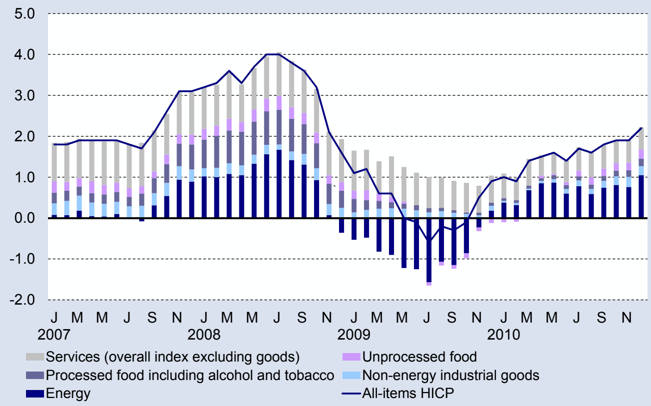
	2009	2010		
	Q4	Q1	Q2	Q3
		Annual percentage changes		
Private consumption	-0.4	0.4	0.6	1.0
Government consumption	1.7	1.1	0.6	0.4
Gross fixed capital formation	-9.6	-5.0	-0.8	0.2
Domestic demand	-2.8	**0.5**	**2.0**	**1.9**
Exports	-5.3	5.7	11.7	11.3
Imports	-7.1	4.8	12.4	11.7
GDP	-2	**0.8**	**2.0**	**1.9**
		Percentage point contributions		
Private consumption	-0.2	0.3	0.4	0.5
Government consumption	0.4	0.2	0.1	0.1
Gross fixed capital formation	-2	-1.0	-0.2	0.0
Changes in inventories	-0.8	1.0	1.7	1.2
Domestic demand	-2.8	**0.5**	**2.0**	**1.9**
Exports	-2.1	2.0	4.2	4.1
Imports	2.8	-1.7	-4.2	-4.1
Net exports	0.7	**0.3**	**0.0**	**0.0**
GDP	-2	**0.8**	**2.0**	**1.9**

Source: Eurostat.

Chart 1.7). In contrast, core inflation, measured by excluding energy and food prices from the HICP, increased only marginally during the same period, from 0.9% to 1.0%.

The pick-up in headline inflation in the third quarter reflected increases in all five major HICP components, with the largest gains being registered by energy and unprocessed food. The annual growth rate of energy prices rose by 1.5 percentage points to reach 7.7% in September, while that of unprocessed food prices increased by 1.6 percentage points to 2.5%.

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



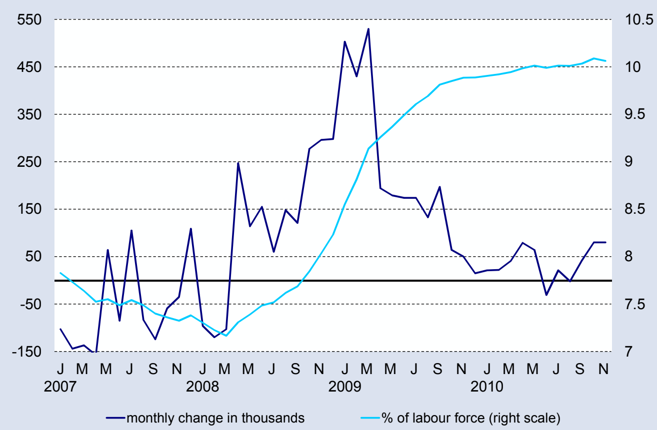
Source: Eurostat.

In the final quarter of 2010, the upward trend persisted, with area-wide HICP inflation rising slightly to 1.9% in October and November, edging up further to 2.2% in December.

Labour market conditions stabilise further

Conditions in the euro area labour market continued to stabilise in the third quarter of 2010. In fact, employment remained unchanged over the previous quarter. In addition, on an annual basis the contraction in employment appears to be bottoming out: employment contracted only by 0.2%, which was a slower rate than in the previous quarter. The unemployment rate also levelled off following the rising trend observed in recent months, though it remained high by historical standards. The rate remained stable at 10.0% between June and September, but rose 0.1 of a percentage point in October and November (see Chart 1.8).

Chart 1.8
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)



Source: Eurostat.

Economic activity in the euro area projected to continue recovering

Eurosystem staff macroeconomic projections published in December suggest a continuing export-led recovery through 2012, with domestic demand gradually gaining strength. The recovery reflects the impact of an accommodative monetary policy stance and efforts to restore the functioning of the financial system. Nonetheless, the pick-up is envisaged to be muted, held back by the need to repair balance sheets across several sectors. Therefore, annual real GDP growth in the euro area is set to be between 1.6% and 1.8% in 2010, between 0.7% and 2.1% in 2011

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

	2009	2010	2011	2012
Private consumption	-1.1	0.6 — 0.8	0.4 — 1.4	0.5 — 2.3
Government consumption	2.4	0.5 — 1.3	-0.8 — 0.6	-0.4 — 1.0
Gross fixed capital formation	-11.3	-1.4 — -0.6	-0.5 — 3.1	0.1 — 5.3
Exports	-13.1	9.9 — 11.7	3.7 — 8.7	2.5 — 8.7
Imports	-11.8	8.2 — 9.8	2.6 — 7.6	2.3 — 8.1
Real GDP	**-4.1**	**1.6 — 1.8**	**0.7 — 2.1**	**0.6 — 2.8**
HICP	**0.3**	**1.5 — 1.7**	**1.3 — 2.3**	**0.7 — 2.3**

[(1)] Eurosystem staff macroeconomic projections (December 2010).

Source: ECB.

and between 0.6% and 2.8% in 2012 (see Table 1.3). When compared with the previous quarter's projections, the range for 2010 has been slightly narrowed and shifted towards the upper end, while that for 2011 has been marginally reduced around an unchanged central projection.

HICP inflation is expected to remain close to 2% until early 2011, with domestic price pressures set to increase slightly thereafter, in line with the envisaged economic recovery. In this context, the average annual rate is forecast to be between 1.5% and 1.7% in 2010, between 1.3% and 2.3% in 2011, and between 0.7% and 2.3% in 2012. Meanwhile, the growth rate of HICP excluding food and energy is set to increase gradually over the projected horizon. Compared with the September projections, the projected range of overall HICP inflation for 2010 has not been changed, while that for 2011 has been increased slightly.

ECB pursues an unchanged monetary policy stance

During the third and fourth quarters of 2010, the ECB's Governing Council left key interest rates unchanged. Official rates were viewed as appropriate since price developments were expected to remain moderate over the policy-relevant medium-term horizon. During both quarters, the Governing Council continued to implement non-standard monetary policy measures.

In September, the 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 for as long as necessary. The fixed rate in the special-term refinancing operations would be the same as the MRO rate prevailing at the time. Furthermore, the Council decided to conduct the three-month LTROs in the fourth quarter as fixed rate tender procedures with full allotment, such that the rate is the average rate of the MROs over the life of the respective LTRO. It also decided that three additional fine-tuning operations would be carried out by the end of the year, when six-month and 12-month refinancing operations would mature. The rate used for these operations would be the same as the MRO rate prevailing at that time.

Similarly, in December, the Governing Council decided to continue conducting the MROs and the special-term refinancing operations with a maturity of one maintenance period as fixed rate tender procedures with full allotment for as long as necessary, and 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 rate of the MROs over the life of the respective LTRO.

Broad money growth picks up but remains weak

After turning positive in the June quarter, monetary growth picked up in the September quarter, although growth rates remained low. The annual growth rate of the broad monetary aggregate M3 increased to 1.1% in September from 0.2% in June (see Table 1.4). Weak monetary expansion continues to reflect the impact of a rising yield curve, which encourages shifts out of M3 into less liquid but higher-yielding assets, though the recent flattening of the yield curve has diminished the extent of these shifts. Developments during the quarter under review support the assessment that underlying monetary growth remained moderate with medium-term inflationary pressures contained.

Subdued developments in the broad money aggregate concealed divergent movements in the dynamics of its main components. As in the previous quarter, the annual growth rate of M1 declined considerably, though it remained significantly high. Over the quarter, it fell by a full three percentage points to 6.2%. 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) both edged up, though they remained negative. The narrowing of the gap between these growth rates and those of M1 mainly reflected interest rate developments. More specifically, shifts from overnight deposits into more highly remunerated deposits within M3 were encouraged by rising interest rates on short-term time and savings deposits and unchanged rates on overnight deposits in recent months.

Going into the final quarter of 2010, annual M3 growth fell slightly in October, to more than double in November when it went to 1.9%. Meanwhile, trends observed in M1 continued, with the annual growth rate falling to 4.6% in November.

Bank lending in the euro area recuperates

On the counterpart side, the annual growth rate of credit to euro area residents went up to 2.1% in September from 1.5% in June. The increase was entirely driven by a rise in the annual rate of expansion of credit to the private sector, as that to general government declined.

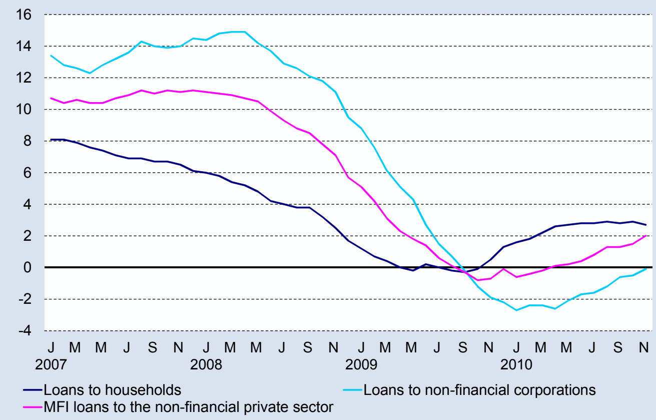
Table 1.4
EURO AREA MONETARY AGGREGATES
Annual percentage changes, seasonally adjusted

	2010					
	June	July	Aug.	Sep.	Oct.	Nov.
M1	**9.2**	**8.2**	**7.8**	**6.2**	**4.9**	**4.6**
Currency in circulation	6.9	6.6	6.7	6.0	5.8	5.7
Overnight deposits	9.6	8.5	8.0	6.2	4.7	4.4
M2-M1 (Other short-term deposits)	-7.0	-5.9	-4.4	-2.8	-1.2	-0.4
Deposits with an agreed maturity of up to two years	-19.4	-17.5	-15.0	-12.1	-8.8	-7.5
Deposits redeemable at notice of up to three months	9.1	8.3	8.2	7.9	7.3	7.3
M2	**1.4**	**1.5**	**2.1**	**2.0**	**2.1**	**2.3**
M3	**0.2**	**0.2**	**1.2**	**1.1**	**0.9**	**1.9**

Source: ECB.

As with credit generally, MFI loans recovered further during the September quarter. The annual growth rate of loans to the non-financial private sector rose to 1.3% in September from 0.4% in June (see Chart 1.9). The increase stemmed entirely from less negative annual growth rates of loans to non-financial corporations, which edged up by 1.1 percentage points to -0.6% in September, implying a gradual, though weak recovery. Subdued loan growth may reflect the use of alternative sources of finance, namely increased retained earnings or recourse to alternative sources of funding such as debt securities. At the same time, the annual growth rate of loans to households remained stable at 2.8% over the quarter, mirroring positive monthly flows in loans for house purchases and the persistent negative flows in consumer credit. This levelling off at a positive, but moderate, rate of expansion suggests that the recovery in credit dynamics remains fragile.

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



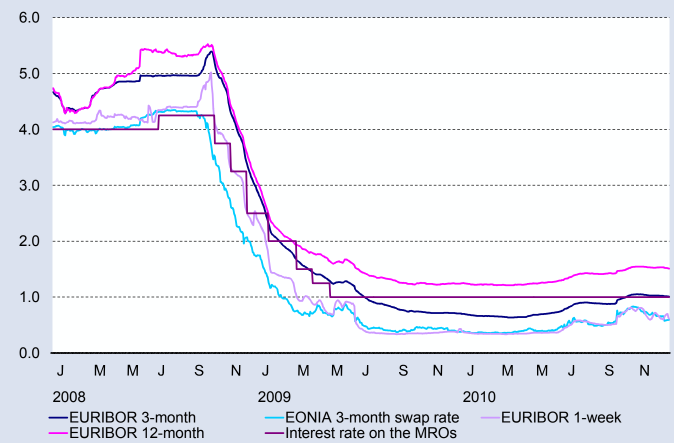
Source: ECB.

The annual growth rate of MFI loans to the private sector extended its upward trend in October and November, rising to 2.0%, as a result of higher loans to non-financial corporations rather than to the household sector.

Money market rates edge up

After several quarters of persistent decline, the rise in money market interest rates in the euro area observed in the second quarter of 2010 continued in the following quarter. Between end-June and end-September, unsecured money market interest rates, as measured by EURIBOR, increased by 13 basis points at both the three-month and 12-month maturities, going to 0.89% and 1.43%, respectively (see Chart 1.10).[2] During the December quarter, EURIBOR rates continued to increase, rising by 11 basis points at the three-month maturity and by 7 basis points at the 12-month maturity.

Chart 1.10
KEY INTEREST RATES
(percentages per annum; daily data)



Sources: ECB; Euribor FBE.

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.

Secured rates, such as those derived from the three-month EONIA swap index, were highly volatile during the third quarter.[3] This index generally increased during July and, while decreasing significantly in August and early September, subsequently rose again, ending September 15 basis higher than at the end of June. The difference between unsecured EURIBOR rates and secured EONIA swap rates was also volatile. At the three-month maturity, the spread stood at 30 basis points at the end of September, three basis points lower than at the end of June. During the December quarter, however, the spread widened again to 41 basis points.

Benchmark euro area long-term government bond yields decline

During the third quarter of 2010, ten-year German government bond yields, which are often taken as a benchmark in the euro area, generally decreased, but with sharply divergent monthly changes (refer to Chart 1.3). Sentiment in the euro area sovereign bond markets improved in July, with the publication of the EU-wide bank stress tests results and related information on banks' exposure to sovereign debt. This resulted in some unwinding of the strong flight-to-safety flows into high-rated euro area sovereign bonds seen earlier. However, risk aversion resurfaced in August as market concerns about the outlook for the global economy heightened. This lowered euro area AAA-bond yields, with German yields reaching an all-time low of 2.11% on the last day of August. The decline was partly reversed in September, as markets reacted to positive macroeconomic and confidence data releases. Overall, ten-year German government bond yields dropped by 32 basis points during the third quarter and ended September at 2.26%. Meanwhile, spreads between yields on ten-year bonds issued by certain euro area countries and Germany widened considerably, following heightened concerns about the former's economic performance and fiscal sustainability.

The decrease in benchmark euro area government bond yields came to a halt in the December quarter, when yields rose by 71 basis points to 2.97%, thereby more than completely reversing the previous quarter's losses.

Euro area equity prices generally rise

Euro area stock prices, as measured by the Dow Jones EURO STOXX index, increased during the September quarter, rising by 7.3% (refer to Chart 1.4). In general, equity markets in the euro area benefited from improving risk appetite following the easing of the sovereign debt crisis in May, the publication of the EU-wide bank stress tests results and the revised proposals for financial regulation. However, there were significant monthly fluctuations. During July euro area stock prices recovered from the severe drop registered in May. Whereas renewed worries about sovereign debt in some euro area countries weighed down on equity prices in August, stocks recuperated in September against a backdrop of broadly positive economic news, particularly better-than-expected consumer and business sentiment indicators. The increase in euro area stock prices continued during the final quarter of 2010, when the Dow Jones EURO STOXX index rose by a further 3.8%.

Euro appreciates against major currencies

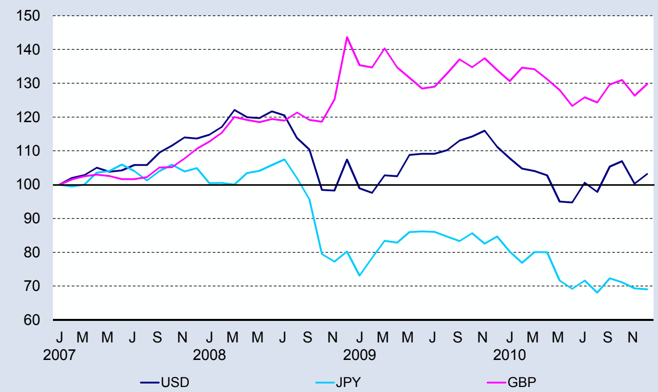
The general depreciation of the euro since the beginning of the year came to a halt during the September quarter, with the euro strengthening against other major currencies. On a bilateral basis, the depreciation of the euro against the US dollar observed since the beginning of 2010 was partly reversed. Worse-than-expected data released for the US economy and some indication of a

[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.

cooling down of the US recovery weighed significantly on the US dollar. In addition, the euro was supported by a decline in market concerns about fiscal problems in some euro area countries. By end-September, the euro appreciated by 11.2% against the US currency, reversing the previous quarter's weakening of 9.0% (see Chart 1.11). Concurrently, the euro's appreciation against the Japanese yen and the pound sterling by 4.5% and 5.2%, respectively, was more contained. The euro strengthened only slightly against the pound sterling in the December quarter, while it weakened against the US dollar and Japanese yen.

Similarly, the euro's nominal effective exchange rate (NEER), as measured against the currencies of 21 of the euro area's main trading partners, appreciated by 4.5% during the third quarter, though this was not enough to completely reverse the loss made in the previous quarter (see Chart 1.12). The NEER appreciation was, however, short-lived as the euro lost ground again in the December quarter, falling by 2.1%.

Chart 1.11
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2007=100; an increase in the index implies euro appreciation)



Source: Eurostat.

Chart 1.12
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

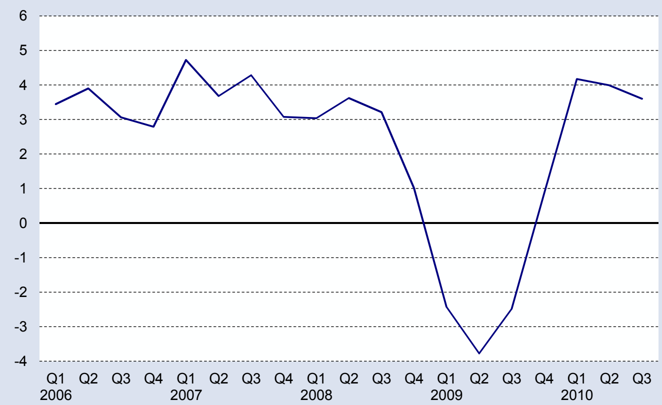
2. THE MALTESE ECONOMY

Output

Economic activity continues to expand…

The Maltese economy registered further growth during the third quarter, with real GDP expanding by 3.6% year-on-year, a slightly slower rate than the 4.0% posted in the second quarter (see Chart 2.1). Growth was primarily driven by net exports as domestic demand remained subdued, while changes in inventories, which include statistical discrepancies, also contributed positively (see Table 2.1).

Chart 2.1
REAL GDP GROWTH
(annual percentage changes)



Source: NSO.

The ongoing recovery is corroborated by further increases in the level of industrial production, even though growth in the latter slowed down somewhat in recent months. Labour market conditions improved during the third quarter, while business confidence indicators deteriorated slightly.

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
	Annual percentage changes				
Household final consumption expenditure	-1.0	2.3	1.2	0.2	-1.7
Government final consumption expenditure	-1.8	-3.9	-1.7	2.7	-3.8
Gross fixed capital formation	2.3	-6.2	5.6	0.4	3.7
Changes in inventories as a % of GDP[1]	-4.3	4.9	5.7	-6.3	-3.3
Domestic demand	**-2.2**	**4.6**	**4.3**	**-5.0**	**-0.5**
Exports of goods & services	-3.8	-4.2	26.9	23.8	16.7
Imports of goods & services	-3.6	0.1	25.7	12.9	12.7
Gross domestic product	**-2.5**	**0.9**	**4.2**	**4.0**	**3.6**
	Percentage point contributions				
Household final consumption expenditure	-0.7	1.5	0.8	0.1	-1.1
Government final consumption expenditure	-0.4	-0.8	-0.4	0.6	-0.8
Gross fixed capital formation	0.3	-0.9	0.8	0.1	0.5
Changes in inventories[1]	-1.4	4.8	3.4	-5.8	0.9
Domestic demand	**-2.1**	**4.7**	**4.6**	**-5.0**	**-0.5**
Exports of goods & services	-3.5	-3.7	20.1	19.9	15.2
Imports of goods & services	-3.1	0.1	20.5	10.9	11.1
Net exports	**-0.3**	**-3.8**	**-0.4**	**9.0**	**4.1**
Gross domestic product	**-2.5**	**0.9**	**4.2**	**4.0**	**3.6**

[1] Includes acquisitions less disposal of valuable assets.
Source: NSO.

…despite a drop in consumption…

After having expanded at an annual rate of just 0.2% in the previous quarter, private consumption fell by 1.7% during the third quarter, dampening GDP growth. In nominal terms, however, private consumption increased by 4.4%, mirroring a gain of 4.2% in imports of consumer goods and rising levels of employee compensation over the last two quarters. In contrast, consumer credit, which may also influence consumer behaviour, declined during the third quarter.

After having risen on a year-on-year basis during the second quarter, government consumption resumed its downward trend, dropping by 3.8% during the September quarter and lowering real GDP growth by 0.8 percentage points. A decrease in intermediate consumption related to health services outweighed an increase in the government wage bill during the period under review.

…as investment picks up…

Gross fixed capital formation increased for the third consecutive quarter, up by 3.7% year-on-year, a faster rate than in the previous quarter. In nominal terms, the increase in investment was boosted by higher private-sector spending on transport equipment. Meanwhile, construction investment remained subdued, in line with the slow pace of the recovery in housing prices (see Box 2).

Changes in inventories, which also capture statistical adjustments, stood at -3.3% of GDP in the third quarter, up from -6.3% in the June quarter. Since inventories diminished at a slower pace, the change contributed almost a full percentage point to GDP growth.

…and net exports expand strongly

In line with the global recovery, exports of goods and services increased further though at a slower annual rate than in previous quarters. Between July and September, exports expanded by almost 17% year-on-year, compared with 23.8% in the June quarter. They continued to outpace imports, however, which only rose by 12.7% year-on-year, marginally lower than in the previous quarter. Net exports thus contributed 4.1 percentage points to real GDP growth.

In nominal terms, exports grew by 15% while imports rose by 13.4%. Balance of payments data indicate that these developments were predominantly driven by trade in semiconductors, fuel re-exports, tourism and exports of financial services. With export prices falling but import prices remaining broadly unchanged, there was a slight deterioration in the terms of trade.

Operating surplus drives growth in nominal incomes

In nominal terms, GDP grew by 7.3% year-on-year during the September quarter, down slightly from 7.5% in the previous quarter. Meanwhile, gross value added (GVA) increased by 8.8%, following an expansion of 10.1% in the

Chart 2.2
GROSS VALUE ADDED AND ITS MAIN COMPONENTS
(annual percentage changes)

Source: NSO.

previous quarter (see Chart 2.2).[1] The operating surplus, which is recovering from the sharp decline recorded in 2008 and 2009, increased by 19.3%, with the financial intermediation sector accounting for almost a quarter of the gain. Employee compensation, the other major component of GVA, extended its gradual recovery, growing during the quarter by 3.4% year-on-year.

Services remain the main engine of growth…

In value added terms, growth was largely propelled by various service sectors, particularly financial intermediation, which added 1.6 percentage points to nominal GDP growth (see Table 2.2). The other community, social & personal services sector, which includes the remote gaming industry and other recreational activities, also contributed positively. After having expanded by 14.7% during the second quarter, this sector's value added rose by just under 10% and added 0.9 percentage points to growth.

The performance of the tourism industry improved further in the third quarter, with increases in both tourist arrivals and spending (see Box 3). Consequently, the GVA of the hotels & restaurants sector grew for the third consecutive quarter, up by 19% on a year earlier, and added 1.1 percentage points to nominal GDP growth. The hotel segment accounted for the bulk of the gain.

Concurrently, the real estate, renting & business activities sector added almost a full percentage point to growth, with half coming from business activities. The real estate segment too posted positive results, possibly marking a higher level of activity in the property market, though this was not reflected in construction value added during the quarter.

Other service sectors making a positive contribution included health & social work, education and transport, storage & communication which, in total, added a full percentage point to nominal GDP growth.

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

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
Agriculture, hunting & forestry	0.1	0.1	-0.1	0.0	0.0
Fishing	0.0	-0.1	0.0	0.0	0.0
Manufacturing	-2.8	-2.6	-0.8	1.2	1.3
Electricity, gas & water supply	1.1	0.5	0.4	0.7	1.1
Construction	-0.4	-0.4	-0.2	-0.1	0.0
Wholesale & retail trade	-0.4	-0.5	0.6	0.1	0.0
Hotels & restaurants	-0.6	-0.4	0.1	0.3	1.1
Transport, storage & communication	-1.1	-1.0	0.1	0.4	0.3
Financial intermediation	1.4	2.8	3.5	3.0	1.6
Real estate, renting & business activities	0.9	1.2	0.8	1.0	0.8
Public administration	0.4	0.3	0.2	0.1	0.0
Education	0.1	0.3	0.4	0.5	0.3
Health & social work	0.5	0.4	0.4	0.4	0.4
Other community, social & personal services	0.6	1.2	0.9	1.3	0.9
Gross value added	**-0.1**	**1.7**	**6.4**	**8.9**	**7.6**
Net taxation on products	**0.0**	**1.3**	**1.8**	**-1.4**	**-0.3**
Annual nominal GDP growth (%)	**-0.1**	**3.0**	**8.2**	**7.5**	**7.3**

Source: NSO.

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

Table 2.3
INDUSTRIAL PRODUCTION
Annual percentage changes

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
Industrial production	-14.4	-5.6	5.3	10.8	4.5
Computer, electronic & optical products	-19.9	5.1	34.9	32.7	25.6
Food products	-17.6	-12.1	-20.1	-6.8	-4.9
Electricity, gas, steam & air conditioning supply	-5.9	-3.1	-4.4	-3.8	-2.9
Wearing apparel	-43.4	-52.0	-37.0	-27.2	-12.9
Rubber & plastic products	-20.9	1.2	23.7	39.2	11.9
Basic pharmaceutical products & pharmaceutical preparations	-25.5	-21.3	4.6	44.6	30.6
Printing & reproduction of recorded media	71.7	21.9	-7.1	-34.0	-59.7
Electrical equipment	193.2	116.6	33.4	43.4	-39.4

Sources: NSO and Eurostat.

…but manufacturing also contributes strongly

Manufacturing activity rose for the second consecutive quarter and recovered some of the losses posted in 2009, with value added expanding by 11.7%. As a result, the sector added 1.3 percentage points to nominal GDP growth.

The recovery in value added in manufacturing is corroborated by an upturn in industrial production. After having contracted during 2009, the volume of industrial production picked up again during the first three quarters of 2010. Between July and September, the volume grew by 4.5% year-on-year, down from the double-digit growth rate registered in the second quarter. This mirrored developments in the semiconductors sector (captured under computer, electronic & optical products), in rubber & plastic products and pharmaceuticals, which all reported strong, though declining, year-on-year gains in output. In contrast, production in other large sectors such as food products, electricity, gas, steam & air-conditioning supply and wearing apparel, declined further (see Table 2.3).

The output of the electricity, gas & water supply sector grew by around 18% year-on-year, reflecting rising prices. Moreover, as its intermediate consumption increased less rapidly, this sector's gross value added went up sharply, so that it added more than a full percentage point to growth.

The labour market[2]

During the third quarter the labour market continued to reflect the broader ongoing recovery in the economy. In fact, both survey-based data for the quarter and ETC records for August indicate year-on-year increases in employment levels. Employment growth was driven by the private sector, specifically the services-providing segment. While LFS figures for the third quarter show an unemployment rate that was unchanged on a year earlier, the seasonally-adjusted jobless rate eased further for the same period and continued to fall through November.

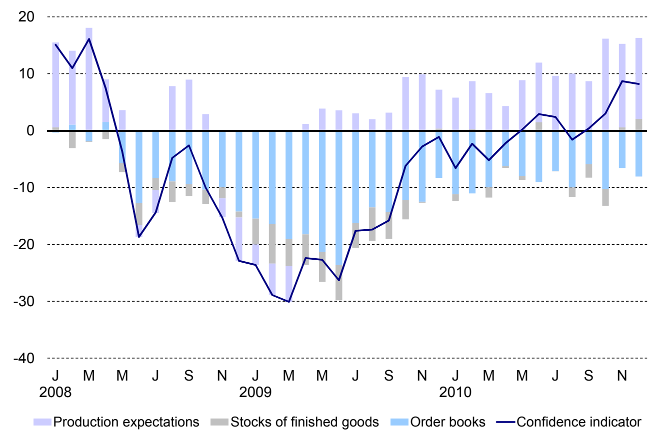
[2] The cut-off date for data in this section was extended to 27 January 2011. Data are drawn mainly from two sources. The LFS is a household survey carried out by the NSO in line with international standards. ETC data, on the other hand, are based on administrative records compiled according to definitions set by domestic legislation on employment and social security benefits. Results obtained from the two datasets are not directly comparable due to differences in definitions and methodologies. For example, LFS data are subject to sampling error.

BOX 1: BUSINESS AND CONSUMER SURVEYS[1]

Industrial confidence increases[2]

According to survey data, sentiment among Maltese manufacturing firms improved and remained positive during the last quarter of 2010 (see Chart 1). In fact, the seasonally-adjusted industrial confidence indicator increased by eight percentage points since September, to end December at eight. This indicator has been positive almost uninterruptedly since May 2010, following two years in negative territory.

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



Source: European Commission.

The improvement in confidence was underpinned by more optimistic production expectations, which rose above end-September levels and exceeded those recorded in recent months (see Chart 1). It also reflected a rundown of stocks of finished goods. On the other hand, compared with September, a slightly higher proportion of respondents reported insufficient order book levels. Moreover, industrial producers still considered insufficient demand as the main factor limiting business expansion. However, as can be seen from the chart, the number of respondents reporting insufficient orders has generally declined since June 2009, mirroring the continuous increase in the share of respondents expecting their production levels to rise.

Turning to prices, a larger share of industrial producers expected an increase in their selling prices in the forthcoming three months. Survey data also showed that employment expectations remained almost unchanged compared with September, with respondents still forecasting, on balance, employment levels to increase in the subsequent three months.

A breakdown of seasonally-unadjusted data showed an improvement in the confidence indicator for manufacturers of consumer and investment goods, while that for the intermediate goods sub-sector remained unchanged, but at a positive level. A more detailed sectoral breakdown suggests that, compared with September, sentiment improved mostly among manufacturers of food products, printing & reproduction of recorded media and fabricated metal products. On the other hand, sentiment among manufacturers of pharmaceutical products worsened, which may reflect the drop in the sector's output recorded in October and November.[3]

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

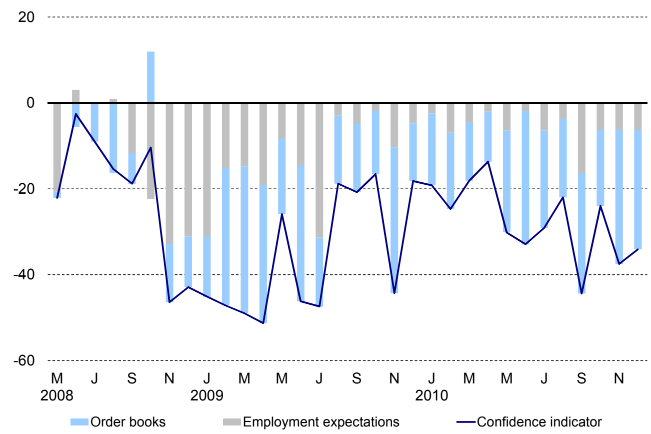
[2] The industrial confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, current levels of order books and stocks of finished products.

[3] See NSO *News Release 005/2011, Index of industrial production: November 2010.*

Sentiment among construction firms improves[4]

Meanwhile, the seasonally-unadjusted confidence indicator among construction firms, which is particularly volatile, increased to -34 in December after having fallen to -44 in September (see Chart 2). A smaller proportion of respondents indicated negative employment expectations while order book levels remained unchanged. As with industrial firms, the majority of operators still considered insufficient demand as the main factor limiting construction activity.

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



Source: European Commission.

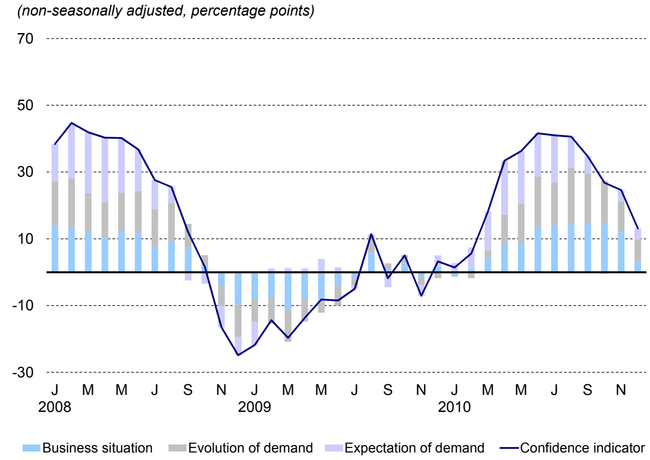
Confidence among service providers deteriorates[5]

According to survey data, sentiment among service providers declined further in the December quarter, though firms remained optimistic on balance. In fact, the seasonally-unadjusted confidence indicator deteriorated, falling by 22 percentage points to 13 in December (see Chart 3). The fall, however, partly reflects seasonal factors. In fact, seasonally-adjusted data, which are available from May 2010, show a drop of just six percentage points from September, to stand at 36 in December.

