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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 second and third 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 kept constant at 1.00% over the entire period.

During both quarters, the Governing Council continued to implement non-standard monetary policy measures and, in May, took several steps to address severe tensions observed in some market segments, notably by intervening in public and private debt markets. Moreover, the Council decided to adopt a fixed rate tender procedure with full allotment in the three-month LTROs to be allotted in May and June and to conduct an additional six-month LTRO with full allotment in May. It also reactivated temporary swap lines with the Federal Reserve System and resumed US dollar liquidity-providing operations. Subsequently, in June, the Council decided that the regular three-month LTROs to be conducted in the third quarter of 2010 would also be carried out as fixed rate tender procedures with full allotment.

In the same vein, in September, the Council decided to conduct 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. Furthermore, the Council decided to conduct the three-month LTROs in the fourth quarter as fixed rate tender procedures with full allotment, with interest rates fixed at the average rate of the MROs over the life of the respective operation. It also decided that three additional fine-tuning operations would be carried out by the end of the year.

As a result of these measures, liquidity provision remained ample. Money market interest rates appeared to have stabilised and then rose slightly, which could be a sign of a return to more normal levels of interbank activity.

The Governing Council's decisions were taken in an environment in which uncertainty still prevailed. During the second quarter of 2010, activity in most industrial economies expanded at a faster rate but quarterly growth patterns were uneven, raising concerns that the recovery might lose momentum. In contrast, the principal emerging market economies continued to expand robustly. Meanwhile, inflationary pressures worldwide generally moderated.

Euro area economic activity expanded further during the second quarter of 2010. Real GDP increased by 1.9% on a year earlier, compared with 0.8% in the previous quarter. Growth was driven entirely by domestic demand, as private consumption grew at a faster pace, with inventories accumulating further and the decline in investment moderating. At the same time, the contribution of net exports to growth decreased as imports rose faster than exports.

Annual HICP inflation stood at 1.4% in June, unchanged from its March level, reflecting offsetting movements among the major components. However, it picked up again in the following quarter, rising to 1.8% in September.

According to the latest ECB staff projections published in September, real GDP growth is expected to remain moderate. Average annual real GDP growth in the euro area is projected to range between 1.4% and 1.8% in 2010 and between 0.5% and 2.3% in 2011. In an environment of

moderate growth, inflationary pressures over the forecast horizon are set to remain contained, with the average annual HICP inflation rate forecast to rise to between 1.5% and 1.7% in 2010 and between 1.2% and 2.2% in 2011.

Economic activity in Malta also continued to expand in the second quarter. Real GDP increased by 3.9% on a year earlier, supported by a sustained recovery in exports and, to a lesser degree, by higher final domestic demand. Private consumption and investment increased further, although at a slower pace, while government consumption picked up. On the other hand, a sharp reduction in inventories, which include the statistical discrepancy, dampened growth. Business confidence improved during the quarter, but declined during the three months to September.

The recovery in output appears to have led to an improvement in labour market conditions. Survey data and administrative records both showed that employment increased during the year to June, with particularly strong growth in part-time employment. At the same time, unemployment eased, with the jobless rate dropping by June, and falling further until August.

Inflation increased at a faster pace during the second quarter of 2010, with the annual rate of HICP inflation accelerating to 1.8% in June from 0.6% in March, mainly driven by faster growth in energy prices. Prices of services also grew more rapidly and the decline in unprocessed food prices moderated. The rate went up again over the following three months, reaching 2.4% in September.

Developments related to external price competitiveness were mixed. During the second quarter of 2010, labour productivity increased faster than employee compensation. This resulted in a further fall in unit labour costs, so that the gap between ULC in Malta and in the euro area as a whole narrowed marginally. Similarly, both the nominal and real HCIs continued to fall, also suggesting some competitiveness gains. In the following quarter, however, some of these gains were lost, partly because of developments in domestic inflation.

Recent trends in money and credit were maintained during the three-month period to June. Growth in residents' deposits gathered momentum, with overnight deposits rising rapidly. Credit to residents expanded at a more moderate, though still substantial, pace. Interest rate developments were mixed, however, since whereas average bank deposit rates declined slightly, average lending rates rose. In the domestic financial markets, short-term interest rates generally fell, as did benchmark government bond yields.

During the second quarter the general government balance improved as revenue grew faster than expenditure. As a result, during the twelve months to June the cumulative general government deficit fell to 3.4% of GDP. For the year as a whole, however, the latest official estimates presented in the Budget point to a deficit ratio of 3.9%, which is projected to fall to 2.8% in 2011.

The tighter fiscal stance announced in the Budget Speech is timely as consolidation is necessary to ensure the sustainability of public finances and contain the rise of public debt, thereby safeguarding credibility and investor confidence. The expenditure-based thrust of the adjustment is also welcome as international experience suggests that fiscal consolidation based on the reduction of expenditure tends to have a relatively favourable impact on economic performance in the long run. Nevertheless, the credibility of the consolidation effort would be enhanced by the introduction of tighter fiscal rules to reinforce budgetary discipline and increase transparency.

Fiscal consolidation would also dampen inflationary pressures, which is especially important given the fact that inflation in Malta has now risen above the euro area average. If these unfavourable differentials persist, the resultant erosion of competitiveness will eventually require a period of adjustment in relative wage and price levels.

The fiscal consolidation process should be supported by broader structural reforms to promote growth and to enhance the economy's external competitiveness. The thrust of reforms should aim at increasing both the degree of competition in key areas of the economy and labour force participation. 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 second quarter of 2010, activity in most industrial economies expanded at a faster annual pace than in the previous quarter. However, quarterly growth patterns were uneven, which heightened concerns that the economic recovery might slow down. In contrast, the principal emerging market economies continued to grow robustly. Inflationary pressures worldwide generally moderated during the quarter, driven partly by lower energy prices.

In the euro area, economic activity recovered further, driven by domestic demand. Labour markets stabilised, as employment remained unchanged, while the unemployment rate, which had been on a rising trend, seemed to have levelled off. Area-wide HICP inflation remained unchanged over the quarter.

Real GDP growth in the euro area is expected to moderate in the second half of the year, due to weaker support from policy stimuli and the inventory cycle, while it is forecast to remain moderate in 2011 as exports continue to increase and domestic demand gradually rises. Meanwhile, inflation is expected to remain contained.

International economic developments

The US economy grows further

In the United States economic activity continued to expand in the second quarter, with real GDP growth rising to 3.0% on an annual basis (see Table 1.1). However, on a quarterly basis, growth slowed down to 0.4% from 0.9% in the previous quarter. Annual GDP growth was mainly driven by inventories, private consumption and investment, with the latter increasing for the first time since the third quarter of 2006. Government expenditure also contributed marginally to growth, though it increased at a slower rate than in the previous quarter. In contrast, net exports dampened growth as imports grew faster than exports. Labour market conditions improved slightly during the quarter, as the unemployment rate fell to 9.5% in June from 9.7% in March. Going into the following quarter, the jobless rate rose again to 9.6% in August.

Consumer price inflation fell during the second quarter, as the annual inflation rate decreased from 2.3% in March to 1.1% in June, with the greatest decline registered in June. This drop was

Table 1.1

REAL GDP GROWTH

Annual percentage changes, seasonally adjusted

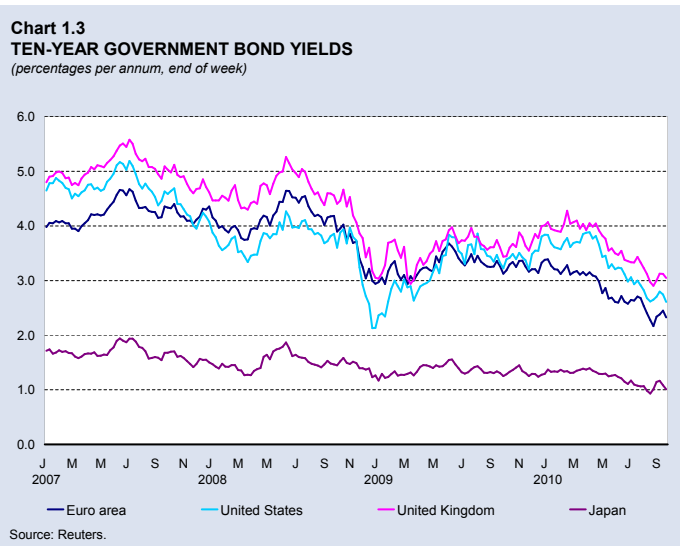
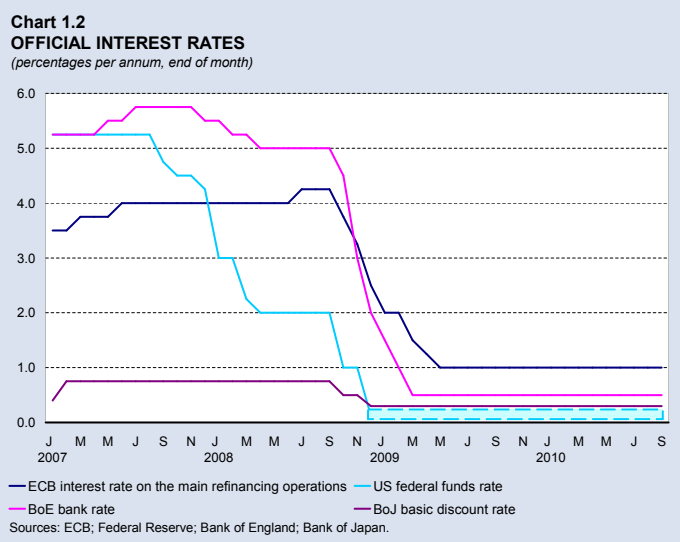
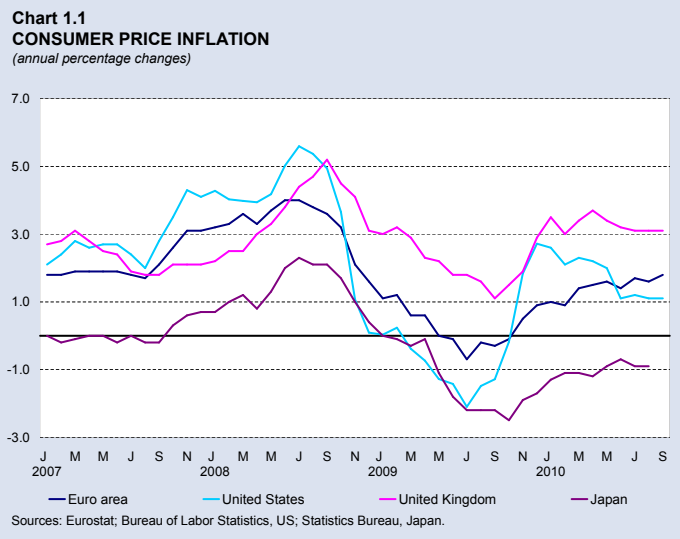
	2009			2010	
	Q2	Q3	Q4	Q1	Q2
United States	-4.1	-2.7	0.2	2.4	3.0
Euro area	-4.9	-4.0	-2.0	0.8	1.9
United Kingdom	-6.0	-5.4	-3.0	-0.3	1.7
Japan	-5.9	-4.8	-1.4	4.4	2.4

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

due to lower consumer energy prices (see Chart 1.1). Going into the third quarter, the inflation rate remained relatively stable, ending September at 1.1%.

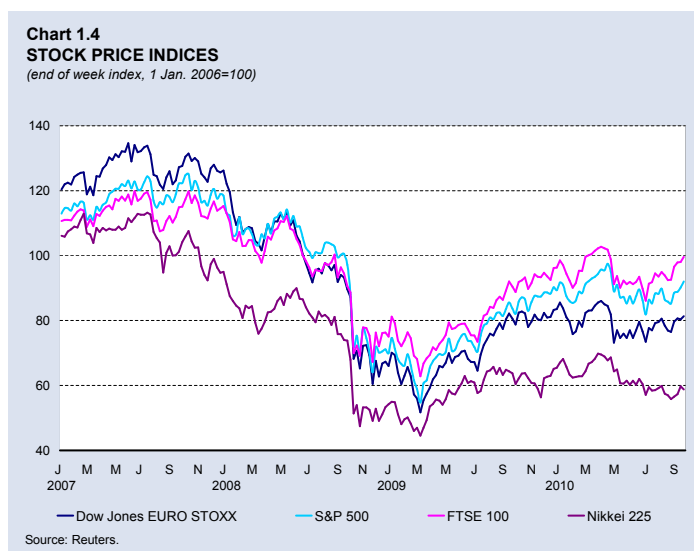
The Federal Reserve kept the federal funds rate target in a range from zero to 0.25% throughout the period reviewed (see Chart 1.2). In April, the Federal Reserve closed all except one of the special liquidity facilities introduced during the financial crisis, with the remaining Term Asset-Backed Securities Loan Facility scheduled to be closed at the end of June. In response to the re-emergence of strains in European short-term funding markets during the second quarter of 2010, the Federal Reserve – together with the ECB and other major central banks – re-established the temporary US dollar liquidity swap facility. During August, the Federal Reserve decided to reinvest the principal payments from its holdings of maturing securities in longer-term Treasury securities, besides rolling over current Treasury securities to avoid tightening of monetary conditions.

US ten-year government bond yields fell by 89 basis points during the second quarter of 2010 (see Chart 1.3). In the beginning of the quarter, the decline in bond yields primarily reflected safe-haven flows triggered by the Greek fiscal crisis. Although concern about sovereign risk in some euro area countries abated towards the end of the quarter, worries about the sustainability of the global economic recovery persisted, pushing bond yields to



2.94% at the end of June. Going into the following quarter, ten-year government bond yields declined further, ending September at 2.51%.

US equity prices, as measured by the Standard & Poor's 500 index, declined by around 12% during the June quarter, more than offsetting the gains recorded in the previous quarter (see Chart 1.4). Share prices increased until early May when the intensification of the Greek fiscal crisis triggered flight-to-safety behaviour, dragging down equity prices.



Compared with the previous quarter, equity prices were more volatile amid concern about euro area sovereign debt and the pace of economic recovery. Going into the September quarter, equity prices recovered some of their previous losses following the publication of European bank stress tests results and revised proposals for financial regulation.