The deterioration in sentiment observed since June 2010 reflected a smaller proportion of respondents reporting improvements in the business situation, in demand dynamics in the previous three months and in forthcoming demand for the subsequent three months.

A more detailed breakdown, which is available only in seasonally-unadjusted terms, showed that the dip in confidence was spread across most service sectors. In particular, sentiment in the tourism industry, warehousing & support activities for transportation (which includes cargo handling), real estate activities and rental & leasing activities

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



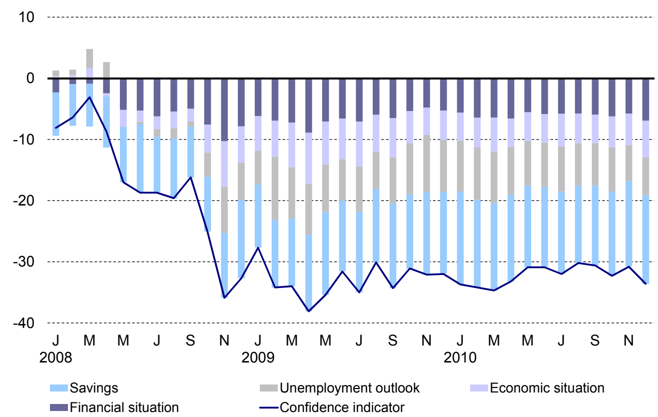
Source: European Commission.

[4] 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.

[5] The services confidence indicator is the arithmetic average of the balances (in percentage points) of replies to the subset of survey questions, namely those relating to the business climate and the recent and expected evolution of demand. Balances are not seasonally adjusted.

turned negative in December. Furthermore, firms engaged in financial services and in legal & accounting activities also expressed a decline in sentiment, though they remained optimistic on balance. In contrast, confidence improved among smaller sub-sectors, such as telecommunications, programming & broadcasting activities and scientific research & development.

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



Source: European Commission.

Consumer sentiment decreases[6]

On the other hand, negative sentiment among consumers persisted and fell by a further three percentage points during the quarter to -34 in December (see Chart 4). In fact, consumer sentiment has fluctuated in a relatively narrow negative range since the end of 2008.

Compared with September, respondents were slightly more pessimistic about their financial position, the general economic situation and their ability to save over the forthcoming 12 months. However, a lower proportion of consumers expected unemployment to increase in 2011, which is in line with the Bank's forecast of higher employment levels and easing unemployment rates.

Other survey information show that, on balance, a significantly higher number of consumers expected prices to increase in the forthcoming 12 months. Furthermore, compared with three months earlier, consumers were more concerned about their present financial position. A larger share of respondents reported that, given the existing economic situation, the timing was not right to make major purchases.

[6] 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 including saving, the general economic situation and unemployment expectations over the subsequent 12 months.

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

	2009		2010			Annual change
	Q3	Q4	Q1	Q2	Q3	%
Labour supply	**174,323**	**175,940**	**177,135**	**177,532**	**177,206**	**1.7**
Employed	162,422	162,918	164,377	165,443	165,152	1.7
By type of employment:						
Full-time	143,635	144,188	143,377	145,711	144,131	0.3
Full-time with reduced hours	2,796	2,283	3,458	3,685	3,467	24.0
Part-time	15,991	16,447	17,542	16,047	17,554	9.8
Unemployed	11,901	13,022	12,758	12,089	12,054	1.3
Activity rate (%)	**59.1**	**59.4**	**59.6**	**59.9**	**61.0**	
Male	76.8	76.0	77.0	78.3	77.7	
Female	40.7	42.0	41.5	40.8	43.6	
Employment rate (%)	**55.1**	**54.9**	**55.3**	**55.9**	**56.8**	
Male	71.6	70.9	71.4	73.5	72.2	
Female	37.7	38.3	38.5	37.5	40.7	
Unemployment rate (%)	**6.8**	**7.4**	**7.2**	**6.8**	**6.8**	
Male	6.7	6.7	7.2	6.2	6.9	
Female	7.1	8.8	7.2	8.1	6.6	

Source: NSO.

Employment levels increase in the third quarter …

According to the LFS, employment increased by 1.7% year-on-year, a slightly more moderate rate than the 2.3% and 2.6% posted respectively for the first two quarters of 2010. Growth was underpinned by an increment of 6.3% in the number of female workers, while the number of males contracted slightly. The survey also indicated that the majority of new jobs were part-time, whereas full-time employment increased marginally (see Table 2.4).

During the same period, the labour supply also expanded by 1.7% year-on-year, driven principally by a higher rate of female participation. Consequently, the activity rate added 1.9 percentage points on a year earlier and, at 61.0%, reached the highest level since the inception of the survey.[3] Similarly, the employment rate rose by 1.7 percentage points on the corresponding quarter of 2009, to stand at 56.8%.[4]

ETC records show that the year-on-year employment gains that were observed in June and July continued through August, corroborating the positive indications from the LFS. In fact, the gainfully occupied population (which excludes part-timers) increased by 1.0% on a year earlier (see Table 2.5). Overall employment increased by 2.1% during the year to August while the labour supply added 0.4%.[5]

Full-time private sector employment increased on a year earlier for the fourth consecutive month, whereas public sector employment continued to decline. The former expanded by 1.7% year-on-year, totally driven by services firms. However, employment in direct production contracted

[3] The activity rate measures the number of persons in the labour supply as a proportion of the working-age population.
[4] The employment rate measures the number of persons employed as a share of the population aged between 15 and 64 years.
[5] A measure of overall employment on the basis of ETC data is obtained by adding the number of primary part-time workers to the gainfully occupied population.

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

	2009		2010			Annual change
	Aug.	Dec.	Mar.	June	Aug.	%
Labour supply	**152,692**	**151,507**	**151,603**	**152,465**	**153,353**	**0.4**
Gainfully occupied [(1)]	145,249	143,827	144,047	145,690	146,764	1.0
Registered unemployed	7,443	7,680	7,556	6,775	6,589	-11.5
Unemployment rate (%)	**4.9**	**5.1**	**5.0**	**4.4**	**4.3**	
Private sector	**104,099**	**102,475**	**102,844**	**104,669**	**105,818**	**1.7**
Direct production	31,884	31,195	31,111	31,407	31,677	-0.6
Market services	72,215	71,280	71,733	73,262	74,141	2.7
Public sector	**40,397**	**40,710**	**40,565**	**40,391**	**40,297**	**-0.2**
Temporary employment	**753**	**642**	**638**	**630**	**649**	**-13.8**
Part-time jobs	**49,465**	**49,736**	**49,540**	**51,551**	**52,720**	**6.6**
Primary	28,172	27,899	27,854	29,451	30,259	7.4
Secondary [(2)]	21,293	21,837	21,686	22,100	22,461	5.5

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

by 0.6%, primarily in construction, and accounted for all job losses within the private sector. Nevertheless, within direct production employment rose in certain segments of manufacturing, comprising rubber & plastic products, furniture, pharmaceuticals and other transport equipment. In contrast, jobs in the public sector continued to decline, mainly in public administration.

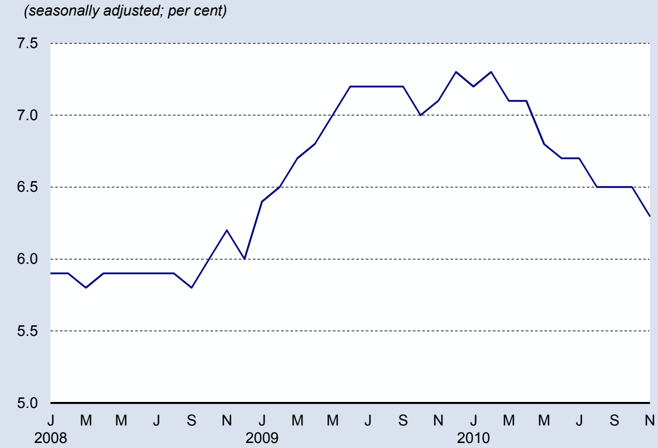
The increase in part-time employment observed in the LFS was also reflected in the ETC records. According to the latter, part-time jobs expanded by 6.6% in August on a year earlier, with almost two-thirds consisting of workers whose only employment was part-time.

… as unemployment eases further

A number of indicators point to a reduction in unemployment during the third quarter of 2010. Seasonally-adjusted unemployment stood at 6.5% in September, 0.2 percentage points lower than in June and 0.7 percentage points below the previous year's level (see Chart 2.3).

Similarly, at 4.3% in August, the unemployment rate measured by ETC was 0.6 percentage points below the year-ago level.[6] ETC

Chart 2.3
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



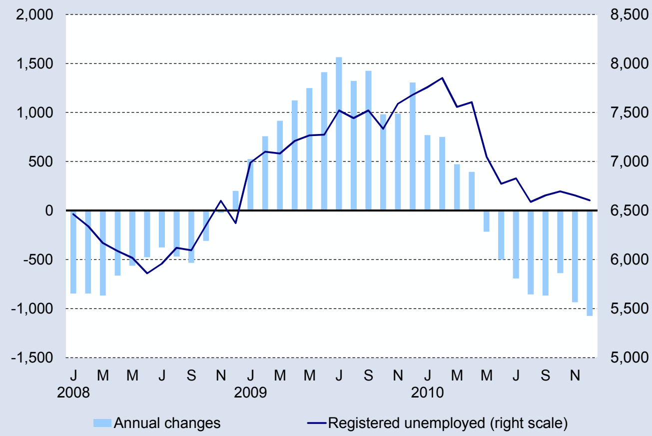
Source: Eurostat.

[6] The number of unemployed includes those people registering for work under Part 1 and Part 2 of the ETC's unemployment register.

data also show that the number of job seekers in September was 11.5% lower than a year earlier (see Chart 2.4).

In contrast, LFS data show that the rise in the labour supply outpaced job creation, thus resulting in a year-on-year increase of 1.0% in the number of unemployed. However, the corresponding unemployment rate remained unchanged when compared with the same quarter of the previous year.

Chart 2.4
REGISTERED UNEMPLOYED
(annual changes, persons)



Source: NSO.

Unemployment eased further in the fourth quarter of 2010. In fact, the latest ETC data show that, in December, the number of registered unemployed declined by 1,074, or 14.0%, from a year earlier, marking the eighth monthly reduction in a row. Similarly, Eurostat's seasonally-adjusted unemployment rate fell to 6.3% in November, from 6.5% in September 2010 and 7.1% in November 2009.

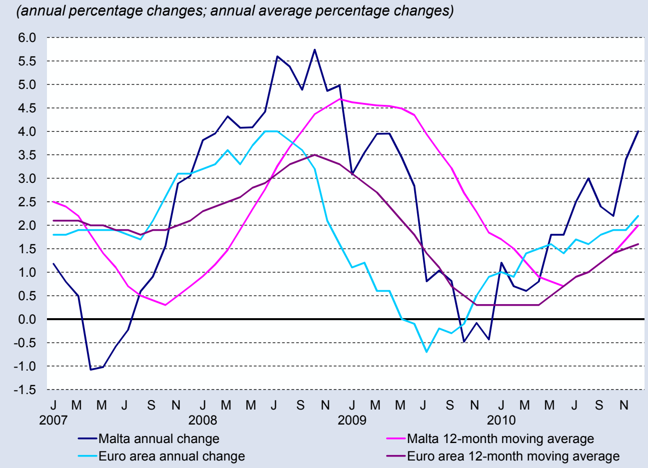
Prices

HICP inflation increases further …

The inflation rate in Malta based on the HICP continued to edge upwards in the third quarter of the year, rising from a year-on-year rate of 1.8% in June to 3.0% in August and then moderating to 2.4% in September. Similarly, the 12-month moving average rate reached 1.2% in September from 0.7% in June. Inflation increased further during the fourth quarter, with the annual rate rising to 4.0% in December, the highest recorded during 2010, while the 12-month moving average rate reached 2.0%.

The annual inflation rate in the euro area fluctuated around 1.7% during the third quarter before rising to 2.2% in December. Consequently, annual inflation in Malta continued to exceed the euro area rate (see Chart 2.5). Moreover, while the 12-month moving average rate in Malta equalled that of the euro area throughout the third quarter, it exceeded it in November and December.

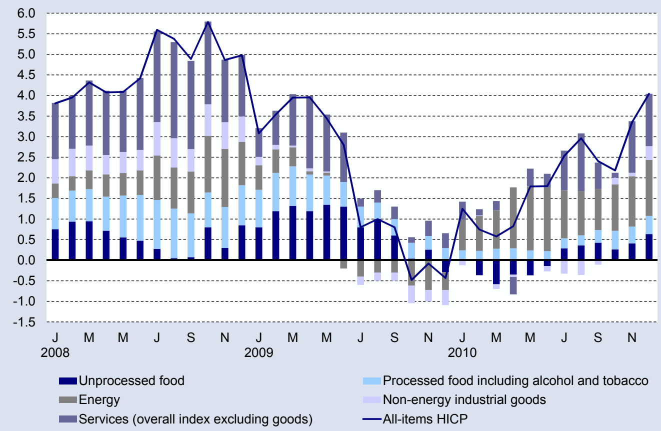
Chart 2.5
HICP INFLATION RATES IN MALTA AND THE EURO AREA
(annual percentage changes; annual average percentage changes)



Sources: NSO; Eurostat.

The main factor behind Malta's rising annual inflation rate between June and September was a sharp acceleration in the growth rate of unprocessed food prices, from -1.9% in June to 5.6% in September. The swing reflected higher vegetable and meat prices, while fruit prices dropped by a lesser extent than before. On the other hand, fish & seafood prices fell slightly. Consequently, the unprocessed food component contributed 0.4 percentage points to HICP inflation in September (see Chart 2.6).[7] Prices of processed food also picked up, rising at an annual rate of 2.4% in September compared with 1.7% in June, and added 0.3 percentage points to inflation.

Chart 2.6
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION
(percentage points)



Source: Eurostat.

In addition, the annual rate of change of services' prices accelerated to 1.5% in September from 0.8% in June, doubling its contribution to 0.6 percentage points. Service price inflation climbed to 3.4% in August due to a significant rise in accommodation prices. While the increase in these prices moderated in September, that for recreational & sporting services persisted throughout the quarter.

In contrast, while remaining the largest contributor to overall inflation, the annual growth rate of energy prices dropped to 15.9% in September from 24.6% in June. The decline reflected lower fuel prices in September compared with three months earlier. There was no significant change in the inflation rate for non-energy industrial goods between June and September.

The acceleration in HICP inflation in the following quarter, to 4.0% in December, was partly due to faster growth in prices of passenger transport services, somewhat reversing earlier drops, and to higher fuel prices; the latter reflected the increase in excise duties announced in the Budget.

… while the RPI increase is more moderate

As in previous quarters the annual rate of inflation based on the RPI moved in line with that based on the HICP.[8] However, during the quarter reviewed, the divergence between the two widened, particularly because of prices related to tourist expenditure on accommodation, which are included only in the HICP.

[7] As from January 2010 the HICP weighting scheme was updated to reflect changes in household consumption patterns. The combined weight of processed and unprocessed food was reduced by about three percentage points. In contrast, shares of non-energy industrial goods and services rose by one point and around two points, respectively. 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.

[8] 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						
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Food	-0.2	0.5	0.6	0.7	0.6	0.8	1.1
Beverages & tobacco	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Clothing & footwear	-0.4	-0.5	-0.7	-0.5	-0.3	-0.2	-0.2
Housing	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Water, electricity, gas & fuels	0.9	1.0	0.9	0.9	0.9	0.9	0.9
Household equipment & house maintenance costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transport & communications	0.3	-0.2	-0.2	-0.1	-0.2	0.5	0.9
Personal care & health	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Recreation & culture	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Other goods & services	0.1	0.1	0.2	0.2	0.1	0.1	0.1
RPI (annual percentage change)	**1.4**	**1.6**	**1.5**	**1.8**	**1.7**	**2.4**	**3.3**

Sources: Central Bank of Malta; NSO.

Annual RPI inflation rose to 1.8% in September from 1.4% in June, mainly reflecting increasing food prices, whose growth rate rose to 3.1% in September from -0.9% in June. The food component of the Index contributed 0.7 percentage points to overall inflation in September (see Table 2.6).

The rise in prices of water, electricity, gas & fuel and their contribution to the total inflation rate remained unchanged between June and September.[9] On the other hand, lower prices were recorded in the transport & communication component, partly reflecting cheaper motor vehicle fuel compared with three months earlier. In fact, the contribution of this component turned negative, falling to -0.1 percentage points in September from 0.3 points in June. There were no significant changes in the other major categories.

The annual RPI 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, which excludes such components.[10] On this basis, underlying inflation rose in line with overall inflation, to 1.7% in September from 1.5% in June, with the most significant increase registered in the recreation & culture category.

Going into the fourth quarter, in parallel with the HICP, the annual RPI inflation rate rose sharply to 3.3% in December, primarily driven by higher food and fuel prices.

Costs and competitiveness

Producer prices continue to rise in the third quarter…

The industrial producer price index, which measures the factory gate prices of goods, is commonly used to monitor inflationary pressures at the production stage.[11] Annual producer price inflation has displayed a greater degree of volatility than consumer price inflation.

[9] 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.

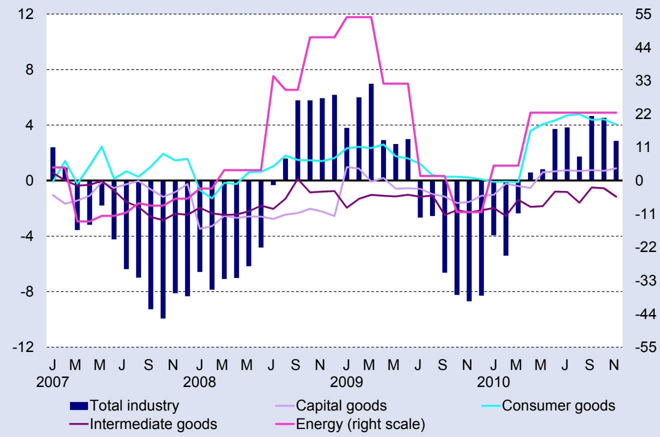
[10] The core inflation rate, as measured by the Bank, excludes one-off fluctuations and reflects developments only in those sub-indices of the RPI that show persistent price changes. Currently, these are: housing, durable household goods, personal care & health, transport & communications and clothing & footwear.

[11] 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. The energy category covers the domestic market only, since Malta does not export water or electricity.

During the third quarter, producer price inflation increased further to 4.7% in September from 3.7% in June, reflecting slightly faster annual growth rates in consumer and capital goods prices (see Chart 2.7). In addition, intermediate goods prices fell at a slower pace. At the same time, however, the rate of increase in energy prices remained unchanged, at 22.4%.

Producer price inflation then declined to 4.5% and 2.9% in October and November, respectively, as prices of non-durable consumer goods increased at a slower rate than before.

Chart 2.7
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



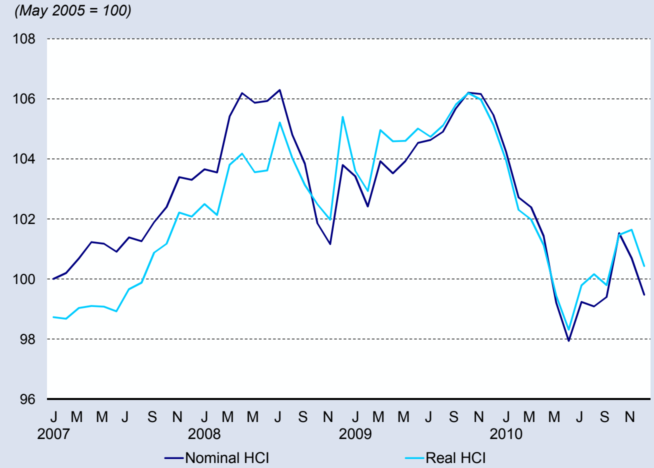
Source: NSO.

Malta's HCI increases into the third quarter …

The downward path followed by the nominal HCI and its real counterpart since December 2009 came to a halt in June 2010, when both indices fell to the level last seen in 2006.[12] The indices changed course over the third quarter, with both rising by 1.5% between end-June and end-September, as a result of exchange rate appreciation, while monthly inflation differences vis-à-vis trading partners cancelled out over the period (see Chart 2.8).

A further increase in both indices during October was almost entirely reversed by December. Developments in the HCIs over the course of 2010 point to a depreciation in the weighted exchange rate, as measured by the nominal HCI, of 5.7%. With Malta's inflation rate exceeding the average of its trading partners' by 1.1%, the net effect was a reduction in the real HCI implying an overall improvement in Malta's external competitiveness of 4.5% during 2010.

Chart 2.8
HARMONISED COMPETITIVENESS INDICATORS
(May 2005 = 100)



Source: ECB.

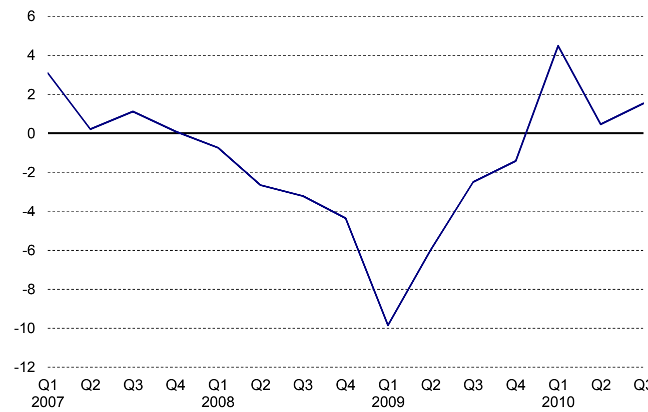
[12] A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes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

BOX 2: RESIDENTIAL PROPERTY PRICES

Residential property price growth picks up[1]

Advertised property prices, which had risen by an annual rate of 0.5% during the previous quarter, increased by 1.5% during the three months ending in September, marking their third consecutive year-on-year increase (see Chart 1).

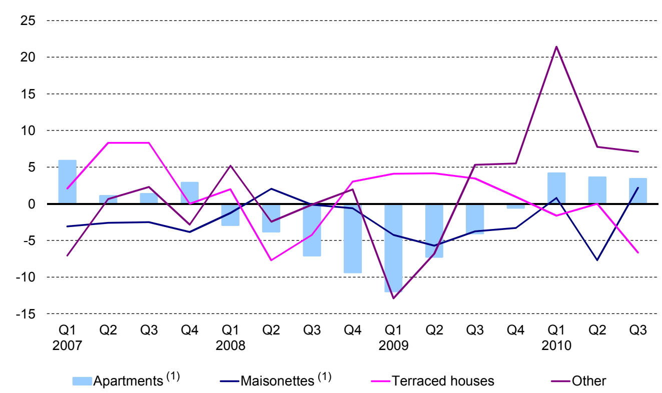
Chart 1
RESIDENTIAL PROPERTY PRICE INFLATION (BASED ON ADVERTISED PRICES)
(annual percentage change)



Source: Central Bank of Malta.

Disaggregated results show that the overall increase was primarily due to higher asking prices for apartments and, to a lesser extent, for maisonettes and properties in the "other" category. Prices of apartments – which make up three-fifths of properties surveyed – rose by 3.4% on a year earlier, contributing around 0.8 percentage points to overall property price inflation. Prices in the "other" category, which consists of townhouses, houses of character and villas, went up by an annual 7.1% (see Chart 2). This was in line with the previous quarter's increase and contributed just above half a percentage point to the overall rise in property prices. Meanwhile, prices of maisonettes gained 2.2%, accounting for around 0.3 percentage points of the overall increase. On the other hand, asking prices for terraced houses dropped by 6.7%, thus lowering overall property price inflation by almost half a percentage point.

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.

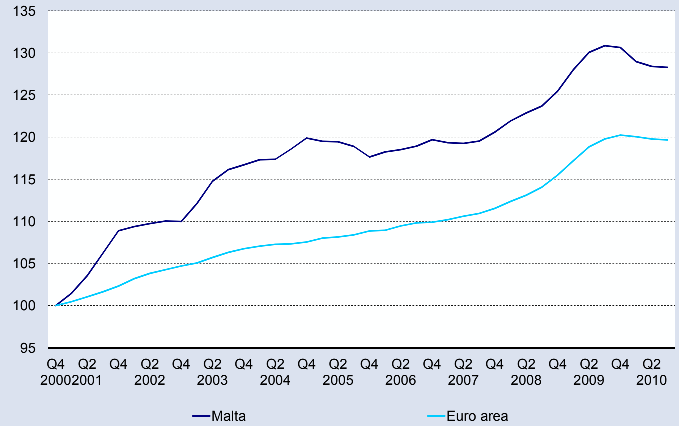
Available information regarding the supply of advertised properties for sale suggests that the annual decline seems to be coming to an end, with the number of properties for sale during the third quarter remaining almost unchanged when compared with the corresponding quarter of the previous year. Furthermore, following several quarters of consecutive falls, the number of building permits issued by the Malta Environment and Planning Authority rose by 4.3% year-on-year. Permits issued for apartments, which account for around three-fourths of the total, rose by 6.8%, while permits for the "other" category also contributed to the rise. The increase in these categories offset the decline in permits issued for maisonettes.

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

... while unit labour costs fall at a slower pace

Between July and September 2010 ULC in Malta dropped for the fourth consecutive quarter. Computed on the basis of a four-quarter moving average, they fell by 0.1% on the previous quarter, a smaller decline than the 0.5% drop in the second quarter (see Chart 2.9).[13] On a year-on-year basis, ULC in Malta decreased by 2.0%.

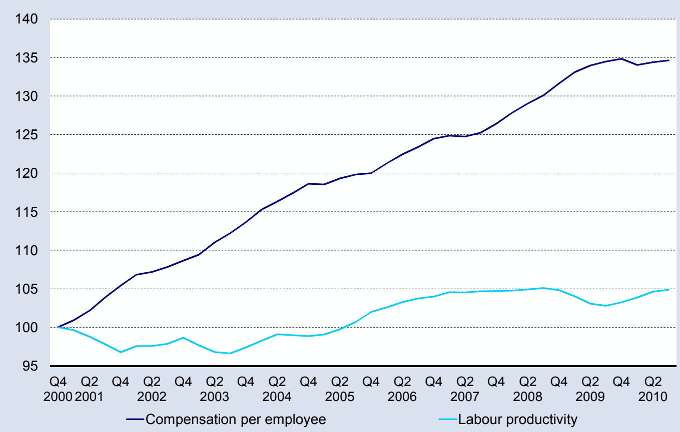
Chart 2.9
UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA
(four-quarter moving average indices; 2000 Q4 = 100)



Sources: ECB, Eurostat.

The earlier reduction in the gap between domestic and euro area ULC levels came to a halt during the September quarter, as both levels dropped on the previous quarter by a similar proportion.

Chart 2.10
COMPENSATION AND PRODUCTIVITY IN MALTA
(four-quarter moving average indices; 2000 Q4 = 100)



Source: ECB.

The marginal decline in Malta's ULC during the third quarter of 2010 stemmed from a continued recovery in labour productivity, which was partly offset by increases in the level of employee compensation. The productivity increase of 0.3% on the previous quarter followed a rise of 0.7% three months earlier and reflected real GDP growth that was accompanied by a smaller relative increase in employment. On the other hand, employee compensation edged up by 0.2% after having risen by 0.3% in the previous quarter (see Chart 2.10).

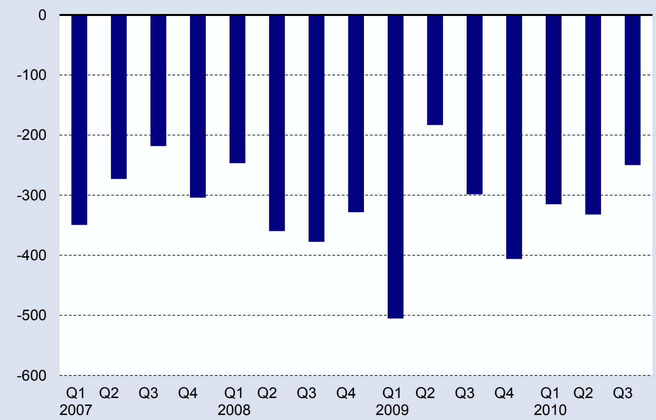
The balance of payments

In the third quarter of 2010 the current account of the balance of payments showed a surplus as against a deficit in the corresponding quarter of 2009. This improvement was driven by a larger surplus on the services account and a turnaround in the current transfers component. Together, these movements outweighed a wider deficit in the goods and income balances.

[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.

Meanwhile, net outflows on the capital and financial account increased sharply, partly reflecting the swing in the current account balance. Developments on the financial account accounted for almost the entire rise, accompanied by a small shift to net outflows on the capital account. At the same time, official reserve assets, which are recorded as part of the financial account, increased substantially. Errors and omissions were positive.[14]

Chart 2.11
CURRENT ACCOUNT BALANCE
(four-quarter moving sum; EUR millions)



Source: NSO.

The current account moves into surplus

In the third quarter of 2010, the current account recorded a surplus of EUR30.2 million, up from a deficit of EUR52.1 million a year earlier (see Table 2.7). As a result, over the four quarters to September, the cumulative negative balance on the current account narrowed to EUR249.8 million, equivalent to 4.1% of GDP (see Chart 2.11).

Table 2.7
BALANCE OF PAYMENTS
(EUR millions)

	2009	2010	four-quarter moving sum 2009		2010		
	Q3		Q3	Q4	Q1	Q2	Q3
Current account	**-52.1**	**30.2**	**-298.5**	**-406.2**	**-315.1**	**-332.2**	**-249.8**
Goods	-297.4	-315.8	-971.0	-973.9	-939.4	-854.7	-873.1
Services	393.7	452.0	997.6	980.9	979.9	1,043.0	1,101.2
Income	-101.1	-106.9	-343.3	-369.7	-307.6	-344.5	-350.3
Current transfers	-47.4	1.0	18.1	-43.5	-47.9	-175.9	-127.6
Capital and financial account	**-38.3**	**-73.0**	**363.6**	**203.7**	**-209.2**	**56.5**	**21.8**
Capital account	1.9	-0.3	23.4	70.4	69.2	93.4	91.2
Financial account	-40.2	-72.7	340.3	133.2	-278.4	-36.9	-69.3
Direct investment	228.7	96.4	667.5	562.9	63.7	845.5	713.3
Portfolio investment	-1,018.1	-609.3	1,586.7	-1,908.2	-2,875.2	-3,904.1	-3,495.3
Financial derivatives	-16.4	39.4	-385.1	-70.4	4.6	17.3	73.1
Other investment	671.5	523.7	-1,640.1	1,551.4	2,508.9	2,852.1	2,704.4
Reserve assets	94.2	-122.9	111.4	-2.4	19.6	152.3	-64.8
Errors and omissions	90.4	42.8	-65.1	202.6	524.3	275.6	228.0

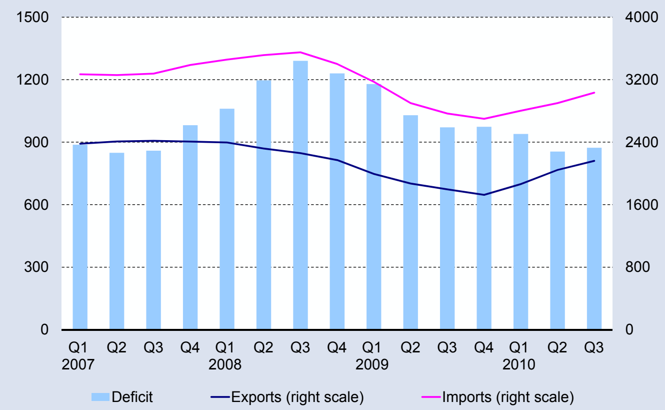
Source: NSO.

[14] Positive net errors and omissions imply an underestimation of the current account surplus and/or overestimation of the net outflows on the capital and financial account.

The merchandise trade gap widens …

Exports expanded substantially during the third quarter, driven by an improved international economic climate. However, because of a larger increase in imports, the merchandise trade deficit widened to EUR315.8 million, up by EUR18.4 million on the corresponding quarter of 2009.

Chart 2.12
GOODS
(four-quarter moving sums; EUR millions)



Source: NSO.

The value of merchandise imports during the quarter rose by EUR134.7 million, or 18.2%, from a year earlier. Customs data show that import growth was propelled by a spike of 32.9% in semi-finished industrial supplies – which reflected rapidly rising exports of semiconductors – and by a significant increase in imports of capital goods and chemicals.[15] At the same time, the value of foreign purchases of fuel and consumer goods was also up, though to a lesser extent.

Concomitantly, exports of goods rose by EUR116.3 million, or 26.3%, a somewhat slower growth than that observed during the first half of the year. While sales of electronic goods played a major part, adding 23.0% over the corresponding months of 2009, a surge in re-exports of fuels also contributed.

The widening trade gap between June and September brought to a halt the improving trend estimated on a four-quarter cumulative basis, which had been evident since the last quarter of 2008. Nevertheless, during the year to September 2010, the deficit on the merchandise balance was still EUR97.9 million, or 10.1%, lower than in the year to September 2009. Between these two periods exports expanded by 20.4%, which outweighed a 9.7% increase in imports (see Chart 2.12).

Customs data for October and November combined indicate that the trade gap widened further on a year earlier. Nonetheless, the merchandise trade deficit for the first 11 months of 2010 stood EUR55.3 million below the level of the corresponding period of 2009.

… but the surplus on services improves

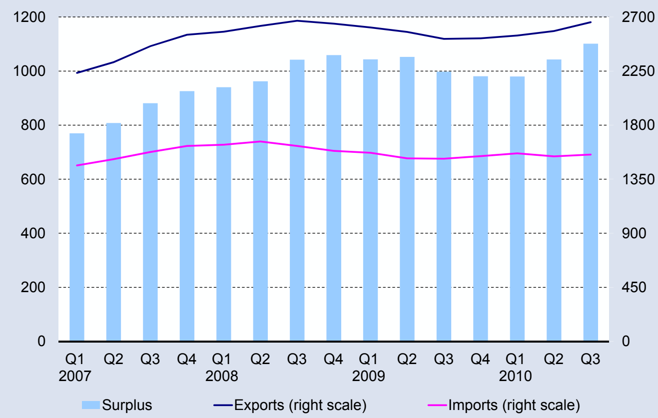
During the September quarter of 2010, the surplus on the services account was EUR452.0 million, up by EUR58.2 million, or 14.8%, compared with the same quarter a year earlier. This reflected additional net inflows on travel services worth EUR95.8 million. In turn, this was entirely driven by a 38.0% increase in spending by inbound tourists, which offset a smaller rise in expenditure by outbound residents. In contrast, the surplus balances on transportation and "other services" declined by EUR26.2 million and EUR11.3 million, respectively. The former was negatively affected by higher payments for freight and air passenger transport services, while the latter was pulled

[15] International trade data compiled on the basis of Customs returns may differ from balance of payments data because of differences in coverage, valuation and timing. In particular, during the period reviewed, the Customs data showed significant imports of aircraft, which were not recorded in the balance of payment statistics, since no transfer of ownership was involved.

down by increased payments on miscellaneous business, professional & technical services, and telecommunications. Together, these outweighed a marginal rise in receipts related to financial and insurance services.

Consequently, on a four-quarter cumulative basis, the net positive balance on the services account was estimated at EUR1,101.2 million, EUR103.6 million more than in the year to September 2009. This improvement reflected an increase of 5.5% in receipts, although payments grew by 2.2% (see Chart 2.13).

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



Source: NSO.

Net outflows on the income account increase ...

In the quarter under review, net outflows on the income component of the current account stood at EUR106.9 million, up by EUR5.8 million on a year earlier, wholly spurred by a marked increase in interest payments on foreign borrowings. In contrast, higher interest earnings on residents' portfolio investment abroad and lower earnings by foreign-owned firms in Malta counteracted most of the outflows. Banks conducting primarily international business accounted for most of these flows.

…while the balance on transfers turns positive

Meanwhile, the balance on the current transfers account, which registered net outflows of EUR47.4 million in the third quarter of 2009, swung to positive territory in the same quarter of 2010. The shift was largely due to timing differences between the payment of tax refunds to, and the collection of tax receipts from, companies engaged in international business operations.

The capital and financial account posts higher net outflows

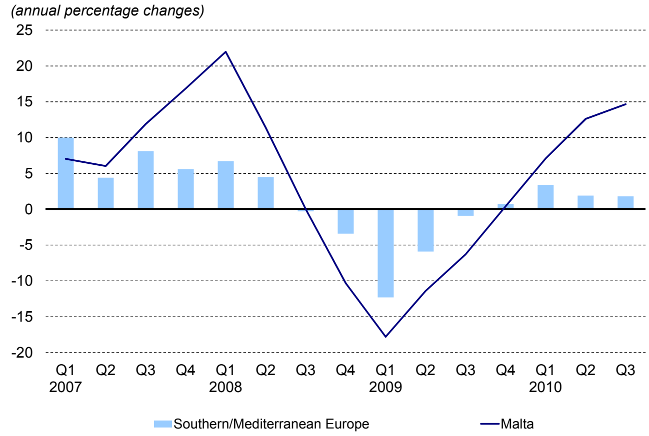
Concurrently with the shift to surplus on the current account, net outflows on the capital and financial account increased to EUR73.0 million between July and September, up by EUR34.7 million on a year earlier. The rise was mainly spurred by movements in the financial account, which were heavily influenced by transactions involving internationally-oriented banks. These were accompanied by a swing to a marginal deficit position on the capital account.

Net outflows on the financial account rose from EUR40.2 million in the third quarter of 2009 to EUR72.7 million in the quarter under review, driven by an increase in reserve assets, developments in the "other investment" component and lower net inward direct investment (see Table 2.7). During the September quarter, reserve assets increased by EUR122.9 million compared with a drop of EUR94.2 million in the corresponding quarter of 2009. Moreover, net inflows on other investment amounted to EUR523.7 million, contracting by EUR147.8 million on a year earlier. This was mainly attributable to a decline in non-residents' deposits, including loans, placed with Maltese banks. This was only partly offset by a decrease in borrowing from abroad, including

BOX 3: TOURISM ACTIVITY

Continued robust performance in the tourism industry

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



Sources: NSO, UNWTO.

The recovery registered by the tourism industry in the first half of 2010 continued during the third quarter, with arrivals, nights stayed and expenditure remaining strong. In particular, the increase in tourist expenditure was double the growth in visitor numbers.

Between July and September, the number of visitors to Malta rose by 14.6% on a year earlier, compared with an increase of 12.6% in the previous quarter. There was also a marginal rise in the average length of stay, to 9.7 nights, marking a break in the recent declining trend. The increase in arrivals outperformed that in the Southern/Mediterranean Europe region, which reported an average growth rate of 1.8% over the previous year (see Chart 1).[1]

Meanwhile, Malta International Airport data on passenger movements provided further evidence of the strong growth in tourism activity: arrivals (including residents) and aircraft landings were, respectively, 14.9% and 10.7% higher than a year earlier.

In terms of geographical distribution, arrivals from Italy – which accounted for almost one-fifth of total arrivals – rose by 33.5% on a year earlier, broadly in line with growth registered in the previous quarter. At the same time, the number of visitors from Spain grew by just over a quarter. The strong increase in tourist numbers from Italy and Spain mainly reflects the introduction of additional flights by low-cost airlines from these markets. Robust growth in the number of Spanish tourists signals a shift in Malta's tourism profile, with Spain becoming one of Malta's main markets.

Turning to the more established markets, visitors from the United Kingdom, accounting for 28.4% of total arrivals, increased by 4.2% year-on-year compared with 6.4% in the June quarter. The number of tourists from France expanded by 18.0% while, on the other hand, the number of German tourists contracted further, down by 2.3% compared with their year ago level.

The expansion in tourist numbers during the third quarter generated an even larger increase in expenditures (see Chart 2).[2] Total tourist spending rose by an annual 29.7% surpassing the record spending levels of 2007, mainly due to an annual growth of 32.3% in spending on package holidays and 41.6% higher expenditure on the "other" component. These very high growth rates partly reflect a rebound from the poor performance recorded in 2009. Spending on non-package holidays, which is split between accommodation and travel, rose by 12.4% with the bulk of the

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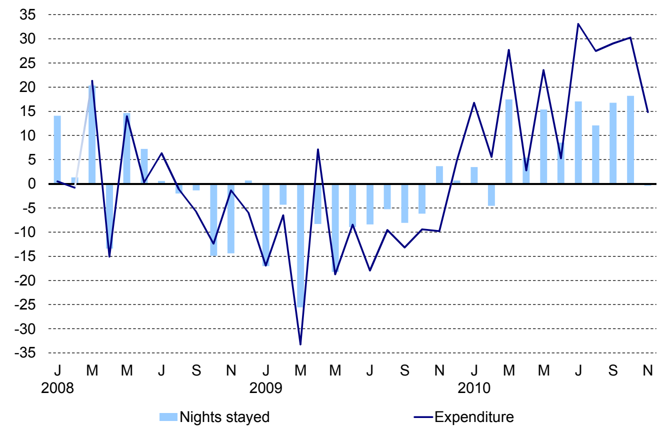
[1] UNWTO *World Tourism Barometer*, October 2010. Data for the third quarter relate to July and August only.

[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 that tourists incur during their stay in Malta.

increase coming from additional spending on accommodation.

Higher accommodation income was partly attributable to the increase in the number of nights stayed. An industry survey for the September quarter also reported more guest nights and additional income from accommodation over the corresponding period of 2009.[3] This, in turn, generated higher gross operating profits. According to the survey, 5-star hotels reported the greatest rise in average achieved room rates, while the increase in rates within the 4- and 3-star hotel categories was more contained. These developments corroborated, to some extent, changes in the related components of the HICP, which showed a significant annual increase in accommodation prices during the third quarter.

Chart 2
TOURISM INDICATORS
(annual percentage changes)



Source: NSO.

Given an almost unchanged supply of beds available, the increase in nights stayed during the quarter translated into an improvement in occupancy rates across all accommodation categories. NSO data indicate that overall hotel occupancy rates in the peak season rose by 9.5 percentage points compared with a year earlier, to 79.2%. In particular, occupancy rates in 3-star hotels rose by 17.5 percentage points, in part reversing the sharp drop in this category following the global economic downturn (see Chart 3). Occupancy for 4- and 2-star hotels was up by about seven percentage points over 2009, with the 4-star category having the highest overall occupancy rate at 86.8%. On the other hand, occupancy in the 5-star category, which accounts for almost a quarter of total hotel bed stock, increased by 3.7 percentage points. At the same time, occupancy in the "other" category was slightly higher than the corresponding period in 2009.[4] These data are largely corroborated by findings of the industry survey referred to earlier, which indicated occupancy increases in all hotel categories, with the largest rise in 3-star hotels and the highest occupancy rates in 4-star hotels.

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

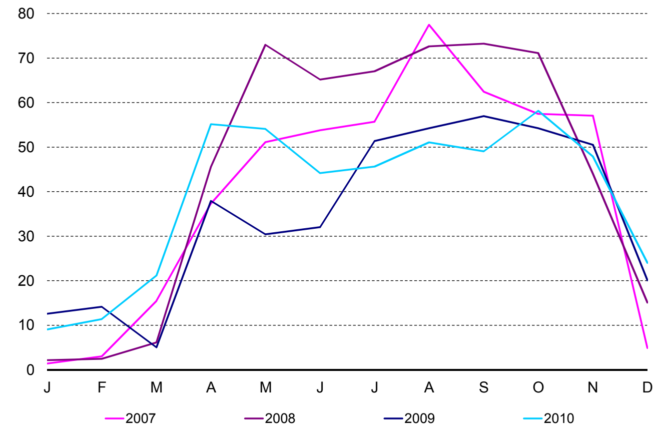
(1) Includes guesthouses, hostels & holiday complexes.

Source: NSO.

[3] See BOV MHRA Survey - Q3 2010.
[4] The "other" category consists of guesthouses, holiday complexes and hostels.

In contrast, the positive performance seen in the cruise liner industry in the first two quarters of the year was not sustained in the third quarter (see Chart 4). In fact, cruise passenger numbers dropped by an annual 10.3% although cruise liner calls only fell marginally over the same period of the previous year.

Chart 4
CRUISE PASSENGERS
(in thousands)



Source: NSO.

Going into the fourth quarter, available information suggests that the recovery in the tourism industry maintained its positive momentum. In October, tourist numbers and expenditure rose by 17.9% and 30.2%, respectively, while in November the growth was less pronounced. The cruise liner industry also fared better than in the third quarter, resulting in positive year-to-date growth rates in passenger numbers.

deposits, by resident banks. Furthermore, net direct investment inflows fell by EUR132.2 million, reflecting slower growth in reinvested earnings and share capital of internationally-oriented banks.

In contrast, these movements were partly offset by lower net portfolio investment outflows, mirroring the drop in other investment inflows. The contraction of EUR408.8 million in net portfolio investment outflows was driven by a decline in residents' holdings of foreign debt securities and an increase in non-residents' holdings of bonds and notes issued by residents. In addition, net inflows on financial derivatives were recorded, which contributed positively to the financial account.

Government finance

During the first nine months of 2010 the general government deficit declined compared with the same period of 2009, as revenue outpaced expenditure. The Consolidated Fund balance saw a similar improvement, with the deficit narrowing between January and November. The general government debt, however, continued to expand.[16]

General government deficit decreases in the third quarter

Between July and September 2010, the general government deficit contracted by EUR24.6 million compared with the same period in 2009. Consequently, during the first nine months of the year, the deficit fell by EUR36.3 million on a year earlier, to EUR158.0 million (see Table 2.8).

Table 2.8
GENERAL GOVERNMENT BALANCE
EUR millions

	2009 Q3	2010 Q3	2009 Q1-Q3	2010 Q1-Q3	Change Q1-Q3 Amount	%
Revenue	**530.3**	**580.6**	**1,645.5**	**1,754.5**	**109.1**	**6.6**
Taxes on production and imports	213.0	205.5	577.1	570.3	-6.8	-1.2
Current taxes on income and wealth	165.4	198.3	564.2	605.5	41.3	7.3
Social contributions	103.6	102.4	313.9	327.5	13.6	4.3
Capital and current transfers	13.1	33.4	50.0	99.7	49.7	99.5
Other	35.1	40.9	140.2	151.5	11.3	8.0
Expenditure	**604.3**	**630.0**	**1,839.7**	**1,912.5**	**72.8**	**4.0**
Compensation of employees	204.4	209.9	626.2	632.0	5.8	0.9
Intermediate consumption	101.6	98.4	260.2	285.8	25.6	9.9
Social benefits	186.5	197.2	580.4	604.7	24.3	4.2
Subsidies	8.6	11.3	51.2	41.0	-10.1	-19.8
Interest	43.6	33.2	133.4	121.6	-11.8	-8.9
Current transfers payable	23.0	37.8	73.0	84.8	11.8	16.1
Gross fixed capital formation	30.9	26.0	85.2	74.9	-10.3	-12.1
Capital transfers payable	7.7	17.2	39.5	65.7	26.1	66.1
Other (1)	-2.0	-1.1	-9.4	2.0	11.4	-121.4
Primary balance	**-30.4**	**-16.2**	**-60.9**	**-36.4**	**24.5**	-
General government balance	**-74.0**	**-49.4**	**-194.2**	**-158.0**	**36.3**	-

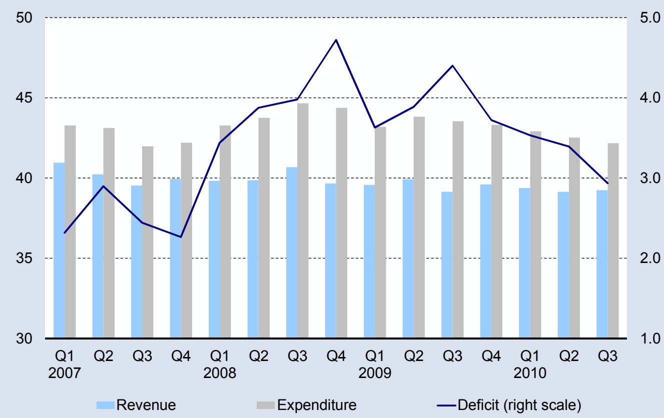
(1) "Other" Expenditure reflects changes in the value of inventories and in the net acquisition of valuables and other assets.
Source: NSO.

16 The Consolidated Fund captures most of the transactions of the central government on a cash basis. The general government accounts, which are compiled in line with ESA95 methodology, cover central government as well as extra-budgetary units and local councils on an accrual basis. The timing of recording of direct taxes and VAT revenues explains most of the difference between government revenue as recorded under the two approaches.

Meanwhile, the primary deficit, which excludes interest payments from expenditure, decreased by EUR24.5 million to EUR36.4 million.

As a result, the cumulative deficit-to-GDP ratio, computed on the basis of four-quarter sums, declined to 2.9% in the year to September 2010, the lowest level since the first quarter of 2008 (see Chart 2.14). This was because, compared with the year to June, revenue edged up by 0.1 percentage point to 39.2% of GDP, while the expenditure-to-GDP ratio extended its downward trend to 42.2% from 42.5%.

Chart 2.14
GENERAL GOVERNMENT REVENUE AND EXPENDITURE TRENDS
(four-quarter moving sums, % of GDP)



Source: NSO.

Strong revenue growth…

General government revenue increased by 9.5% in the third quarter over the same period a year earlier, as receipts from current taxes on income and wealth went up by 19.9%, while inflows from capital and current transfers climbed steeply. On the other hand, revenue from taxes on production and imports, and from social security contributions declined by 3.5% and 1.2%, respectively.

As a result, over the first nine months of the year, revenue expanded by EUR109.1 million, or 6.6%, compared with the same period in 2009. Income from capital and current transfers doubled, increasing by EUR49.7 million, with the former being boosted by investment grants from the EU. Inflows from current taxes on income and wealth expanded by EUR41.3 million, in part by additional earnings from the second phase of the amnesty scheme on penalties and interest on tax arrears, which was launched in July and ended in November.

Revenue from social contributions increased by EUR13.6 million supported by improving labour market conditions, and also due to timing of recording of receipts. Concurrently, “other” revenue went up by EUR11.3 million, mainly driven by an increase in rental income. Profits transferred from the Central Bank of Malta were also higher than in the same period of 2009.

In contrast, receipts from taxes on production and imports declined by EUR6.8 million in the first three quarters of the year as against January-September 2009. This was mainly attributable to less revenue from value-added tax, which was influenced by shifts in the timing of VAT payments. Earnings from motor vehicle registration taxes also declined significantly from 2009 levels when a new registration system was introduced. On the other hand, the increase in receipts from customs and excise duties was only attributable to timing issues pertaining to the collection of duties on fuel. Inflows from gaming taxes also increased.

… overshadows increase in expenditure

In the third quarter of 2010, general government expenditure grew by 4.3% over the same period of 2009. The main contributors were current transfers and social benefits, rising by 63.9% and

5.8%, respectively, with outlays on capital transfers also increasing rapidly. Meanwhile, interest payments declined by 23.8% and expenditure on gross fixed capital formation went down by 15.9%.

Over the first nine months of the year, therefore, government spending increased by EUR72.8 million, or 4.0%, on a year earlier. Capital transfers rose by EUR26.1 million mainly due to outlays on the sewage treatment infrastructure. Spending on intermediate consumption also went up by EUR25.6 million as a result of higher expenditure on health. Payments on social benefits rose further by EUR24.3 million, driven by higher retirement pension and contributory bonus commitments.

Outlays on current transfers increased by EUR11.8 million, mostly due to one-off payments to households in the third quarter of 2010 in view of revised utility tariffs. Concurrently, spending on compensation of employees rose by EUR5.8 million, on the back of higher personal emoluments in the health and education sectors.

However, expenditure growth was dampened by reductions in a number of items. Interest expenditure fell by EUR11.8 million due to the timing of coupon payments. In addition, spending on gross fixed capital formation declined by EUR10.3 million, partly because of a one-off transaction in the second quarter of the year. Further declines within this category were recorded in the third quarter compared with the same period of 2009, when large payments were made for the purchase of patrol boats. Moreover, lower outlays on incentives to the film and agriculture industries led to a decline of EUR10.1 million in subsidies.

Consolidated Fund deficit widens in third quarter

In the third quarter of the year, the Consolidated Fund balance deteriorated compared with the same period of 2009, swinging to a deficit of EUR12.0 million from a surplus of EUR3.6 million (see Table 2.9 and Chart 2.15). Revenue rose by 6.5% as a result of higher receipts from indi-

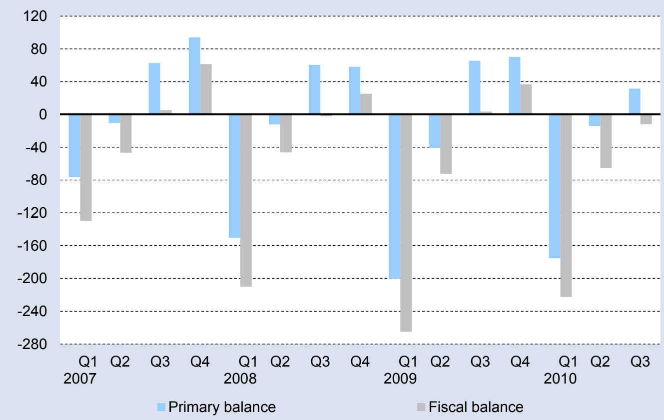
Table 2.9
CONSOLIDATED FUND BALANCE
EUR millions

	2009 Q3	2010 Q3	2009 Q1 - Q3	2010 Q1 - Q3	Change Amount	Change %
Revenue	**545.4**	**580.8**	**1,445.3**	**1,570.9**	**125.6**	**8.7**
Direct tax[1]	319.1	317.9	749.6	783.9	34.4	4.6
Indirect tax	194.5	215.3	557.1	599.1	42.0	7.5
Non-tax[2]	31.8	47.6	138.7	187.9	49.2	35.5
Expenditure	**541.8**	**592.8**	**1,779.2**	**1,870.6**	**91.4**	**5.1**
Recurrent[1]	492.9	523.0	1,610.2	1,661.0	50.8	3.2
Of which: Interest payments	62.0	43.5	158.6	141.9	-16.7	-10.5
Capital	48.9	69.7	169.0	209.6	40.6	24.0
Primary balance[3]	**65.6**	**31.5**	**-175.2**	**-157.8**	**17.4**	**-**
Consolidated Fund balance	**3.6**	**-12.0**	**-333.9**	**-299.7**	**34.1**	**-**

[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.

rect taxes, particularly customs and excise duties, and non-tax proceeds, reflecting increased rents. However, total expenditure went up by 9.4%, boosted by rapid growth in capital spending and rising recurrent outlays, including the one-off energy support measures mentioned above.

Chart 2.15
CONSOLIDATED FUND DEVELOPMENTS
(EUR millions)



Source: NSO

Even so, increased inflows from the tax amnesty referred to earlier and from grants meant that, over the period January-September 2010, the Consolidated Fund deficit actually declined by EUR34.1 million on a year earlier. More recent data show that during the 11 months to November the deficit amounted to EUR307.9 million, a year-on-year decrease of EUR102.6 million.

General government debt increases

The stock of general government debt in the September quarter rose by EUR91.2 million from the end-June level, to reach EUR4,257.3 million (see Table 2.10). Therefore, over the first nine months of the year, the stock increased by EUR310.2 million, or 7.9%, with the debt-to-GDP ratio reaching 69.1% from 67.7% at the end of 2009 (see Chart 2.16). Apart from financing the general government deficit registered during this period, the rise in debt also mirrored increased government financial assets.

Between December 2009 and September 2010 the debt composition changed as the share of long-term securities rose while the proportion of short-term securities and loans fell. The amount of government-guaranteed debt also increased during this period.

Table 2.10
GENERAL GOVERNMENT DEBT
EUR millions

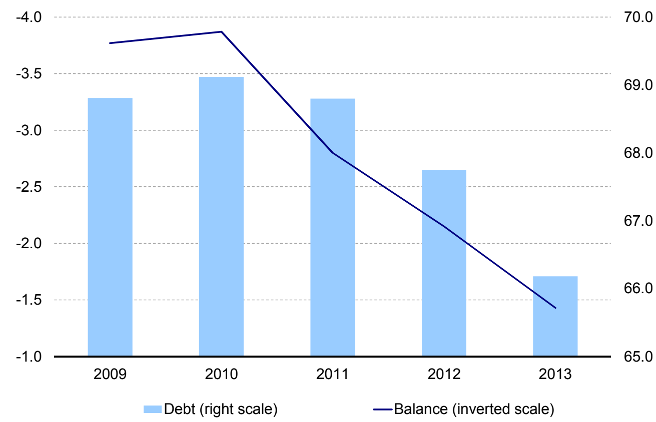
	2009		2010		
	Q3	Q4	Q1	Q2	Q3
General government debt[1]	**3,933.9**	**3,947.1**	**4,045.2**	**4,166.1**	**4257.3**
Currency & deposits	**36.8**	**37.2**	**36.9**	**38.8**	**40.6**
Securities	**3,676.2**	**3,690.5**	**3,789.1**	**3,914.4**	**4000.1**
Short-term	559.8	474.1	534.8	552.6	460.3
Long-term	3,116.5	3,216.4	3,254.4	3,361.8	3539.8
Loans	**220.8**	**219.4**	**219.1**	**212.8**	**216.6**
Short-term	17.0	26.2	17.8	19.6	21.2
Long-term	203.8	193.3	201.4	193.3	195.4

[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.

BOX 4: GOVERNMENT'S FISCAL OUTLOOK

According to projections presented in the 2011 Budget Speech, the general government deficit is expected to have risen slightly to 3.9% of GDP in 2010 from 3.8% in 2009, in line with targets laid down in the Stability Programme 2009-2012. The deficit in the Consolidated Fund is set to remain at the same level of 2009 as an increase in revenue is expected to match a rise in expenditure.[1]

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



Source: Ministry of Finance, the Economy and Investment.

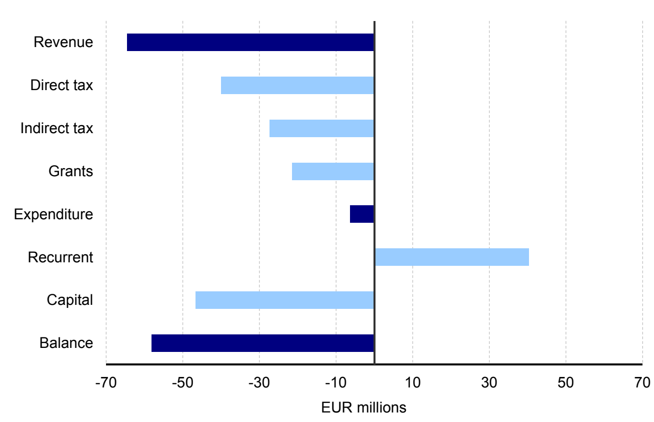
In 2011, the Government foresees a decline in the general government deficit to 2.8% of GDP. The shortfall is then expected to narrow gradually to 1.4% of GDP by 2013. The general government debt ratio is expected to follow suit, peaking at 69.1% in 2010 before decreasing to 66.2% at the end of the forecast horizon (see Chart 1).

Consolidated Fund performance in 2010

The revised data published in the *Financial Estimates 2011* show that in 2010 the deficit on the Consolidated Fund is set to remain at the previous year's level of EUR297.0 million. This is EUR58.2 million more than approved in the 2010 budget, following lower-than-expected revenue (see Chart 2).

Revenue shortfalls reflected primarily lower direct tax receipts, which were revised downwards as income from provisional taxes was less than anticipated. Estimates for indirect tax inflows were also scaled down to reflect lower-than-forecast receipts from motor vehicle registration tax and annual circulation licence fees. The revised estimates also point to lower receipts from grants than previously envisaged.

Chart 2
CONSOLIDATED FUND PERFORMANCE IN 2010
(difference between approved and revised estimates)



Source: Ministry of Finance, the Economy and Investment.

According to revised estimates, recurrent expenditure is set to

[1] The Consolidated Fund captures most of the transactions of general government on a cash basis. To arrive at general government data, adjustments are made, among others, to cover the entire government sector, including extra-budgetary units and local councils, and to correct for the cash-based nature of the Consolidated Fund reporting.

overshoot the amount approved mainly as a result of higher outlays on personal emoluments, particularly in the areas of education and health, and on programmes and initiatives. The overruns should be completely offset by a downward revision to capital outlays, which are projected to fall short of their original forecast.

On the basis of revised estimates, revenue during 2010, when compared with 2009, is thought to have expanded by EUR231.9 million, or 10.6%, as both tax and non-tax revenue exceed the previous year's yields (see Table 1). Close to two-fifths of this increase stems from a EUR90.0 million addition in grants, reflecting a higher inflow of EU funds as related capital projects gather momentum. Revenue from rents, which is another component of non-tax receipts, is also expected to improve following higher compensation for use of Government property.

Turning to direct taxation, receipts from income tax are set to rise by 9.5%, buoyed by further inflows from the amnesty scheme, which was launched in 2009 and applied to penalties and interest on overdue tax balances. Social security contributions are also projected to increase by 4.6% following improved labour market conditions.

According to revised estimates on indirect taxation, income from VAT should rise by 5.3% from the 2009 level, due to a pick-up in domestic consumption. Receipts from customs and excise duties

Table 1
BALANCE ON THE CONSOLIDATED FUND 2009-2011
EUR millions

	2009	2010			2011		
	Actual	Revised estimate	Change Amount	%	Approved estimate	Change Amount	%
Revenue	**2,195.5**	**2,427.4**	**231.9**	**10.6**	**2,596.3**	**168.9**	**7.0**
Direct Tax	**1,090.2**	**1,177.0**	**86.8**	**8.0**	**1,212.2**	**35.2**	**3.0**
Income tax	739.4	810.0	70.6	9.5	821.4	11.4	1.4
Social security contributions (1)	350.8	367.0	16.2	4.6	390.8	23.8	6.5
Indirect tax	**864.6**	**903.9**	**39.3**	**4.5**	**985.8**	**81.9**	**9.1**
Value Added Tax	454.0	478.0	24.0	5.3	538.2	60.2	12.6
Customs and Excise duties	174.4	191.4	17.0	9.8	208.5	17.1	9.0
Licences, taxes and fines	236.2	234.5	-1.7	-0.7	239.0	4.6	1.9
Non-tax	**240.6**	**346.5**	**105.9**	**44.0**	**398.3**	**51.8**	**15.0**
of which Grants	72.9	162.9	90.0	123.4	221.9	59.0	36.2
Expenditure	**2,492.5**	**2,724.4**	**231.9**	**9.3**	**2,791.9**	**67.5**	**2.5**
Recurrent (1)	**2,221.1**	**2,341.5**	**120.3**	**5.4**	**2,351.8**	**10.4**	**0.4**
Personal emoluments	543.8	573.5	29.7	5.5	582.0	8.4	1.5
Operational and maintenance	108.2	115.6	7.4	6.8	107.6	-7.9	-6.9
Contributions to entities	171.2	200.2	29.0	16.9	204.7	4.5	2.2
Social security benefits	661.8	725.0	63.2	9.5	733.8	8.8	1.2
Interest payments	192.0	198.1	6.1	3.2	208.5	10.4	5.2
Other expenditure	544.2	529.1	-15.1	-2.8	515.3	-13.8	-2.6
Capital (2)	**271.3**	**382.9**	**111.6**	**41.1**	**440.0**	**57.1**	**14.9**
Consolidated Fund balance	**-297.0**	**-297.0**	**0.0**	**0.0**	**-195.5**	**101.5**	**-34.2**

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

(2) Capital expenditure data are obtained from Budget Speech 2011. Figures do not correspond with those in the Financial Estimates due to the treatment of equity acquisitions

Source: Ministry of Finance, the Economy and Investment.

are expected to increase by 9.8%, mainly as a result of payments of duty on fuel, which were boosted by measures to reduce tax evasion. On the other hand, revenue from licences, taxes and fines is estimated to decrease by 0.7%, following lower inflows from motor vehicle registration taxes after the implementation of a new vehicle registration system had temporarily boosted revenues in 2009.

On the basis of the revised estimates, in 2010 expenditure is expected to be EUR231.9 million, or 9.3%, higher than in the previous year, with recurrent spending growing by EUR120.3 million, or 5.4%. More than half of the overall rise stems from an increase in outlays on social security benefits by 9.5%, mainly driven by spending on retirement pensions. In part, the increase reflects a one-time payment out of the Consolidated Fund to repay advances made out of the Treasury Clearance Fund for social security benefits for the current year. Personal emoluments are also forecast to increase by 5.5%, reflecting additional spending on salaries in the education and health sectors. Contributions to entities are anticipated to rise by 16.9%, mostly as a result of the reclassification of the Malta Tourism Authority (MTA) allocation from the capital to the recurrent category. Meanwhile, operational and maintenance expenses are set to go up by 6.8%, while interest payments are envisaged to increase by 3.2% on 2009.

At the same time, capital expenditure is projected to grow by EUR111.6 million, or 41.1%, as a result of higher spending on infrastructural projects, such as waste treatment plants and roads.

Budget Estimates for 2011

In 2011 the deficit on the Consolidated Fund is expected to decrease by around one third to EUR195.5 million, as revenue rises faster than expenditure. The latter is scheduled to be driven by capital expenditure, as increases in recurrent spending are set to be contained.

Revenue is forecast to expand by 7.0% on the back of higher receipts from indirect taxes. In particular, VAT takings are estimated to rise by 12.6%, partly due to the collection of arrears and the planned rise in the VAT rate on tourist accommodation from 5% to 7% announced in the Budget Speech. Inflows from customs and excise duties are expected to benefit from higher duties on fuel, tobacco and alcohol, and the introduction of a new duty on cement. Revenue from licences, taxes and fines is projected to recover from the decline observed in 2010. Concurrently, further growth in grant receipts is forecast to raise the level of non-tax receipts for 2011.

Social security contributions should grow faster mainly through improved labour market conditions, but also due to an increase in the contribution rate payable by persons born after 1962 and whose basic weekly salary exceeds a defined threshold. This measure, introduced during the pension reform exercise of 2006, will see further increases in 2012 and 2013. Income tax receipts are also set to grow, though at a more moderate pace, as the effects of the amnesty scheme, which had considerably boosted receipts in 2010, unwind.