Real GDP growth in the United Kingdom turns positive

Annual economic growth in the United Kingdom turned positive for the first time in eight quarters. Real GDP expanded by 1.7% on a yearly basis in the June quarter, following a contraction of 0.3% in the previous quarter. On a quarter-on-quarter basis, growth accelerated to 1.2%. The rise in annual GDP was driven by all components of domestic demand, with growth in private consumption and investment turning positive again after several quarters of negative growth. Nevertheless, net exports contributed negatively to economic growth, as imports rose faster than exports. Labour market conditions remained stable, with the unemployment rate standing at 7.8% throughout the second quarter. Going forward into the third quarter, the jobless rate fell further to 7.7% in July.

HICP inflation fell slightly during the second quarter, ending June at 3.2% from 3.4% in March. The rate remained relatively high due to greater energy costs, an increase in the standard VAT rate to 17.5% and the depreciation of the pound sterling. Going into the following quarter, the annual inflation rate edged down again to 3.1% in July, remaining at that rate till September.

Throughout the period reviewed, the Bank of England maintained the official bank rate at 0.50%, unchanged since March 2009, and continued with its asset purchase programme. In May, together with other central banks, the UK central bank reinstated the US dollar liquidity swap facilities with the Federal Reserve.

Long-term UK government bond yields fell amid fiscal sustainability concerns elsewhere in Europe, shedding almost 60 basis points during the second quarter of 2010 and ending June at 3.36%. They continued to fall thereafter, ending September at 2.95%. UK equity prices, as measured by the FTSE 100, moved in line with US share prices, falling by around 13% during the

second quarter. The stock market then recovered, with equity prices rising by 12.8% by the end of September.

Japanese economic growth slows down

Economic growth in Japan moderated to 2.4% on an annual basis from 4.4% in the previous quarter. Real GDP growth was mainly driven by private and government consumption, together with net exports. Conversely, investment and changes in inventories acted as a drag on growth. On a quarterly basis, GDP grew by 0.4%, down from 1.2% in the previous quarter. The labour market weakened slightly as the unemployment rate rose from 5.0% in March to 5.3% in June. However, in the third quarter, the jobless rate fell to 5.1% in August.

Consumer price inflation remained negative from February 2009, reflecting substantial slack in the economy. However, inflation edged up slightly, to -0.7% in June from -1.1% in March. Going into the September quarter, the inflation rate declined again, to -0.9% in August.

The Bank of Japan maintained an accommodative monetary policy stance during the second quarter of 2010. The Japanese central bank kept the basic discount rate unchanged at 0.3% and, in May, re-established temporarily US dollar swap agreements with the Federal Reserve, in conjunction with other central banks. Additionally, in June the Bank introduced a new temporary fund-provisioning framework to support private financial institutions and stimulate economic growth. To further relax monetary conditions, in August the Bank of Japan introduced a six-month fixed rate fund liquidity operation against pooled collateral, and also raised the amount of funds provided by this programme. On 5 October the Bank introduced a further round of monetary easing, reducing its targeted uncollateralized overnight call rate from around 0.1% to a range of between zero and 0.1%.

Japanese government bond yields moved in line with those in other major industrial economies and declined during the second quarter. Ten-year yields decreased by 32 basis points and ended June at 1.09%. Subsequently, bond yields generally fell further, though they experienced a spike in early September amid speculation that government policy would support economic activity and would control the yen's appreciation. Equity prices, as measured by the Nikkei 225, mirrored global market trends as they fell by around 15% during the second quarter. In the following quarter, adverse data on the Japanese economy had a negative impact on equity prices, which, however, recovered towards the end of the quarter.

Emerging Asian economies continue to grow strongly

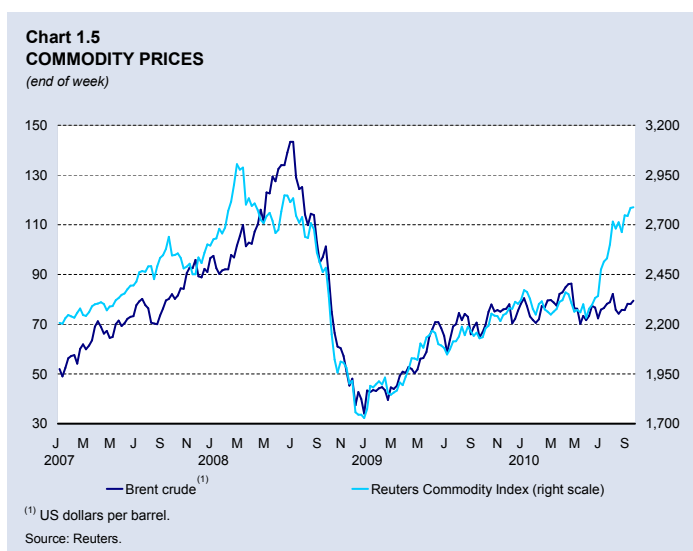
Economic activity in major emerging Asian countries continued to grow rapidly during the second quarter of 2010. Growth in China slowed to 10.3% in the June quarter from 11.9% in the previous quarter as the government introduced measures to dampen rising property prices and to restrict credit. On the other hand, real GDP growth in India rose to 8.8% from 8.6% in the March quarter.

Price pressures remained relatively high during the second quarter. The annual consumer price inflation rate in China rose to 2.9% in June from 2.4% in March, largely due to higher food and raw material prices. Inflation then accelerated to 3.5% in August, as a result of higher food prices possibly due to summer floods. Wholesale price inflation in India, mostly influenced by prices of fuel, metals, and food, slowed down to 10.6% in June from 11.0% in March.

Commodities

Oil prices declined significantly

The price of Brent crude fell by around 5% during the second quarter of 2010 driven by increased demand mainly from China (see Chart 1.5). It reached USD86.97 per barrel in April, its highest level since October 2008. However, oil prices declined in the following month, reflecting renewed tensions in financial markets, before recovering slightly towards the end of the quarter. The price of Brent crude ended June at USD75.5 per barrel. Oil prices generally recovered in the following quarter, reflecting higher oil demand forecasts by the International Energy Agency. This offset the downward pressure resulting from concern about the global economic recovery. Brent crude rose by around 7% during the quarter and ended September at USD80.88 per barrel.



Commodity prices remained broadly stable

Prices of non-energy commodities, as measured by the Reuters Commodity Index, remained relatively stable during the June quarter (see Chart 1.5).¹ The index declined by 0.4% between the end of March and the end of June. It recuperated from previous losses in the beginning of the quarter, fell again in May, but picked up once more towards the end of June as food prices, particularly wheat, recovered. Commodity prices rose sharply by around 18% by the end of September, driven by higher food and metal prices.

Gold prices break record highs

During the June quarter, the price of gold generally maintained the upward trend that had begun towards the end of 2008 (see Chart 1.6). Gold rose by around 11.6% in the second quarter, acting as a safe haven for investors amid European fiscal concerns and disappointing macroeconomic data. The price broke record highs in more than one instance



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

during the quarter and ended June at USD1,241.35 per ounce. Gold rose by another 5.4% in the following quarter, ending September at USD1,308.5.

Economic and monetary developments in the euro area

Euro area economic activity continues to expand

In the second quarter of 2010, economic activity in the euro area expanded on an annual basis for the second consecutive quarter. Real GDP added 1.9% on a year earlier, compared with 0.8% in the previous quarter, driven entirely by higher domestic demand (see Table 1.2). On a quarterly basis, real GDP increased by 1.0%, as opposed to 0.3% in the previous quarter.

During the quarter under review, domestic demand grew by 1.9%, up from 0.5% in the previous quarter. This pick-up mainly reflected less negative investment growth as well as higher positive inventory changes. In addition, private consumption grew at a faster rate than in the previous quarter. However, government consumption grew at a slightly slower annual rate, lowering marginally its contribution to growth. On the other hand, the contribution of both consumption and investment increased during the quarter compared with the previous quarter. Meanwhile, whereas exports and imports grew at a much faster annual rate, the contribution of net exports to growth decreased since imports increased by more than exports.

HICP inflation remains broadly unchanged

After having been on a generally increasing trend, annual HICP inflation in the euro area fluctuated marginally during the second quarter, ending June at 1.4%, unchanged from March (see Chart 1.7). Similarly, core inflation, measured by excluding energy and food prices from the HICP, fell slightly to 0.9% from 1.0% over the same period.

	2009		2010	
	Q3	Q4	Q1	Q2
<i>Annual percentage changes</i>				
Private consumption	-1.2	-0.4	0.3	0.5
Government consumption	2.5	1.7	1.2	1.1
Gross fixed capital formation	-11.9	-9.6	-4.9	-1.2
Domestic demand	-3.3	-2.8	0.5	1.9
Exports	-13.7	-5.2	5.6	11.6
Imports	-12.3	-7.0	4.8	12.1
GDP	-4.0	-2.0	0.8	1.9
<i>Percentage point contributions</i>				
Private consumption	-0.7	-0.2	0.2	0.3
Government consumption	0.5	0.4	0.3	0.2
Gross fixed capital formation	-2.6	-2.0	-1.0	-0.2
Changes in inventories	-0.6	-0.8	1.0	1.6
Domestic demand	-3.3	-2.8	0.5	1.9
Exports	-5.8	-2.1	2.0	4.2
Imports	5.1	2.8	-1.7	-4.2
Net exports	-0.7	0.7	0.3	0.0
GDP	-4.0	-2.0	0.8	1.9

Source: Eurostat.

Broadly stable inflation during the second quarter reflected off-setting movements among the major HICP components. Annual inflation in three of the five major components – processed food, unprocessed food and non-energy industrial goods – rose. In contrast, inflation rates fell for the remaining two components, namely energy and services. The biggest rise was registered in annual unprocessed food price inflation, which rose from -0.1% in March to 0.9% in June. On the other hand, the largest fall was in annual energy price inflation, which dropped by one percentage point to 6.2% in June.

The upward trend in prices seen in previous months resumed during the third quarter, with area-wide HICP inflation rising to 1.8% in September.

Labour market conditions stabilise

Conditions in the euro area labour market appeared to have stabilised in the second quarter of 2010. Indeed, employment remained unchanged on a quarter-on-quarter basis. Nevertheless, on an annual basis, employment still contracted by 0.6%, though this was a smaller fall than that registered in the previous quarter. Unemployment data also gave positive signals, as the increasing trend in the jobless rate seen since March 2008 seemed to have levelled off.

The rate, however, was nevertheless high by historical standards. After remaining unchanged in April, the unemployment rate rose by 0.1 of a percentage point to 10.1% in May, and continued at this level in June (see Chart 1.8). The rate was stable in the following two months.

Euro area GDP and inflation forecasts revised upwards

The latest ECB staff macroeconomic projections published in September placed the average annual real GDP growth in the euro area in a range between 1.4% and 1.8% in 2010 and between 0.5% and 2.3% in 2011 (see Table 1.3). After robust growth in the first half of the year, the rate of expansion is expected to slow down in the second half, reflecting weakening support from policy stimuli and the inventory cycle. In 2011, economic activity is projected to pick up

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

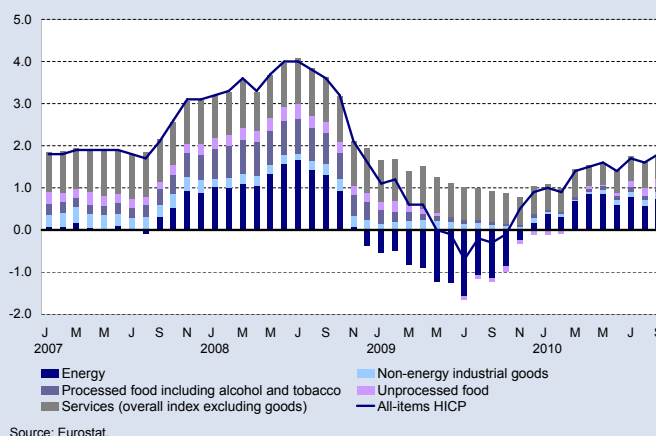


Chart 1.8
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)

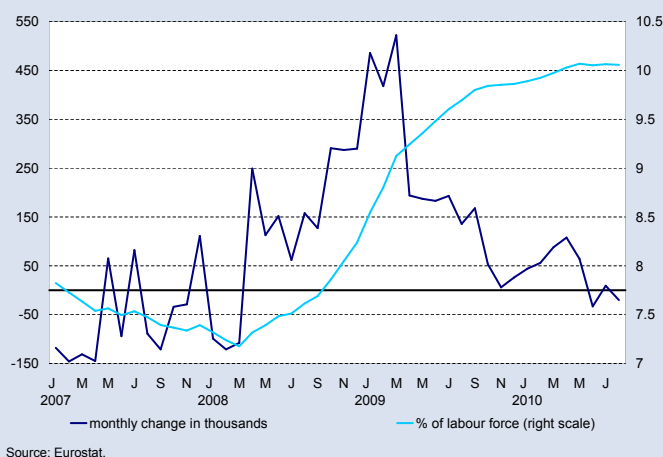


Table 1.3**MACROECONOMIC PROJECTIONS FOR THE EURO AREA⁽¹⁾***Average annual percentage changes, working-day-adjusted data.*

	2009	2010	2011
Private consumption	-1.1	0.0 – 0.4	-0.1 – 1.5
Government consumption	2.6	0.3 – 1.3	-0.1 – 1.1
Gross fixed capital formation	-11.0	-2.3 – -0.7	-1.6 – 3.0
Exports	-13.2	7.4 – 10.0	2.9 – 9.3
Imports	-11.8	5.8 – 8.2	1.6 – 7.8
Real GDP	-4.0	1.4 – 1.8	0.5 – 2.3
HICP	0.3	1.5 – 1.7	1.2 – 2.2

⁽¹⁾ ECB staff macroeconomic projections (September 2010).

Source: ECB.

again, supported by exports and by gradually rising domestic demand, although the need for balance sheet restructuring is expected to dampen growth. Therefore, over the projected horizon, real GDP growth is expected to rebound but remain moderate. Compared with the June 2010 projections, the real GDP growth forecasts for both 2010 and 2011 have been revised upwards.

Inflationary pressures over the forecast horizon are expected to remain contained, with the average annual HICP inflation rate forecast to rise to between 1.5% and 1.7% in 2010 and between 1.2% and 2.2% in 2011. The acceleration in inflation in 2010 is mainly driven by commodity price developments, whereas in the following year domestic price pressures are expected to increase as economic activity picks up. Compared with the previous projections, both ranges have been revised upwards.