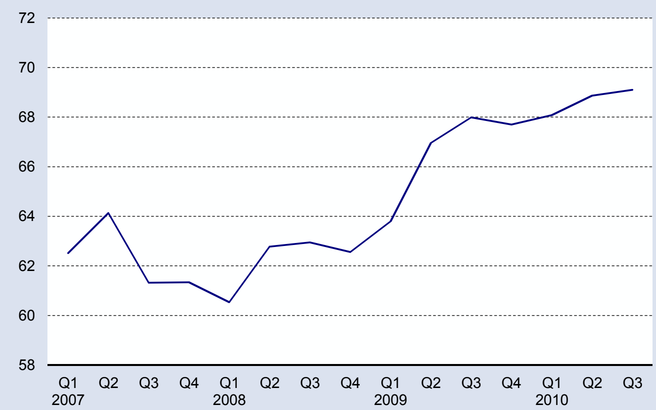
Total expenditure is set to rise by just 2.5%. Recurrent spending is estimated to increase by a marginal 0.4%, with operational and maintenance expenses and "other" expenditure projected to decline by 6.9% and 2.6%, respectively. According to the Budget Speech, all government departments and entities are to submit action plans detailing how to increase efficiency. Growth in the contribution to entities will slow down to 2.2% from the larger increase in 2010 that resulted from MTA's above-mentioned reclassification. The Government also announced that, where practicable, only one person will be employed for every two who will retire from public service. As a result, growth in spending on personal emoluments is projected to decelerate to 1.5%.

Outlays on social security benefits are expected to grow by just 1.2%, in part following the one-off payment made in 2010 out of the Consolidated Fund referred to earlier. On the other hand, interest payments are forecast to increase by 5.2%, following changes in the debt composition resulting in a higher share of long-term debt (which offers higher yields) relative to the total. This is the only expenditure component which is projected to grow more rapidly in 2011 than in the previous year.

In contrast, following the exceptionally strong increase projected for 2010, the rate of growth in capital expenditure is envisaged to slow down to 14.9% as a major project related to sewage treatment is due to be completed by March 2011.

Short-term debt, in the form of Treasury bills outstanding, declined by EUR13.8 million compared with its end-2009 level, lowering its share of the total by 1.2 basis points to 10.8%. This shift took place during the third quarter of the year as the Government reduced its short-term stock of securities while issuing new Malta Government Stocks (MGS). With the value of new MGS issues exceeding the value of maturing stocks, the nominal value of long-term securities in issue rose by EUR323.4 million during the first nine months of the year. Thus, their proportion of the total debt went up by 1.7 percentage points to 83.1%.

Chart 2.16
GENERAL GOVERNMENT DEBT
(% of GDP, GDP data are four-quarter moving sums)



Source: NSO.

Other government borrowings, in the form of loans, declined by EUR2.8 million due to a decrease in short-term loans following the reclassification of some items during the first quarter of 2010. The level of loans as a share of total debt edged down by 0.5 percentage points to 5.1%. At the same time, liabilities in the form of Maltese euro coins in issue increased by EUR3.4 million, leaving their share in the total unchanged at close to 1.0%.

Monetary and financial developments

During the September quarter, the contribution of Maltese MFIs to the euro area broad money stock increased as growth in residents' deposits kept up its momentum.[17] At the same time, credit to residents expanded at a more moderate, though still substantial pace, while net claims on non-residents of the euro area rose for the third consecutive quarter. While official interest rates remained unchanged throughout the quarter, domestic money market yields rose. In the capital market, declines in yields on five-year and ten-year Maltese government securities were accompanied by a slight rise in the MSE equity price index.

Growth in residents' deposits picks up momentum

The contribution of Maltese MFIs to the euro area broad money stock (M3) rose further during the third quarter of 2010, with its year-on-year growth rate rising to 3.3% from 2.6% three months earlier (see Table 2.11). Growth was once again driven by the narrow money component of M3, which expanded strongly by 16.6% during the 12 months ending in September. In contrast, deposits with an agreed maturity of up to two years continued to fall, contracting by 10.0% on a year earlier and thus restraining broad money growth.

Residents' overnight deposits, which have been expanding strongly since the beginning of 2009, increased by 17.8% during the 12 months to September as opposed to 21.7% in June (see Table 2.12). Growth was mainly driven by higher balances belonging to households and private non-

[17] 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 2.11
CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES(1)
EUR millions; annual percentage changes

	2010	2009		2010		
	Sep.	Q3	Q4	Q1	Q2	Q3
Narrow money (M1)	4,861.4	8.0	13.2	13.0	19.5	16.6
Intermediate money (M2)	8,925.8	-2.8	-1.7	-0.1	2.7	3.1
Broad money (M3)	**9,154.2**	**1.4**	**0.2**	**0.7**	**2.6**	**3.3**

(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.

financial companies, possibly reflecting the modest opportunity cost of holding such liquid assets in an environment of low interest rates. Meanwhile, growth in overnight deposits held by other euro area residents was also significant, reaching 37.9% during the 12 months to September.

Deposits redeemable at up to three months' notice, which account for a negligible proportion of the total, expanded by 3.6% during the year to September. In contrast, deposits with an agreed maturity of up to two years persisted on their downward trend. The decline moderated, however, as they contracted at an annual rate of 7.9% in September, as opposed to 11.0% three months earlier. The drop was primarily attributable to lower holdings by households, although a decline in balances of insurance companies also contributed. 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 for higher yields. In fact, deposits with a maturity exceeding two years, which do not form part of M3, expanded by 29.7% during the year to September, boosted by two new saving schemes launched by a particular bank. Furthermore, considerable bond issues on the primary market, which were all well received by investors, played a role in diverting funds away from monetary assets.

Overall, the annual rate of growth of residents' deposits increased by 0.4 percentage points during the quarter, reaching 3.8% in September (see Chart 2.17). Growth was driven entirely by the overnight category, which accounted for 51% of the total at the end of the period reviewed. Going into the fourth quarter, growth in residents' deposits accelerated to 4.1% in November.

The weighted average interest rate paid by MFIs on all residents' deposits remained unchanged at 1.37% during the third quarter of 2010. This reflected only marginal changes in interest rates

Table 2.12
RESIDENTS' DEPOSITS (1)
EUR millions; annual percentage changes

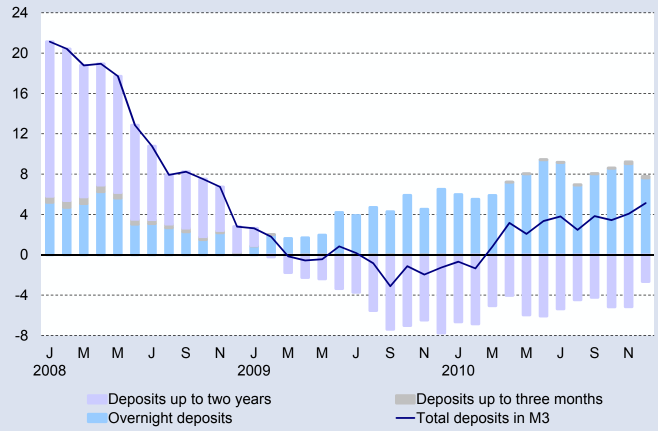
	2010	2009		2010		
	Sep.	Q3	Q4	Q1	Q2	Q3
Overnight deposits	4,089.9	10.9	16.5	14.2	21.7	17.8
Deposits redeemable at notice up to 3 months	113.7	-5.3	-2.3	-1.3	1.2	3.6
Deposits with agreed maturity up to 2 years	3,816.6	-12.3	-13.1	-8.8	-11.0	-7.9
Total residents' deposits	**8,020.3**	**-3.1**	**-1.3**	**0.8**	**3.4**	**3.8**

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

Source: Central Bank of Malta.

paid on different deposit instruments. While the average interest rate on savings deposits rose by one basis point to 0.36%, that on time deposits dipped by one point to 2.25%. In contrast, the rate on demand deposits remained constant at 0.27%.[18]

Chart 2.17
CONTRIBUTIONS TO ANNUAL GROWTH IN RESIDENTS' DEPOSITS
(percentage points; annual percentage changes)



Source: Central Bank of Malta.

At the same time, however, changes in interest rates on new accounts were mixed. While all rates paid to households fell, with the exception of time deposits with a maturity up to one year, those paid on corporate deposits increased. The most significant changes included a drop of 37 basis points in the interest rate paid to households on deposits with a maturity of over one and up to two years, which ended September at 2.80%, and a 19 basis point increase in the rate on corporate time deposits, which reached 1.64% at the end of the quarter (see Table 2.13).[19]

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

	2009		2010		
	Sep.	Dec.	Mar.	June	Sep.
Households and NPISH					
Overnight deposits[(2,3)]	0.29	0.30	0.29	0.29	0.28
Savings deposits redeemable at notice up to 3 months[(2,4)]	1.70	1.70	1.71	1.67	1.63
Time deposits with agreed maturity					
Up to 1 year	1.79	1.95	1.87	1.15	1.20
Over 1 and up to 2 years	3.04	3.00	3.19	3.17	2.80
Over 2 years	3.13	3.44	3.37	3.79	3.72
Non-financial corporations					
Overnight deposits[(2,3)]	0.23	0.23	0.22	0.22	0.25
Time deposits with agreed maturity	1.33	0.85	1.29	1.45	1.64

[(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.

[18] 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.

[19] 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.

Going into the fourth quarter, the weighted average deposit rate remained constant at 1.37% at end-November. However, interest rates on new business generally rose. In particular, rates on time deposits with agreed maturity of over one and up to two years increased by 33 basis points to 3.13%.

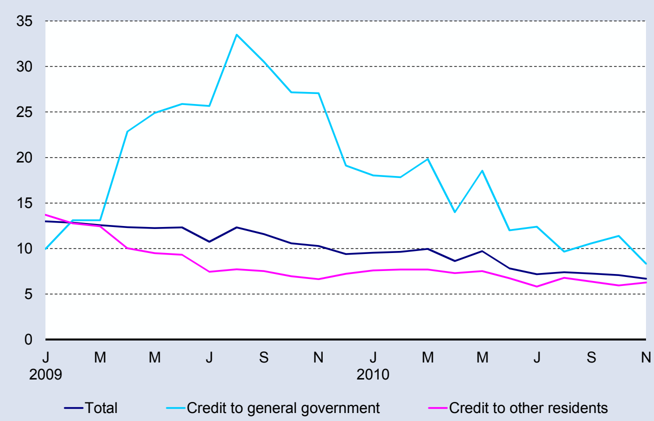
Credit growth slows down further, to 7.3%

Although still growing at a relatively fast pace, the annual growth rate of credit to residents eased to 7.3% in September from 7.8% three months earlier (see Table 2.14). The slowdown partly reflected shifts towards market-based financing, which dampened growth in credit to the corporate sector. Credit to households, to non-bank financial intermediaries and to general government also increased at a slower annual rate than in June.

The annual rate of growth of credit to general government fell to 10.6% in September from 12.0% in June, as banks reduced their Treasury bill portfolio (see Chart 2.18). The growth recorded during the 12 months to September primarily reflected an increase in MGS held by the banking system.

The annual rate of growth of credit to other residents also eased, falling to 6.4% in September as against 6.8% in June (see Table 2.15).[20] Expansion stemmed predominantly from credit to the non-bank private sector, mainly in the form of loans to finance house purchases. Indeed, the annual rate of growth of private sector credit accelerated to 6.7%. In contrast, credit to the non-bank public sector slowed down sharply, falling to 3.0% in September from 10.6% three months earlier as one public non-financial corporation repaid some bank debt.

Chart 2.18
CREDIT TO RESIDENTS
(annual percentage changes)



Source: Central Bank of Malta.

Table 2.14
CREDIT TO RESIDENTS(1)
EUR millions; annual percentage changes

	2010	2009		2010		
	Sep.	Q3	Q4	Q1	Q2	Q3
Total credit	**10,217.7**	**11.8**	**9.5**	**10.0**	**7.8**	**7.3**
Credit to general government	2,183.0	30.5	19.1	19.8	12.0	10.6
Credit to other residents	8,034.7	7.7	7.2	7.7	6.8	6.4

(1) Data only include credit granted to residents of Malta.
Source: Central Bank of Malta.

[20] 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.

Table 2.15
CREDIT TO OTHER RESIDENTS[1]
Eur millions; annual percentage changes

	2010	2009		2010		
	Sep.	Q3	Q4	Q1	Q2	Q3
Total credit to other residents	**8,034.7**	**7.5**	**7.2**	**7.7**	**6.8**	**6.4**
Credit to the non-bank private sector	590.3	7.1	6.6	7.9	6.4	6.7
Credit to the non-bank public sector	7,444.4	12.9	13.8	5.8	10.6	3.0
Total loans	**7,805.3**	**7.8**	**7.5**	**7.8**	**6.6**	**6.2**

[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.

The overall slowdown mirrored developments in loans, which account for 97% of all credit to other residents. These decelerated further, with their year-on-year growth rate dropping to 6.2% in September from 6.6% in June (see Chart 2.19).

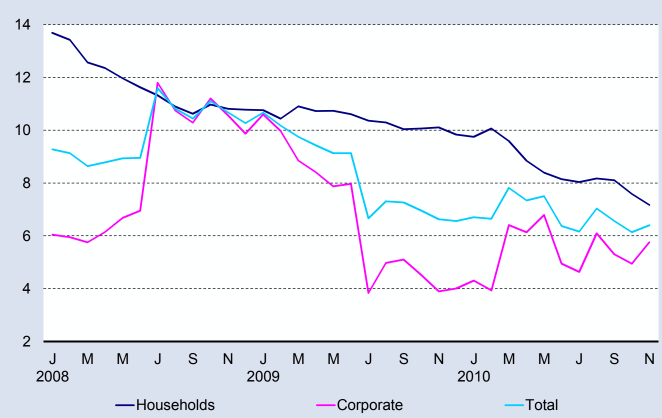
Although their annual growth rate decelerated, household mortgages registered significant growth during the September quarter and remained the largest, single category of bank borrowing by residents.

During the year to September, credit granted by resident MFIs to other euro area residents also expanded considerably, rising by 32.7% to EUR4.1 billion, mostly attributable to an increase in resident MFI holdings of government securities. Nevertheless, the annual growth rate was lower than the rate of 40.2% recorded in June.

Going into the fourth quarter of 2010, the annual rate of increase in credit to residents declined again to 6.7% in November. Year-on-year growth in credit to general government slowed down to 8.3% while that in credit to other residents eased to 6.3%.

While official interest rates remained unchanged during the September quarter, the weighted average interest rate charged by MFIs on loans to residents increased by six basis points, ending the quarter at 4.75%. In contrast, MFI rates on new loans, considered much more volatile, diverged. For example, rates charged on loans to non-financial companies declined by 43 basis points to 4.78% (see Table 2.16).[21] Conversely, rates charged to households for "other" lending increased substantially by 111 basis points, reversing a sharp fall in the previous quarter, to stand at 5.91% in September.

Chart 2.19
ANNUAL PRIVATE SECTOR LOAN GROWTH
(annual percentage changes)



Source: Central Bank of Malta.

[21] See footnote 19 above.

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

	2009		2010		
	Sep.	Dec.	Mar.	June	Sep.
Households and NPISH					
Overdrafts(2)	6.49	6.44	6.45	5.71	5.75
Loans					
Lending for house purchases	3.40	3.52	3.45	3.39	3.33
Consumer credit(3)	5.74	6.02	5.89	5.63	5.55
Other lending	5.72	5.56	6.03	4.79	5.91
Non-financial corporations					
Overdrafts(2)	5.09	5.08	5.12	4.87	5.06
Loans(3)	5.53	4.95	5.90	5.21	4.78

(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.

In November, the weighted average lending rate edged down by two basis points to 4.73%. While rates charged for "other" lending to households and for loans to non-financial corporations dropped by 54 and 29 basis points, respectively, reaching 5.37% and 4.50%, those on households' consumer credit went up by 22 basis points to 5.77%.

The Bank Lending Survey (BLS) conducted in October 2010 indicated that credit standards in respect of lending to households and enterprises remained unchanged during the third quarter.[22] While demand for business loans remained constant, mortgages and consumer credit requests declined slightly. Banks also reported that they envisaged no change in lending standards in the fourth quarter. Demand for mortgages and consumer credit was anticipated to remain unchanged, whereas loan demand by enterprises was expected to increase slightly.

Net claims on non-residents of the euro area rise

During the year to September, resident MFIs' net claims on non-residents of the euro area increased by 32.5%, higher than the 31.0% rise reported in the 12 months to June (see Table 2.17). The

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

	2009	2010	Change	
	Sep.	Sep.	Amount	%
External counterpart	**6,907.6**	**9,154.9**	**2,247.3**	**32.5**
Claims on non-residents of the euro area	25,269.0	29,854.1	4,585.1	18.1
Liabilities to non-residents of the euro area	18,361.4	20,699.2	2,337.8	12.7
Other counterparts (net)(2)	**10,622.7**	**14,270.5**	**3,647.8**	**34.3**

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

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.

operations of a newly-licensed credit institution in March 2010 had a major impact on these developments. Indeed, claims on non-residents of the euro area expanded by 18.1%, owing primarily to a significant increase in holdings of government securities, coupled with a rise in deposits held with non-euro area banks. At the same time, the corresponding liabilities grew less rapidly, by 12.7%, mainly due to a rise in time deposits placed by customers residing outside the euro area.

Other counterparts (net), which are generally heavily influenced by interbank transactions within the euro area, expanded more than one-third during the 12 months to September 2010. This resulted predominantly from an increase in banks' longer-term financial liabilities, mostly in the form of equity resulting from the inclusion of the newly-licensed credit institution mentioned earlier.

Money market rates increase

The ECB kept official interest rates unchanged during the third quarter of 2010, leaving the MRO rate at 1.00%. However, the three-month EURIBOR rose by 13 basis points during the quarter, ending September at 0.89% (see Chart 2.20).

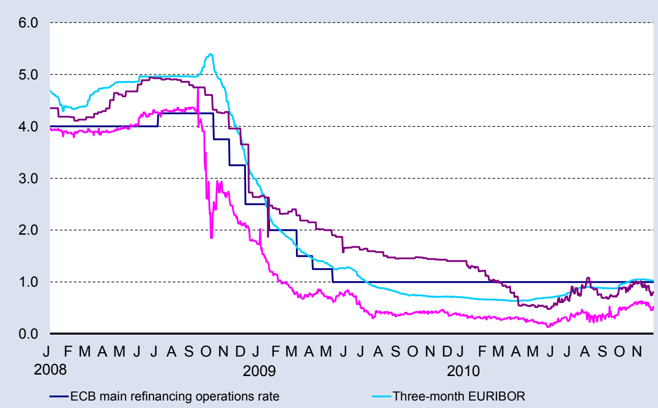
Meanwhile, the primary market yield on domestic three-month Treasury bills increased to 0.72% at end-September from 0.68% at end-June. The Treasury issued a total of EUR231.2 million worth of bills, down from EUR419.0 million during the second quarter. Six-month Treasury bills accounted for almost two-fifths of the total issued, while three-month bills made up slightly less than a third. Domestic banks participated heavily in the auctions and purchased more than four-fifths of the amount issued.

Turnover in the secondary Treasury bill market declined substantially to EUR27 million in the third quarter, from EUR69.7 million in the preceding three months. Around 90% of the transactions involved the Central Bank of Malta in its role as market maker, with purchases and sales amounting to EUR17.5 million and EUR6.7 million, respectively.

The yield on benchmark three-month government securities in the euro area went up by 13 basis points during the quarter, ending September at 0.44%. Likewise, corresponding domestic yields rose by 11 basis points to stand at 0.82% at the end of September. As a result, the spread between yields on domestic and benchmark euro area short-term debt securities narrowed marginally to 38 basis points (see Chart 2.20).[23]

Going into the fourth quarter, the domestic primary three-month Treasury bill yield rose by 11 basis points, reaching 0.83% at end-November. While the corresponding secondary market rate

Chart 2.20
MONEY MARKET INTEREST RATES
(percentages per annum, daily rates)



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

[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 2.20.

decreased slightly by two basis points to 0.80%, that on euro area government securities went up by eight basis points, leading to a narrowing in the spread to 28 basis points by end-November.

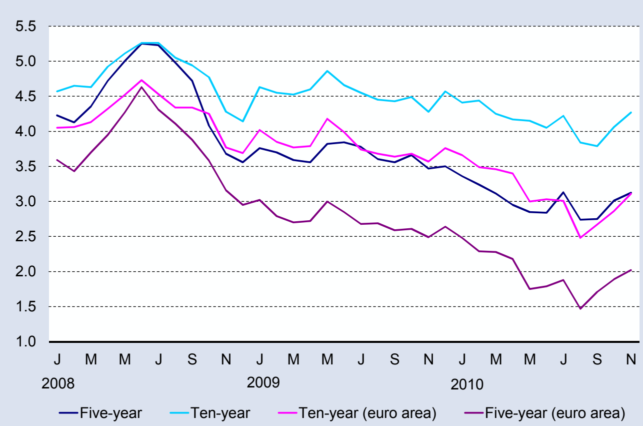
Bond yields decline further, before recovering

The Government raised additional funds through the issue of three MGS worth a total of EUR179.2 million in August. The first two are due to mature in five and 20 years and offer coupon rates of 3.75% and 5.25%, respectively. The third issue, with a maturity term of three years, was released with a coupon rate linked to the six-month EURIBOR. Hence, up to February 2011, the issue's coupon rate stands at 1.61%. More than half of the total amount issued was purchased at fixed prices, predominantly by households, while the remainder was sold by auction, mostly to credit institutions.

The third quarter was also characterised by further issues of corporate debt securities. Two corporate bonds were launched with a total value of EUR65 million. Tumas Investments plc issued a EUR25 million bond at a coupon rate of 6.2%, redeemable between 2017 and 2020. Mediterranean Investments Holdings issued EUR40 million worth of bonds at a coupon rate of 7.15%, denominated in euro, pounds sterling, and US dollars, with a maturity ranging between 2015 and 2017. Both issues were oversubscribed.

During the third quarter, turnover in the secondary market for government bonds increased by EUR38.1 million on the previous quarter, reaching EUR92.7 million. This was mainly driven by an increase of EUR49.5 million in transactions involving long-term securities, which, together with a small rise involving medium-term bonds, outweighed a drop of EUR15.5 million in the traded value of short-term securities.[24] The Central Bank of Malta, in its role as market maker, accounted for most of the value traded. Yields on both five-year and ten-year government bonds extended their downward trajectory, falling by nine and 26 basis points, respectively (see Chart 2.21). At the same time, the yields on benchmark euro area five and ten-year government bonds decreased by eight and 36 basis points, respectively. Consequently, the sovereign spread on five-year domestic government bonds edged down by one basis point to 104 basis points, while the ten-year differential widened by ten basis points to 112 basis points.[25]

Chart 2.21
GOVERNMENT BOND YIELDS
(percentages per annum, end of month)



Sources: Central Bank of Malta; ECB.

Turnover in the secondary corporate bond market more than doubled during the quarter, from EUR6.9 million to EUR17.8 million. Trading was concentrated in ten securities, with yields generally declining.

Conversely, activity in the equity market slowed down during the third quarter. Turnover decreased

[24] Short-term bonds are those with an original term to maturity of up to five years, while the maturity of long-term bonds exceeds fifteen years.
[25] Euro area yields are based on AAA-rated central government bonds.

to EUR6.6 million from EUR8.5 million in the second quarter. Following a steady decline during the first half of the year, the MSE share index increased by 0.6% to end September at 3,386.85 (see Chart 2.22).

Going into the fourth quarter, yields on five-year and ten-year government bonds picked up again, increasing to 3.12% and 4.27%, respectively, in November. At the same time, the MSE share index increased by 2.4% since September, ending November at 3,468.80.

Chart 2.22
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)

Source: MSE.

BOX 5: ECONOMIC PROJECTIONS FOR 2010 AND 2011

Outlook for the Maltese economy[1]

Economic activity to rebound strongly

After having contracted in 2009, economic activity in Malta is forecast to rebound strongly in 2010 but, in line with developments in external demand, growth is then expected to slow down in 2011.

The Bank projects real GDP to expand by 3.2%, representing a significant upward revision of 1.7 percentage points on its previous forecast exercise (see Table 1).[2] This follows stronger than anticipated growth in net exports for the first two quarters of 2010, which led to an upward revision in the Bank's outlook for net export growth.

In 2011 real GDP is expected to grow further, although at the slower pace of 2.3%. Current projections represent an upward revision of 0.5 percentage points on the previous exercise due to a more favourable outlook for net exports.

The strong rebound of the Maltese economy during 2010 largely mirrors the sharp turnaround in exports, which are expected to increase by 16.2%, mainly on the back of higher turnover in the semiconductor industry and a more buoyant tourism sector. The increase in exports is envisaged to be partly offset by additional imports of machinery and equipment, reflecting higher investment activity, as well as manufacturing inputs. For the year as a whole, the contribution of net exports is forecast to account for about two-thirds of GDP growth.

The recovery in domestic demand is projected to be more gradual. After the sharp drop recorded in 2009, investment is expected to grow by 1.6% in 2010, mostly underpinned by an estimated increase of 4.2% in government investment. Recovery in private investment is expected to be moderate, with higher spending on machinery and equipment likely to be dampened by a further significant contraction in residential investment. The pick-up in private consumption is also projected to be modest. After having remained flat in 2009, private consumption is forecast to grow by 0.9% in 2010, mainly due to more favourable developments in labour market conditions. Meanwhile, government consumption expenditure is projected to decline by a further 0.7%, reflecting further fiscal restraint. In contrast, the contribution of inventories to GDP growth is expected to turn positive in 2010, reflecting a reversal of the de-stocking process observed in 2009.

In 2011 real GDP growth is projected to decelerate to 2.3%, as growth in world trade is expected to lose momentum. The increase in economic activity is to be mainly driven by a further pick-up in domestic demand, underpinned by stronger investment. The latter is propelled primarily by a sharp increase in public investment, related to the greater absorption of EU funds. However, growth in private investment is also forecast to accelerate as the downturn in the construction of dwellings is viewed to attenuate somewhat in 2011. Private consumption is also envisaged to gather pace on the back of further improvements in employment income.

Reflecting an assumed slowdown in world trade, export growth is forecast to decelerate to 3.3% in 2011. In turn, this will restrain imports, especially industrial manufacturing inputs. Import

[1] The Bank's outlook for the Maltese economy in 2010 and 2011 is based on information available up to 19 November 2010 and is conditional on technical assumptions indicated in Table 1.

[2] The previous projections were published in the *Quarterly Review 2010:2*, pages 57-60.

Table 1
PROJECTIONS OF THE MAIN MACROECONOMIC AGGREGATES FOR MALTA

	2009[1]	2010[2]	2011[2]
Real economic activity (% change)			
GDP	-2.1	3.2	2.3
Private consumption expenditure	0.0	0.9	2.0
Government consumption expenditure	-0.7	-0.7	-0.2
Gross fixed capital formation	-16.3	1.6	7.7
Inventories (% of GDP)	-0.2	0.0	0.2
Exports of goods & services	-7.6	16.2	3.3
Imports of goods & services	-10.6	13.3	3.6
Contribution to real GDP growth (in percentage pts)			
Domestic demand	-2.9	0.7	2.3
Net exports	2.8	2.2	-0.1
Inventories	-2.0	0.4	0.1
Balance of payments (% of GDP)			
Goods and services balance	0.4	3.5	3.4
Current account balance	-6.9	-3.5	-3.8
Labour market (% change)			
Total employment	-0.6	2.0	1.8
Unemployment rate (% of labour supply)	6.9	6.6	6.3
Prices and costs (% change)			
Overall HICP	1.8	2.0	1.8
HICP excluding energy	2.1	1.0	1.6
Retail price index	2.1	1.9	1.4
Compensation per employee	2.3	0.5	1.7
Unit labour cost	4.1	-0.8	1.2
Public finances (% of GDP)			
General government balance	-3.8	-3.9	-2.9
Government debt	68.6	69.9	70.0
Technical assumptions			
EUR/US$ exchange rate	1.394	1.335	1.395
Oil price (US$ per barrel)	61.9	79.5	88.6
10-year euro area bond yield (%)	3.82	3.55	3.97

[1] Data on GDP are sourced from NSO News Release 169/2010 published on 7 September 2010.
[2] Central Bank of Malta projections.

growth is thus projected to slow down to 3.6%. However, in view of the projected pick-up in private consumption and investment, imports are set to grow faster than exports. As a result, the overall contribution of net exports to GDP growth should be slightly negative in 2011.

Labour market conditions to improve further

After having averaged 6.9% in 2009, the unemployment rate is expected to ease to 6.6% in 2010. Employment is forecast to increase by 2.0%, reflecting a pick-up in private sector job creation, although average weekly hours worked per employee are projected to decline as growth is likely to be mostly in part-time employment.

The unemployment rate should extend its downward trend in 2011, falling to 6.3%, as employment is projected to rise further, although at a slightly slower pace. However, growth in overall hours worked is set to pick up in 2011 as full-time employment recovers.

Despite these improvements in labour market conditions, wage pressures are expected to remain subdued during the forecast horizon. Nominal compensation per employee is projected to rise by 0.5% in 2010, in part reflecting base effects from the shipyard workers' voluntary redundancy scheme in 2009, which had boosted compensation in that year. Growth in earnings is then forecast to pick up to 1.7% in 2011, though still remaining below projected inflation. At the same time, labour productivity is set to rebound in 2010, following the strong fall in 2009, and to moderate in 2011. With labour productivity increasing more rapidly than nominal employee compensation in 2010, ULC are envisaged to fall by 0.8%, before increasing by 1.2% in 2011.

HICP inflation dynamics conditioned by commodity prices

In 2010 the rate of inflation based on the HICP is forecast at 2.0%, slightly higher than in the previous year. The increase is mostly driven by higher energy prices as prices of food and services are projected to increase at a slower rate, while those of non-energy industrial goods are expected to continue to fall. Thus, underlying inflation should decline further in 2010, reflecting the fact that output is expected to remain below potential, with HICP inflation excluding energy decelerating to 1.0% in 2010 from 2.1% in 2009.

In 2011 inflation is projected to slow down to 1.8%, primarily reflecting a less marked increase in energy prices as electricity tariffs are expected to be maintained at 2010 levels. Food prices, on the other hand, are expected to accelerate in line with price developments in global commodity markets. The cost of services is also envisaged to rise, mainly driven by improved domestic demand conditions and, to a limited extent, by the VAT rate increase on hotel accommodation, as announced in the 2011 Budget.

Surplus on external balance to increase

The strong rebound in exports projected for 2010 should result in a trade surplus of 3.5% of GDP compared with the previous year's surplus of 0.4% of GDP. In 2011 the surplus is projected to narrow slightly to 3.4% as export growth is forecast to moderate, while the pick-up in domestic demand is expected to result in a higher volume of imports. Whereas the goods and services account is expected to remain in surplus, significant net outflows are projected on the combined income and current transfers accounts, mainly because of sustained profits by domestic firms owned by non-residents. As a result, the current account, measured in nominal terms, is projected to remain in deficit, though this should narrow to 3.5% of GDP in 2010, before widening slightly to 3.8% in 2011.

Fiscal deficit set to narrow in 2011

After having fallen to 3.8% of GDP in 2009, the fiscal deficit is projected to rise marginally to 3.9% of GDP in 2010, largely underpinned by weaker tax revenue growth, reflecting subdued domestic demand. In 2011 the deficit-to-GDP ratio is expected to fall to 2.9%. This is partly due to higher growth in revenue following indirect tax increases announced in the 2011 Budget and the recovery in domestic demand, as well as restrained growth in government expenditure, especially on wages and intermediate consumption. Government debt is expected to increase to 70.0% of GDP by 2011 from 68.6% in 2009.

Risks to the projections

The latest projections continue to be characterised by a high degree of uncertainty, reflecting the slow recovery in the economies of most of Malta's main trading partners as fiscal conditions are tightened. Upside and downside risks to Malta's economic growth in 2010 appear to be balanced, while those for 2011 appear to be tilted slightly on the downside.

In the short term, positive factors that may influence economic performance include the possibility of higher profits in the financial intermediation sector and improved export competitiveness due to a weaker euro. However, downside risks emanate from weak domestic consumer confidence and, possibly, a tendency by households to reduce their consumption and augment their precautionary saving. On the other hand, the downside risks for 2011 partly stem from further weakness in the US economy, which plays a prominent role in the global demand for semiconductors, one of Malta's major export earners.

Other downside risks relate to the fragility of financial systems in other euro area economies and to the ongoing sovereign debt crisis that could trigger further austerity measures in euro area countries. This could have a negative impact on the external demand for goods and services produced in Malta.

Risks to inflation are balanced for 2010, but tilted slightly on the upside for 2011. The latter mainly stem from ongoing upward price pressures in international commodity markets. These are expected to outweigh any possible downward pressures on inflation from a more muted economic recovery both in Malta and abroad.

TIME FOR A REALITY CHECK[1]

Michael C Bonello
Governor of the Central Bank of Malta

The economic rebound should not give rise to complacency

On this occasion last year I said that an improving external environment could benefit the Maltese economy. And indeed it has. The recession proved short and shallow, with a peak-to-trough decline in GDP of 3.4%, as against 5.3% in the euro area, and the GDP contracted by just 2.1% in 2009. In the first half of 2010 the economy grew by 4%, which suggests that the outturn for the full year could top 3%.

This encouraging performance has prompted manifestations of the 'Malta is different' syndrome, with suggestions that belt-tightening and structural reforms are for others, but not for us. For a country that, with one exception, has not had a current account surplus or a balanced budget for at least fifteen years, this attitude betrays a poor understanding of the growth dynamics in a small, open economy and of current world realities.

A more balanced assessment of the facts would recognize that the extent and speed of the turnaround demonstrate not only the undoubted resilience of the Maltese economy, but also its vulnerability. More specifically, since the rebound in good part reflects a recovery in the electronics and tourism industries, it underlines our dependence on the state of external demand. We ignore this reality at our peril.

Medium-term prospects will be conditioned by slow growth abroad

Now, given the pervasiveness of the recession abroad and the considerable uncertainty that still prevails today, we can expect only modest growth in export markets in the near future. According to the IMF, real GDP in the advanced economies will expand by only 2.2% in 2011 compared with 2.7% this year.[2] In Europe, the euro area is forecast to grow by just 1.5%.

Given these subdued global prospects, it would be naïve to assume that the current economic upswing in Malta will continue spontaneously without determined efforts to achieve faster growth. There is no other option if we aspire to converge to the higher living standards enjoyed elsewhere in Europe. The key to a better quality of life are rising incomes. In this respect, there is considerable potential for improvement. Malta's GDP per capita in PPS terms has been stuck at around 77% of the EU average since 2003.[3]

The focus must be on productivity and competitiveness

Faster sustainable growth will not, however, be possible unless we produce goods and services that meet the test of increasingly competitive and discerning markets. This, as the recent Pre-Budget Document acknowledged, requires, among others, higher productivity levels, which would then raise the rate of growth of potential output.

Productivity has been improving recently, but against the backdrop of a relatively poor long-term

1 Speech given at the Annual Dinner of the Malta Institute of Financial Services on 19 November 2010.
2 IMF, *World Economic Outlook,* October 2010.
3 Source: Eurostat.

record, which leaves Malta well behind the best performers in the euro area.[4] Even more worrying, compensation levels have risen much faster than productivity.

The explanation for this relatively poor outcome should be sought in the way we use productive resources, principally labour and capital.

Malta's labour resources are underused…

To begin with, not enough people participate in the formal labour market. In 2009 the employment rate stood at 55%, compared with a euro area average of nearly 65%.[5] The activity rate among women and older workers in particular is especially low.

Furthermore, long-term demographic projections suggest that, over time, the labour force will shrink. According to the European Commission, the working-age population in Malta will contract by more than 20% by 2060.[6] In the light of these trends, raising participation rates should be a priority. Several measures have already been taken, including in the Budget for 2011, such as incentives for women to re-enter the labour market, and trying to remove 'unemployment traps' that arise from the interaction of the tax and welfare system. The gradual increase in the retirement age will also help. But this will not be enough.

Efforts to get more people to work must, moreover, be accompanied by measures to raise their productivity. We need to invest more, and more efficiently. Malta's educational attainment levels in particular, though improving, remain low. In 2009 just over one quarter of adults aged between 25 and 64, much less than half the EU average, had completed at least an upper secondary level of education.[7]

The solution here does not lie solely in allocating more resources. It is also a question of how the money is spent. According to a recent study, public spending on education in Malta amounts to around 5.5% of GDP, which is above the EU average. [8] But the study also shows that this spending is not very efficient, especially in the case of tertiary education. Despite the significant amounts spent, Malta's tertiary educational attainment level, at 21.1%, is well below the EU average of 32.3% and the Europe 2020 target of 40%.[9]

This situation must be reversed because well-remunerated jobs cannot be created in the absence of high-quality post-secondary education. As the recent Browne report in the UK stresses, higher education drives innovation and economic transformation.[10] The University of Malta, however, is short of funds. One way of tackling this deficiency would be to limit stipend support to students who are truly in need. This would ensure that access to a university education remains open to everyone with the potential to benefit from it, while releasing funds for improving its quality. It would also address an issue of equity: since a tertiary level education is the key to better-paid jobs and higher lifetime incomes, it is appropriate that those who benefit most from it should contribute at least part of the costs involved.

[4] Source: Eurostat.
[5] Source: Eurostat.
[6] European Commission, *The 2009 Ageing Report: economic and budgetary projections for the EU-27 Member States (2008 - 2060), European Economy* 2/2009, page 47.
[7] Source: Eurostat.
[8] Ebejer, Ivan and Ulrike Mandl, *The efficiency of public expenditure in Malta*, ECFIN Country Focus Volume 6, Issue 2. February 2009.
[9] The tertiary educational attainment level is defined as the share of the population aged between 30 – 34 years who have successfully completed university or university-like education with an International Standard Classification of Education 1997 of 5 – 6.
[10] *Securing a sustainable future for higher education*, 12 October 2010, http://www.independent.gov.uk/browne-report

… while investment has not been sufficient

But enhancing the supply and quality of labour is still not enough. To produce output, labour has to work with capital. Now a country's capital stock can only grow through investment. The recent performance in this regard has been inadequate. As a share of GDP, private investment amounted to 16% on average between 2000 and 2009, among the lowest ratios in the euro area. Given Malta's track record in attracting foreign direct investment, this shortfall is probably more a reflection of a relatively low level of domestic private investment.

The latter is unlikely to be related to the cost and availability of finance. Interest rates are at historic lows and, contrary to the experience elsewhere, credit to the private sector continued to expand during the recession. As for possible structural factors, the diversification of the economy away from manufacturing towards services is also unlikely to have been a factor. Similar sectoral shifts elsewhere did not result in a declining investment share.

Rather, the relatively low level of private investment could, in part, be a legacy of the past, when firms in protected sectors could survive without the need to invest to face up to competition. In addition, in key sectors such as tourism and the wholesale and retail trades, the operating surplus has fallen, on average, over the past decade. Weak profitability, which is partly due to labour costs rising faster than productivity, reduces both the incentive to invest and the internal funds available to do so. Hence the emergence of a perverse cycle of weak profitability, low investment, poor productivity growth and a loss of competitive strength.

These weaknesses are reflected in persistent current account…

These structural weaknesses show up in a persistent deficit on the current account of the balance of payments. Shortfalls have been recorded in every year but one since at least 1995. The deficit widened again in 2009 to 6.9% of GDP from 5.7% the previous year.

A current account deficit indicates that we spend more than we produce. It also implies that domestic savings are insufficient to finance investment, even though, as we have seen, the rate of investment is relatively low. The only way in which current consumption levels can be sustained, therefore, is by raising incomes. This, in Malta's case, requires a more dynamic export performance.

For a start, this means that efforts to attract foreign direct investment, much improved in recent years, need to become even more focussed and supported with a strengthened infrastructure. The domestic private sector, meanwhile, needs an incentive to switch to producing for markets abroad. This incentive is relative profit. Export-oriented activity must become relatively more profitable than production for the domestic market alone.

In a small island economy, where transport costs impose natural barriers to trade, it is easier to set up and defend monopolies. This was especially true before the liberalisation of product markets at the time of EU accession. But this is not to say that elements of monopoly power – and the attitudes this engenders – have not survived. For example, a survey carried out by the Bank on price and wage setting in Malta shows that although just over half of respondents would cut prices if their competitors did so, 36% would not. Unsurprisingly, the most flexible firms were those in the manufacturing and tourism sectors, where foreign competition is strong.

This suggests that there is still scope for increasing the degree of domestic market competition. Sometimes, the connection between market liberalisation and exports may be indirect. As the recent experience in the communications sector has shown, liberalisation drove down costs and prices. This opened up new export opportunities outside the communications sector itself, for example, in financial services and remote gaming.

The importance of keeping costs under control cannot be overemphasized. Malta's inflation performance over the last ten years illustrates this point. Whereas the euro area inflation rate averaged 2.1% between 2000 and 2009, domestic inflation averaged 2.5%. The record for inflation excluding energy prices shows a similar unfavourable trend. It is an established fact that in a currency union rates of inflation consistently above the average result in a loss of competitiveness.

Apart from more competitive markets, containing domestic inflation implies a need for wage moderation. For many years employee compensation has grown faster than real labour productivity. Whereas the former increased by around 31% since 2000, productivity rose by only 2.5%. The resulting rapid growth in unit labour costs, more than 28%, compares with an average of 20% in the euro area.

In order to make up for this lost ground, the wage determination process needs to be reformed. While wage bargaining at the enterprise level provides flexibility, the automatic indexation mechanism through which current wages are adjusted to past inflation, even if partially, increases the downward rigidity of real wages and thus represents a permanent drag on Malta's competitive position.

...and government budget deficits

The current account deficit is mirrored not only in the shortfall in private savings but also in the budget deficit. Government expenditure has exceeded revenue in every year at least since 1995, resulting in a steady rise in the public debt from less than 40% of GDP in the mid-1990s to 69% today.

The thrust of the recent Budget, and particularly the projected cut in the deficit ratio from 3.9% of GDP in 2010 to 2.8% next year, is therefore a welcome development. Continued vigilance is, however, necessary. Given the uncertain prospects for Malta's export markets, for example, the assumed nominal GDP growth rate of 5.6% on which the tax revenue forecast for 2011 is based could turn out to be optimistic. The medium-term objective of a balanced budget, moreover, must be kept well in mind.

EU rules stress the importance of achieving a balanced budget over the cycle precisely because fiscal prudence responds to a clear economic logic. In the long run, a persistent budget deficit contributes not only to a dangerous debt dynamic, but also to price pressures, a loss of market share and a trade imbalance. Only through the achievement of surpluses during a cyclical upswing can there be room for countercyclical deficits in a downturn. The retrenchment currently being experienced in many countries highlights the consequences of leaving fiscal imbalances unaddressed.

Fiscal consolidation is also necessary to bring the debt ratio below the 60% limit. For example, if the deficit ratio does not shed one percentage point in 2011 as planned, the deficit would be some EUR65 million higher than the projected amount. At current interest rates, this would imply an addition of about EUR3.3 million to the annual interest charge on the debt, which at EUR198 million this year is considerably more than government investment in the infrastructure; and the debt ratio would rise by an additional percentage point to 70%.

Improving the long-term sustainability of public finances assumes additional importance in view of the expected doubling of the share of the elderly in the Maltese population by 2060. As a result, age-related spending is set to increase by more than 10% of GDP. Partly because of these demographic trends, Malta is among the group of EU countries facing the greatest challenge in terms of fiscal sustainability.[11]

Since this task can only be addressed gradually, we have to start now. Completing the planned reform of the pension system must be part of the solution. In particular, introducing funded pensions promises to deliver benefits on several fronts. First, by boosting incomes in retirement it will help support a large share of the population as it ages, reducing the burden that currently falls on the unfunded pay-as you-go system. Second, if individual contributions are linked more closely to individual payouts, this will encourage private saving, which, as we have seen, is necessary to close the saving/investment gap. Finally, if individuals perceive a closer link between their contributions and their retirement income, this should help curb the evasion of social security payments.

There is little room for tax increases

Fiscal consolidation, therefore, is desirable to help correct the economy's external imbalance; to put public finances on a sound footing while coping with the costs of population ageing; and, above all, to maintain credibility and investor confidence, which are prerequisites for growing the economy.

Now deficit reduction is typically achieved through a combination of increased revenue and expenditure cuts. As for the former, relying mainly on higher taxation cannot be an option at this juncture; besides, it generally distorts the efficient allocation of resources. Higher indirect taxation tends to push up the price level and, hence, harms competitiveness, while higher taxes on income depress economic growth. Neither, of course, is this a time for cutting taxes. An option which is at once fiscally beneficial and socially desirable is to close remaining tax loopholes and to engage in a more aggressive pursuit of tax evasion and benefit fraud.

We need to cut spending, while rebalancing it

The only real alternative, however, is to cut public spending. There is a near-consensus in the literature that expenditure cuts have a smaller adverse impact on the economy than revenue increases.[12] Fiscal consolidation, moreover, produces long-term benefits since a smaller debt stock results in lower interest payments, and thus can eventually create room for growth-enhancing tax cuts.[13]

General government expenditure amounted to EUR2.5 billion in 2009, or almost 44% of GDP. The largest single item was the wage bill, equivalent to 14.5% of GDP. It was followed by spending on benefits, mainly old age pensions, which amounted to some 13% of GDP. Health care, excluding wages, absorbed a further 2%. These three items together account for more than two-thirds of government spending. In contrast, an amount equal to only 2.2% of GDP was dedicated to investment. A substantial increase in productive investment, particularly in physical and human capital, is clearly necessary.

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[11] See European Commission, *Public Finances in EMU 2010, European Economy* 4/2010.

[12] For example, according to the IMF, "spending-based deficit cuts, particularly those than rely on cuts to transfers, have smaller contractionary effects than tax-based adjustments". See IMF *World Economic Outlook* October 2010, Chapter 3, p. 113.

[13] See also European Central Bank 'The effectiveness of euro area fiscal policies' *Monthly Bulletin* July 2010.

The Budget for 2011 recognizes this need, projecting a marked increase of 15% in capital spending. This is encouraging because in recent years growth has mainly occurred in recurrent spending. Between 2004 and 2009, this expanded at an annual average of 5.3%. On the other hand, government investment remained broadly unchanged during this period and declined in the last two years, in part because actual outlays often fell short of targets.

The dual challenge of maintaining a high level of investment spending while reducing the budget deficit, therefore, implies that it is recurrent expenditures that must be cut. Progress has already been made by reducing subsidies, through the privatisation of the shipyard and by aligning utility rates more closely to production costs. For next year, however, while an increase of less than 1% in recurrent spending is planned, few specific cuts have been identified. In this context, the latest Annual Report of the National Audit Office suggests there is ample scope for controlling expenditures more effectively and for improving revenue collection.[14]

While taxpayers have every right to expect value for their money, a substantial, durable fiscal correction requires a fundamental reappraisal of the role of the state in providing services. The need to prioritize expenditure programmes has not been fully addressed. As a result, the most difficult challenges, such as how to ensure sustainable funding for tertiary education, pensions and health services, remain to be tackled.[15]

Domestic consumption must return to a sustainable level. It is an inevitable adjustment for economies like ours that have lived beyond their means for far too long. Fortunately, we need to adopt much less drastic measures than those countries that have had to make deep cuts in public sector staffing levels, wages and social benefits in order to stave off the financial collapse of the state itself.

And yet, people in Malta continue to expect the Government to hand out money it does not have. This attitude must change, for not only can it lead to bankruptcy, but it is also indefensible on moral grounds. Politicians, trade unions, NGOs and other opinion shapers must explain that we do not have money for everything and that you cannot have gain without pain. The intelligent thing to do is to work together so as to minimize the pain and then ensure that it is equitably shared.

In my view, the priority of the welfare state should be to provide equal opportunities for all, but a safety net only for those who need it most. Universality – dispensing free goods and services to all irrespective of income – is a wasteful and unaffordable principle. In the words of the renowned economist, Jeffrey Sachs, '*Even playgrounds should collect tolls, when it is billionaires who are playing in the sandpit*.'

The social welfare system, including health care, has long been identified, including by the European Commission and the IMF, as offering the greatest potential for savings. Effective measures implemented elsewhere which could be adopted range from user fees for certain public services to policies designed to make work pay. We should also reassess the scope of social benefits, to

[14] See National Audit Office (NAO), *Annual Audit Report by the Auditor General: Public Accounts 2008*, December 2009. Examples of inefficiencies and improper practices range from 28,810 cases of social security contributions worth EUR4.5 million being in arrears, to the number of hospital meals charged in one hospital consistently exceeding the number of in-house patients, to cases of payments to government suppliers not supported by VAT receipts.

[15] The welfare gap, i.e. the difference between all items of expenditure and contributions made in terms of the Social Security Act, 1987 has more than doubled in the last five years to EUR381.2million in 2010. The cost of pensions and related benefits is estimated at EUR 564 million and that of free hospitalisation and community care EUR306.5 million. See, Ministry of Finance, the Economy and Investment *Financial Estimates* 2010, p. 294.

distinguish between those that truly help to combat poverty and social ills and others that are not so effective in achieving the desired outcomes.

Finally, I believe the time has also come to consider how to strengthen the budget process, drawing on models tested successfully abroad. These typically involve fiscal rules providing for limits on supplementary budgets, multi-annual expenditure ceilings and more transparency in fiscal policy making, as well as an independent monitoring agency. The pursuit of fiscal sustainability along such lines requires a broad political consensus.

Conclusion

This evening I have argued that while the Maltese economy is headed in the right direction – a fact that has been recently confirmed by its 33rd place in the Human Development Index – we must look beyond the current upturn to examine structural weaknesses that are preventing the economy from exploiting its full potential, and thus from closing the income gap with our European peers.

I have therefore suggested that we need to raise labour force participation, improve the quality of the work force and increase the efficiency of public spending, particularly in education. We also need to invest more, to upgrade the capital stock. Here, monetary policy is playing an important role: interest rates are at historic lows and bank credit continues to flow. The Eurosystem's commitment to deliver price stability in the medium term is also a key factor in sustaining investor confidence and supporting economic expansion.

Market mechanisms, underpinned by appropriate legal frameworks, must be allowed to work better. In general, we need to open up domestic markets to an even greater degree of competition.

In addition, fiscal tightening is necessary to correct current imbalances and begin to reverse the trend increase in public debt. This objective acquires added importance in the context of population ageing. Above all, durable consolidation requires a reappraisal of the role of the state and the tightening of fiscal rules.

Finally, we need to further improve the economy's resilience to external shocks. Over the past decade unit labour costs and prices have shown a marked tendency to deviate from the euro area average, thereby eroding competitiveness. It is a law of economics that the adjustment necessary to regain competitiveness inside a monetary union must take place in the real economy by ensuring that prices, wages and profit margins fall, or at least increase by less than the average, for a number of years. This requires the introduction of productivity-enhancing measures and a wage setting process in which wage increases reflect efficiency gains at the enterprise level rather than past inflation.

In concluding, let me emphasize that what I am advocating is not austerity but enlightened self-interest. It is a common-sense appeal for a closer alignment of our priorities with the economy's strategic objectives and for a more efficient allocation of resources. Against a backdrop of weak and uncertain global growth prospects, the policy focus must be on releasing resources to make the long-term investments needed for sustainable growth. There is indeed not much that economic policy can do to create well-paid jobs in the short term. These are the combined outcome of high education standards, modern technology and an efficient infrastructure. This, in turn, depends on farsighted policies and years of wise investment by both the public and private sectors. That, I believe, is the path we should follow.

WAGE AND PRICE SETTING IN MALTA

The Central Bank of Malta recently commissioned a survey on wage setting in Malta as part of the Wage Dynamics Network (WDN) project, which is a collaborative research programme between the ECB and the NCBs.[1] The survey, conducted over a period of six weeks between May and June 2010, sought to identify the main features of domestic wage and price setting behaviour. It also covered labour market flexibility, the relationship between wages, input costs and prices, and the reaction of firms to unforeseen shocks.

The survey questionnaire, while based on the requirements of the WDN, included additional questions to obtain a comprehensive understanding of specific characteristics of the domestic wage and price setting process. A total of 300 private companies from the manufacturing, construction, wholesale & retail trade, tourism (hotels & restaurants) and services sectors were selected from the NSO's business register through a stratified random sampling process.[2] The process was based on company size, as measured by the number of full-time equivalent employees relative to the respective sectors (see Table 1).[3]

In all, 161 companies representing 53% of the sampled firms participated in face-to-face interviews. The 25,912 persons employed by these firms made up around a quarter of the gainfully occupied population in the surveyed sectors, with the highest representation coming from the financial and manufacturing sectors. The wholesale & retail trade sector was somewhat under-represented, probably on account of the high proportion of small firms in the sector. Average employment in participating firms was highest in the manufacturing, transport, storage & communication and financial intermediation sectors, where it exceeded 200 employees per firm. The ratio of labour costs to total costs averaged 42% and was highest in the real estate, rent & business and the financial services sectors.

The occupational distribution varied considerably across sectors. Whereas low skilled blue-collar workers constituted over half the labour force in manufacturing, construction and hotels & restaurants, low skilled white-collar employees represented the largest proportion of workers in the

Table 1
EMPLOYEES IN SAMPLED FIRMS AND NUMBER OF RESPONDENTS

Economic sector	Private sector employment(1)	Percentage of total employees	Sampled firms	Number of respondents
Manufacturing	21,221	21.2	64	38
Construction	8,790	8.8	26	11
Wholesale & retail trade	21,824	21.8	66	18
Hotels & restaurants	10,030	10.0	30	15
Services	38,046	38.1	114	79
Total	**99,911**	**100.0**	**300**	**161**

(1) Based on annual averages for private sector full-time employment during 2008, in the included sectors.
Sources: NSO PR 224/2009; survey estimates

1 The survey was carried out by the Bank in conjunction with the Malta Chamber of Commerce, Enterprise and Industry and E-Cubed Consultants Ltd. Unless otherwise indicated all data in the table and charts are derived from the survey results.

2 Companies in the services industry were split into four sub-sectors: transport, storage & communication, financial intermediation, real estate, rent & business activities and personal services including education and health.

3 Figures for full-time equivalent private employment were based on gainfully occupied population data as published in the NSO Press Release 224/2009. In addition, firms employing fewer than ten employees were omitted. All firms ranked in the top decile of each sector by employment were included as such organisations were considered to account for the main developments in the labour market.

financial sector. In contrast, highly skilled professionals made up nearly a third of the workforce in the real estate, rent & business, financial and personal services sectors.

Wage setting and wage changes

In order to assess rigidities in the Maltese labour market, the survey covered issues related to wage setting, frequency and timing of wage changes, and the setting of entry level wages. Except for the last section of the questionnaire, all questions related to normal working conditions and practices, thus excluding the impact of the recent crisis.

According to the survey, wage setting in Malta is generally based on collective bargaining at enterprise level. A total of 32% of respondents employing 56% of workers in the sample operated on the basis of a collective agreement. At a sectoral level, at 61%, the manufacturing sector contained the highest proportion of firms with a collective agreement (see Chart 1).

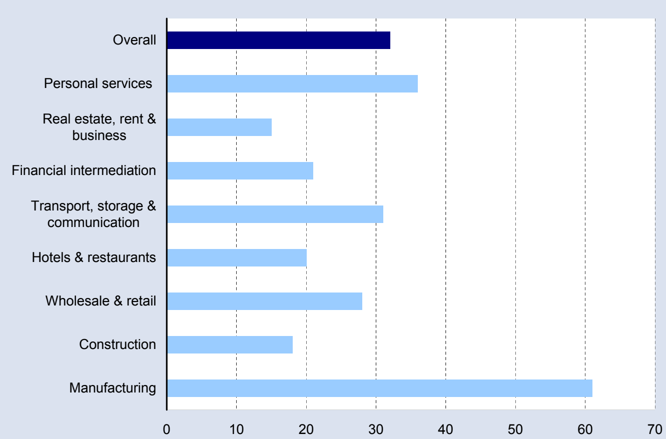
Trade union membership was found to be more pronounced in the lower grades, with over 70% of low skilled production workers covered by a collective agreement. In contrast, only 29% of highly skilled professional workers were union members.

Respondents were asked to indicate the frequency and type of wage changes. The majority of firms stated that changes occurred annually, predominantly in January, to implement the statutory cost-of-living adjustment (COLA) mechanism, which relates wage increases to inflation in the previous year. However, around 38% of firms applied an additional mechanism linking wages to inflation. To a lesser extent, annual changes in wages were also influenced by duration of employment and seniority.

To assess the degree of flexibility when setting wages, respondents were also asked to indicate what percentage of their wage bill reflected performance bonuses. The study concluded that, on average, less than 5% of the wage bill was related to such bonuses.

With respect to entry level wages, over half of participants stated that the starting wage of recruits tended to be similar to that paid to existing staff in similar grades in the firm. However, in the manufacturing sector the collective agreement was the main determinant of entry level wages. When asked about the level of entry wages at a time of excess labour supply, 86% of participants stated that they would not lower these wages, with 31% of firms attributing this reluctance to the potentially negative effect on the work effort. Furthermore, firms in the manufacturing sector indicated that lower entry wages were not permitted by their collective

Chart 1
RESPONDENTS HAVING AN INTERNAL COLLECTIVE AGREEMENT
(per cent)



agreements. In contrast, a third of respondents in the wholesale & retail sector stated that excess labour supply would lead to a reduction in entry wages, implying a greater degree of responsiveness to market conditions. Lack of flexibility was also indicated in the case of labour shortages, with businesses being unwilling to raise entry level wages as this was considered unfair on the existing workforce and would negatively affect work effort.

Downward wage rigidity and adjustment to shocks

The survey also covered downward wage adjustments and firms' reactions when facing economic shocks. When asked whether they had opted for a cut or a freeze in wages in the previous five years, 13% of respondents stated that they had imposed a wage freeze. Firms cited a decline in economic activity or a fall in profits as the underlying reason for a wage freeze.

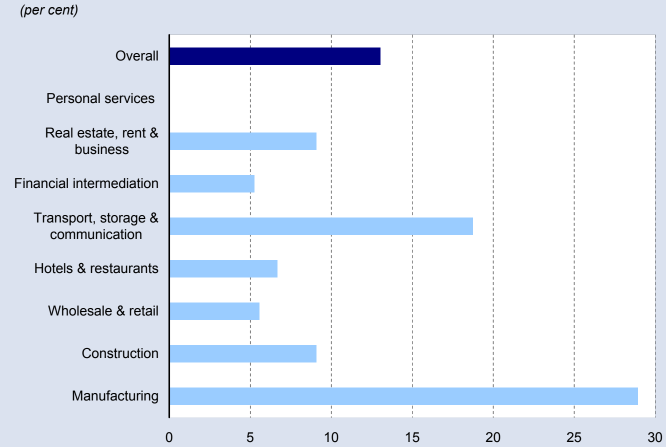
At a sectoral level, only a small proportion of firms in the transport & communication and manufacturing sectors had cut wages in the previous five years. Almost 30% of respondents in manufacturing indicated that they had adopted or were currently adopting a wage freeze. In most cases, the freeze applied to all employees, irrespective of occupational grouping. Nonetheless, increments stipulated by the COLA mechanism were still awarded.

These responses suggest a degree of downward wage rigidity, which stems from various factors. When asked to rank the factors preventing base wage cuts, respondents pointed mainly to the possibility of productive workers quitting the firm and a reduction in morale and effort by the labour force. Furthermore, firms in the financial sector pointed out that if productive employees were lost because of decreasing wage levels, they would have to bear the additional costs of hiring and training replacements.

In response to adverse shocks, businesses stated that they preferred to opt for reductions in labour costs other than freezing or cutting wages. The strategies outlined by respondents were relatively homogenous across sectors and included changes in shift assignments, recruitment of new employees at lower wages, a slowdown or freeze on promotions and a reduction in bonus payments.

The survey also enquired about strategies adopted by firms when dealing with adverse shocks related to demand, costs or wages. Overall, in a bid to cushion such shocks firms were more likely to seek cost-efficiency gains by reducing non-labour costs rather than cutting prices, decreasing profit margins or lowering output. Furthermore, reflecting further the extent of labour market rigidity, an unforeseen increase in basic wages would also trigger similar cost-efficiency efforts, rather than action to reduce the

Chart 2
PROPORTION OF FIRMS FREEZING WAGES IN THE PREVIOUS FIVE YEARS
(per cent)

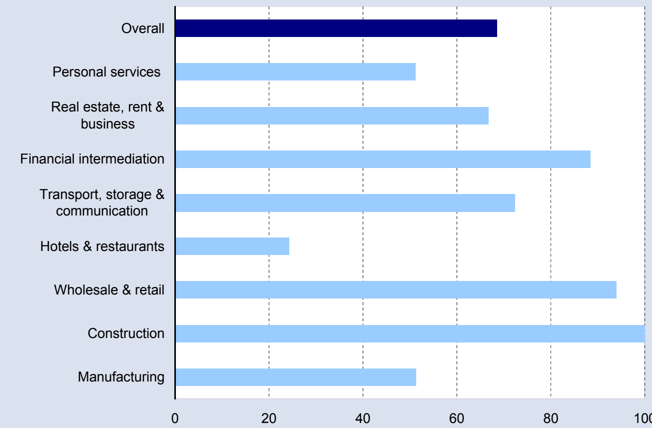


variable components of labour costs.

Exposure to foreign demand

The proportion of domestic and foreign revenues for the sampled companies differed significantly across sectors. Not surprisingly, the hotel industry was the most exposed to foreign market developments. In contrast, the construction, wholesale & retail and financial intermediation sectors recorded very high levels of domestic sales. In particular, the construction market relied fully on domestic business. Overall, domestic sales of the sampled companies stood close to 70% of the total (see Chart 3).

Chart 3
SHARE OF DOMESTIC SALES
(per cent)



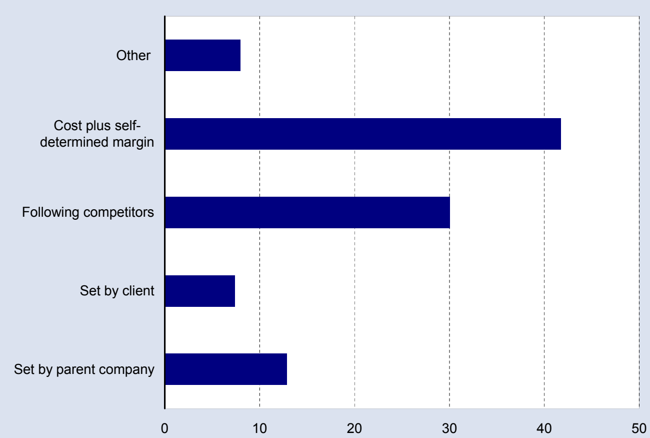
Price setting and price changes

Around two-fifths of respondents reported a primarily autonomous approach to price setting, with prices being set according to costs and self-determined profit margins (see Chart 4). This approach was followed by most respondents in the wholesale and retail sector. A smaller proportion, around one-third, reported setting prices in response to their competitors. This was the prevalent behaviour in the financial intermediation sector. To a much lesser extent, price setting by the parent company also played a role, especially in manufacturing and financial services. The industry in which the company operated generally played a determining role in the setting of the main product price.

Most companies stated that they faced strong or severe competition while very few declared that they faced no competition at all. Just over half of respondents affirmed that they would follow suit if competitors cut prices. On the other hand, 36% of respondents, spread across all sectors, said they were unlikely to change prices even if competitors did so, suggesting some degree of market power (see Chart 5).

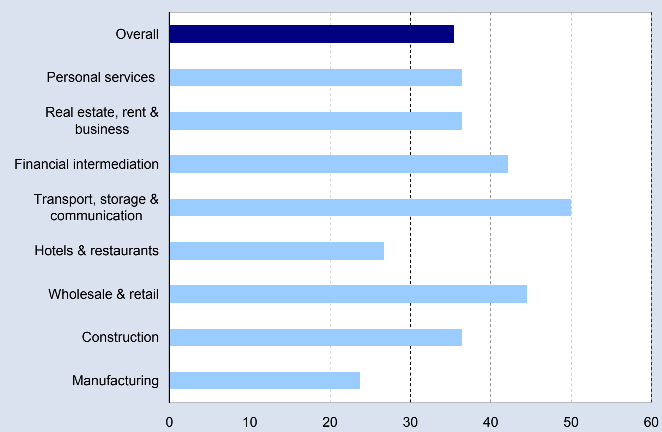
The notion that the timing of wage changes was related to the timing of price changes was not substantiated in the survey. Indeed, 65% of firms indicated that there was no link between the two.

Chart 4
PRICE SETTING MECHANISM OF MAIN PRODUCT
(per cent)



Seven out of ten respondents said that there was no particular month during which prices were altered. Nonetheless, January was the highest scoring month (19% of respondents) for price changes. No particular timing pattern emerged from the responses of 20% of participants who indicated that there was a link between wage and price changes.

Chart 5
RESPONDENTS NOT LIKELY TO FOLLOW COMPETITORS INTO A PRICE CUT
(per cent)



The reaction to the recent economic downturn

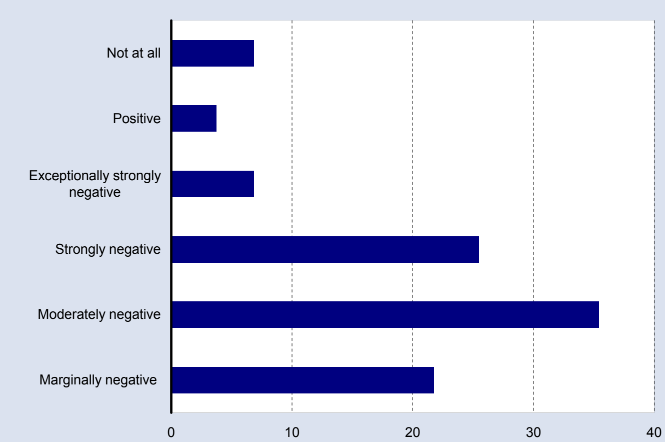
Firms were asked to report on the impact of the recent economic crisis and their response to it. On the whole, most respondents stated that they were negatively affected by the economic crisis (see Chart 6). However, 11% of participating firms reported a positive effect or no effect at all.