ECB keeps implementing non-standard monetary policy measures

During the second and third quarters of 2010, the ECB's Governing Council left key interest rates unchanged. Official interest rates were considered as appropriate since the Council expected price developments to remain moderate over the policy relevant horizon and inflation expectations to remain firmly anchored.

During both quarters, the Governing Council continued to implement non-standard monetary policy measures. In May, the ECB took several steps to address severe tensions observed in some market segments, which hampered the monetary policy transmission mechanism, notably by intervening in public and private debt markets. Moreover, the Council decided to adopt a fixed rate tender procedure with full allotment in the three-month LTROs to be allotted on 26 May and 30 June and to conduct an additional six-month LTRO with full allotment on 12 May. The Council also reactivated temporary swap lines with the Federal Reserve System and resumed US dollar liquidity-providing operations. Subsequently, in June the Governing Council decided that the regular three-month LTROs, to be conducted in the third quarter of 2010, would also be carried out as fixed rate tender procedures with full allotment.

Turning to the third quarter of 2010, at the end of July the ECB reviewed the risk control measures in the framework for assets eligible for use as collateral in Eurosystem market operations.

Subsequently, in September the Governing Council decided to conduct the main refinancing operations (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 18 January 2011. 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 with rates in these operations to be fixed at 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 rates used for these operations would be the same as the MRO rate prevailing at the time.

Broad money growth turns positive

Monetary growth turned positive in the June quarter, although it remained weak. The annual rate of change of the broad monetary aggregate M3 edged up from a negative 0.1% in March to 0.2% in June, which was the first positive reading in eight consecutive months (see Table 1.4). Subdued M3 growth primarily reflected the impact of relatively low interest rates on monetary assets. Nevertheless, the shifts away from broad money towards higher yielding non-monetary assets appeared to be diminishing. Despite the recent upturn, underlying monetary expansion remained moderate, implying that inflationary pressures would be contained over the medium term.

Meanwhile, the annual growth rate of M1, though still high, diminished significantly, falling by 1.7 percentage points over the quarter to 9.1% in June. At the same time, the annual growth rate of short-term deposits other than overnight deposits (M2-M1) edged up, although still negative. These developments suggest that investors were substituting M1 with higher remunerated components within M3, following the increased interest offered on deposits with a maturity of up to two years relative to the opportunity cost of holding overnight deposits and other short-term monetary instruments.

The behaviour of monetary aggregates during the second quarter extended into the following quarter, as the annual growth rate of M3 increased further while that of M1 continued to fall.

Table 1.4
EURO AREA MONETARY AGGREGATES

Annual percentage changes, seasonally adjusted

	2010					
	Mar.	Apr.	May	June	July	Aug.
M1	10.8	10.7	10.3	9.1	8.1	7.7
Currency in circulation	6.8	5.5	6.8	6.9	6.6	6.7
Overnight deposits	11.7	11.8	11.0	9.6	8.4	7.9
M2-M1 (Other short-term deposits)	-8.0	-8.6	-7.9	-7.0	-5.9	-4.5
Deposits with an agreed maturity of up to two years	-21.9	-22.6	-21.1	-19.4	-17.4	-15.1
Deposits redeemable at notice of up to three months	11.8	10.7	9.7	9.1	8.3	8.2
M2	1.6	1.3	1.5	1.4	1.5	2.0
M3	-0.1	-0.2	0.0	0.2	0.2	1.1

Source: ECB.

MFI loans to the private sector turn positive

On the counterpart side, the annual growth rate of credit to euro area residents fell from 1.8% in March to 1.5% in June. This reflected a steady decrease in the annual growth rate of credit to general government, while private sector credit growth stabilised.

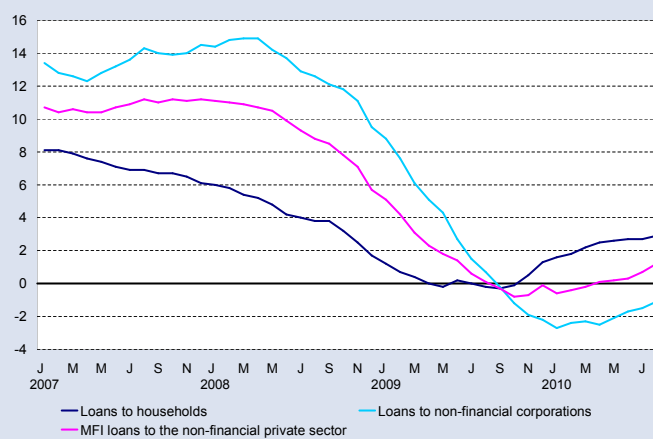
The annual rate of growth of MFI loans to the non-financial private sector started to pick up during the second quarter of 2010, turning positive in April, after seven months of negative readings. The annual growth rate increased from -0.2% in March to 0.3% in June (see Chart 1.9). The pick-up in lending to the private sector reflected faster year-on-year growth of loans to households, which rose by half a percentage point to 2.7%, mainly driven by loans for house purchases. The increase also resulted from less negative growth rates of loans to non-financial corporations, which edged up by 0.6 of a percentage point to an annual rate of -1.7% in June. Subdued lending to non-financial corporations during the quarter might reflect lower demand for credit as cash flows and retained earnings recovered. Also, large firms were able to substitute bank borrowing by issuing debt securities and shares.

The annual growth rate of MFI loans to the private sector continued to recover during the third quarter, rising to 1.2% in August.

Money market rates stabilise

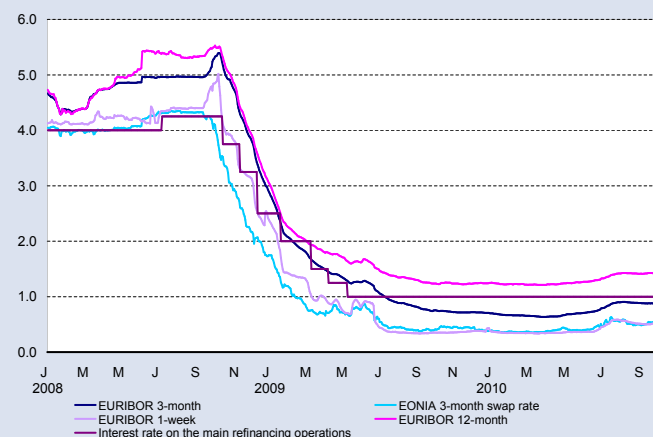
The downward trend in money market interest rates in the euro area observed since October 2008 came to a halt in the second quarter of 2010. Over the quarter, unsecured money market interest rates, as measured by EURIBOR, rose by 13 basis points to 0.77% at the three-month maturity, and by nine basis points to 1.31% at the 12-month maturity (see Chart 1.10).² The increase continued also in the September quarter, when the three-month and 12-month EURIBOR both went up by 13 basis points.

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



Source: ECB.

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.

The difference between the unsecured EURIBOR and secured rates, such as those derived from the three-month EONIA swap index, narrowed further in April, only to widen again in May and June.³ Over the whole quarter, at the three-month maturity, the spread stood at 32 basis points at the end of June, six basis points above the end-March level. In the following quarter, however, the spread narrowed again, edging down by three basis points.

Euro area long-term government bond yields decline

During the second quarter of 2010, ten-year German government bond yields, which are often taken as a benchmark in the euro area, decreased, falling by 52 basis points to 2.58% over the quarter. Although significant, this decline was smaller than that registered in comparable yields in the United States (refer to Chart 1.3). Euro area bond market developments were characterised by rising financial market concerns about the sovereign debt of some euro area countries. In particular, the intensification of the Greek fiscal crisis at the end of April, the subsequent downgrade of various sovereign credit ratings and concern about the negative impact on economic activity of austerity measures announced by several euro area governments, triggered a large-scale flight to quality. This exerted downward pressure on benchmark yields and led to wider sovereign bond spreads in the euro area.

Benchmark euro area government bond yields fell further in the September quarter, though to a lesser degree than in the previous quarter. Overall, ten-year German government bond yields fell by 31 basis points to 2.26%, reaching a low in the last decade of 2.11% on 31 August.

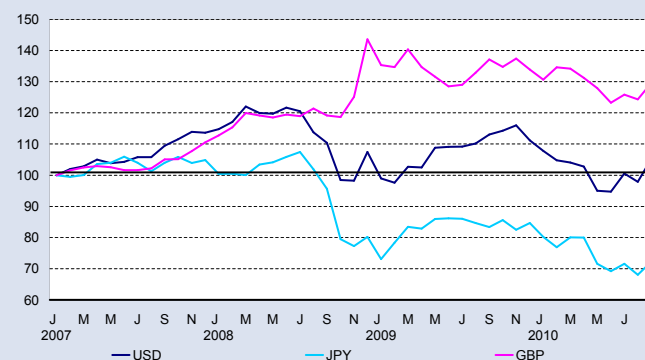
Euro area equity prices decline

As in bond markets, developments in euro area stock markets were also characterised by intensifying financial market concern about the sovereign debt of some euro area countries. Overall, euro area stock prices, as measured by the Dow Jones EURO STOXX index, dropped by 11.1%, as opposed to a small increase in the previous quarter (refer to Chart 1.4). Equity prices moved in line with those of other major industrialised economies, with the decline being nearly as much as that registered in the United States. Increased risk-aversion prompted market participants to sell equities, causing euro area stock prices to decline sharply at the beginning of May. However, the fall observed during the quarter under review was nearly completely reversed in the following quarter, as euro area stock prices rose by a total of 7.3%.

Euro depreciates significantly against other major currencies

During the June quarter, the euro fell significantly against other major currencies in an environ-

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)

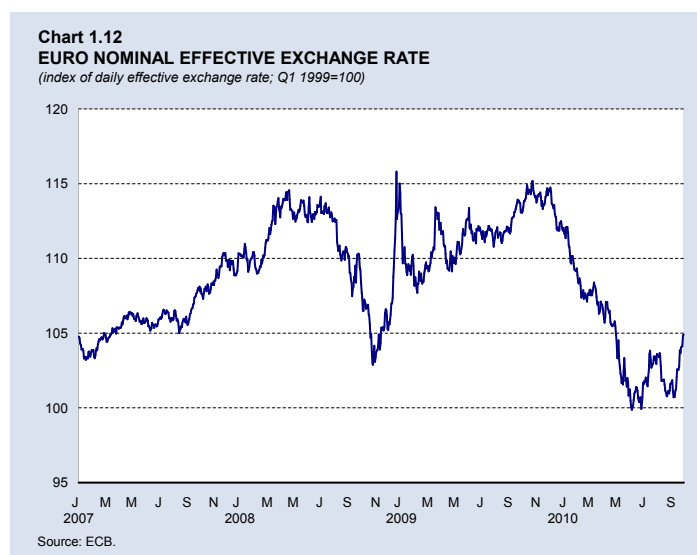


³ EONIA is a measure of the effective interest rate prevailing in the euro interbank overnight market. The EONIA swap rate is the fixed rate that banks are willing to pay in exchange for receiving the average EONIA rate over the lifetime of a swap contract. The EONIA swap index is considered a measure of market confidence in the soundness of the banking system.

ment of renewed financial market concern about the fiscal situation in some euro area countries and an increase in foreign exchange market uncertainty. Such developments tend to support the US dollar, which is the traditional safe-haven currency.

Turning to key bilateral exchange rates, the depreciation of the euro against the US dollar observed in the first quarter of the year continued during the quarter under review, when the euro weakened by 9.0% (see Chart 1.11). The depreciation against the Japanese yen was even more pronounced, with the euro falling by 13.6% between end-March and end-June while it lost 8.1% against the pound sterling. Apart from the above-mentioned common factors causing the weakening of the euro, better than expected unemployment data in the United Kingdom also contributed to the pound sterling's appreciation. The euro's slide came to a halt in July, with the common currency strengthening against all three currencies over the September quarter.

The nominal effective exchange rate (NEER) of the euro, as measured against the currencies of 21 of the euro area's main trading partners, depreciated during the second quarter of the year, weakening by 6.1% between end-March and end-June (see Chart 1.12). The weakening of the euro during this quarter was relatively broad based. Over the following quarter, in contrast, the recovery of the euro led to a 4.5% gain in the NEER.



BOX 1: INTERNATIONAL REGULATORY REFORM - BASEL III

The Basel Committee on Banking Supervision (BCBS) is the recognised standard setting body for the regulation of the banking sector. It provides a forum for regular cooperation on banking matters to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide.

In September 2010, the BCBS announced revised proposals on capital requirements for credit institutions.¹ The proposed changes have been termed Basel III as they build on the previous Basel II standards. The new proposals aim to raise the quality, consistency and transparency of capital, to improve the banking sector's ability to absorb shocks arising from financial and economic stress, to improve risk management and governance, and to strengthen bank transparency and disclosures. Moreover, banks will be expected to apply a non-risk-based leverage ratio and to implement an adequate liquidity framework. These proposals are directed at enhancing the resilience of the global financial system, particularly by addressing weaknesses which have been exposed by the global financial crisis. Thus, Basel III addresses both microprudential aspects as well as macroprudential issues. Once there is agreement on these proposals, countries will be encouraged to implement them. In order to mitigate the impact of these regulatory changes, the new standards will be implemented gradually, from January 2013 to January 2019, with the proposed phased-in timetable as shown in Table 1. The BCBS, however, contends that countries which experience excessive credit growth should consider accelerating the implementation of the "conservation" and "countercyclical" capital buffers. It is also expected that capital instruments no longer qualifying as non-common equity Tier 1 capital or Tier 2 capital be phased out over a ten-year horizon beginning on 1 January 2013. Existing instruments that form part of current capital requirements but which will no longer remain eligible under Basel III will be phased out concurrently.

The new requirements of Basel III are expected to be concurrently transposed in the EU in the Capital Requirements Directives to make them applicable to the European banking sector.^{2,3}

In raising the quality, consistency, and transparency of bank capital, the new requirements put particular emphasis on the loss absorbing properties of the capital base, making common equity more prominent. Indeed, whereas under the current regime issued share capital can be as low as 2% of risk-weighted assets, the new proposals require core Tier 1 capital (which is mainly composed of equity) to rise to 4.5%. In turn, total Tier 1 capital, which may include non-core Tier 1 items such as certain hybrid instruments and preference shares, must be at least 6% of risk-weighted assets. Furthermore, Tier 2 capital (which includes mainly subordinated debt) has been pegged at a maximum of 2% of risk-weighted assets, down from the current 4%. On the other hand, Tier 3 capital, which currently consists mainly of other short-term debt, will be abolished.