The hotels & restaurants sector emerged as the sector with the highest proportion of respondents, 80%, stating that they were strongly, or exceptionally strongly, hit. The financial intermediation and manufacturing sectors followed, though to a much lesser extent. In contrast, around 20% of respondents in the transport, storage & communication, construction and manufacturing sectors registered a positive or negligible impact.

The economic crisis primarily brought about a fall in demand for firms' main products. Difficulties in obtaining payment and, to a lesser extent, in sourcing supplies closely followed. The results were consistent across the board except for the financial sector, where the major concern was difficulty in obtaining payment rather than lower demand.

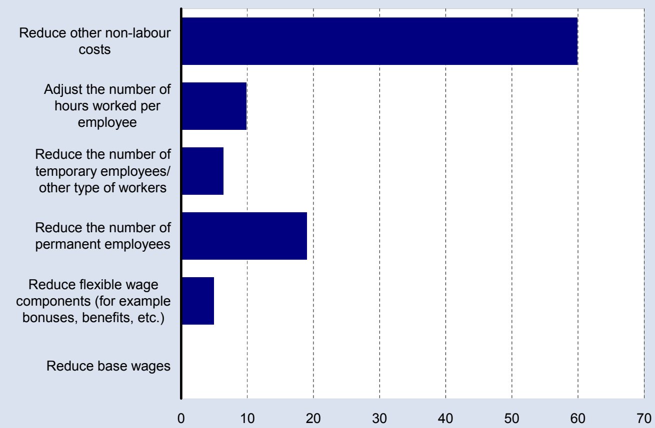
Firms responded to the crisis by seeking efficiency gains and reacted to the fall in demand by concentrating on cost reduction. Decreasing profit margins was also indicated, but to a lesser extent. Price and output cuts were less common. A further breakdown of data showed that firms opted mostly to reduce non-labour costs, with cuts in wage components deemed the least relevant (see Chart 7). These results were consistent across all surveyed sectors.

Chart 6
EFFECTS OF THE RECENT CRISIS
(per cent)



The recent economic downturn also brought about changes in wage mechanisms. In fact, 23% of participants, primarily in the construction, real estate, rent & business and manufacturing sectors, indicated that they either froze, or had intended to freeze, wages during the crisis.

Chart 7
PREFERRED APPROACH TO REDUCING COSTS IN THE CRISIS
(per cent)



A cut in wages was also considered by around 2% of the sampled firms, entirely in the construction, manufacturing and real estate, rent & business sectors. Firms not opting for changes in wage structures mainly attributed this to safeguarding employee morale and avoiding the loss of the most productive workers.

Among the surveyed businesses, 13% declared that they were, or still are, benefiting from government help, mostly in the shape of staff retraining programmes, to manage their way out of the crisis. Half of these firms were in the manufacturing sector.

Conclusion

The results of the survey should help to promote a better understanding among policy-makers and others of the characteristics of Maltese firms' wage and price setting behaviour. The survey shows that wage setting in Malta is characterised by collective bargaining at enterprise level, with labour related costs accounting for a considerable portion of production expenses. Lack of labour market flexibility also emerged, both when there was a labour shortage as well as when there was a surplus.

Prices, on the other hand, were not found to be linked to wage changes. Firms generally set prices on the basis of costs and self-determined profit margins. Most firms declared that they faced substantive price competition, although half of them stated that they would not reduce prices even if competitors did so, which is indicative of a degree of price rigidity.

NEWS NOTES

LOCAL NEWS

The 2010 IMF Article IV Consultation

On 22 November the IMF issued the Concluding Statement following the 2010 Article IV Consultation Mission to Malta. The statement observed that Malta was experiencing a cyclical upswing driven by strong external demand and that the ongoing reallocation of employment and investment towards higher value-added production was improving external competitiveness. However, it emphasised that raising productivity, skills and employment rates simultaneously was a challenge that had to be addressed in order to catch up with income levels in richer European countries.

The statement also identified certain vulnerabilities in Malta's financial sector, such as high credit risk and growing exposure in parts of the Maltese banking sector, which called for heightened vigilance and determined supervisory action.

Central Bank of Malta announcements

On 4 October the Bank announced that it would conduct a survey on household finance and consumption between October 2010 and January 2011 as part of a statistical and analytical project throughout the euro area. The data gathered from a sample of randomly selected households would provide important insights into the financial characteristics of Maltese households.

On 20 October the Bank, together with various national and international statistical agencies, marked World Statistics Day, which is a United Nations initiative to highlight the achievements and to strengthen public awareness and trust in official statistics. To mark the occasion, the Bank and the NSO signed a revised cooperation agreement to further strengthen their collaboration in the upgrading of Malta's statistical compilation process.

On 27 December the Bank announced that during January and February 2011 it would continue to exchange kroon banknotes for euro. The kroon was the national currency of Estonia prior to 1 January 2011, the date on which Estonia joined the euro area.

Malta's credit rating

Standard and Poor's

On 5 October Standard and Poor's announced that it had affirmed Malta's "A/A-1" long and short-term sovereign credit ratings. The agency said that Malta's economy had weathered the global economic crisis relatively well and predicted positive growth in 2010. The agency also highlighted certain areas of some concern, such as the government debt burden, potential liabilities of Enemalta Corporation and conditions in the property sector.

Fitch

In October Fitch ratings affirmed the Republic of Malta's long-term foreign currency and local currency Issuer Default Ratings (IDRs) at "A+", respectively. Both ratings have stable outlooks. Fitch affirmed Malta's short-term IDR at "F1" and Country Ceiling at "AAA", the common Country Ceiling for the euro area. Fitch remarked that Malta's fiscal deficit was still low compared with peers' but general government debt was double that of the "A" rated cohort.

Privatisation of marinas

On 15 December a contract was signed between the Government and the Creek Foundation consortium for the concession of the Msida and Ta' Xbiex Marinas for 25 years. The contract covers an immediate payment of EUR3.9 million and a further EUR7.9 million to be paid during the period of the concession.

The Budget estimates for 2011

On 25 October the Minister of Finance, the Economy and Investment presented the Budget for 2011 to Parliament. The main measures included:

Taxes

- an increase in excise duty on cigarettes and tobacco of 3% and 4%, respectively;
- an increase in tax on a 25cl bottle of beer by slightly less than 1c and a 13% rise in tax on spirits;
- an increase in the VAT rate on collective and private accommodation from five to seven per cent.

Assistance and incentives to companies

- a 150% tax cut, up to a limit of EUR10,000, on investment to improve the quality of products or services;
- the creation of a fund to help firms team up with foreign companies for research and development programmes;
- the allocation of space in the Kordin Industrial Estate to accommodate 66 small and medium-sized enterprises;
- a reduction in company tax equivalent to 125% on the amounts spent on the purchase of electric cars;
- an exemption from VAT registration for companies with an annual turnover of under EUR7,000;
- the creation of a fund to help businesses develop their products;
- the provision of soft loans to hotels and restaurants for projects that reduce dependence on traditional energy sources.

Social welfare assistance

- Self-employed women who work on a part-time basis would be able to pay a weekly National Insurance rate of 15% of their income if it would amount to less than the current obligatory weekly contribution of EUR26.37.
- Part of the income earned by persons who also receive social assistance would be excluded from the means test calculation used in assessing the eligibility of families for such assistance, in order to encourage married women, who may be members of such families, to seek paid work.
- Tax deductions awarded to parents of children in private schools were increased up to a maximum of EUR1,200 for primary school children and EUR1,600 for secondary school students.

- Supplementary assistance was increased to a maximum of EUR4.57 for single persons and EUR8.13 for married couples.
- Adjustments were made to the means test level of income so that the cost-of-living allowance would not result in loss of benefits.
- The full cost-of-living allowance was awarded to pensioners.

Labour market

- a cost-of-living allowance of EUR1.16 per week;
- a weekly allowance of EUR25 to persons on a minimum wage if they undertake a training programme.

Measures related to the infrastructure

- the continuation of the programme of new roads in residential and arterial zones;
- the implementation of public transport reform;
- incentives for cleaner private vehicles;
- investment in the extension of the Delimara power station;
- investment in maritime infrastructure projects.

Restructuring exercise at Air Malta

The Committee for the Restructuring of Air Malta, chaired by the Minister of Finance, the Economy and Investment, held its first meeting on 26 November 2010. The Committee agreed that a restructuring plan would be presented within the established time frame that would ensure the airline's viability and be acceptable to the European Commission. The Committee would also monitor the implementation of the plan.

In this regard, to enable the national airline to meet its current financial obligations, Act No. XVIII of 2010, enacted on 19 November 2010, permits the Government to raise a loan for the purpose of entering into a re-lending agreement with Air Malta plc, in pursuance of a loan agreement that would be approved by the European Commission for the purpose of rescuing and restructuring the airline. Any restructuring of Air Malta plc must be in line with state aid rules. The Act provides for the borrowing of funds in Malta for an amount which, in total, would not exceed EUR52 million, and such sums of money as the House of Representatives may authorise from time to time by parliamentary resolution.

Capital market developments

(i) Issue of Government securities

On 26 October the Government, through Legal Notice 465 of 2010, launched EUR100 million worth of Government Stocks. The issue was divided as follows:

- 3.75% Malta Government Stock 2015(VI) Fungibility issue;
- 5.25% Malta Government Stock 2030(I) Fungibility issue.

Since the issue was oversubscribed by the public with no balance available under the auction/bid system, the full amount was allotted to the public.

(ii) Corporate sector – increase in equity/issue of bonds

On 6 October FIMBank plc announced the issue of an unsecured bond amounting to EUR25 million at a coupon rate of 4.25% per annum maturing in 2013 and denominated in euro and US dollar, subject to an aggregate overallotment option of EUR10 million. Applications for the equivalent of EUR33 million were met in full and no scaling down or refunds took place.

On 4 November MIDI plc announced that the Listing Authority had approved its prospectus for a proposed issue of ordinary shares of a nominal value of EUR0.20 at an issue price of EUR0.45 each, consisting of:

- 44.4 million ordinary shares together with an overallotment of up to 22.2 million ordinary shares to be offered to the general public; and
- 22.2 million ordinary shares to be offered to existing shareholders of the company.

The issue was offered to the public on 29 November and MIDI plc announced its closure on 2 December, when the number of applications exceeded 44.4 million ordinary shares.

Launching of an incentive to upgrade hotels and restaurants

On 13 October the Government launched a subsidy scheme on loans to encourage hotels, restaurants and holiday accommodations to undertake structural works to upgrade their existing services and offer new ones. The subsidy on the interest rate varies from 1% to 3%. Hotels can borrow up to a maximum of EUR7 million while restaurants can borrow up to EUR500,000. The loans must be taken up between June 2010 and December 2013. For this purpose Legal Notice 531 of 2010 was issued on 21 December, authorising Malta Enterprise to subsidise the rate of interest payable on loans taken out to finance costs incurred as part of an eligible investment project undertaken by guest houses, hostels, hotels, farmhouses and restaurants. These regulations came into force on 1 October 2010.

Double taxation relief agreements

Legal Notice 501 of 2010

This Legal Notice, issued on 26 November, brought into effect a double taxation relief agreement for income tax between Malta and the Hashemite Kingdom of Jordan. The Convention entered into force on 13 October 2010.

Legal Notice 560 of 2010

This Legal Notice, issued on 28 December and titled Double Taxation Relief (Taxes on Income) (United States of America) Order, 2010, brought into effect double taxation relief in relation to US federal income taxes imposed by the Internal Revenue Code (but excluding social security and unemployment taxes) and federal excise taxes imposed on private foundations. The agreement entered into force on the 23 November 2010.

Legislation related to banking and finance

ACT No. XIX of 2010

On 26 November Act No. XIX of 2010 was enacted to amend various financial laws, namely the Malta Financial Services Act, the Financial Markets Act, the Companies Act, the Insurance Business Act, the Investment Services Act, the Duty on Documents and Transfers Act and the Income Tax Act.

ACT No. XXV of 2010

On 21 December Act No. XXV of 2010 was enacted to provide protection for the European Communities' financial interests and to make provision for the criminal prosecution of fraudulent conduct injuring those interests.

Legal Notice 498 of 2010

This Legal Notice, issued on 26 November under the Financial Markets Act (Cap. 345) and titled Appointment of Listing Authority (Revocation) Order 2010, revoked the appointment of Listing Authority Order S.L. 345.02.

Legal Notice 530 of 2010

This Legal Notice, issued on 21 December, implemented the provisions of the EU Regulation on credit rating agencies. The regulations came into force on 7 June 2010.

Legal Notice 558 of 2010

This Legal Notice, issued on 28 December, provided for the establishment, operation, administration and winding up of cell companies carrying on the business of insurance.

Legal Notice 559 of 2010

This Legal Notice, issued on 28 December, provided for the establishment, operation, administration and winding up of SICAV Incorporated Cell Companies.

MFSA notices

Between October and December, the MFSA announced that a number of institutions in the financial sector had surrendered their licences. The surrender was entirely voluntary and did not arise from any regulatory action. These were:

- Alphabetos International Funds SICAV plc in respect of its collective investment Scheme licence;
- Swiss Investment Funds SICAV plc in respect of the collective investment Scheme licence of its Sub-Fund MetEnergy Fund;
- HSBC Malta Funds SICAV plc in respect of the collective investment licence granted in relation to its Sub-Fund Universal Fund;
- NBCG Fund SICAV plc in respect of the collective investment scheme licence granted in relation to various Sub-Funds;
- FMG Funds SICAV plc in respect of the collective investment licence of the Sub-Funds of FMG (EU) Special Opportunity Fund, FMG (EU) India Fund and FMG (EU) Bio-Med Hedge Fund;
- Lombard Asset Managers Limited in respect of the category 2 investment services licence;

- HSBC Structured Funds SICAV plc in respect of the collective investment scheme licence granted in relation to “Capital Protected Accelerator Fund No 1”;
- HSBC Malta Funds SICAV plc in respect of the collective investment scheme licence granted in relation to one of its sub-funds, namely the European Equity Fund;
- Lloyds TSB Offshore Funds Limited in respect of Asian Pacific Fund, Japanese Fund and Sterling Deposit Fund as result of the three Funds merging into other funds.

The MFSA announced that it had accepted the voluntary suspension of the collective investment scheme licence for a 12-month period of Llyns Investment Funds SICAV plc. The suspension was entirely voluntary and did not arise from any regulatory action taken by the MFSA.

The MFSA issued a directive to 21st Century Investments SICAV plc to cease the issue of units with immediate effect due to lack of appropriate action taken to address the regulatory issues associated with the resignation of two senior officials.

INTERNATIONAL NEWS

Meetings of international groups and institutions

The IMF/World Bank Annual Meetings

After a meeting on 9 October the International Monetary and Financial Committee of the IMF issued a communiqué in which:

- It welcomed the recent Basel agreement on a substantial improvement in the quality and quantity of bank capital together with the introduction of a global liquidity standard and leverage ratio.
- It noted that quota and governance reforms were critical to institutional legitimacy and effectiveness.
- It noted that Fund bilateral and multilateral surveillance should be further strengthened.
- It called on the IMF to persist in the work to improve its capacity to help members cope with systemic shocks.

On 9 October the Development Committee of the IMF and the World Bank met in Washington DC and called on the two institutions to identify further policies and instruments that could best assist in preventing and responding to future crises, reduce risks to growth and increase prospects for a sustainable recovery.

ECOFIN Council – main topics discussed and decisions taken

On 18 October, following the last meeting of the Task Force on economic governance, the President of the European Council remarked on the package agreed by the Task Force, which included proposals for:

- broader economic surveillance;
- greater fiscal discipline, and a stronger Stability and Growth Pact;
- deeper and broader coordination, notably through the “European Semester”;
- a more robust framework for crisis management; and

- at the national level, the use or setting up of public institutions or bodies to provide independent analysis and forecasts on domestic fiscal policy matters.

On 19 October ECOFIN agreed on a draft directive on the management of hedge funds and other alternative investment funds and approved a report on levies and taxes on financial institutions in preparation for the October European Council.

On 17 November the Council gave the go-ahead to a reform of the EU framework for financial supervision involving the creation of a European Systemic Risk Board and three European authorities to supervise banking, insurance and securities industries. The new system would be operational from 1 January 2011.

On 28 November:

The Eurogroup issued a statement on the European Stability Mechanism that is designed to provide financial assistance packages to euro area Member States under strict conditions.

The Eurogroup and ECOFIN Ministers concurred with the Commission and the ECB that providing a loan to Ireland was warranted to safeguard overall financial stability in the euro area and in the EU as a whole. The three-year joint EU/IMF financial assistance programme for Ireland, which covers financing needs up to EUR85 billion, rested on three pillars:

- an immediate strengthening and comprehensive overhaul of the banking system;
- ambitious fiscal adjustment to restore fiscal sustainability; and
- growth enhancing reforms, in particular in the labour market, to allow a return to a robust and sustainable growth, safeguarding the economic and social position of citizens.

On 7 December the Council:

- adopted a decision on financial assistance to Ireland and a recommendation setting out the conditions for granting that assistance;
- approved a draft directive to strengthen administrative cooperation between Member States in the field of taxation;
- adopted a directive maintaining the minimum standard VAT rate at 15% until 2015; and
- approved a report to the December European Council on bank levy schemes, as well as conclusions on crisis management in the financial sector.

On 10 December the Council approved the informal agreement reached between the Belgian Presidency and the European Parliament regarding the new EU draft budget for the financial year 2011.

European Council Meetings– main topics discussed and decisions taken

On 28-29 October the European Council:

- endorsed the Task Force report on economic governance;
- agreed on the need for Member States to establish a permanent crisis mechanism to safeguard the financial stability of the euro area as a whole;

- stressed the need to avoid all forms of protectionism; and
- observed that the agreement reached at the G20 Ministerial Meeting of 23 October 2010 would enable the IMF to play its role in supporting the operation of the international monetary and financial system, and recommended that quota and wider governance reforms should be delivered together as a single, comprehensive package within the same time frame.

On 16-17 December the European Council:

- agreed that the Treaty be amended to establish a permanent mechanism by Member States of the euro area to safeguard the financial stability of the euro area as a whole;
- observed that the European Stability Mechanism will replace the European Financial Stability Facility and the European Financial Stabilisation Mechanism; and
- reiterated its commitment to reach agreement on legislative proposals on economic governance by end June 2011.

G20 Meetings

On 23 October the G20 Finance Ministers and Central Bank Governors meeting in the Republic of Korea issued a communiqué stating their commitment to pursue structural reforms, to boost and sustain global demand, to foster job creation, to increase growth potential and to complete financial repair and regulatory reforms without delay. The Group also agreed on a set of proposals to reform the IMF's quota and governance.

On 11-12 November the Leaders of the G20 met in Seoul and issued a declaration which included a pledge to continue their coordinated efforts to generate strong, sustainable and balanced growth. Agreement was also reached on further work on macro-prudential policy frameworks, better reflection on the perspective of emerging market economies in financial regulatory reforms and on the strengthening of regulation and oversight of shadow banking and commodity derivatives markets.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics
(as at end-Sept 2010, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates[1]:	EUR 1 = USD 1.3648	
		EUR 1 = GBP 0.85995	
CLIMATE	Average temperature (1990-2009):	Dec. - Feb.	13.2^o C
		June - Aug.	26^o C
	Average annual rainfall (1990-2009)		487 mm
SELECTED GENERAL	GDP growth at constant 2000 prices [2]		3.6%
ECONOMIC STATISTICS	GDP per capita at current market prices (2009) [2]		EUR14,100
	GDP per capita in PPS relative to the EU-27 average (2009)		81.0%
	Ratio of gross general government debt to GDP (2009) [2]		68.6%
	Ratio of general government deficit to GDP (2009) [2]		3.8%
	RPI inflation rate		0.8%
	HICP inflation rate		1.2%
	Ratio of exports of goods and services to GDP [2]		85.0%
	Ratio of current account surplus to GDP [2]		1.8%
	Employment rate		56.8%
	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		110.4
	Private motor vehicle licences per 1,000 population		562
	Internet subscribers per 100 population		29.2

[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 September 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.
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.
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.

Additional statistics are also provided in electronic format on the website of the Central Bank of Malta at www.centralbankmalta.org.

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Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

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

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009									
Jan.	4.1	597.7	239.9	273.4	239.7	260.0	798.0	625.0	3,037.8
Feb.	4.1	552.2	219.9	262.8	181.1	170.0	905.5	630.0	2,925.7
Mar.	11.1	526.5	209.5	251.2	274.2	160.0	48.3	633.0	2,113.7
Apr.	11.1	535.3	205.4	287.2	271.9	112.5	373.5	650.7	2,447.7
May	15.6	492.9	188.4	352.4	426.3	152.9	48.3	658.3	2,335.0
June	11.1	621.4	189.5	310.8	343.5	315.0	280.8	657.5	2,729.5
July	10.8	583.4	199.0	277.2	304.9	368.4	418.4	652.0	2,814.1
Aug.	10.8	648.6	199.0	270.8	367.7	374.7	48.3	664.1	2,583.9
Sep.	11.1	605.4	100.9	287.7	335.8	530.0	48.3	662.4	2,581.5
Oct.	8.9	577.3	100.8	236.2	377.7	660.0	48.3	607.6	2,616.9
Nov.	6.5	619.8	100.8	243.9	370.8	1,066.0	48.3	621.2	3,077.4
Dec.	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

[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, Investment Funds and Financial Markets

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

EUR millions

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

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
			Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008	693.1	483.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009										
Jan.	617.7	1,484.9	351.9	94.0	32.2	0.0	12.5	57.2	121.3	266.1
Feb.	619.5	1,485.1	243.3	79.1	31.9	0.0	12.5	74.2	113.9	266.2
Mar.	623.8	590.9	231.8	77.9	62.6	0.0	12.7	142.4	111.8	259.9
Apr.	633.8	636.7	553.8	78.0	78.4	0.1	12.7	87.2	113.9	253.0
May	639.7	441.4	324.2	84.5	231.5	0.1	12.7	229.2	117.6	254.1
June	637.7	988.7	372.9	78.8	164.8	0.1	12.4	97.9	120.9	255.3
July	645.2	1,132.4	342.7	85.0	129.2	0.1	12.4	88.0	123.0	256.1
Aug.	640.9	784.5	387.0	87.6	78.2	0.1	95.1	79.5	174.2	256.8
Sep.	640.6	499.9	377.3	90.4	92.1	0.1	103.2	383.5	131.6	262.9
Oct.	644.2	501.8	390.1	85.7	79.1	0.0	103.2	414.5	135.3	262.9
Nov.	648.0	596.4	398.8	85.9	88.9	0.0	103.2	758.4	135.1	262.8
Dec.	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

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

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

[3] Includes items in course of settlement.

[4] Includes provisions and revaluation accounts.

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

EUR millions

End of period	Holdings of euro-denominated cash[2]	Claims on residents of Malta			External assets				Other assets[4]	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[3]	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										
Jan.	0.4	5.4	221.1	226.5	1,087.4	343.1	246.9	1,677.4	1,312.3	3,216.5
Feb.	0.3	5.4	201.1	206.4	1,088.8	352.6	250.7	1,692.1	1,314.1	3,212.9
Mar.	0.3	5.4	162.9	168.2	1,122.8	348.3	253.8	1,724.8	1,341.7	3,235.1
Apr.	0.3	5.3	160.5	165.8	1,097.1	378.0	256.7	1,731.9	1,325.3	3,223.3
May	0.3	5.5	182.1	187.6	1,305.6	328.4	273.4	1,907.4	1,448.8	3,544.1
June	0.3	5.5	179.1	184.6	1,344.1	294.4	283.9	1,922.4	1,526.2	3,633.6
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

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

EUR millions

End of period	Currency issued[4]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[6]
		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[3]	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										
Jan.	691.1	386.9	5.7	392.6	773.8	81.7	130.9	986.3	416.0	730.5
Feb.	691.5	413.2	6.3	419.4	791.8	82.7	150.5	1,025.0	412.8	664.1
Mar.	702.5	406.2	6.3	412.5	812.8	83.2	151.2	1,047.3	410.1	662.8
Apr.	703.8	461.5	6.4	467.9	733.1	98.0	150.2	981.3	409.2	661.1
May	710.3	567.1	6.9	574.0	837.6	115.5	172.8	1,125.8	423.8	710.1
June	716.9	462.1	7.7	469.9	862.5	99.7	179.1	1,141.3	430.1	875.4
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

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

[2] May include some holdings of Maltese lira banknotes and coins.

[3] 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).

[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.

[6] Includes resident interbank transactions.

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

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
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										
Jan.	1,564.4	7,149.5	1,394.9	114.8	6,264.4	25,852.1	940.8	33,057.4	863.9	44,145.0
Feb.	1,534.2	7,130.1	1,451.2	116.6	6,240.1	25,267.3	861.8	32,369.2	866.0	43,467.3
Mar.	680.1	7,229.4	1,418.1	116.3	5,998.2	24,519.9	866.3	31,384.4	806.2	41,634.6
Apr.	728.5	7,256.9	1,527.9	116.3	6,191.8	24,253.4	855.8	31,301.1	840.1	41,770.9
May	523.4	7,275.1	1,557.8	116.3	5,671.9	24,164.2	780.4	30,616.5	872.5	40,961.8
June	1,072.2	7,344.6	1,601.6	118.9	5,590.7	24,019.7	572.1	30,182.5	858.7	41,178.7
July	1,212.8	7,369.2	1,642.9	118.9	5,474.3	24,089.6	625.7	30,189.6	845.3	41,378.7
Aug.	856.5	7,365.2	1,703.5	113.2	5,476.2	24,448.0	603.8	30,528.0	895.8	41,462.3
Sep.	567.4	7,454.9	1,676.2	114.3	5,809.1	24,107.9	597.5	30,514.6	834.8	41,162.1
Oct.	582.1	7,486.1	1,724.8	114.3	6,024.9	23,951.1	642.4	30,618.3	850.6	41,376.3
Nov.	682.6	7,526.5	1,711.5	114.7	6,124.1	23,571.7	692.3	30,388.1	837.8	41,261.3
Dec.	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	7,916.9	1,918.7	135.2	9,183.3	28,573.7	680.2	38,437.2	853.6	49,842.3

[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 MMFs assets.

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

[3] Includes resident interbank claims.

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

EUR millions

End of period	Deposits from residents of Malta [2]				External liabilities				Debt securites issued[3]	Capital & reserves	Other liabilities
	Withdraw-able on demand	Redeem-able at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities[3]	Total			
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											
Jan.	3,235.0	113.5	5,235.3	8,583.7	9,283.6	18,793.1	2,428.7	30,505.4	174.6	3,522.6	1,358.8
Feb.	3,295.3	112.0	5,155.2	8,562.6	8,710.7	18,640.5	2,609.7	29,960.8	174.9	3,525.5	1,243.5
Mar.	3,296.7	112.0	5,072.9	8,481.6	8,537.8	17,065.0	2,630.7	28,233.5	173.8	3,502.4	1,243.3
Apr.	3,379.7	110.8	5,036.9	8,527.5	7,514.3	18,035.5	2,691.3	28,241.1	173.6	3,592.9	1,235.8
May	3,373.5	110.7	5,031.8	8,516.0	8,564.8	17,316.6	1,437.9	27,319.3	200.8	3,552.0	1,373.7
June	3,460.8	110.8	4,985.4	8,556.9	8,744.7	17,290.7	1,219.1	27,254.5	250.5	3,641.5	1,475.4
July	3,530.0	110.9	4,974.0	8,614.8	8,386.2	17,521.9	1,346.3	27,254.3	250.5	3,773.4	1,485.7
Aug.	3,576.3	111.3	4,912.2	8,599.7	8,429.6	17,488.3	1,339.7	27,257.6	253.6	3,843.3	1,508.0
Sep.	3,537.1	110.0	4,846.7	8,493.8	8,287.4	17,067.9	1,288.1	26,643.5	252.8	3,986.0	1,786.0
Oct.	3,581.2	111.6	4,954.7	8,647.5	7,775.2	17,566.1	1,221.8	26,563.1	252.5	4,066.8	1,846.5
Nov.	3,569.0	109.1	4,959.6	8,637.7	7,630.1	17,017.8	1,319.1	25,967.0	251.9	4,102.4	2,302.2
Dec.	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	1,477.7	28,303.6	283.1	9,590.6	2,544.9

[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 MMFs liabilities.

[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'.

Monetary, Banking, Investment Funds 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)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)	
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand: Demand	Deposits withdrawable on demand: Savings	Total (M1)				
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									
July	618.9	3,452.1	90.2	110.7	0.0	4,290.3	139.5	232.2	8,933.9
Aug.	622.0	3,497.4	84.7	110.8	0.0	4,218.4	180.0	241.0	8,954.3
Sep.	618.9	3,470.9	80.6	109.8	0.0	4,142.9	237.1	204.7	8,864.8
Oct.	625.5	3,512.2	87.4	111.5	0.0	4,252.0	181.0	197.4	8,966.9
Nov.	630.2	3,493.1	88.6	109.0	0.2	4,245.5	77.8	195.3	8,839.7
Dec.	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

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

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

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

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

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

Table 1.5a Counterparts to the monetary aggregates

EUR millions

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

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

EUR millions

End of period	Broad money (M3)[4]	Credit counterpart[3]					External counterpart			Other counterparts (net)[2]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009										
July	8,933.9	1,933.0	7,471.6	669.8	2,094.2	12,168.6	25,354.5	18,840.5	6,513.9	9,748.6
Aug.	8,954.3	2,010.1	7,461.3	742.9	2,081.4	12,295.7	25,756.4	18,797.4	6,959.1	10,300.4
Sep.	8,864.8	1,974.0	7,552.7	817.0	2,236.2	12,579.9	25,269.0	18,361.4	6,907.6	10,622.7
Oct.	8,966.9	1,968.2	7,584.0	1,206.0	2,273.4	13,031.6	25,191.7	18,758.3	6,433.4	10,498.1
Nov.	8,839.7	1,969.7	7,625.1	1,223.3	2,270.2	13,088.4	24,855.1	18,309.8	6,545.3	10,794.0
Dec.	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	8,034.7	1,619.7	2,432.3	14,269.8	29,854.1	20,699.2	9,154.9	14,270.5

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

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

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

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

Table 1.6a Currency in circulation

EUR millions

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

Table 1.6b Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item:Excess / shortfall (-) on the banknote allocation key[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009						
July	645.2	35.7	-	62.0	618.9	88.0
Aug.	640.9	36.5	-	55.4	622.0	77.2
Sep.	640.6	36.8	-	58.5	618.9	76.4
Oct.	644.2	36.8	-	55.5	625.5	76.8
Nov.	648.0	36.7	-	54.5	630.2	83.7
Dec.	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

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

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

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

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10[2]	Lm5	Lm2	Total
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						
Mar.	87.8	10.8	33.6	9.3	7.5	61.2
June	85.7	10.4	32.2	9.2	7.4	59.2
Sep.	84.1	10.0	31.1	9.1	7.4	57.6
Dec.	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

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

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

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

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009								
Mar.	-2.1	42.4	320.2	192.8	34.7	44.9	76.3	709.2
June	-2.3	41.1	329.4	198.2	33.2	46.6	89.5	735.6
Sep.	-3.5	34.3	321.6	190.2	25.9	47.6	100.8	717.0
Dec.	-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

[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									
Mar.	0.1	0.4	0.9	1.6	2.7	4.3	7.6	15.2	32.7
June	0.0	0.4	0.9	1.7	2.8	4.6	8.2	16.2	34.9
Sep.	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.0	36.8
Dec.	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

Table 1.8 Deposits held with other monetary financial institutions by sector

EUR millions

End of period	Resident deposits							Deposits held by non-residents of Malta		Total deposits
	General government[1]	Monetary financial institutions[2]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
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										
Jan.	106.1	569.9	239.4	134.1	1,352.6	6,751.6	9,153.7	9,283.6	19,173.3	37,610.5
Feb.	97.9	402.3	228.4	142.0	1,315.5	6,778.8	8,964.9	8,745.7	19,119.0	36,829.7
Mar.	105.8	414.1	220.8	156.5	1,265.2	6,733.3	8,895.7	8,775.7	17,539.2	35,210.6
Apr.	119.8	371.5	236.7	200.1	1,246.0	6,724.9	8,899.0	7,749.5	18,532.6	35,181.0
May	109.8	429.7	267.8	175.9	1,266.7	6,695.8	8,945.7	8,637.4	17,731.6	35,314.7
June	116.9	548.2	276.4	176.6	1,311.1	6,675.8	9,105.1	8,808.4	17,705.5	35,619.0
July	129.1	575.0	274.9	175.8	1,360.6	6,674.4	9,189.9	8,461.2	17,996.8	35,647.9
Aug.	136.6	581.9	250.8	206.7	1,392.1	6,613.6	9,181.6	8,504.6	18,011.8	35,698.0
Sep.	121.5	794.5	246.3	151.8	1,389.4	6,584.8	9,288.3	8,325.6	17,579.8	35,193.7
Oct.	126.4	915.7	256.5	177.6	1,473.0	6,613.9	9,563.2	7,839.3	18,092.9	35,495.5
Nov.	132.1	1,330.8	229.0	160.3	1,543.1	6,573.2	9,968.5	7,686.9	17,666.9	35,322.3
Dec.	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	7,609.6	19,968.6	38,262.6

[1] Including extra-budgetary units.