Basel III will also introduce a novel system of countercyclical capital buffers to ensure that banks have an appropriate capital cushion to protect them against future potential losses and to limit

¹ Members of the BCBS include Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Committee Secretariat is housed at the Bank for International Settlements (BIS) in Basel, Switzerland.

² Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast) - *OJ L 177, 30.6.2006, p. 1*.

³ Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions - *OJ L 177, 30.6.2006, p. 201*.

Table 1
PHASED-IN ARRANGEMENTS AS PROPOSED BY THE BCBS

Per cent

	2011	2012	2013	2014	2015	2016	2017	2018	As of 1 Jan. 2019
Leverage Ratio		Supervisory Monitoring	Parallel Run 1 Jan 2013 - 1 Jan 2017 Disclosure starts 1 Jan 2015			Migration to Pillar 1			
Minimum common equity capital ratio			3.5	4.0	4.5	4.5	4.5	4.5	4.5
Capital conservation buffer						0.625	1.25	1.875	2.5
Minimum common equity plus capital conservation buffer			3.5	4.0	4.5	5.125	5.75	6.375	7.0
Phase-in of deductions from CET 1 (including amounts exceeding the limit for DTAs, MSRs and financials)				20	40	60	80	100	100
Minimum tier 1 capital			4.5	5.5	6.0	6.0	6.0	6.0	6.0
Minimum total capital			8.0	8.0	8.0	8.0	8.0	8.0	8.0
Minimum total capital plus conservation buffer			8.0	8.0	8.0	8.625	9.25	9.875	10.5
Capital instruments that no longer qualify as non-core Tier 1 or Tier 2 capital			Phased out over 10 year horizon beginning 2013						
Liquidity coverage ratio		Observation period begins							Introduce minimum standard
Net stable funding ratio			Observation period begins						Introduce minimum standard

Source: Bank for International Settlements

the possibilities of a credit crunch induced by a capital shortfall. Two buffers will be introduced: a “capital conservation” and a “countercyclical” capital buffer. The former is expected to absorb bank sector losses in the event of a severely stressed financial and economic environment, while the latter will extend the capital conservation range during periods of excess credit growth.⁴ Both buffers can be run down to absorb losses during stressful periods. The capital conservation buffer is being set at an additional 2.5% of risk-weighted assets while the countercyclical capital buffer fluctuates within a range of between 0 - 2.5%. The first buffer will include common equity, which can also comprise other types of full-loss absorbing capital.⁵ The home authorities will manage the buffers, either by requesting a build-up in the case of the countercyclical component or by granting permission to run down the two buffers.

Overall, the new capital regime raises the common equity component in bank regulatory capital from 2% to 7% of risk-weighted assets.⁶ Basel rules require banks with capital ratios falling below the capital conservation buffer to restrict dividend payout and bonuses.

⁴ Apart from credit growth indicators, national supervisors may utilise other indicators which they deem plausible.

⁵ In both cases, deductions apply.

⁶ If the countercyclical capital buffer is made up of common equity, it is possible for the equity component to amount to 9.5% of risk-weighted assets.

Besides the need for more stringent capital requirements, the global crisis has also highlighted the importance of having in place global liquidity standards, which, at present, do not exist. To address this lacuna, the BCBS will introduce two minimum standards. The 30-day liquidity coverage ratio (LCR), measured as the ratio of the stock of high quality liquid assets to the required amount of stable funding over the following 30 days, must equal, or exceed, 100% to minimise the risk of short-term liquidity disruptions. The net stable funding ratio (NSFR), measured as the available amount of stable funding to the required amount of such funding, must exceed 100%, though the likelihood is that this benchmark will be recalibrated. These standards will address liquidity mismatches and provide incentives to draw on stable funding sources. Following an appropriate observation period, the LCR and NSFR are expected to be introduced in 2015 and 2018, respectively.

To discourage excessive leverage, a proposed minimum of 3% non-risk-based leverage ratio, calculated as the ratio of capital to total assets and other balance sheet items, will be tested by the BCBS during a transition period used to assess whether the proposed design and calibration are appropriate in a full credit cycle and for different types of business models. The computation is not restricted only to balance sheet items, but will also include off-balance-sheet items to encompass all risks. This ratio is expected to migrate to a Pillar I requirement following an appropriate review and calibration period.⁷ Each bank will be required to disclose the value of its respective ratio as from 1 January 2015. Thereafter, banks with a defined leverage ratio below the agreed level will have either to raise capital or to adjust their on and/or off-balance-sheet size.

Other international regulatory changes relate to trading book and securitisation reforms that were initially announced in July 2009. In particular, the BCBS aims to strengthen the capital requirements for counterparty credit risk exposures stemming from derivatives, repos and securities' financing activities. The proposals will also provide incentives to move over-the-counter exposures to central counterparties. Other components of the proposed changes focus on the possibility of shifting to forward-looking rather than backward-looking provisioning for loan losses, thus reducing procyclical effects. Other discussions focus on addressing moral hazard issues which can be created by global and domestic systemically important financial institutions (SIFIs). The latter are institutions which, in view of their particular characteristics, may cause severe disruption to the financial system and may have the potential to exert serious negative consequences on the real economy. Various options are being discussed, including tightening requirements through combinations of capital surcharges, contingent capital and bail-in debt. On a national level these requirements can be applied to systemically important institutions which can create severe disruptions at the domestic level and thus may be considered as 'too-big-to-fail'.

The reforms may have some short-term negative impact on economic growth. The requirement to hold more capital may translate into higher costs for bank customers, whether in the form of higher lending interest rates or lower deposit rates, besides the possibility of rationed credit. Likewise, the need to hold more liquid assets and a rebalancing in the long-term funding of banks could compel some institutions to revise their business models. However, the long-run impact is expected to be beneficial as these new requirements should reduce the probability of a future crisis and associated costs to the economy as a whole. Studies indicate that for each percentage point reduction in the annual probability of a crisis, an expected annual benefit in the region of 0.2% - 0.6% of output would occur.⁸

⁷ Pillar I requirements cater for credit risk, operational risk and market risk.

⁸ BIS "An assessment of the long-term economic impact of stronger capital and liquidity requirements" (August 2010).

Preliminary international studies carried out so far by the Financial Stability Board and the BCBS stress that the macroeconomic impact of shifting to stronger capital is not expected to have a significant impact on the annual GDP growth rate if these are introduced gradually.⁹ In fact, the studies estimate that a one percentage point increase in capital will lead to a mere median drop of 0.04% in annual GDP growth. Similarly, the expected impact of a 25% increase in liquid asset holdings, combined with an extension of the maturity of the banks' wholesale liabilities, will result in a median decline in GDP of a mere 0.08%.¹⁰ Industry studies, on the other hand, estimate a large economic impact of the proposed reforms on the United States, the euro area and Japan.¹¹

⁹ BIS "Assessing the macroeconomic impact of the transition to stronger capital and liquidity requirements" (August 2010).

¹⁰ These figures are however to be treated with caution and do not relate directly to the Maltese economy. A priori, however, the impact is not expected to significantly exceed these estimates as Maltese banks have generally held good quality capital, maintained high liquidity and did not leverage excessively.

¹¹ Institute of International Finance, "Interim Report on the Cumulative Impact on the Global Economy of Proposed Changes in the Banking Regulatory Framework" (June 2010). The estimates presented in these studies are not directly comparable with those of the BIS because of differences in the assumptions.

2. THE MALTESE ECONOMY

Output

Economic activity expands further in the second quarter...

The economy registered its third consecutive quarter of growth between March and June 2010, when real GDP expanded at a year-on-year rate of 3.9% (see Chart 2.1). Growth was supported by the sustained recovery in exports and, to a lesser degree, by higher final domestic demand. Indeed, the latter, which excludes inventories, contributed 1.4 percentage points to growth reflecting higher consumption and investment, while net exports accounted for 8.6 points. On the other hand, these gains were offset by a reduction in inventories, which include the statistical discrepancy (see Table 2.1).

Chart 2.1
REAL GDP GROWTH
(annual percentage changes)



Source: NSO.

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	Q2	2009		2010		
		Q3	Q4	Q1	Q2	
		<i>Annual percentage changes</i>				
Household final consumption expenditure	-3.0	0.1	2.6	1.3	0.6	
Government final consumption expenditure	0.4	-1.6	-3.7	-3.0	4.0	
Gross fixed capital formation	-21.8	3.7	-5.0	4.5	1.6	
Changes in inventories as a % of GDP	-0.6	-5.2	2.8	5.4	-6.6	
Domestic demand	-14.3	-3.0	2.5	3.8	-4.7	
Exports of goods & services	-8.3	-3.9	-1.6	29.0	23.2	
Imports of goods & services	-19.4	-4.4	0.9	27.1	13.0	
Gross domestic product	-3.9	-2.5	0.3	4.2	3.9	
		<i>Percentage point contributions</i>				
Household final consumption expenditure	-2.0	0.1	1.7	0.9	0.4	
Government final consumption expenditure	0.1	-0.3	-0.8	-0.7	0.8	
Gross fixed capital formation	-3.6	0.5	-0.7	0.6	0.2	
Changes in inventories	-10.7	-3.1	2.2	3.2	-6.2	
Domestic demand	-16.1	-2.9	2.6	4.0	-4.7	
Exports of goods & services	-7.3	-3.6	-1.4	21.8	19.5	
Imports of goods & services	19.6	4.0	-0.8	-21.6	-10.9	
Net exports	12.2	0.4	-2.2	0.2	8.6	
Gross domestic product	-3.9	-2.5	0.3	4.2	3.9	

Source: NSO.

The ongoing recovery was also reflected in faster growth in industrial production, which continued into August, and somewhat tighter labour market conditions.

... owing to higher final domestic demand ...

Growth in private consumption decelerated to 0.6% in the June quarter from 1.3% in the previous quarter (see Table 2.1), reflecting the sluggish increase in employee compensation and the slower rate of credit growth in recent quarters. Corroborating indicators include consumer goods imports, which remained broadly unchanged from a year ago, and motor vehicle registrations, which fell by 19.2% on a year earlier when a change in registration tax had led to a substantial increase in car registrations.

A breakdown of real private consumption spending highlights a moderately higher outlay on almost all other categories, especially household furnishings & maintenance, recreational activities, and food & beverages.

After having fallen for three quarters in a row, government consumption grew by 4% and contributed 0.8 percentage points to overall GDP growth. This reflected primarily an increase in intermediate consumption related to health services, public administration and defence. The government's wage bill also grew during the period under review.

Between April and June, gross fixed capital formation rose again, although at the more moderate pace of 1.6% compared with 4.5% in the March quarter. Measured in nominal terms, the increase in investment was primarily driven by the private sector, in part, by higher purchases of printing and communications equipment. Meanwhile, construction investment, which accounts for almost half of overall investment, increased marginally, partly due to public works carried out at the sewage treatment plants in the south of Malta. In contrast, residential investment continued to decline, probably as a result of the substantial overhang of properties on the market. This trend is further corroborated by a fall in the number of permits issued by MEPA in previous quarters (see Box 3).

Changes in inventories, which also capture statistical adjustments, stood at -6.6% of GDP, down from 5.4% in the March quarter, shaving a sizeable 6.2 percentage points off the total growth rate.

... and especially net exports

In line with the global recovery, exports of goods and services increased further at double-digit rates, rising by around 23% in the second quarter. According to nominal balance of payments data, growth was predominantly driven by trade in goods, particularly semiconductors and re-exports of fuel, with additional contributions from financial services and inbound tourism. Import growth, however, decelerated to 13% in the June quarter, reflecting the relatively moderate growth rate in domestic demand. Net exports contributed a positive 8.6 percentage points to real GDP growth.

In nominal terms, exports rose by just under 16% while imports rose by 4.4%, implying a faster decline in import prices and a slight improvement in the terms of trade.

The income measure of GDP shows that gross value added (GVA) in nominal terms expanded at an annual rate of 9.3%, following an expansion of 7.3% in the previous quarter. Growth was driven by a significant increase in operating surplus, which was up by almost a quarter on a year ago (see Chart 2.2). More than half of the increase was generated by the financial intermedia-

tion sector owing to strong gains in net interest income. Employee compensation, the other major component of GVA, rose by 1.2% after having declined for three consecutive quarters, mainly driven by a higher wage bill in health & social work, education and in real estate, renting & business activities.

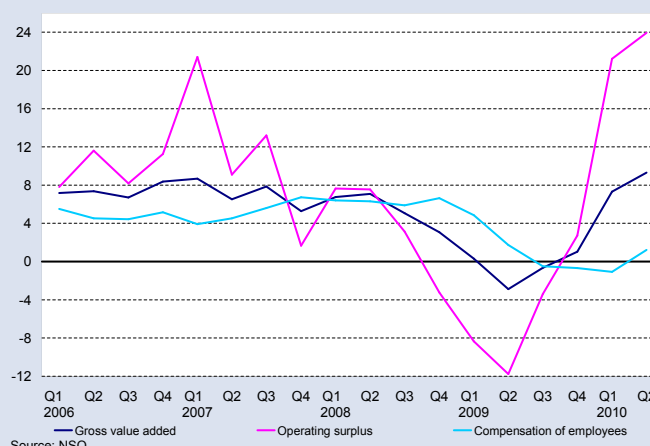
Services remain the main engine of growth...

From a value added perspective, the recovery was largely determined by services, particularly financial intermediation and the other community, social & personal services sector, which includes remote gaming and other recreational activities. Together, these two sectors contributed 4.6 percentage points to nominal growth of 6.8% in GDP (see Table 2.2).

... though manufacturing also contributed

Following the downturn in the previous quarters, activity in manufacturing picked up in the second quarter of 2010, when the sector's GVA rose by 7.3% and contributed almost a full percentage point to overall nominal growth.

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



Source: NSO.

Table 2.2

CONTRIBUTION OF SECTORAL GROSS VALUE ADDED TO NOMINAL GDP GROWTH

Percentage points

	2009			2010	
	Q2	Q3	Q4	Q1	Q2
Agriculture, hunting & forestry	0.2	0.1	0.1	-0.1	0.0
Fishing	0.0	0.1	-0.7	0.1	-0.1
Manufacturing	-2.7	-3.1	-2.9	-0.7	0.9
Electricity, gas & water supply	0.4	1.1	0.5	0.3	0.2
Construction	-0.1	-0.1	-0.3	-0.2	0.3
Wholesale & retail trade	-1.3	-0.6	-0.3	0.7	0.1
Hotels & restaurants	-0.8	-0.7	-0.4	0.2	0.3
Transport, storage & communication	-0.8	-1.1	-0.9	-0.1	0.0
Financial intermediation	0.8	1.3	2.7	3.1	3.4
Real estate, renting & business activities	0.5	0.8	1.1	0.8	0.9
Public administration	0.4	0.4	0.3	0.2	0.1
Education	0.1	0.1	0.3	0.4	0.4
Health & social work	0.3	0.5	0.4	0.4	0.4
Other community, social & personal services	0.5	0.6	1.1	1.2	1.2
Gross value added	-2.5	-0.6	0.9	6.4	8.1
Net taxation on products	0.6	0.1	1.3	1.8	-1.3
Annual nominal GDP growth (%)	-1.9	-0.5	2.2	8.2	6.8

Source: NSO.

Table 2.3
INDUSTRIAL PRODUCTION

Annual percentage changes

	2009			2010	
	Q2	Q3	Q4	Q1	Q2
Industrial production	-16.0	-14.3	-5.4	5.7	9.8
Computer, electronic & optical products	-21.4	-19.9	5.1	34.9	32.5
Food products & beverages	-6.5	-14.1	-11.4	-10.9	-5.9
Electricity, gas, steam & air conditioning supply	-1.3	-5.9	-3.1	-4.4	-3.8
Wearing apparel	-23.8	-43.4	-52.0	-37.0	-27.2
Rubber & plastic products	-38.8	-20.9	1.2	23.7	33.4
Basic pharmaceutical products & pharmaceutical preparations	3.7	-25.5	-21.3	4.6	44.6
Printing & reproduction of recorded media	50.4	71.7	21.9	-7.1	-34.0
Electrical equipment	-15.7	193.2	116.6	33.4	43.4

Sources: NSO and Eurostat.

This development was broadly in line with information on industrial production, which grew by 9.8% on a year earlier (see Table 2.3). These data, while exhibiting a high degree of volatility, provide further insight into various sub-sectors in manufacturing. During the quarter, semiconductors (captured under computer, electronic & optical products), rubber & plastic products and pharmaceuticals expanded at double-digit rates. In contrast, other large sectors such as food & beverages, electricity, gas, steam & air-conditioning supply and wearing apparel, registered declines (see Table 2.3).

Meanwhile, the GVA of the real estate, renting & business activities sector added almost a full percentage point to growth, with the bulk of the increase coming from the business activities component. The real estate sector's contribution also rose, possibly signalling a higher level of activity in the property market. In parallel, after having fallen for five consecutive quarters, value added in construction rose by just over 10% and added 0.3 percentage points to growth.

The global economic recovery had a positive influence on Malta's tourism industry. Indeed, during the second quarter, both tourist arrivals and spending rose (see Box 4). Consequently, value added from the hotels & restaurants sector grew for the second successive quarter by 8.2%, adding 0.3 percentage points to growth, with the hotel segment accounting for most of the rise. Related indicators point to further gains up to August.

Concurrently, the GVA of the wholesale & retail trade sector grew at a more subdued rate, rising by 0.5% compared to 8% in the first quarter. Output in the transport, storage & communication sector continued to recover but, as this sector's intermediate consumption grew at a faster pace, its contribution to nominal GDP was relatively insignificant.

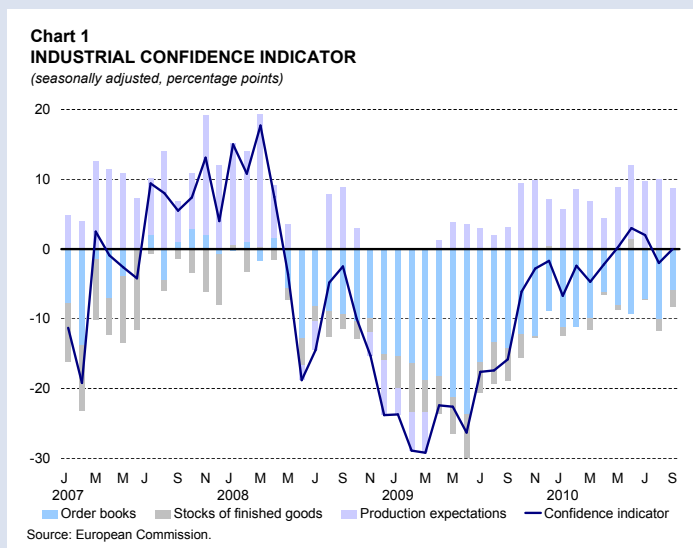
Other service sectors making a positive contribution included health & social work, education and public administration, adding a total of 0.9 points to nominal GDP growth.

The electricity, gas & water supply sector continued on its path of cost recovery. While production declined in volume terms, as shown in Table 2.3, the value of the sector's output rose by around 15%, as did its intermediate consumption, contributing 0.2 percentage points to growth.

BOX 2: BUSINESS AND CONSUMER SURVEYS¹

Industrial confidence falls slightly...²

Survey data for June to September 2010 showed sentiment among manufacturers deteriorating slightly after having risen since 2009 and turning positive in the second quarter of 2010 (see Chart 1). In fact, the seasonally-adjusted industrial confidence indicator declined by three percentage points compared with June, to end September at zero. The sentiment indicator has fluctuated around the zero level since May, following two years in negative territory.



The slight deterioration primarily reflected an accumulation of stocks of finished goods by manufacturing firms. Furthermore, the ratio of respondents planning to expand production over the subsequent three months decreased. On the other hand, there were fewer respondents reporting weak order book levels. The majority of industrial producers considered insufficient current demand as the main factor limiting business expansion.

Survey data also showed that, compared with June, almost the same ratio of respondents expected their employment levels to increase in the subsequent three months.

A breakdown of seasonally-unadjusted data showed a drop in the confidence indicator for manufacturers of consumer and investment goods. The indicator for the former group deteriorated further, falling by eight percentage points from its June level to -10 in September. Similarly, the confidence index for the latter group declined, decreasing by 30 percentage points mainly on account of lower production expectations. In contrast, sentiment among producers in the intermediate goods sector continued to improve, with the relevant indicator rising by five percentage points, primarily due to higher order books and better production expectations.

A more detailed sectoral breakdown suggests that, in seasonally-unadjusted terms, sentiment among machinery & equipment and food manufacturers declined after having improved during the second quarter. Confidence among pharmaceutical firms also fell slightly, though firms in this sector remained generally optimistic. In contrast, producers of semiconductors and manufacturers of electrical equipment were more optimistic. Sentiment expressed by textile firms also improved, although the overall confidence measure in this sector remained slightly negative.

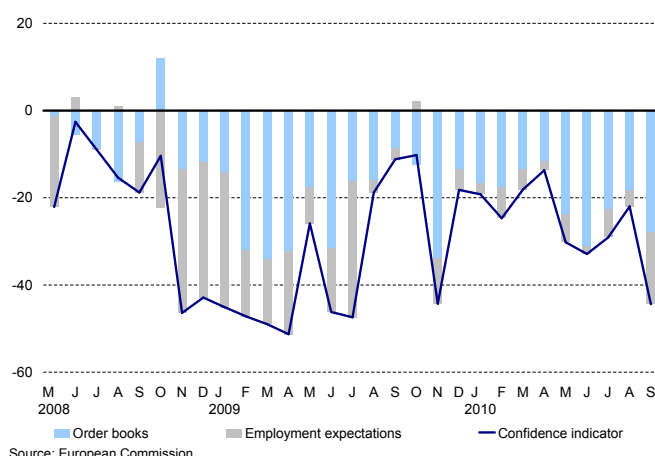
¹ Since May 2010, survey data for industry, construction and services are being compiled according to the NACE Revision 2 classification. However, aggregates for each category are unlikely to be affected by this change in methodology. The compilation of the consumer survey remains unchanged.

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 on production over the subsequent three months, current level of order books and stocks of finished products.

... as does sentiment among construction firms³

Seasonally-unadjusted survey data showed that sentiment among construction firms, which is subject to a large degree of volatility, improved during July and August compared with June, but deteriorated sharply in September (see Chart 2). As a result, the confidence indicator stood at -44 in September, 12 percentage points below the June level and 33 percentage points lower than a year earlier.

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



The dip in confidence reflected respondents' intentions to reduce their labour complement in the subsequent three months. On the other hand, compared with June, a smaller number of firms in the construction industry reported weak order books. However, as with industrial firms, the majority of operators still considered insufficient demand as the main factor limiting construction activity.

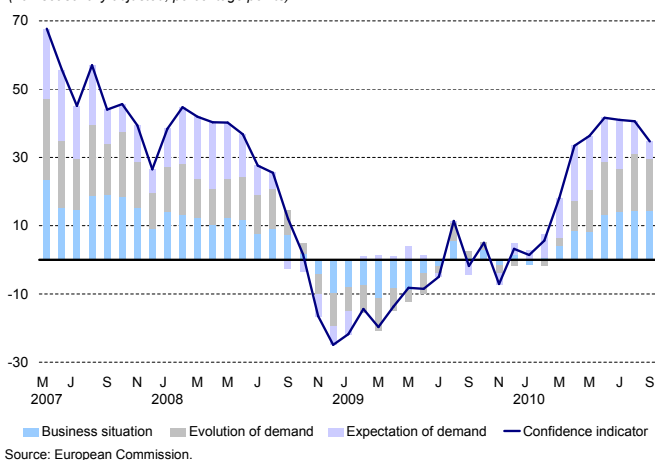
Service providers slightly less optimistic ...⁴

According to survey data, sentiment among service providers declined in the September quarter, though firms remained optimistic on balance (see Chart 3). At 35 in September, the non-seasonally adjusted confidence indicator was seven percentage points below its June level, but 37 percentage points above the corresponding period of the previous year.

The deterioration in sentiment observed since June 2010 was attributable to a lower balance of respondents expecting an increase in demand. However, the majority of service providers reported a small improvement in their business situation, while the ratio of respondents reporting an increase in demand in the previous three months remained stable.

A more detailed breakdown showed that the decline in confidence was spread across most

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



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

⁴ The services confidence indicator is the average of 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.

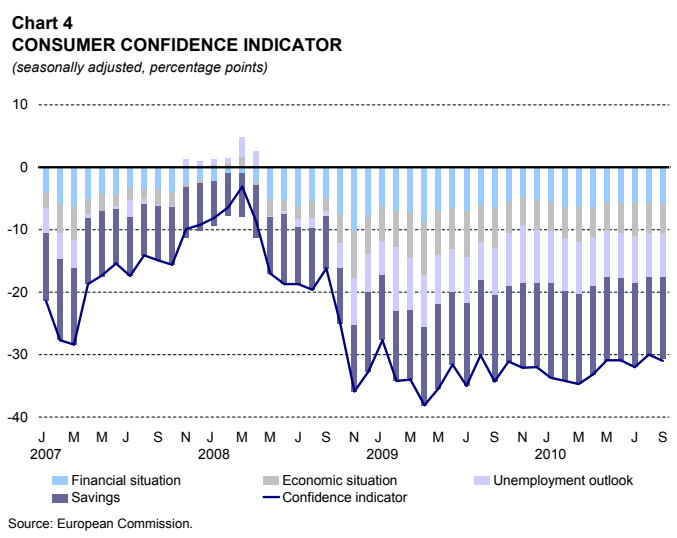
service sectors. In particular, compared with June, sentiment among firms in tourism, though remaining positive, declined significantly as a higher proportion of respondents expected demand to fall over the subsequent three months. In addition, firms operating in architectural & engineering activities and travel agencies also expressed a decline in sentiment. In contrast, confidence among firms providing warehousing and support activities for transportation, which includes cargo handling, improved. Meanwhile, sentiment in the financial intermediation sector was stable at very high levels.

...while consumer confidence remains unchanged⁵

The consumer confidence indicator, which has fluctuated within a relatively narrow range since the end of 2008, edged up during the second quarter of 2010 and remained relatively stable through September (see Chart 4).

The seasonally-adjusted indicator stood at -31 in September, unchanged compared with its June level. In fact, the favourable impact of improved expectations on the unemployment outlook was offset by increased concern about consumers' financial situation, which was expected to worsen in the subsequent twelve months. Meanwhile, expectations on the general economic situation and the ability to save remained unchanged from the June level.

Other consumer survey information indicated that respondents expected prices to increase at a faster rate in the subsequent twelve months compared with the previous twelve months. Furthermore, on average, a lower share of respondents intended to make major purchases, such as new cars and homes, than in the previous quarter.



⁵ The consumer confidence indicator is the average of 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.

BOX 3: RESIDENTIAL PROPERTY PRICES

Residential property price inflation moderates¹

The annual rate of change in advertised property prices, which in the March quarter had risen above zero for the first time since 2008, remained in positive territory during the second quarter of 2010, although the growth rate moderated to 0.5% from 4.5% three months earlier (see Chart 1).

Disaggregated results show that the overall increase was primarily due to higher prices for apartments and, to a lesser extent, for properties in the 'other' category, which consists of townhouses, houses of character and villas (see Chart 2). During the June quarter, prices of apartments – which make up slightly more than half of properties surveyed – rose by 3.6% on a year earlier, contributing almost 1.5 percentage points to overall property price inflation. A deceleration in prices in the 'other' category from a growth rate of 21.4% recorded in the March quarter to 7.8% was one of the main reasons for the overall slowdown in property prices. Nevertheless, the 'other' category contributed marginally to the aggregate rate of price growth. Meanwhile, prices of maisonnettes dropped by 7.7% on a year earlier, accounting for around a negative 1.5 percentage points in overall property price inflation, while prices of terraced houses remained unchanged.

Available information suggests that the supply of properties coming onto the market declined further in the second quarter of 2010, when the number of properties advertised for sale contracted by 7.4% on a year earlier, compared with a 1.3% decline in the March quarter. In contrast, however, the number of building permits issued by the Malta Environment and Planning Authority declined by 3.6% year-on-year, following a drop of almost two-fifths in the previous quarter. This

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



Source: Central Bank of Malta.

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



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

Source: Central Bank of Malta.