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

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

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL[2]	EUR	GBP	USD	Other	MTL[2]	EUR	Other		
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										
Jan.		8,226.4	331.0	492.7	103.6		7,063.1	2,220.5	19,173.3	37,610.5
Feb.		8,105.0	340.2	439.6	80.1		6,579.5	2,166.2	19,119.0	36,829.7
Mar.		8,051.3	292.6	471.9	80.0		6,708.5	2,067.2	17,539.2	35,210.6
Apr.		8,045.3	334.6	435.0	84.1		6,010.4	1,739.1	18,532.6	35,181.0
May		8,060.9	345.7	460.3	78.8		6,416.9	2,220.6	17,731.6	35,314.7
June		8,241.8	381.9	404.5	77.0		6,133.1	2,675.3	17,705.5	35,619.0
July		8,368.7	365.8	373.3	82.1		5,986.4	2,474.8	17,996.8	35,647.9
Aug.		8,377.1	350.8	367.2	86.4		6,001.4	2,503.2	18,011.8	35,698.0
Sep.		8,456.7	353.4	394.8	83.4		6,164.6	2,161.0	17,579.8	35,193.7
Oct.		8,659.6	339.5	359.7	204.4		5,877.5	1,961.9	18,092.9	35,495.5
Nov.		9,007.1	331.2	547.5	82.7		5,782.8	1,904.1	17,666.9	35,322.3
Dec.		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		5,543.4	2,066.2	19,968.6	38,262.6

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

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

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

EUR millions

End of period	Size classes [2]				
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	Total
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					
Jan.	654.7	2,655.3	2,122.9	21,472.5	26,905.5
Feb.	656.2	2,670.6	2,117.4	21,280.1	26,724.3
Mar.	659.2	2,731.8	2,065.9	20,671.4	26,128.2
Apr.	663.8	2,718.7	2,035.4	19,917.7	25,335.6
May	675.0	2,747.0	1,993.1	19,064.9	24,480.0
June	679.5	2,772.4	1,977.3	18,723.9	24,153.0
July	683.4	2,793.8	1,960.7	18,304.8	23,742.7
Aug.	686.0	2,803.7	1,918.8	17,940.3	23,348.7
Sep.	691.1	2,831.4	2,309.3	17,239.4	23,071.3
Oct.	693.2	2,860.2	2,687.1	16,547.7	22,788.2
Nov.	706.6	2,888.4	1,960.5	16,901.6	22,457.1
Dec.	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	19,607.6	25,635.3

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

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

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage, Information & communication	Manufacturing	Construction	Accomodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals[2]				Other[3]	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2003	195.4	315.6	430.5	468.5	481.9	671.3	276.0	1,030.2	84.2	306.5	1,420.8	367.8	524.4	4,103.4
2004	222.1	295.7	358.1	505.5	478.8	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														
Jan.	370.2	433.4	293.3	725.5	465.3	740.3	941.0	2,228.0	344.0	297.2	2,869.2	331.2	626.8	6,542.7
Feb.	361.2	429.3	294.0	724.8	467.4	717.1	939.1	2,243.6	345.6	295.1	2,884.3	332.9	612.7	6,537.4
Mar.	372.4	425.5	291.3	738.8	467.9	748.8	950.3	2,264.7	351.7	303.6	2,920.0	334.4	630.0	6,619.5
Apr.	367.1	429.7	287.5	729.8	479.7	742.8	960.4	2,282.1	353.7	303.8	2,939.6	344.8	625.1	6,656.3
May	344.8	431.6	284.6	742.4	471.5	756.3	952.1	2,304.1	360.4	304.9	2,969.4	346.7	610.3	6,689.1
June	340.8	434.7	286.4	739.6	469.5	768.6	983.9	2,329.0	364.2	306.5	2,999.7	341.4	603.2	6,761.4
July	355.7	444.4	293.0	722.0	470.0	752.8	1,009.3	2,350.1	367.4	303.7	3,021.2	300.7	629.6	6,739.6
Aug.	357.6	436.7	295.3	735.0	466.1	733.9	1,002.7	2,366.2	368.5	301.5	3,036.2	304.2	625.5	6,742.1
Sep.	359.9	440.1	297.0	736.2	466.1	765.2	1,013.3	2,389.2	371.2	306.8	3,067.2	315.1	629.2	6,830.7
Oct.	335.2	476.9	294.4	728.1	466.9	768.0	1,010.1	2,414.0	370.5	310.5	3,095.0	317.2	632.3	6,859.4
Nov.	358.4	469.7	297.3	729.7	467.4	756.6	1,018.2	2,435.8	375.3	307.2	3,118.4	317.1	653.4	6,879.2
Dec.	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	514.0	282.9	1,114.2	436.0	810.3	409.9	2,624.0	364.2	327.6	3,315.7	633.3	643.7	7,273.2

[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.

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta							Lending to non-residents of Malta		Total lending
	General government[2]	Monetary financial institutions[1]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
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										
Jan.	111.0	1,594.7	21.1	14.5	3,788.0	3,214.8	8,744.3	3,463.2	20,495.3	32,702.7
Feb.	111.0	1,555.7	21.2	15.5	3,751.8	3,230.7	8,685.7	3,432.0	20,229.5	32,347.2
Mar.	112.3	691.0	20.0	14.7	3,810.6	3,271.7	7,920.4	3,295.2	19,472.3	30,688.0
Apr.	113.5	733.4	19.7	17.0	3,813.4	3,293.4	7,990.3	3,474.2	19,073.1	30,537.7
May	113.0	542.0	20.0	26.3	3,787.7	3,328.0	7,817.1	3,070.7	18,729.1	29,616.9
June	109.3	1,079.9	20.2	28.3	3,825.9	3,360.9	8,424.5	2,974.2	18,402.7	29,801.4
July	110.6	1,178.9	19.7	14.1	3,842.1	3,382.7	8,548.1	2,794.4	18,226.9	29,569.5
Aug.	111.2	846.4	21.3	10.6	3,837.4	3,384.6	8,211.5	2,785.3	18,245.8	29,242.7
Sep.	112.4	542.8	22.6	11.8	3,879.7	3,428.5	7,997.7	3,001.3	17,634.7	28,633.6
Oct.	111.5	556.2	22.8	11.1	3,886.9	3,453.8	8,042.2	2,835.8	17,298.7	28,176.7
Nov.	112.0	661.1	22.0	11.5	3,900.6	3,480.3	8,187.5	2,869.7	16,827.7	27,884.9
Dec.	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	160.0	3,936.0	3,687.9	8,476.0	6,069.9	18,745.6	33,291.6

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

[2] Including extra-budgetary units.

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

EUR millions

End of period	Lending to residents of Malta															Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors[1]			
	MTL[2]		EUR		Other		MTL[2]		EUR		Other		MTL[2]	EUR	Other	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year				
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																
Jan.			1,119.3	2,607.5	40.7	20.5			273.6	2,936.0	1.8	3.4		1,707.3	34.1	8,744.3
Feb.			1,090.1	2,602.4	38.6	20.7			270.9	2,954.6	1.7	3.4		1,677.7	25.7	8,685.7
Mar.			1,141.5	2,612.2	37.3	19.6			278.1	2,988.8	1.5	3.3		800.0	38.1	7,920.4
Apr.			1,126.7	2,628.4	39.5	18.8			278.4	3,010.5	1.2	3.3		845.9	37.6	7,990.3
May			1,073.2	2,660.8	36.3	17.5			283.5	3,040.5	1.1	3.0		660.8	40.6	7,817.1
June			1,086.9	2,676.1	40.6	22.3			281.3	3,070.4	1.3	7.9		1,202.7	35.0	8,424.5
July			1,076.6	2,697.3	46.2	22.1			280.4	3,093.1	1.3	7.9		1,287.5	35.8	8,548.1
Aug.			1,044.9	2,732.5	38.4	21.7			275.6	3,100.0	1.1	7.9		953.9	35.6	8,211.5
Sep.			1,069.1	2,745.6	39.0	25.9			287.2	3,132.1	1.1	8.0		653.5	36.0	7,997.7
Oct.			1,051.8	2,767.5	41.2	26.3			284.0	3,160.5	1.3	8.0		674.1	27.5	8,042.2
Nov.			1,055.5	2,781.5	34.7	28.9			286.9	3,183.7	1.6	8.1		752.8	28.8	8,162.5
Dec.			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	2,757.0	62.0	36.9			274.7	3,402.1	2.0	9.1		818.6	33.7	8,476.0

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

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

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

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
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	355.0	7.2	965.2
Sep.	30.5	15.2	423.0	4.4	133.2	356.8	8.6	971.8

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

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
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	22.7	5.5	965.2
Sep.	1.8	911.9	51.0	7.1	971.8

[1] Comprising the resident investment funds. As from 2006, data for those investment funds with a net asset value of less than 2% of the total assets of the sector are estimated.
[2] Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.
[3] Includes debtors, currency (both euro and foreign), prepayments and other assets.
[4] Includes share capital and reserves.
[5] Includes loans, creditors, accruals, shareholders' units/ funds and other liabilities to non-resident counterparties.
[6] Includes creditors, accruals and other liabilities.

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

EUR millions

End of period	Currency and Deposits[2]	Holdings of securities other than shares	Holdings of shares and other equity		External assets[3]	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							
Q1	195.3	464.6	17.0	106.9	687.2	109.8	1,580.9
Q2	228.7	441.6	19.2	113.6	735.3	113.9	1,652.2
Q3	235.5	453.3	21.1	120.2	727.4	154.8	1,712.3
Q4	252.9	486.0	21.5	163.1	735.7	152.1	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	826.1	157.2	1,967.9

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

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6]	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						
Q1	23.5	226.5	1,244.4	41.0	45.5	1,580.9
Q2	21.4	237.4	1,304.5	43.7	45.2	1,652.2
Q3	21.0	241.3	1,376.1	29.5	44.4	1,712.3
Q4	20.6	265.0	1,431.1	38.5	56.2	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	48.6	1,967.9

[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.

Table 1.16 Monetary policy operations of the Central Bank of Malta[1]

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.

Table 1.17 Monetary financial institutions' interest rates on deposits and loans to residents of Malta[1]

	2008	2009	2010					
			Apr.	May	June	July	Aug.	Sep.
NEW BUSINESS[2]								
Deposits								
Households and NPISH								
Overnight deposits[3,4]	0.57	0.30	0.29	0.29	0.29	0.30	0.29	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
Time deposits with agreed maturity								
up to 1 year	3.06	1.95	1.82	1.78	1.15	1.33	1.16	1.20
over 1 and up to 2 years	4.60	3.00	2.72	3.27	3.17	3.14	2.78	2.80
over 2 years	4.77	3.39	3.65	3.23	3.79	3.75	3.61	3.72
Non-financial corporations								
Overnight deposits[3,4]	0.64	0.23	0.22	0.21	0.22	0.23	0.26	0.25
Time deposits with agreed maturity	2.60	0.85	0.90	1.69	1.45	1.76	1.48	1.64
Loans								
Households and NPISH								
Overdrafts[3,9]	7.16	6.44	6.54	6.57	5.71	5.70	5.72	5.75
Loans								
Lending for house purchase	3.84	3.52	3.40	3.41	3.39	3.37	3.40	3.33
Consumer credit[7]	6.12	6.02	6.04	5.86	5.63	5.55	5.89	5.55
Other lending	6.44	5.56	5.67	5.69	4.79	6.01	5.22	5.91
Non-financial corporations								
Overdrafts[3,9]	5.30	5.08	5.11	5.11	4.87	4.87	4.87	5.06
Loans[7]	5.50	4.95	5.58	5.54	5.21	5.12	5.48	4.78
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
Consumer credit[7]	6.25	6.10	6.11	5.93	5.71	5.62	5.99	5.62
OUTSTANDING AMOUNTS[2]								
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
over 2 years	3.19	3.06	3.11	3.09	3.03	3.16	3.13	3.13
Non-financial corporations								
Time deposits with agreed maturity								
up to 2 years	3.39	2.01	1.67	1.99	1.97	2.03	1.95	2.00
over 2 years	3.26	3.35	3.37	3.39	3.28	3.27	3.20	3.20
Loans								
Households and NPISH								
Lending for house purchase	4.03	3.51	3.49	3.49	3.48	3.48	3.47	3.47
Consumer credit and other lending[8]	5.80	5.67	5.69	5.69	5.67	5.65	5.53	5.57
Non-financial corporations[8]	5.45	4.91	4.98	4.96	4.96	4.75	4.71	4.70

[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.

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

% per annum	2008	2009	2010 Apr.	May	June	July	Aug.	Sep.
NEW BUSINESS [2]								
Deposits								
Households and NPISH								
Overnight deposits [3,4]	0.57	0.30	0.29	0.29	0.29	0.30	0.29	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
Time deposits with agreed maturity								
up to 1 year	3.05	1.97	1.81	1.78	1.16	1.34	1.17	1.21
over 1 and up to 2 years	4.60	3.00	2.72	3.27	3.07	3.14	2.78	2.80
over 2 years	4.77	3.39	3.65	3.23	3.79	3.75	3.61	3.71
Non-financial corporations								
Overnight deposits [3,4]	0.65	0.23	0.23	0.22	0.23	0.24	0.27	0.26
Time deposits with agreed maturity	2.06	1.44	1.38	2.51	2.74	2.36	1.84	2.05
Loans								
Households and NPISH								
Overdrafts[3,9]	7.16	6.45	6.54	6.57	5.71	5.70	5.72	5.75
Loans								
Lending for house purchase	3.84	3.52	3.39	3.42	3.39	3.37	3.40	3.32
Consumer credit[7]	6.12	6.01	6.04	5.86	5.63	5.55	5.89	5.55
Other lending	6.43	5.56	5.67	5.69	4.79	6.01	5.22	5.91
Non-financial corporations								
Overdrafts[3,9]	5.14	5.08	5.11	5.11	4.87	4.86	4.87	5.05
Loans[7]	4.93	4.42	4.86	4.95	4.49	4.50	5.02	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
Consumer credit[7]	6.25	6.09	6.11	5.93	5.71	5.62	5.99	5.62
OUTSTANDING AMOUNTS [2]								
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
over 2 years	3.24	3.10	3.14	3.13	3.03	3.16	3.13	3.13
Non-financial corporations								
Time deposits with agreed maturity								
up to 2 years	3.57	2.03	1.80	2.15	2.21	2.15	1.92	2.08
over 2 years	3.28	3.13	3.16	3.18	3.37	3.35	3.31	3.30
Loans								
Households and NPISH								
Lending for house purchase	4.03	3.51	3.49	3.49	3.48	3.48	3.47	3.47
Consumer credit and other lending[8]	5.79	5.67	5.69	5.69	5.67	5.65	5.53	5.57
Non-financial corporations[8]	5.11	4.13	4.20	4.20	4.45	4.26	4.29	4.46

[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, Investment Funds 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.	Mar.	June	Sep.
INTEREST RATES (%)[1]										
Key ECB interest rates[2]										
Marginal lending facility	4.50	5.00	3.00	2.50	1.75	1.75	1.75	1.75	1.75	1.75
Main refinancing operations - minimum bid rate	3.50	4.00	2.50	1.50	1.00	1.00	1.00	1.00	1.00	1.00
Deposit facility	2.50	3.00	2.00	0.50	0.25	0.25	0.25	0.25	0.25	0.25
Money market rates (average for the quarter)										
Overnight deposit (EONIA)	2.83	3.95	3.15	1.38	0.77	0.36	0.36	0.35	0.35	0.45
Rates for fixed term deposits (EURIBOR)										
1 month	2.94	4.39	3.89	1.68	0.93	0.53	0.45	0.41	0.45	0.62
3 months	3.08	4.72	4.21	2.01	1.31	0.87	0.72	0.64	0.73	0.88
6 months	3.23	4.70	4.28	2.11	1.51	1.12	1.00	0.95	1.01	1.14
1 year	3.44	4.68	4.35	2.22	1.67	1.33	1.24	1.22	1.28	1.42
Central Bank of Malta[2]										
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.

Table 1.20 Other rates and indicators

	2006	2007	2008	2009				2010		
				Mar.	June	Sep.	Dec.	Mar.	June	Sep.
INTEREST RATES (%)[1]										
Other monetary financial institutions [2]										
Weighted average deposit rate	2.37	3.00	2.57	2.13	1.88	1.62	1.44	1.43	1.37	1.37
Current deposits	0.57	0.78	0.51	0.28	0.29	0.27	0.29	0.30	0.27	0.27
Savings deposits	1.17	1.73	0.73	0.41	0.37	0.33	0.33	0.34	0.35	0.36
Time deposits	3.27	3.97	3.74	3.27	2.94	2.55	2.30	2.27	2.26	2.25
Weighted average lending rate	5.90	6.30	4.96	4.49	4.48	4.48	4.46	4.47	4.47	4.75
Non-financial companies	6.34	6.74	5.31	4.95	4.96	4.97	4.93	4.97	5.16	5.35
Households and individuals	5.38	5.80	4.51	3.92	3.93	3.93	3.91	3.90	3.66	4.08
Consumer credit	7.42	7.84	7.15	5.69	5.86	5.88	5.90	5.90	5.92	5.96
House purchase	4.95	5.39	3.98	3.51	3.50	3.49	3.47	3.46	3.16	3.67
Other lending	6.46	6.74	5.54	4.99	4.92	5.00	4.96	5.04	5.10	5.29
Government securities										
Treasury bills (primary market)[3]										
1 month	3.51	4.32	-	-	-	-	-	-	-	0.70
3 month	3.91	4.35	3.65	2.19	1.68	1.46	1.40	0.80	0.68	0.72
6 month	4.00	4.54	2.75	2.31	1.80	1.57	1.52	0.86	0.75	-
1 year	4.20	4.39	-	-	-	-	-	-	-	-
Treasury bills (secondary market)										
1 month	3.75	4.32	2.64	2.20	1.40	1.40	1.36	0.76	0.62	0.73
3 month	3.90	4.35	2.64	2.15	1.63	1.46	1.40	0.71	0.71	0.72
6 month	4.00	4.54	2.65	2.34	1.69	1.58	1.46	0.80	0.74	1.11
1 year	4.20	4.58	2.73	2.04	1.81	1.62	1.69	1.13	0.99	1.35
Government long-term debt securities (period averages)										
2 year	3.73	4.58	3.43	2.62	2.47	2.27	2.30	1.81	1.61	1.78
5 year	3.94	4.65	4.01	3.65	3.77	3.69	3.52	3.17	2.91	2.80
10 year	4.32	4.82	4.53	4.49	4.71	4.54	4.43	4.33	4.13	3.90
15 year	4.54	5.11	4.76	4.99	5.04	4.93	4.86	-	-	-
MALTA STOCK EXCHANGE SHARE INDEX	4,873	4,938	3,208	2,698	2,932	3,202	3,461	3,549	3,365	3,387

[1] End of period rates unless otherwise indicated.

[2] Rates agreed between the OMFI and its customer; weighted averages are calculated by multiplying the oustanding 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

Table 1.21 Debt securities, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period					Net issues during period					Net valuation changes
	General government	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	General government	OMFI's	Financial corporations other than OMFI's	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											
Q1	3,450.3	173.6	17.0	565.8	4,206.6	122.0	0.0	0.0	-114.3	7.7	15.9
Q2	3,628.5	251.3	17.0	564.3	4,461.1	178.2	79.3	0.0	8.8	266.4	-11.9
Q3	3,683.9	253.6	17.0	628.7	4,583.3	55.4	3.5	0.0	71.0	129.9	-7.8
Q4	3,698.3	254.1	17.0	667.7	4,637.1	14.4	0.0	0.0	36.0	50.4	3.5
2010 [2]											
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

[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 issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	OMFI's	Financial corporations other than OMFI's	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									
Q1	1,204.3	87.5	876.5	2,168.4	0.0	0.0	1.1	1.2	-399.5
Q2	1,379.3	69.8	907.7	2,356.8	1.9	0.0	0.0	1.9	186.5
Q3	1,573.3	60.8	926.8	2,560.9	0.0	0.0	0.0	0.0	204.1
Q4	1,771.5	91.8	980.6	2,844.0	0.0	40.2	35.3	75.5	207.6
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

[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 expenditure[1]

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	1,835.4	172.9	2,008.3	1,909.9	240.4	2,150.3	-142.0	35.8
2006	1,937.1	167.8	2,105.0	2,004.2	241.7	2,245.9	-140.9	38.8
2007	2,129.2	70.6	2,199.8	2,104.7	219.8	2,324.5	-124.7	56.6
2008	2,252.6	46.5	2,299.1	2,383.4	189.4	2,572.8	-273.7	-86.0
2009	2,244.9	63.6	2,308.6	2,348.7	176.8	2,525.5	-216.9	-33.5
2009								
Q1	534.2	10.6	544.8	555.3	27.6	582.9	-38.1	6.3
Q2	554.1	16.3	570.4	601.7	50.9	652.6	-82.2	-36.8
Q3	521.8	8.5	530.3	567.7	36.5	604.3	-74.0	-30.4
Q4	634.9	28.2	663.1	624.1	61.7	685.8	-22.7	27.3
2010								
Q1	555.6	20.4	576.0	551.5	55.4	607.0	-31.0	1.0
Q2	560.0	37.9	597.9	630.7	44.9	675.5	-77.6	-21.3
Q3	551.8	28.8	580.6	587.9	42.1	630.0	-49.4	-16.2

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
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	94.1	69.5	14.0	1,835.4	17.5	155.4	172.9	2,008.3	1,675.3
2006	609.8	759.3	389.8	95.9	63.5	18.9	1,937.1	14.7	153.2	167.8	2,105.0	1,773.4
2007	726.0	801.7	398.3	108.9	72.7	21.6	2,129.2	15.7	54.9	70.6	2,199.8	1,941.7
2008	742.8	830.2	432.0	151.6	70.5	25.5	2,252.6	15.1	31.4	46.5	2,299.1	2,020.0
2009	795.4	812.8	434.9	113.6	69.2	19.0	2,244.9	14.0	49.6	63.6	2,308.6	2,057.1
2009												
Q1	177.6	174.2	112.6	24.6	40.8	4.3	534.2	3.0	7.6	10.6	544.8	467.3
Q2	221.2	190.0	97.7	27.7	11.9	5.7	554.1	3.4	12.9	16.3	570.4	512.2
Q3	165.4	213.0	103.6	28.5	6.6	4.5	521.8	4.2	4.4	8.5	530.3	486.2
Q4	231.3	235.7	120.9	32.7	9.8	4.5	634.9	3.4	24.8	28.2	663.1	591.3
2010												
Q1	181.7	196.4	107.4	24.9	40.8	4.2	555.6	2.3	18.1	20.4	576.0	487.9
Q2	225.4	168.4	117.7	28.2	16.6	3.8	560.0	5.5	32.4	37.9	597.9	516.9
Q3	198.3	205.5	102.4	23.5	17.4	4.6	551.8	3.7	25.1	28.8	580.6	509.9

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

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

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

Sources: Eurostat; NSO.

Government Finance

Table 2.3 General government expenditure by main components[1]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total [2]	
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	173.6	39.2	204.7	2,047.8
2005	668.4	642.7	177.8	238.7	101.2	81.2	1,909.9	226.3	48.7	240.4	2,150.3
2006	678.4	666.5	179.7	287.7	109.4	82.4	2,004.2	201.7	47.9	241.7	2,245.9
2007	706.8	718.6	181.3	293.3	112.1	92.7	2,104.7	203.2	43.2	219.8	2,324.5
2008	831.5	758.0	187.7	386.3	125.1	94.8	2,383.4	132.9	47.7	189.4	2,572.8
2009	830.9	808.6	183.4	354.6	63.3	107.9	2,348.7	128.5	58.3	176.8	2,525.5
2009											
Q1	219.3	179.5	44.4	65.8	21.3	25.1	555.3	25.7	7.7	27.6	582.9
Q2	202.5	214.5	45.4	92.9	21.4	25.0	601.7	28.5	24.2	50.9	652.6
Q3	204.4	186.5	43.6	101.6	8.6	23.1	567.7	30.9	7.7	36.5	604.3
Q4	204.7	228.2	50.0	94.4	12.1	34.7	624.1	43.3	18.8	61.7	685.8
2010											
Q1	210.6	182.7	32.0	81.8	8.9	35.5	551.5	36.4	16.1	55.4	607.0
Q2	211.5	224.8	56.3	105.6	20.8	11.6	630.7	12.4	32.3	44.9	675.5
Q3	209.9	197.2	33.2	98.4	11.3	37.8	587.9	26.0	17.2	42.1	630.0

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

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

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2003	276.9	38.4	75.7	413.1	60.8	44.0	264.2	29.1	273.7	624.2	2,100.1
2004	337.9	44.7	75.3	279.1	62.1	40.9	274.5	32.6	261.2	639.8	2,047.8
2005	324.8	44.9	76.4	303.4	69.9	39.6	309.7	31.6	273.0	677.2	2,150.3
2006	341.5	39.6	76.2	309.4	77.4	41.8	327.1	29.3	288.1	715.4	2,245.9
2007	345.3	38.5	80.5	322.6	82.2	38.7	316.0	31.7	296.7	772.3	2,324.5
2008	388.0	43.0	86.8	424.1	93.4	45.2	320.2	35.9	313.2	822.8	2,572.8

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

Sources: Eurostat; NSO.

Table 2.5 General government financial balance sheet[1]

EUR millions

Period	Financial assets						Financial liabilties					Net financial worth
	Currency and deposits	Securities other than shares	Loans	Shares and other equity	Other accounts receivable	Total	Currency and deposits	Securities other than shares	Loans	Other accounts payable	Total	
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												
Mar.	347.4	0.0	31.4	697.6	486.4	1,562.9	32.7	3,722.6	235.9	524.4	4,515.5	-2,952.7
June	639.3	0.0	30.6	713.9	507.6	1,891.4	34.9	3,893.9	220.8	746.5	4,896.0	-3,004.6
Sep.	578.7	0.0	30.6	749.8	450.5	1,809.6	36.8	3,957.3	223.4	655.2	4,872.7	-3,063.1
Dec.	572.2	0.0	29.9	782.8	347.5	1,732.4	37.2	3,995.6	221.9	523.3	4,778.0	-3,045.6
2010												
Mar.	514.5	0.0	28.6	807.9	535.1	1,886.1	36.9	4,138.6	222.5	566.4	4,964.4	-3,078.3
June	591.2	0.0	44.0	803.6	530.9	1,969.7	38.8	4,320.0	214.0	596.2	5,169.2	-3,199.4
Sep.	678.9	0.0	49.1	804.0	500.9	2,032.9	40.6	4,418.9	219.0	625.8	5,304.2	-3,271.3

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

Sources: Eurostat; NSO.

Table 2.6 General government deficit-debt adjustment[1]

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	125.6	-124.7	59.2	1.1	0.0	-32.1	-7.5	-19.7	0.9
2008	247.4	-273.7	-6.4	5.3	0.0	-5.1	22.2	-42.3	-26.3
2009	320.5	-216.9	132.3	-2.9	0.0	-1.7	-0.6	-23.5	103.5
2009									
Q1	80.7	-38.1	-128.6	-1.4	0.0	1.6	16.5	154.4	42.6
Q2	167.8	-82.2	288.2	-0.9	0.0	0.0	-13.6	-188.1	85.6
Q3	58.7	-74.0	-19.2	0.0	0.0	0.0	15.0	-11.0	-15.2
Q4	13.2	-22.7	-8.1	-0.7	0.0	-3.3	-18.5	21.1	-9.5
2010									
Q1	98.1	-31.0	-12.0	-1.3	0.0	0.1	12.8	67.4	67.1
Q2	121.0	-77.6	74.9	15.4	0.0	-1.2	-8.9	-36.8	43.4
Q3	91.2	-49.4	88.1	5.2	0.0	0.0	7.3	-58.8	41.8

[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	25.2	237.5	262.6	3,379.2	602.8
2008	31.2	365.8	2,954.4	3,320.2	64.5	210.7	275.2	3,626.6	684.8
2009									
Mar.	32.7	542.6	2,900.0	3,442.6	20.1	211.9	232.0	3,707.3	743.9
June	34.9	644.3	2,976.6	3,620.8	17.2	202.2	219.4	3,875.1	736.2
Sep.	36.8	559.8	3,116.5	3,676.2	17.0	203.8	220.8	3,933.9	783.0
Dec.	37.2	474.1	3,216.4	3,690.5	26.2	193.3	219.4	3,947.1	866.8
2010									
Mar.	36.9	534.8	3,254.4	3,789.1	17.8	201.4	219.1	4,045.2	894.8
June	38.8	552.6	3,361.8	3,914.4	19.6	193.3	212.8	4,166.1	920.0
Sep.	40.6	460.3	3,539.8	4,000.1	21.2	195.4	216.6	4,257.3	912.4

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

Table 2.8 Treasury bills issued and outstanding[1]

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding[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	79.7	39.0	48.0	87.0	126.4	239.5	365.8
2009							
Jan.	63.5	68.0	51.1	119.1	172.8	248.5	421.4
Feb.	97.8	84.0	67.3	151.3	227.6	247.4	475.0
Mar.	88.0	66.0	89.7	155.7	286.2	256.4	542.6
Apr.	147.7	150.0	40.9	190.9	346.7	239.2	585.8
May	124.8	103.0	48.3	151.3	388.2	224.1	612.3
June	163.1	117.0	78.0	195.0	441.0	203.3	644.3
July	187.2	84.0	50.2	134.2	391.4	199.9	591.3
Aug.	115.8	102.5	24.0	126.5	422.8	179.3	602.1
Sep.	184.9	122.3	20.4	142.6	434.3	125.4	559.8
Oct.	147.0	97.0	72.7	169.7	438.2	144.3	582.4
Nov.	115.6	25.1	42.8	67.9	383.6	151.1	534.7
Dec.	81.2	15.0	5.7	20.7	327.3	146.8	474.1
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

[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.

Table 2.9 Treasury bills issued and outstanding[1] *(as at end-September 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	Others[2]	MFIs	Others[2]	
02/Jul/2010	01/Oct/2010	0.708	N/A[4]	11.0	0.0	11.0	0.0	11.0
03/Sep/2010	01/Oct/2010	0.755	N/A[4]	3.5	0.0	3.0	0.5	3.5
09/Jul/2010	08/Oct/2010	0.735	0.644	12.5	5.3	12.5	5.3	17.8
09/Apr/2010	08/Oct/2010	0.778	0.644	27.0	0.0	27.0	0.0	27.0
16/Apr/2010	15/Oct/2010	0.775	0.677	40.4	0.1	36.6	3.9	40.5
24/Sep/2010	22/Oct/2010	0.700	0.707	5.0	0.0	5.0	0.0	5.0
23/Jul/2010	22/Oct/2010	0.749	0.707	1.9	0.0	0.7	1.2	1.9
30/Jul/2010	29/Oct/2010	0.944	0.735	5.8	0.0	0.0	5.8	5.8
06/Aug/2010	05/Nov/2010	0.958	0.745	6.7	0.0	2.0	4.7	6.7
07/May/2010	05/Nov/2010	0.686	0.745	16.0	0.0	10.0	6.0	16.0
13/Aug/2010	12/Nov/2010	0.981	0.755	3.2	0.5	2.0	1.7	3.7
20/Aug/2010	19/Nov/2010	0.850	0.764	4.0	0.0	4.0	0.0	4.0
21/May/2010	19/Nov/2010	0.709	0.764	9.1	0.0	6.8	2.3	9.1
27/Aug/2010	26/Nov/2010	0.750	0.774	4.0	0.0	4.0	0.0	4.0
26/Feb/2010	26/Nov/2010	1.100	0.774	3.9	1.1	3.9	1.1	5.0
28/May/2010	26/Nov/2010	0.667	0.774	8.0	0.0	5.0	3.0	8.0
03/Sep/2010	03/Dec/2010	0.699	0.784	2.8	0.0	2.0	0.8	2.8
10/Sep/2010	10/Dec/2010	0.700	0.793	2.6	0.1	0.0	2.7	2.7
17/Sep/2010	17/Dec/2010	0.721	0.803	2.7	0.0	0.0	2.7	2.7
18/Jun/2010	17/Dec/2010	0.883	0.803	26.5	7.3	24.0	9.8	33.8
24/Sep/2010	24/Dec/2010	0.720	0.813	5.0	0.0	5.0	0.0	5.0
25/Jun/2010	24/Dec/2010	0.750	0.813	2.5	0.0	2.5	0.0	2.5
09/Jul/2010	07/Jan/2011	0.819	0.847	24.6	0.0	22.5	2.1	24.6
16/Jul/2010	14/Jan/2011	0.819	0.869	18.6	7.5	17.6	8.5	26.1
06/Aug/2010	04/Feb/2011	1.187	0.937	35.0	0.0	35.0	0.0	35.0
14/May/2010	11/Feb/2011	0.766	0.959	50.0	0.0	50.0	0.0	50.0
04/Jun/2010	04/Mar/2011	0.738	1.027	19.9	0.0	15.0	4.9	19.9
25/Jun/2010	25/Mar/2011	0.883	1.095	17.5	0.0	17.5	0.0	17.5
02/Jul/2010	01/Apr/2011	0.918	1.116	23.0	0.0	21.0	2.0	23.0
16/Jul/2010	15/Apr/2011	1.009	1.142	41.0	0.0	41.0	0.0	41.0
13/Aug/2010	13/May/2011	1.274	1.193	5.0	0.1	5.0	0.1	5.1
Total				438.3	22.0	391.6	68.7	460.3

[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] Rate is not available since Treasury bills are not tradable 7days prior to maturity.