¹ This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in advertised residential property prices compiled from newspaper advertisements sampled each month. This box also reports on the findings of a separate quarterly index, computed by the NSO, that is 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.

was wholly due to the number of permits issued for apartments, which, while still making up over four-fifths of the total issued, fell by 8.3%.

According to the latest All-Property Price Index published by the NSO, which covers the first quarter of 2010, residential property price inflation turned marginally positive after four quarters of consecutive decline. The NSO Index rose by an annual 0.4% compared with a drop of 7.7% three months earlier. This reflected a 2.1% rise in prices of apartments,

while those of maisonettes dropped marginally. Meanwhile, the number of contracts of sale of residential property increased by 3.9% on a year earlier. Contracts relating to apartments were up by 2.4%, while those for maisonettes rose by 6.0%.

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



The labour market¹

Employment information covering the second quarter of 2010 generally pointed to an improvement in labour market conditions. Both survey-based data for the quarter and provisional ETC records for June indicated an increase in employment levels compared with the corresponding period of 2009.² Additionally, the seasonally-adjusted unemployment rate eased further and fell significantly by August.

Employment situation improves

The impression of a labour market recovery is supported by LFS data, which showed a year-on-year increase of 2.6% in employment (see Table 2.4). This was slightly faster than the rise in labour supply, which expanded by 2.4%.

The activity rate, which measures the number of people in the labour force as a proportion of the working-age population, also went up to 59.9%, adding 0.9 percentage points on a year earlier and reaching the highest level since the beginning of the survey data collection. Similarly, the employment rate also increased, adding a full percentage point on a year earlier to reach 55.9%. LFS results point to an increase in both private and public sector employment and in full-time and part-time jobs.

	2009			2010		Annual change %
	Q2	Q3	Q4	Q1	Q2	
Labour supply	173,388	174,553	175,940	177,135	177,532	2.4
Employed	161,279	162,567	162,918	164,377	165,443	2.6
<i>By type of employment:</i>						
Full-time	142,881	143,714	144,188	143,377	145,711	2.0
Full-time with reduced hours	3,140	2,796	2,283	3,458	3,685	17.4
Part-time	15,258	16,057	16,447	17,542	16,047	5.2
<i>By economic sector:</i>						
Private	118,023	117,249	114,446	118,542	118,368	0.3
Public	43,256	45,318	48,472	45,835	47,075	8.8
Unemployed	12,109	11,986	13,022	12,758	12,089	-0.2
Activity rate (%)	59.0	59.2	59.4	59.6	59.9	
Male	76.9	76.9	76.0	77.0	78.3	
Female	40.4	40.7	42.0	41.5	40.8	
Employment rate (%)	54.9	55.1	54.9	55.3	55.9	
Male	71.5	71.6	70.9	71.4	73.5	
Female	37.6	37.8	38.3	38.5	37.5	
Unemployment rate (%)	7.0	6.9	7.4	7.2	6.8	
Male	7.0	6.7	6.7	7.2	6.2	
Female	6.9	7.1	8.8	7.2	8.1	

Source: NSO.

¹ The cut-off date for data in this section is 25 October 2010. 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.

² The latest available ETC data are based on provisional estimates for June 2010 which were published by the Ministry of Finance, the Economy and Investment in the *Economic Survey October 2010*.

Table 2.5
LABOUR MARKET INDICATORS BASED ON ETC ADMINISTRATIVE RECORDS

Persons; annual percentage changes

	2009			2010		Annual change %
	June	Sep.	Dec.	Mar.	June	
Labour supply	152,736	152,251	151,507	151,603	152,465	-0.2
Gainfully occupied ⁽¹⁾	145,463	144,730	143,827	144,047	145,690	0.2
Registered unemployed	7,273	7,521	7,680	7,556	6,775	-6.8
Unemployment rate (%)	4.8	4.9	5.1	5.0	4.4	
Private sector	104,239	103,550	102,475	102,844	104,669	0.4
Direct production	32,012	31,716	31,195	31,111	31,407	-1.9
Market services	72,227	71,834	71,280	71,733	73,262	1.4
Public sector	40,527	40,541	40,710	40,565	40,391	-0.3
Temporary employment	697	639	642	638	630	-9.6
Part-time jobs	48,980	49,650	49,736	49,540	51,551	5.2
Primary	27,768	27,962	27,899	27,854	29,451	6.1
Secondary ⁽²⁾	21,212	21,688	21,837	21,686	22,100	4.2

⁽¹⁾ This category measures full-time employment.

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

Sources: NSO, Ministry of Finance, the Economy and Investment.

Similarly, provisional ETC records for June showed a resumption in job creation, thus corroborating the signs of recovery observed in the LFS. In fact, after having contracted in previous quarters, the gainfully occupied (which excludes part-timers) increased by 0.2% on a year earlier (see Table 2.5). Overall, employment increased by 1.1% year-on-year in June, while the labour supply declined marginally by 0.2%.³

According to provisional ETC records, private sector employment resumed its upward trend, increasing by 0.4% over a year earlier, while public sector employment declined by 0.3% during the year to June. Direct production, where full-time employment fell by 1.9%, accounted for all job losses in the private sector, primarily in construction. Meanwhile, however, employment in private market services went up by 1.4%, extending an upward trend which had been briefly interrupted at the turn of the year. Growth was mainly attributable to the real estate, renting & other business activities sector, which offset the impact of redundancies in the hotels & restaurants category. Jobs in the public sector declined, largely due to the early retirement schemes offered to shipyard workers, and to a decrease in the electricity, gas & water supply sector.

In line with LFS results, provisional ETC records for June also showed a sharp increase in part-time employment, which expanded by 5.2% on a year earlier. Around two-thirds of this rise was accounted for by workers with part-time jobs as their primary employment.

Unemployment eases further

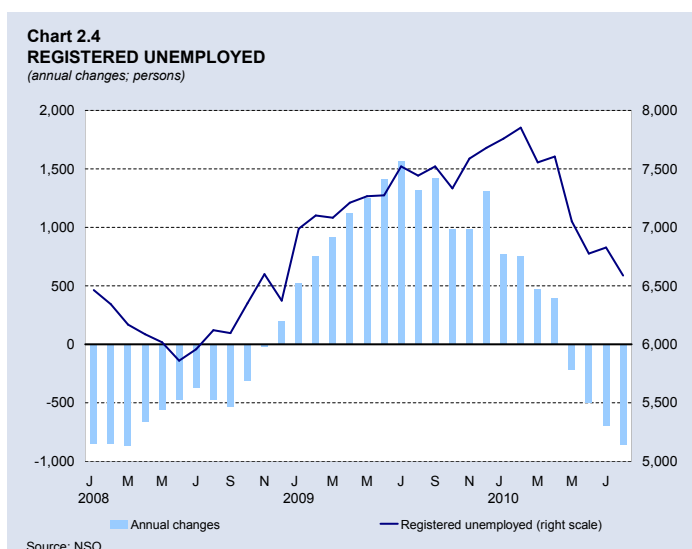
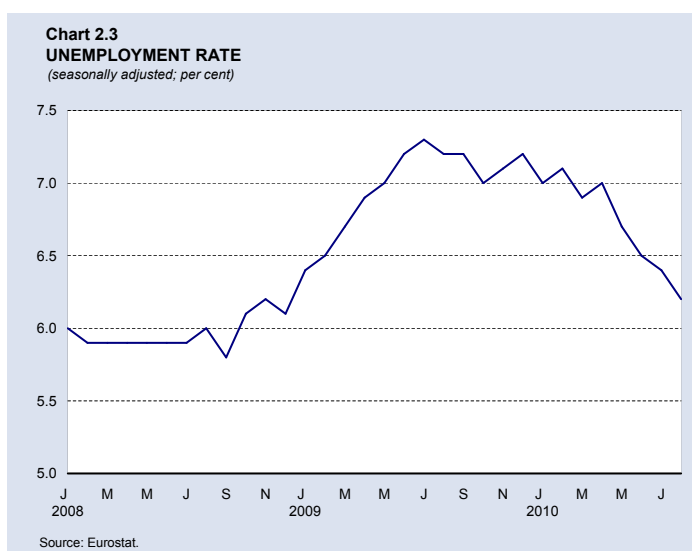
During the second quarter of 2010, unemployment rates compiled from various sources generally eased further. In fact, LFS data showed a decline of 0.2% on a year earlier, as employment increased faster than the labour supply. The unemployment rate went down to 6.8%, 0.2

³ 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.

percentage points lower than in the second quarter of 2009 (see Table 2.4). Similarly, according to Eurostat, the seasonally-adjusted unemployment rate stood at 6.5% in June, 0.4 percentage points lower than in March and 0.7 percentage points below the previous year level (see Chart 2.3).

Furthermore, after seventeen consecutive months of year-on-year increases, the level of registered unemployed contracted for the first time in May and continued to decline in June (see Chart 2.4). In fact, the number of job seekers decreased by 498 on a year earlier to 6,775 at the end of the second quarter.

Available information suggests that labour market conditions have improved going into the third quarter. In particular, the seasonally-adjusted unemployment rate declined further, reaching 6.2% in August (see Chart 2.3). Moreover, according to ETC records, unemployment decreased by 854 in August compared with the corresponding month of the previous year.



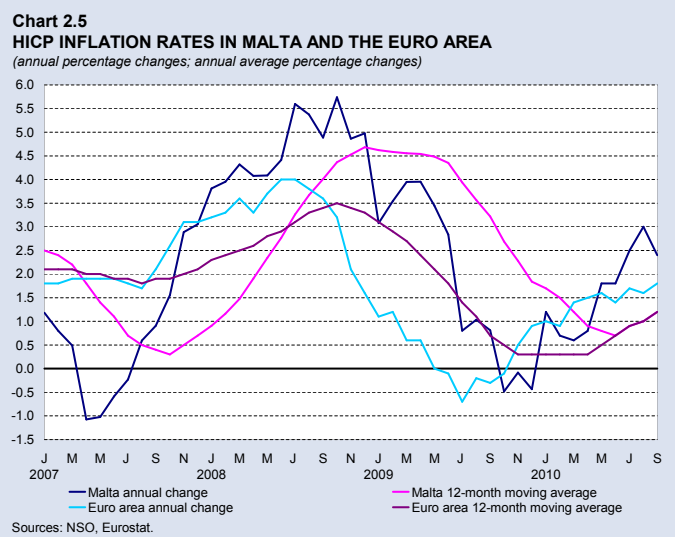
Prices

HICP inflation increases further ...

After having turned positive in the beginning of 2010, the annual HICP inflation rate in Malta increased further in the second quarter of the year, rising to 1.8% in June compared with 0.6% in March. However, the twelve-month moving average rate, which reflects price developments with a lag, continued its downward path reaching 0.7% in June from 1.2% in March. HICP inflation accelerated further during the third quarter, with the annual rate increasing to 3.0% in August, before moderating to 2.4% in September. Thus, the twelve-month moving average rate also rose, reaching 1.2% in September.

The annual inflation rate in the euro area fluctuated in a narrow range around 1.5% from March onwards. While inflation in Malta was below the euro area average until April, it exceeded the euro area rate thereafter (see Chart 2.5).

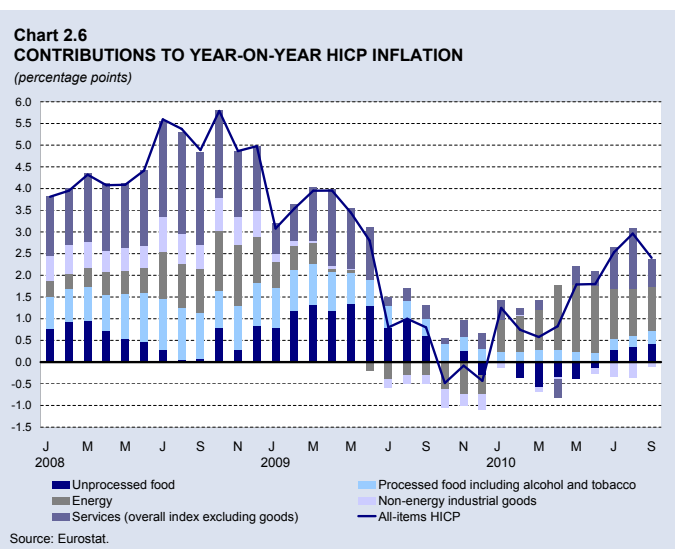
The main factor driving the increase in Malta's annual inflation rate was a further rise in the year-on-year growth rate of energy prices, from 14.9% in March to 24.6% in June. This was the result of a base effect in electricity prices, which had fallen in April 2009, and higher fuel prices. Consequently, the energy component contributed 1.5 percentage points to HICP inflation throughout the June quarter, as against 0.9 points in March (see Chart 2.6).⁴ Moreover, the decline in prices of unprocessed food moderated during the same period, falling at an annual rate of 1.9% in June compared with a decline of 7.7% in March. Vegetable prices, which had been falling, recovered, dampening the impact of lower fruit prices and slower growth in meat prices. Unprocessed food contributed -0.1 percentage points to overall inflation as opposed to -0.6 points three months earlier.



Prices of services increased at an annual rate of 0.8% in June, compared with 0.5% in March, contributing 0.3 percentage points to inflation. Within the category, the restaurants and hotels index increased substantially due to an improved performance in the tourism industry and the resulting rise in the price of accommodation, which went up by an annual 28.2% in June from 5.9% in March. Also, package holiday prices, which had fallen by 3.6% year-on-year in March, went up by an annual 4.2% in June, putting additional upward pressure on service prices.

In contrast, processed food price inflation dropped from 2.2% in March to 1.7% in June, accounting for 0.2 percentage points of overall inflation, 0.1 points less than three months earlier. The drop was brought about by lower prices in the bread & cereals and sugar & confectionery categories.

The acceleration in HICP inflation up to August was mostly due to developments in accommodation



⁴ As from January 2010 the HICP weighting scheme was updated, partly to reflect changes in household consumption patterns captured in the latest Household Budgetary Survey. 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.

prices. As in the second quarter, the increase in the latter was partly in line with the stronger performance in the tourism industry. Developments in unprocessed food prices also pushed inflation up.

... as does RPI inflation

As in previous quarters the annual rate of RPI inflation moved in parallel to that of the HICP, rising from 0.3% in March to 1.4% in June (see Table 2.6), partly reflecting faster growth in electricity prices. Thus, annual inflation in the water, electricity, gas & fuels component, which had stood at 16.0% in March, went up to 27.7% in June. Consequently, its contribution to the RPI increased further to 0.9 percentage points from 0.5 points in March. Concurrently, reflecting higher fuel costs, the annual rate of inflation in transport & communications also rose to 1.1% in June. Whereas in March they had had no impact on inflation, in June they pushed up the overall rate by 0.3 percentage points.⁵

At the same time, the decline in food prices moderated, from a year-on-year drop of 2.7% in March to a 0.9% decrease in June. While falling food prices had lowered overall RPI inflation by 0.6 percentage points in March, their negative contribution had shrunk to 0.2 points by June. In contrast, prices of clothing & footwear continued to fall, dropping by 5.2% in the year to June. There were no significant changes to inflation in the other categories monitored.

The annual rate of inflation is heavily influenced by 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.⁶ On this basis, whereas the overall inflation rate increased, underlying inflation dropped to 1.5% in June from 1.7% in March. Within the core inflation measure, inflation for the household equipment and house maintenance category slowed down, whereas it accelerated in the 'other goods & services' component.

Table 2.6
CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION

Percentage points

	2010						
	Mar.	Apr.	May	June	July	Aug.	Sept.
Food	-0.6	-0.2	-0.3	-0.2	0.5	0.6	0.7
Beverages & tobacco	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Clothing & footwear	-0.3	-0.2	-0.2	-0.4	-0.5	-0.7	-0.5
Housing	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Water, electricity, gas & fuels	0.5	0.9	0.9	0.9	1.0	0.9	0.9
Household equipment & house maintenance costs	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Transport & communications	0.0	0.0	0.1	0.3	-0.2	-0.2	-0.1
Personal care & health	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Recreation & culture	0.1	0.2	0.2	0.1	0.2	0.2	0.2
Other goods & services	0.1	0.1	0.1	0.1	0.1	0.2	0.2
RPI (annual percentage change)	0.3	1.2	1.4	1.4	1.6	1.5	1.8

Sources: Central Bank of Malta; NSO.

⁵ 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.

⁶ 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.

Though, going into the third quarter, the annual HICP inflation rate rose sharply, the increase in annual RPI inflation was moderate, up to 1.8% in September. This divergence reflects different compilation methodologies underlying the two indices. In particular, the RPI excludes accommodation prices, which have a substantial impact on developments in HICP inflation.⁷

Costs and competitiveness

Producer prices rise in the second quarter

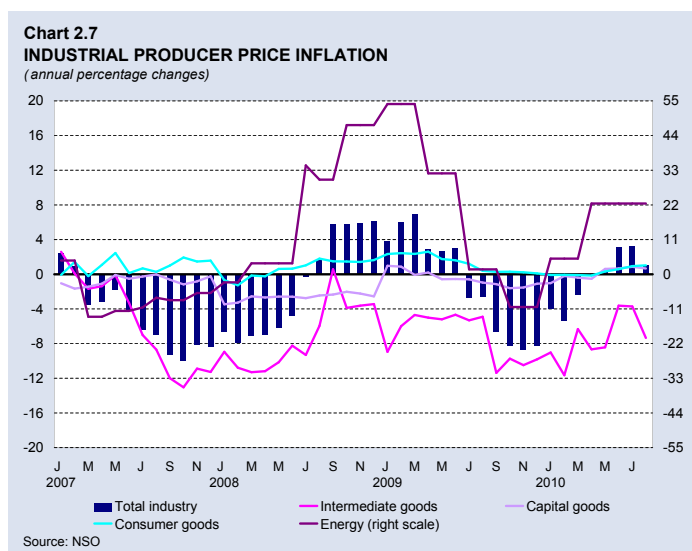
The industrial producer price index, which measures the prices of goods sold by the sector, is commonly used to monitor inflationary pressures at the production stage.⁸ Chart 2.7 shows annual industrial producer price inflation for different producer groups from January 2007 onwards. During this period, producer price inflation fluctuated in a relatively wide range and was more volatile than consumer price inflation.

During the quarter under review, the producer price inflation rate turned positive, rising from a negative rate of -2.4% in March to 3.1% in June. The shift reflected an acceleration in the annual rate of increase in energy prices due to the drop in prices that had taken place in April 2009 and the subsequent increase in January this year. Moreover, the annual rate of change of capital and consumer goods prices edged up during the quarter, while intermediate goods prices fell at a slower annual rate. Producer price inflation was broadly stable in July but dropped to 1.1% in August due to a further drop in intermediate goods prices.

Malta's HCI extend their declining trend ...

During the second quarter of 2010 both the nominal HCI and its real counterpart extended the downward trend that began towards the end of 2009.⁹ By June, both indices had fallen to levels last seen in 2006.

Between March and June, Malta's nominal HCI decreased considerably, shedding 4.3%, while the



⁷ Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the methodologies underlying the compilation of the two indices. For instance, whereas RPI weights are based on expenditure by Maltese households, HICP weights also reflect tourist expenditure in Malta. Thus, while the RPI excludes hotel accommodation prices, these account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

⁸ 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.

⁹ 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, as the index is subject to considerable month-to-month fluctuations.

real HCI fell by 3.5% (see Chart 2.8). The drop in the nominal index reflected exchange rate movements and, more specifically, the depreciation of the euro against the US dollar and the pound sterling. The smaller fall in the real HCI reflected the adverse effect of higher inflation in Malta relative to its trading partners.

However, the downward path followed by both indices came to a halt in June, so that the nominal and real HCI increased by 1.5% and 2.5%, respectively, between end-June and end-September.

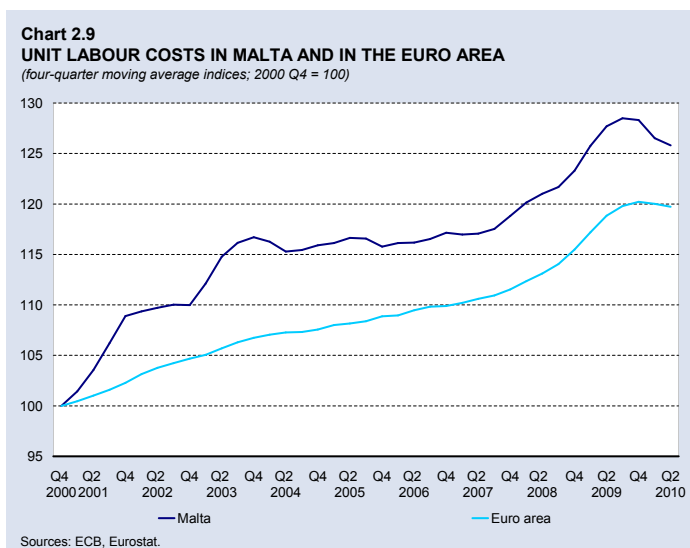
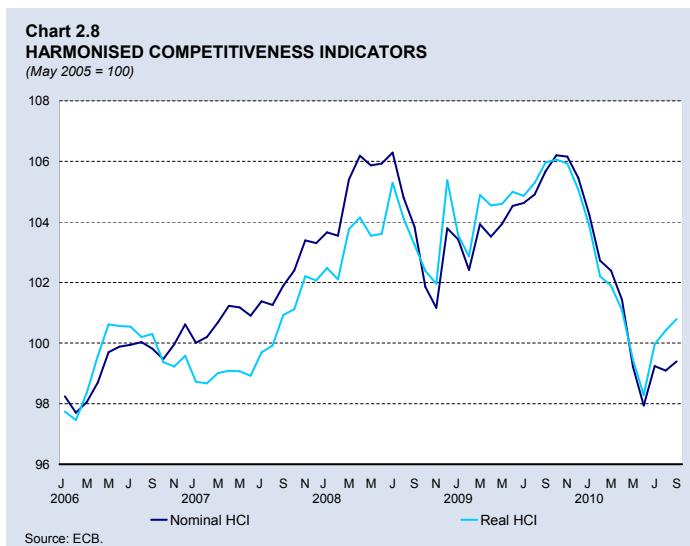
The increase in the nominal index indicates a general rise in the exchange rate of the euro, whereas more rapid growth in the real HCI reflects the additional impact of higher inflation in Malta.

... while unit labour costs continue to fall

Between April and June ULC in Malta dropped for the third consecutive quarter. Computed on the basis of a four-quarter moving average, they fell by 0.6% on the previous quarter, a smaller decline than the 1.4% drop in the first quarter of 2010 (see Chart 2.9).¹⁰ On a year-on-year basis, ULC in Malta edged down by 1.5%, the first such decline since the second quarter of 2006.

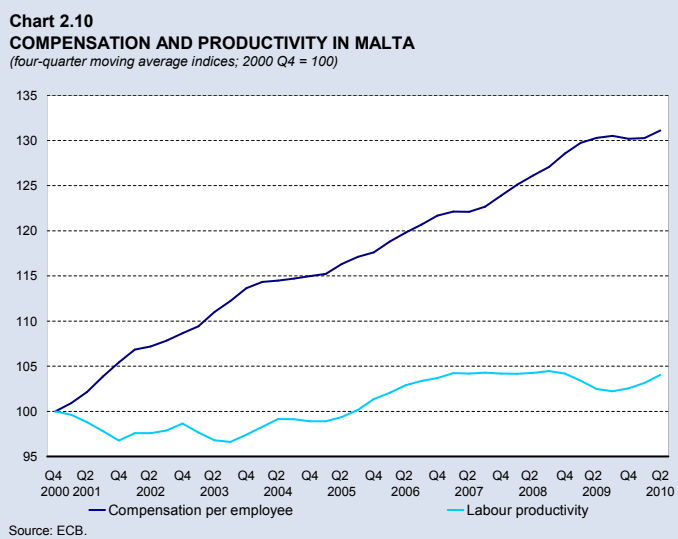
During the June quarter, euro area ULC dropped by 0.2% on the previous quarter. Thus, the larger drop in Malta reduced the gap between domestic and euro area ULC as shown in Chart 2.9, leading to a marginal narrowing of the accumulated erosion of competitiveness over most of the past decade.

Turning to the components of ULC, during the second quarter of 2010 labour productivity in Malta increased by 0.8% over the previous quarter, following a 0.6% rise



¹⁰ 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.

three months earlier (see Chart 2.10). This improvement reflected a substantial rise in real GDP, which was only partly offset by an increase in employment, implying a rise in real output per worker. On the other hand, employee compensation rose by 0.6% on a quarter-on-quarter basis after having risen by 0.1% in the previous quarter. In sum, therefore, the decline in Malta's ULC during the second quarter of 2010 stemmed from a cyclical recovery in productivity, dampened by an increase in labour compensation levels.



The balance of payments

During the second quarter of 2010 the current account of the balance of payments remained in surplus but the positive balance was less than that recorded in the corresponding quarter of 2009. The deterioration largely reflected lower net inflows on current transfers, though a smaller rise in net income outflows also contributed to this position. Together, these movements outweighed favourable developments on both the goods and services balances.

Net outflows on the capital and financial account declined, partly reflecting the lower net surplus on the current account. Although this was mainly attributable to developments on the financial account, the net surplus on the capital account also increased significantly. At the same time, reserve assets recorded as part of the financial account decreased.

The current account surplus declines ...

In the three months to June 2010 the current account recorded a surplus of EUR103.3 million, down by EUR32.9 million on a year earlier (see Table 2.7). As a result, over the four quarters to June, the current account deficit widened to EUR375.1 million (see Chart 2.11), equivalent to 6.3% of GDP, compared with 3.1% in the year to June 2009.

... despite a significant contraction in the merchandise trade deficit ...

The visible trade deficit during the second quarter of 2010 stood at

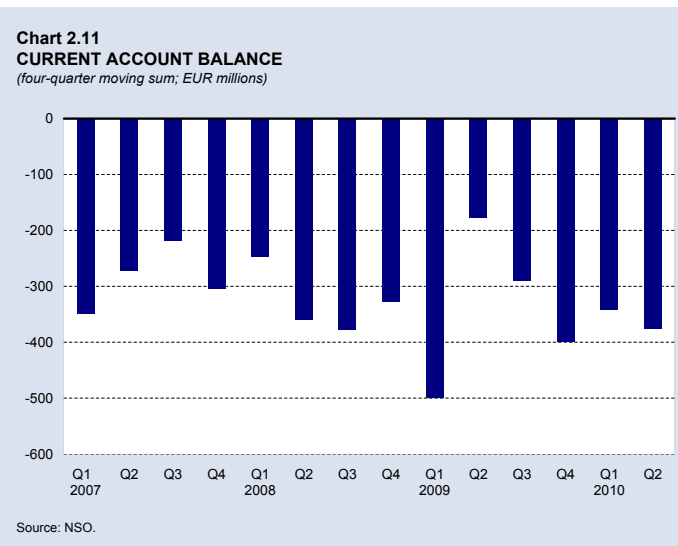


Table 2.7
BALANCE OF PAYMENTS

EUR millions

			four-quarter moving sum				
	2009	2010	2009		2010		
	Q2		Q2	Q3	Q4	Q1	Q2
Current account	136.1	103.3	-178.0	-289.7	-398.8	-342.2	-375.1
Goods	-238.4	-142.7	-1,029.5	-966.6	-970.0	-933.7	-838.0
Services	255.4	291.7	1,052.0	996.2	979.3	977.8	1,014.1
Income	-29.8	-67.7	-285.1	-343.3	-370.6	-305.4	-343.4
Current transfers	148.9	22.0	84.7	24.0	-37.6	-80.9	-207.8
Capital and financial account	-344.1	-136.0	181.9	360.9	200.7	-204.8	3.3
Capital account	9.8	34.0	27.4	23.0	70.1	69.2	93.4
Financial account	-353.8	-170.0	154.5	337.8	130.6	-274.0	-90.1
Direct investment	-52.7	716.7	501.3	664.7	560.3	65.0	834.4
Portfolio investment	-358.8	-1,406.1	1,735.6	1,586.7	-1,908.2	-2,875.2	-3,922.5
Financial derivatives	67.6	80.5	-385.3	-385.1	-70.4	4.6	17.5
Other investment	47.8	363.8	-1,756.6	-1,639.7	1,551.4	2,512.0	2,828.1
Reserve assets	-57.7	75.1	59.4	111.4	-2.4	19.6	152.3
Errors and omissions	207.9	32.8	-3.9	-71.1	198.1	547.0	371.8

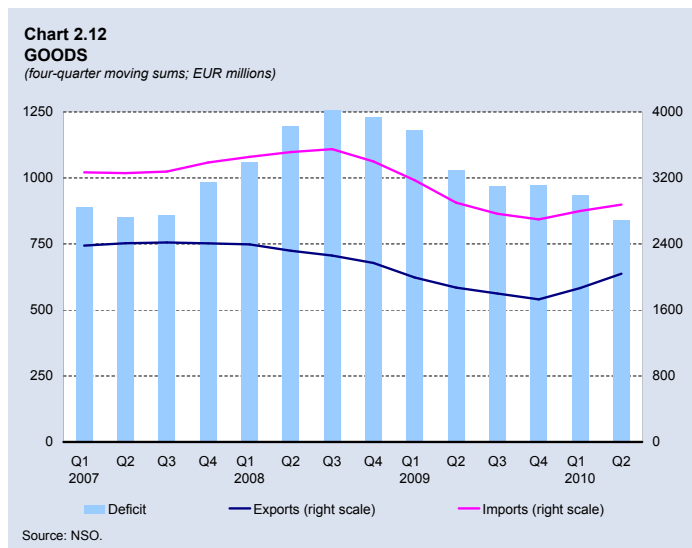
Sources: Central Bank of Malta; NSO.