[5] As from September 2010, OMFI comprises local and foreign credit institutions and money marktet funds.

Sources: Central Bank of Malta; The Treasury.

Table 2.10 Malta government long-term debt securities outstanding[1] *(as at end-September 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	
5.90	2010 (I)	1999	100	N/A[6]	19/05 - 19/11	30.3	4.7	34.9
7.50	2011 (I)	1996	100	1.45	28/03 - 28/09	20.2	14.7	34.9
6.25	2011 (II)[4]	2001	100	N/A	01/02 - 01/08	54.2	39.0	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	38.9	41.4	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/ 108/108.5/109.7	1.86	30/03 - 30/09	282.1	146.8	428.9
7.80	2013 (I)	1997	100	2.09	18/04 - 18/10	41.0	38.7	79.8
6.35	2013 (II)[4]	2001	100	2.00	19/05 - 19/11	7.1	53.5	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	195.5	91.5	287.0
6.60	2014 (I)[4]	2000	100	2.23	30/03 - 30/09	6.1	18.4	24.5
6.45	2014 (II)[4]	2001	100	2.44	24/05 - 24/11	22.1	47.8	69.9
5.10	2014 (III)[4]	03/04/06/07/08	100/103.25/ 103.64/105.5	2.32	06/01 - 06/07	145.6	243.3	388.9
7.00	2014 (IV)[3]	26/06/1905	100	2.48	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	2.63	10/06 - 10/12	29.8	40.0	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	2.74	09/04 - 09/10	31.1	85.4	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 (VI)[4]	2010	100	2.79	03/06 - 03/12	54.6	12.6	67.2
3.75	2015 (VI)[4]	2010	100	2.79	03/06 - 03/12	4.0	14.1	18.1
3.75	2015 (VI)[4]	2010	100	2.79	03/06 - 03/12	24.8	15.3	40.1
6.65	2016 (I)[4]	2001	100	2.89	28/03 - 28/09	10.7	59.2	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	3.09	26/05 - 26/11	68.7	117.6	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]	2007	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	80.9	82.1	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	42.9	59.6	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	8.8	43.6	52.4
4.60	2020 (II)[4]	2009	100	3.79	25/04 - 25/10	60.4	59.7	120.0
4.60	2020 (II)[4]	2010	100	3.79	25/04 - 25/10	30.8	7.5	38.3
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	132.8	326.0	458.8
5.10	2022 (I)[4]	2004	100	3.97	16/02 - 16/08	6.9	64.1	71.0
5.50	2023 (I)[4]	2003	100	4.04	06/01 - 06/07	15.7	63.1	78.8
5.25	2030 (I)	2010	100	4.97	23/06 - 23/12	13.6	80.2	93.7
5.25	2030 (I)[4]	2010	100	4.97	13/06 - 23/12	22.8	86.4	109.1
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	1.605/0.443[7]	11/02 - 11/08	30.0	0.0	30.0
F.R. 6-mth Euribor [7]	2015 (V)[4]	2009	100	1.754/0.831[7]	25/04 - 25/10	11.0	18.8	29.8
Total						1,530.5	2,017.1	3,547.6

[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 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.

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

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
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						
Mar.	58.4	1,053.2	1,091.2	704.9	0.0	2,907.7
June	101.5	1,073.1	1,091.2	718.6	0.0	2,984.4
Sep.	156.2	1,558.3	734.9	674.8	0.0	3,124.2
Dec.	191.1	1,552.8	774.4	705.8	0.0	3,224.2
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

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
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]							
Mar.	0.7	114.1	0.2	1.2	0.0	0.9	117.1
June	0.7	105.4	0.2	1.0	0.0	0.8	108.1
Sep.	1.7	102.6	0.0	1.0	0.0	0.8	106.1
Dec.	1.7	98.9	0.0	1.0	0.0	0.7	102.3
2010 [3]							
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

[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 discountinued 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 discountinued as from 1 January 2008.

Table 3.2a Euro exchange rates against the major currencies[1] *(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						
Jan.	1.2816	0.8979	114.98	1.4871	2.0115	1.5895
Feb.	1.2644	0.8931	123.23	1.4841	1.9891	1.5985
Mar.	1.3308	0.9308	131.17	1.5152	1.9216	1.6685
Apr.	1.3275	0.8934	130.34	1.5066	1.8146	1.5786
May	1.4098	0.8729	135.22	1.5128	1.7671	1.5501
June	1.4134	0.8521	135.51	1.5265	1.7359	1.6275
July	1.4138	0.8556	135.33	1.5317	1.7060	1.5234
Aug.	1.4272	0.8814	133.10	1.5168	1.7087	1.5793
Sep.	1.4643	0.9093	131.07	1.5078	1.6596	1.5709
Oct.	1.4800	0.8938	134.66	1.5123	1.6274	1.5952
Nov.	1.5023	0.9116	129.77	1.5071	1.6452	1.5882
Dec.	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

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

Source: ECB.

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
2009						
Jan.	1.3239	0.9182	119.73	1.4935	1.9633	1.6233
Feb.	1.2785	0.8869	118.30	1.4904	1.9723	1.5940
Mar.	1.3050	0.9197	127.65	1.5083	1.9594	1.6470
Apr.	1.3190	0.8976	130.25	1.5147	1.8504	1.6188
May	1.3650	0.8844	131.85	1.5118	1.7831	1.5712
June	1.4016	0.8567	135.39	1.5148	1.7463	1.5761
July	1.4088	0.8609	133.09	1.5202	1.7504	1.5824
Aug.	1.4268	0.8627	135.31	1.5236	1.7081	1.5522
Sep.	1.4562	0.8913	133.14	1.5148	1.6903	1.5752
Oct.	1.4816	0.9156	133.91	1.5138	1.6341	1.5619
Nov.	1.4914	0.8989	132.97	1.5105	1.6223	1.5805
Dec.	1.4614	0.8997	131.21	1.5021	1.6185	1.5397
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

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

Source: ECB.

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
2003	2,271.2	2,836.3	1,275.1	785.4	793.9	816.3	178.2	217.0	-136.5	16.6	1.2
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	2,117.0	1,403.9	1,463.1	1,675.6	420.6	427.0	-472.0	158.3	5.2
2007[2]	2,406.7	3,388.2	2,552.6	1,626.8	1,967.8	2,158.8	534.7	592.1	-304.2	56.0	4.3
2008[2]	2,170.4	3,400.5	2,644.9	1,585.8	2,195.9	2,400.5	817.3	769.9	-328.3	32.9	4.4
2009[2]	1,725.4	2,699.4	2,522.6	1,541.7	1,652.2	2,021.9	1,203.4	1,246.8	-406.2	74.7	4.3
2009[2]											
Q1	376.8	593.1	525.7	349.3	476.3	641.8	198.1	209.0	-216.2	2.4	0.9
Q2	411.2	650.0	636.3	380.9	427.8	457.5	721.3	572.4	135.8	10.5	0.7
Q3	441.3	738.7	769.4	375.7	400.6	501.7	182.0	229.4	-52.1	3.0	1.2
Q4	496.2	717.7	591.2	435.8	347.5	420.9	102.0	236.1	-273.6	58.8	1.5
2010[2]											
Q1	514.8	696.6	548.5	373.1	354.5	457.8	203.9	219.2	-125.1	1.8	1.5
Q2	592.4	746.4	673.9	355.5	433.4	500.0	394.5	373.6	118.7	35.5	1.5
Q3	557.5	873.3	842.7	390.7	411.2	518.1	217.3	216.4	30.2	1.2	1.5

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			
2003	-482.7	850.4	-1,378.0	-16.7	-4.2	25.2	-53.6	1,283.1	-127.5	96.0	25.1
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	1,492.0	-1,965.1	-15.3	40.5	-15.6	-3,325.1	4,208.6	-83.0	313.2	5.7
2007[2]	-5.2	731.7	367.9	-0.1	-134.6	254.8	-7,612.7	7,030.0	-326.5	305.3	-52.8
2008[2]	-200.0	629.5	200.1	167.2	3.2	-346.2	-4,326.4	4,111.6	108.7	347.7	-47.9
2009[2]	-81.5	644.4	-1,877.2	-31.0	-6.6	-63.8	3,669.8	-2,118.4	-2.4	133.2	202.6
2009[2]											
Q1	-7.8	273.9	310.0	-2.3	-79.9	-48.5	1,557.5	-1,573.1	-14.9	414.9	-200.1
Q2	-24.7	-28.0	-351.8	-7.1	76.3	-8.7	489.9	-442.1	-57.7	-353.7	208.2
Q3	-19.5	248.1	-992.7	-25.4	-29.5	13.0	589.1	82.4	94.2	-40.2	90.4
Q4	-29.5	150.4	-842.8	3.7	26.5	-19.6	1,033.3	-185.6	-24.0	112.3	104.0
2010[2]											
Q1	-19.8	-213.3	-697.9	38.8	-64.7	11.3	-1,030.2	1,972.0	7.1	3.3	121.6
Q2	-35.5	764.7	-1,334.8	-52.9	24.2	56.1	815.1	-424.1	75.1	-112.2	-40.4
Q3	1.7	94.7	-610.3	1.0	-14.7	54.1	827.3	-303.6	-122.9	-72.7	42.8

[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 assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange: Currency and deposits	Foreign exchange: Securities other than shares	Foreign exchange: Other reserve assets[2]	Total
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
2010[3]							
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

[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: Abroad	Direct investment: In Malta	Portfolio investment: Assets	Portfolio investment: Liabilities	Financial derivatives: Assets	Financial derivatives: Liabilities	Other investments: Assets	Other investments: Liabilities	Official reserve assets	IIP (net)
2003	736.8	2,617.6	5,600.6	329.2	4.2	25.2	5,803.4	9,589.5	2,200.3	1,783.7
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]	768.6	5,910.6	10,190.8	555.5	276.8	281.7	25,704.7	30,410.1	268.3	51.3
2009[1]										
June	1,044.7	6,139.4	10,396.9	534.9	113.7	202.9	23,614.5	28,208.8	361.8	445.6
Dec.	1,041.0	6,535.8	12,437.2	502.2	138.1	181.2	21,857.3	27,858.7	373.7	769.5

[1] Provisional.

Source: NSO.

Table 3.6 Gross external debt by sector, maturity and instrument[1]

EUR millions

	2008[2]	2009[2]		2010[2]		
		Sep.	Dec.	Mar.	June	Sep.
General Government	292.6	232.0	237.2	267.9	200.3	201.6
Short-term	83.7	28.7	36.8	68.1	4.9	6.7
Money market instruments	76.6	26.3	31.4	63.4	0.0	0.0
Loans	0.0	0.0	0.0	0.9	0.0	0.0
Trade credits	7.1	2.5	5.3	3.8	4.9	6.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	208.9	203.2	200.4	199.8	195.5	194.9
Bonds and notes	89.9	97.0	98.1	99.3	102.7	103.3
Loans	119.0	106.2	102.3	100.6	92.7	91.6
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	323.5	826.3	818.8	865.8	1,077.6
Short-term	677.8	323.5	826.3	818.8	865.8	1,077.6
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	323.5	826.3	818.8	865.8	1,077.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0
OMFIs[3]	28,503.4	26,417.8	25,835.3	28,780.0	29,681.2	27,903.1
Short-term	23,271.7	21,273.0	20,616.8	23,242.7	22,431.8	20,820.6
Money market instruments	0.0	3.4	3.4	3.7	0.0	0.0
Loans	9,291.0	7,848.2	7,299.9	8,720.2	5,983.4	4,726.2
Currency and deposits	13,116.8	13,320.3	13,181.4	14,398.5	16,292.0	15,958.5
Other debt liabilities	863.9	101.2	132.1	120.4	156.4	135.8
Long-term	5,231.7	5,144.8	5,218.5	5,537.3	7,249.4	7,082.5
Bonds and notes	13.7	14.2	13.9	15.0	15.8	15.9
Loans	4,986.1	5,036.0	5,111.1	5,474.7	7,233.6	7,066.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	231.9	94.6	93.4	47.5	0.0	0.0
Other Sectors[4]	1,321.6	1,275.6	1,339.6	1,375.2	1,409.4	1,510.1
Short-term	668.4	658.5	675.9	695.1	711.3	759.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	77.0	40.8	37.3	39.8	38.1	39.5
Currency and deposits	119.8	119.8	119.8	119.8	119.8	119.8
Trade credits	471.6	497.9	518.8	535.4	553.3	599.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	653.1	617.1	663.8	680.1	698.1	751.0
Bonds and notes	212.8	214.9	210.6	216.2	213.4	215.8
Loans	425.7	395.7	433.8	445.8	479.9	528.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	14.7	6.5	19.3	18.1	4.8	6.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,156.1	1,177.6	1,202.1	1,250.3	1,265.3	1,295.7
Debt liabilities to affiliated enterprises	75.1	75.0	85.0	90.9	92.6	97.5
Debt liabilities to direct investors	1,081.0	1,102.6	1,117.2	1,159.4	1,172.7	1,198.2
Gross External Debt	**31,951.4**	**29,426.5**	**29,440.5**	**32,492.2**	**33,422.0**	**31,988.1**
of which: OMFIs	**28,503.4**	**26,417.8**	**25,835.3**	**28,780.0**	**29,681.2**	**27,903.1**
Gross External Debt excluding OMFIs' debt liabilities	**3,448.0**	**3,008.7**	**3,605.2**	**3,712.2**	**3,740.8**	**4,085.0**

[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 trade[1]

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2003	2162.5	2984.6	-822.1
2004	2112.3	3328.5	-1216.2
2005	1959.1	3117.2	-1158.1
2006	2256.8	3487.9	-1231.1
2007[2]	2287.5	3580.4	-1292.9
2008[2]	2089.9	3625.4	-1535.5
2009[2]	1661.8	3070.7	-1408.9
2009[2]			
Jan.	116.4	275.8	-159.4
Feb.	112.0	210.8	-98.8
Mar.	149.7	283.0	-133.3
Apr.	132.8	281.4	-148.6
May	132.9	243.4	-110.5
June	139.6	233.4	-93.8
July	153.5	308.9	-155.4
Aug.	128.6	266.8	-138.2
Sep.	155.5	222.2	-66.7
Oct.	153.4	262.0	-108.6
Nov.	147.4	245.3	-97.9
Dec.	140.0	237.7	-97.7
2010[2]			
Jan.	151.7	208.0	-56.3
Feb.	175.3	273.4	-98.1
Mar.	191.6	309.1	-117.5
Apr.	197.0	267.1	-70.1
May	176.4	263.8	-87.4
June	199.4	276.8	-77.4
July	181.2	364.1	-182.9
Aug.	189.7	353.3	-163.6
Sep.	168.7	324.0	-155.3

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

[2] Provisional.

Source: NSO.

Table 3.8 Direction of trade - exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
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	114.1	99.1	719.3	165.3	65.9	950.5	713.9	182.8	242.7	2089.9
2009[2]	187.3	221.9	91.8	88.6	589.6	99.1	63.0	751.7	528.1	152.4	229.6	1661.8
2009[2]												
Jan.	16.6	19.5	5.7	5.9	47.7	7.6	4.4	59.7	33.1	9.1	14.5	116.4
Feb.	12.9	14.4	6.8	6.5	40.6	9.1	2.8	52.5	35.2	8.8	15.5	112.0
Mar.	16.8	15.6	11.2	7.9	51.5	9.0	3.3	63.8	56.7	12.1	17.1	149.7
Apr.	12.5	18.2	6.8	7.3	44.8	7.2	5.6	57.6	45.9	10.8	18.5	132.8
May	16.2	16.8	8.1	6.4	47.5	8.0	5.0	60.5	44.8	12.1	15.5	132.9
June	14.1	17.3	6.4	8.0	45.8	10.4	4.9	61.1	48.4	10.4	19.7	139.6
July	15.4	21.8	9.4	7.9	54.5	6.6	4.5	65.6	43.1	16.8	28.0	153.5
Aug.	11.9	19.3	5.4	6.6	43.2	8.6	6.5	58.3	42.1	10.7	17.5	128.6
Sep.	16.6	21.1	7.6	8.3	53.6	6.8	9.6	70.0	44.7	15.7	25.1	155.5
Oct.	18.5	22.0	8.7	7.8	57.0	9.7	5.9	72.6	41.0	16.4	23.4	153.4
Nov.	18.6	21.4	9.1	7.3	56.4	6.9	4.3	67.6	48.5	12.5	18.8	147.4
Dec.	17.2	14.5	6.6	8.7	47.0	9.2	6.2	62.4	44.6	17.0	16.0	140.0
2010[2]												
Jan.	20.0	21.1	8.4	6.2	55.7	7.6	6.6	69.9	51.2	14.7	15.9	151.7
Feb.	20.8	18.1	7.3	9.1	55.3	9.8	6.1	71.2	43.8	15.8	44.5	175.3
Mar.	18.2	25.4	8.7	10.0	62.3	20.0	7.5	89.8	54.1	18.9	28.8	191.6
Apr.	20.5	26.6	10.4	7.5	65.0	6.8	9.3	81.1	60.6	18.1	37.2	197.0
May	18.6	22.9	11.6	8.3	61.4	14.6	10.9	86.9	50.8	16.3	22.4	176.4
June	21.2	23.3	10.5	8.8	63.8	12.1	10.3	86.2	53.8	19.9	39.5	199.4
July	17.8	24.2	11.8	8.3	62.1	8.8	16.6	87.5	48.4	14.3	31.0	181.2
Aug.	16.2	26.6	7.9	7.1	57.8	8.7	8.4	74.9	59.0	16.6	39.2	189.7
Sep.	18.0	22.4	10.8	9.1	60.3	11.0	8.7	80.0	51.5	17.9	19.3	168.7

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

[2] Provisional.

Source: NSO.

Table 3.9 Direction of trade - imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
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]	365.5	266.5	1,000.5	440.4	2,072.9	454.0	134.3	2,661.2	594.0	73.4	296.8	3,625.4
2009[2]	315.2	270.5	758.7	419.8	1,764.2	363.6	69.3	2,197.1	437.5	84.2	351.9	3,070.7
2009[2]												
Jan.	20.5	51.9	44.1	21.6	138.1	38.2	4.7	181.0	36.4	3.1	55.3	275.8
Feb.	22.0	21.1	54.6	26.8	124.5	24.1	4.9	153.5	36.0	12.6	8.7	210.8
Mar.	22.7	19.5	53.6	78.6	174.4	33.8	6.2	214.4	32.9	5.6	30.1	283.0
Apr.	20.9	19.6	78.0	23.4	141.9	31.6	9.8	183.3	37.8	10.0	50.3	281.4
May	23.4	14.5	64.5	26.7	129.1	24.4	5.6	159.1	33.7	12.3	38.3	243.4
June	27.1	18.0	70.1	35.0	150.2	30.2	7.3	187.7	26.6	7.1	12.0	233.4
July	34.7	18.0	59.9	47.3	159.9	32.5	5.2	197.6	37.0	5.5	68.8	308.9
Aug.	29.1	21.9	59.9	33.8	144.7	34.1	5.9	184.7	59.7	4.5	17.9	266.8
Sep.	32.1	16.0	60.7	36.6	145.4	24.7	4.6	174.7	31.4	6.7	9.4	222.2
Oct.	27.3	25.8	78.9	30.6	162.6	27.7	5.1	195.4	36.6	5.6	24.4	262.0
Nov.	26.5	23.7	69.4	30.7	150.3	35.2	4.9	190.4	35.2	4.4	15.3	245.3
Dec.	28.9	20.5	65.0	28.7	143.1	27.1	5.1	175.3	34.2	6.8	21.4	237.7
2010[2]												
Jan.	16.5	21.9	53.0	24.2	115.6	22.4	4.5	142.5	36.1	5.7	23.7	208.0
Feb.	17.4	19.5	62.2	38.4	137.5	26.6	7.4	171.5	37.7	6.1	58.1	273.4
Mar.	23.6	26.9	92.8	29.1	172.4	28.3	5.5	206.2	47.6	6.3	49.0	309.1
Apr.	36.8	23.3	61.5	26.7	148.3	20.8	5.3	174.4	47.5	10.6	34.6	267.1
May	24.2	20.3	70.0	34.7	149.2	23.7	7.6	180.5	44.6	5.7	33.0	263.8
June	23.0	26.2	64.9	27.3	141.4	38.1	8.1	187.6	34.1	10.1	45.0	276.8
July	23.0	28.4	69.1	33.9	154.4	32.7	20.5	207.6	74.8	8.8	72.9	364.1
Aug.	23.8	34.3	60.4	28.3	146.8	21.1	7.9	175.8	46.9	5.4	125.2	353.3
Sep.	26.3	19.0	63.2	27.9	136.4	22.1	9.0	167.5	52.9	5.5	98.1	324.0

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

[2] Provisional.

Source: NSO.

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net		
2004	3,022.7	933.5	885.1	-173.5	4,667.8	3,552.8	3,727.8	-175.1	4,492.7	4,436.8
2005	3,198.3	941.6	1,048.1	-106.9	5,081.2	3,700.3	3,957.0	-256.7	4,824.5	4,606.6
2006	3,291.3	1,014.2	1,121.9	-24.2	5,403.2	4,452.4	4,705.4	-253.1	5,150.2	4,925.0
2007	3,382.3	1,039.9	1,230.1	-87.6	5,564.7	4,959.3	5,015.0	-55.7	5,509.0	5,301.3
2008	3,650.0	1,220.6	1,000.4	97.2	5,968.2	4,815.2	4,986.3	-171.1	5,797.2	5,571.1
2009	3,655.4	1,245.0	887.3	35.5	5,823.2	4,248.0	4,241.1	6.9	5,830.1	5,450.6
2009										
Q1	857.3	307.3	197.5	34.7	1,396.8	902.5	942.4	-39.9	1,356.9	1,186.0
Q2	903.3	310.5	213.9	-10.2	1,417.5	1,047.5	1,030.9	16.6	1,434.1	1,404.1
Q3	920.5	317.2	257.1	-63.9	1,431.0	1,210.7	1,114.4	96.3	1,527.3	1,424.8
Q4	974.3	310.0	218.8	74.9	1,578.0	1,087.3	1,153.4	-66.1	1,511.8	1,435.7
2010										
Q1	873.5	308.6	213.1	79.6	1,474.8	1,063.3	1,069.6	-6.4	1,468.5	1,364.1
Q2	932.7	329.5	229.8	-95.4	1,396.5	1,251.3	1,105.7	145.6	1,542.1	1,472.1
Q3	960.9	317.0	285.9	-53.4	1,510.3	1,392.3	1,264.1	128.3	1,638.6	1,537.7

[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	2,807.9	796.0	811.1	-157.2	4,257.8	3,751.4	3,975.9	-224.5	4,033.3
2005	2,895.2	789.5	966.0	-97.7	4,553.0	3,774.8	4,104.3	-329.5	4,223.5
2006	2,910.8	835.8	968.6	-22.1	4,693.1	4,163.9	4,494.7	-330.9	4,362.3
2007	2,938.7	836.1	1,016.7	-76.7	4,714.8	4,366.5	4,548.1	-181.6	4,533.2
2008	3,067.1	943.0	749.2	84.7	4,844.0	4,142.7	4,331.1	-188.4	4,655.6
2009	3,054.6	934.1	627.8	27.3	4,643.8	3,803.1	3,881.5	-78.4	4,565.4
2009									
Q1	716.3	229.7	143.4	27.5	1,116.9	795.7	848.3	-52.6	1,064.4
Q2	747.2	232.6	155.0	-8.0	1,126.8	931.1	940.2	-9.1	1,117.7
Q3	775.3	238.3	174.1	-50.9	1,136.8	1,071.3	1,030.1	41.3	1,178.0
Q4	815.8	233.5	155.3	58.7	1,263.3	1,004.9	1,062.9	-58.0	1,205.3
2010									
Q1	724.8	225.8	151.5	63.3	1,165.4	1,010.0	1,066.6	-56.6	1,108.8
Q2	748.8	239.0	155.6	-72.7	1,070.8	1,153.1	1,061.6	91.5	1,162.3
Q3	762.0	229.2	180.5	-40.5	1,131.2	1,249.9	1,160.6	89.3	1,220.5

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

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1025.6	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	1082.5	161.0	1,243.5
2008	81.1	150.8	144.5	204.1	580.5	454.4	98.7	1133.5	157.3	1,290.9
2009	70.9	125.2	159.2	195.5	550.7	411.5	85.6	1047.8	134.9	1,182.8
2009										
Jan.	2.5	6.2	8.5	5.7	22.9	17.5	3.8	44.2	7.5	51.6
Feb.	2.9	5.3	6.1	6.5	20.7	20.5	3.0	44.2	7.0	51.2
Mar.	2.8	9.3	11.4	9.3	32.7	27.4	4.1	64.2	6.9	71.2
Apr.	7.6	13.4	13.2	18.5	52.7	32.4	6.1	91.2	10.4	101.6
May	8.4	11.2	13.4	18.2	51.1	39.7	7.2	98.1	10.2	108.3
June	6.9	10.4	13.7	16.6	47.6	45.4	8.7	101.7	12.3	114.0
July	9.4	11.4	20.0	24.7	65.5	41.1	12.0	118.5	17.2	135.8
Aug.	12.3	14.9	33.0	34.6	94.8	48.0	11.9	154.7	17.7	172.4
Sep.	6.8	14.1	14.4	21.3	56.6	47.9	11.2	115.7	14.5	130.2
Oct.	5.6	16.3	10.6	21.5	54.1	46.4	9.3	109.8	14.4	124.2
Nov.	3.9	9.5	7.4	11.0	31.9	26.6	4.9	63.4	9.1	72.5
Dec.	2.0	3.1	7.6	7.5	20.2	18.6	3.2	42.1	7.8	49.8
2010										
Jan.	1.9	5.0	12.7	7.4	26.9	18.1	4.8	49.9	7.1	57.0
Feb.	3.1	5.1	6.7	7.9	22.7	21.2	2.8	46.7	6.3	53.1
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

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

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
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	103.6	42.6	146.2	97.7	41.0	138.8	5.8	5.6	1.6	3.8	7.4	5.1
2006	103.6	43.9	147.5	98.0	42.2	140.2	5.6	5.4	1.7	3.9	7.3	5.0
2007	103.9	45.4	149.3	98.8	43.8	142.6	5.1	4.9	1.6	3.4	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]	104.0	48.3	152.3	98.3	46.6	144.9	5.7	5.4	1.7	3.5	7.3	4.8
2009[3]												
Jan.	104.3	47.8	152.1	98.9	46.3	145.2	5.4	5.2	1.6	3.3	7.0	4.6
Feb.	104.3	47.9	152.2	98.9	46.2	145.1	5.4	5.2	1.7	3.5	7.1	4.7
Mar.	104.2	48.0	152.2	98.8	46.3	145.2	5.4	5.2	1.7	3.5	7.1	4.7
Apr.	104.3	48.2	152.5	98.8	46.5	145.3	5.5	5.3	1.7	3.5	7.2	4.7
May	104.2	48.1	152.2	98.6	46.4	145.0	5.6	5.4	1.7	3.5	7.3	4.8
June	104.4	48.4	152.7	98.8	46.7	145.5	5.6	5.4	1.7	3.5	7.3	4.8
July	104.6	48.7	153.2	98.8	46.9	145.7	5.8	5.5	1.7	3.6	7.5	4.9
Aug.	104.2	48.5	152.7	98.4	46.8	145.2	5.7	5.5	1.7	3.6	7.4	4.9
Sep.	103.7	48.5	152.3	97.9	46.8	144.7	5.8	5.6	1.7	3.5	7.5	4.9
Oct.	103.1	48.4	151.5	97.4	46.8	144.2	5.7	5.5	1.6	3.4	7.3	4.8
Nov.	103.4	48.6	151.9	97.5	46.9	144.4	5.9	5.7	1.7	3.5	7.6	5.0
Dec.	103.1	48.5	151.5	97.1	46.8	143.8	6.0	5.8	1.7	3.5	7.7	5.1
2010[3]												
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

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

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
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[3]	115.4	58.4	173.8	107.8	54.0	161.8	7.6	6.6	4.4	7.5	12.0	6.9
2009[3]												
Q1	115.4	56.3	171.7	108.5	52.2	160.6	7.0	6.0	4.1	7.3	11.1	6.4
Q2	115.3	58.1	173.4	107.2	54.1	161.3	8.1	7.0	4.0	6.9	12.1	7.0
Q3	115.9	58.5	174.3	108.1	54.3	162.4	7.7	6.7	4.2	7.1	11.9	6.8
Q4	115.2	60.8	175.9	107.5	55.4	162.9	7.7	6.7	5.3	8.8	13.0	7.4
2010[3]												
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

[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
2009					
Q1	161.2	158.3	173.6	210.4	150.7
Q2	166.4	163.0	175.5	202.2	169.8
Q3	167.3	162.1	174.6	208.4	181.7
Q4	166.4	165.5	171.3	210.3	176.2
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

[1] Consists of town houses, houses of character and villas.
Source: Central Bank of Malta estimates.

Table 4.6 Development permits for commercial, social and other purposes[1]

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

[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 and others.

Source: Malta Environment & Planning Authority.

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

Period	Number of permits[2]			Number of units[3]				
	New dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
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

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

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

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

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Real Economy Indicators

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

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

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

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

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

Period	All Items Index	12-month moving average rates of change (%)[1]										
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
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
2009												
Jan.	98.4	4.3	8.1	2.8	4.0	3.9	23.9	-0.2	2.1	1.9	1.3	2.5
Feb.	99.4	4.3	8.2	3.0	3.4	4.0	28.0	-0.3	1.6	1.9	1.4	2.5
Mar.	100.1	4.3	8.4	3.3	3.0	4.0	31.4	-0.3	1.1	2.0	1.5	2.5
Apr.	100.3	4.4	8.5	3.6	2.8	3.9	33.7	-0.4	0.7	2.1	1.5	2.5
May	100.3	4.3	8.6	3.9	2.5	3.9	35.8	-0.4	0.3	2.2	1.5	2.4
June	99.8	4.2	8.6	4.1	2.3	3.7	37.9	-0.4	-0.5	2.3	1.5	2.4
July	99.5	4.0	8.5	4.3	1.7	3.6	34.9	-0.4	-1.1	2.4	1.4	2.3
Aug.	99.4	3.7	8.4	4.4	1.0	3.5	32.6	-0.2	-1.7	2.6	1.3	2.2
Sep.	99.9	3.5	8.2	4.5	0.5	3.4	30.5	-0.1	-2.2	2.7	1.3	2.1
Oct.	100.7	3.0	7.6	4.5	0.1	3.2	25.3	0.0	-2.9	2.9	1.1	2.0
Nov.	100.3	2.6	7.2	4.4	-0.1	3.1	20.5	0.2	-3.7	3.0	1.0	2.0
Dec.	100.0	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
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

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

Source: NSO.

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

Period	All Items Index	12-month moving average rates of change (%)												
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
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
2009														
Jan.	106.5	4.6	8.0	2.1	4.0	9.7	0.6	2.1	3.2	2.7	-0.5	7.0	7.3	1.3
Feb.	107.3	4.6	8.1	2.3	3.4	10.9	0.6	2.1	2.7	2.4	-0.5	7.2	7.0	1.3
Mar.	109.0	4.6	8.3	2.5	3.0	11.9	0.5	2.1	2.1	2.2	-0.6	7.3	6.7	1.4
Apr.	111.5	4.5	8.5	2.7	2.8	12.5	0.5	2.3	1.7	1.9	-0.4	7.3	6.4	1.4
May	111.7	4.5	8.6	2.9	2.5	13.0	0.5	2.6	1.2	1.7	-0.4	7.2	6.1	1.5
June	111.6	4.3	8.6	3.1	2.3	13.5	0.5	2.8	0.3	1.4	-0.3	7.2	5.8	1.7
July	111.5	3.9	8.4	3.3	1.6	12.7	0.5	3.1	-0.5	1.2	-0.3	7.2	4.8	1.8
Aug.	112.1	3.6	8.4	3.5	1.0	12.1	0.6	3.4	-1.3	0.9	-0.3	7.1	3.8	1.8
Sep.	111.9	3.2	8.2	3.7	0.4	11.5	0.7	3.6	-2.1	0.7	-0.2	7.1	2.9	1.9
Oct.	111.5	2.7	7.6	3.8	0.1	9.9	0.8	3.9	-2.9	0.0	-0.2	7.0	2.1	2.0
Nov.	108.6	2.3	7.3	3.7	-0.1	8.4	0.9	4.1	-3.8	-0.6	-0.5	7.0	1.7	2.1
Dec.	108.4	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														
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

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 OMFI deposits with the Bank. **Narrow money (M1)** included the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. **Intermediate money (M2)** comprised M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years. **Broad money (M3)** comprised M2 and the OMFIs' repurchase agreements with the non-bank sector and their debt securities issued with an agreed maturity of up to and including two years and held by the non-bank sector.

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

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

Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs (Tables 1.2-1.3), with details of OMFIs' deposits and loans in Tables 1.8-1.13. 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.