EUR142.7 million, an improvement of EUR95.6 million, or 40.1%, on a year earlier. Although both exports and imports rose markedly, the increase in exports outweighed that of imports.

Between April and June 2010, the value of merchandise exports climbed by EUR173.6 million, or more than two-fifths, from the year-ago level. Customs data showed that the surge in exports was partly driven by increased sales of 34.4% in semiconductors, mirroring the strong performance of the global electronics industry.¹¹ A rise in re-exports of fuels and exports of pharmaceuticals and semi-manufactured goods also contributed to the surge.

Concomitantly, merchandise imports rose by EUR78.0 million, or 12.0%, mainly propelled by higher purchases of primary industrial supplies, which, in turn, funded the rise in exports. In addition, although to a lesser extent, the fuel import bill increased by nearly one-fifth. In contrast, imports of consumer goods remained broadly unchanged from the year-ago level.

Owing to these developments, the merchandise trade gap contracted for the third consecutive quarter on a four-quarter cumulative basis, down by 18.6% compared with the twelve months to June 2009 (see Chart 2.12). This ensued from the



¹¹ 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.

combination of a rise in exports of EUR168.0 million and a EUR23.4 million fall in imports. Export performance improved across the board, although semiconductors, which account for about one-half of Malta's total goods exports, fuelled the major part of the increase.

Customs data showed that the trade gap in both July and August widened for the first time during 2010, up by a combined EUR59.2 million over the same months of 2009. Nevertheless, over the first eight months of the year, the merchandise trade deficit narrowed by EUR179.3 million, or 17.3%, from the year-ago level as exports rose faster than imports.

... and an improvement in the services surplus

Meanwhile, the surplus in the services account stood at EUR291.7 million, up by EUR36.3 million, or 14.2%, compared with the second quarter of 2009. This stemmed from higher net receipts from both the 'other services' component and travel, which went up by EUR32.1 million and EUR17.3 million, respectively. The former mainly reflected developments in financial services, which recorded increased net inflows of EUR16.3 million. Higher net inflows on operational leasing services and lower net payments on miscellaneous business, professional & technical services also contributed to the positive position, although to a lesser extent. Meanwhile, the recovery in the tourism industry was reflected in higher spending by inbound tourists, which boosted net travel receipts. Spending by Maltese residents travelling abroad remained virtually unchanged. In contrast, net receipts from transportation declined by EUR13.1 million on a year earlier as passenger air transport and freight service payments rose.

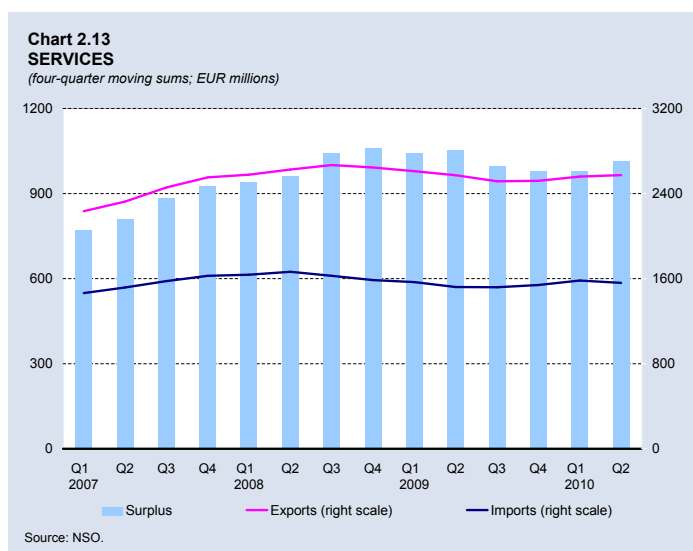
As a result, on a four-quarter cumulative basis, the decline in the services balance observed in the previous three quarters appeared to have come to an end (see Chart 2.13). Nevertheless, net receipts were still EUR37.9 million below their level in the year to June 2009, entirely driven by a 2.6% increase in payments, whereas receipts remained stable.

Net outflows on the income account rose ...

In the three-month period to June 2010, net outflows on the income component of the current account increased by EUR37.9 million on a year earlier, to EUR67.7 million. This reflected primarily an expansion of a EUR36.0 million profit recorded by foreign-owned firms, including banks and manufacturers, operating in Malta. Meanwhile, payment on foreign loans increased by EUR33.9 million, but the impact was dampened by a rise of EUR32.9 million in earnings on residents' foreign holdings of debt securities and equities. Banks conducting predominantly international business accounted for most of these flows.

... while the positive balance on transfers falls significantly

During the second quarter of 2010, the positive balance on the current transfers account stood at



EUR22.0 million, down by EUR126.9 million from the level in the same 2009 quarter. The drop was largely due to timing differences between tax receipts from, and the payment of refunds to, companies engaged in international business operations.

Net outflows on the capital and financial account decline

Concurrently with the contraction in the current account surplus, net outflows on the capital and financial account stood at EUR136.0 million between April and June, down by EUR208.1 million on a year earlier, driven primarily by developments on the financial account. Nonetheless, an increased surplus on the capital account, boosted by higher net receipts related to EU funding, also contributed to this position (see Table 2.7).

Net outflows on the financial account halved to EUR170.0 million, following a swing in direct investment and developments on the 'other investment' component. During the second quarter, net direct investment of EUR716.7 million was recorded, as against net outflows of EUR52.7 million a year earlier. Foreign direct investment into Malta was driven by an increase in the share capital of internationally-oriented banks, and, to a lesser extent, by a smaller fall in retained earnings. Meanwhile, net inflows of EUR363.8 million were posted on the 'other investment' component, up by EUR316.1 million for the same period in 2009. This was mostly driven by a reduction in residents' holdings of foreign loans and deposits. In addition, higher net inflows on transactions relating to financial derivatives were up by EUR12.9 million on the second quarter of 2009.

Conversely, net portfolio investment outflows rose to EUR1.4 billion, from EUR358.8 million a year earlier, as the net inflows recorded as direct and other investments were channelled into increased cross-border holdings of debt securities, particularly bonds. These flows were heavily influenced by activities of internationally-oriented banks.

Moreover, during the quarter under review, reserve assets contracted by EUR75.1 million, as against an increase of EUR57.7 million in the same quarter last year. At the same time, errors and omissions amounted to EUR32.8 million, significantly smaller than the level recorded a year earlier.¹²

Government finance¹³

In the second quarter of 2010 the general government deficit declined on a year-on-year basis as revenue grew faster than expenditure. The Consolidated Fund balance improved in a similar fashion.¹⁴ However, general government debt continued to rise. According to estimates presented during the Budget Speech, the general government deficit for 2010 is expected to be 3.9% of GDP but is projected to fall to 2.8% in 2011 and 2.2% in 2012. The general government debt-to-GDP ratio is expected to peak at 69.1% in 2010 and decline thereafter, reaching 67.8% in 2012.¹⁵

¹² Positive net errors and omissions imply an underestimation of the current account surplus and/or overestimation of net outflows on the capital and financial account.

¹³ The cut-off date for the information in this section is 25 October 2010.

¹⁴ The Consolidated Fund captures most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA95, cover central government, which is defined to include extra-budgetary units and local councils on an accrual basis. Differences in the time of recording of income tax and VAT revenues explain most of the variance between government revenue as recorded under the two approaches.

¹⁵ Further analysis of the Financial Estimates for 2011 will be provided in the next issue of the *Quarterly Review*.

Table 2.8
GENERAL GOVERNMENT BALANCE

EUR millions

	2009			2010		Change Q2 2009	
	Q2	Q3	Q4	Q1	Q2	Amount	%
Revenue	570.4	530.3	663.1	575.1	593.0	22.6	4.0
Taxes on production and imports	190.0	213.0	235.7	196.3	168.3	-21.7	-11.4
Current taxes on income and wealth	221.2	165.4	231.3	181.7	225.4	4.2	1.9
Social contributions	97.7	103.7	120.9	107.4	117.7	20.0	20.5
Capital and current transfers	22.0	13.1	32.7	23.5	39.0	17.1	77.7
Other	39.6	35.1	42.5	66.1	42.6	3.0	7.6
Expenditure	652.6	604.2	685.8	604.0	668.2	15.6	2.4
Compensation of employees	202.5	204.4	205.0	210.3	211.1	8.6	4.3
Intermediate consumption	92.9	101.6	94.4	80.0	101.6	8.7	9.4
Social benefits	214.5	186.5	228.1	182.7	224.8	10.3	4.8
Subsidies	21.4	8.6	12.1	8.9	20.8	-0.5	-2.5
Interest	45.4	43.6	50.0	32.1	56.5	11.1	24.5
Current transfers payable	25.0	23.0	30.5	35.8	12.9	-12.1	-48.4
Gross fixed capital formation	28.5	30.9	43.3	35.1	10.7	-17.8	-62.4
Capital transfers payable	24.2	7.7	18.8	16.1	29.8	5.7	23.4
Other	-1.7	-2.0	3.7	3.0	-0.1	1.6	-94.0
Primary balance	-36.8	-30.4	27.3	3.3	-18.6	18.1	-
General government balance	-82.2	-73.9	-22.7	-28.8	-75.2	7.0	-

Source: NSO.

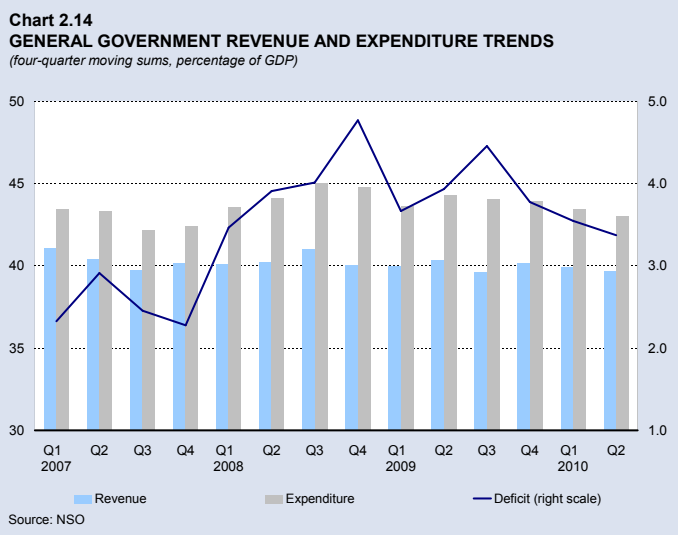
General government deficit contracts in the second quarter

The general government deficit decreased by EUR7.0 million in the three months to June compared with the same period in 2009, to EUR75.2 million (see Table 2.8). Revenue expanded by 4.0%, whereas expenditure increased by 2.4%. Consequently, the primary deficit, which excludes interest payments from expenditure, narrowed by EUR18.1 million to EUR18.6 million.

As a result, the cumulative deficit-to-GDP ratio, computed on the basis of four-quarter sums, declined to 3.4% in the year to June from 3.5% in March (see Chart 2.14). Compared with the previous quarter, the share of revenue to GDP declined slightly to 39.6%. However, the expenditure-to-GDP ratio decreased even faster to 43.0%, a level last seen at the end of 2007.

An increase in revenue...

General government revenue went up by EUR22.6 million, or



4.0%, in the second quarter of 2010 compared with the same period in 2009, reflecting primarily higher receipts from social security contributions and from capital transfers. The former increased by EUR20.0 million, or around one-fifth, aided by an improvement in the domestic labour market and by the timing of recording of receipts. Overall, capital and current transfers rose by EUR17.1 million on the back of a sharp rise in investment grants from the EU, as well as a small pick-up in duties on property transfers. However, current transfers decreased slightly.

Meanwhile, receipts from taxes on income and wealth went up by EUR4.2 million, or 1.9%, as higher takings from personal income tax were partly outweighed by a drop in provisional tax payments on self-employment income and company profits, reflecting a fall in profitability during 2008. 'Other' revenue rose by EUR3.0 million as the Government benefited from the transfer of higher Central Bank of Malta profits, together with increased income from rents and dividends on investments.

Conversely, receipts from taxes on production and imports went down by EUR21.7 million, or 11.4%, between April and June. Higher proceeds from Customs and Excise duties, reflecting the timing of collection of duties on fuel, failed to compensate for a decline in VAT takings. Furthermore, inflows from motor vehicle registration tax fell significantly from their peak in the second quarter of 2009, when a rise in motor vehicle registrations had followed the introduction of a new registration system in January 2009.

... outweighs a smaller rise in expenditure

Expenditure increased by EUR15.6 million, or 2.4%, in the three months ending in June compared with the same period in 2009, principally due to higher outlays on interest and social benefits.

Interest expenditure went up by EUR11.1 million on a year earlier due to the timing of coupon payments. Social benefit costs rose by a further EUR10.3 million, primarily driven by additional outlays on retirement pensions. At the same time, higher expenditure on health boosted intermediate consumption, which added EUR8.7 million. Compensation of employees also increased by EUR8.6 million, as outlays on wages and salaries of civil servants rose, in particular of those employed in the education and health sectors.

The addition of EUR5.7 million in the level of capital transfers payable reflected the establishment of the EU-funded Jeremie Financial Engineering Fund, set up to improve access to credit for small and medium-sized enterprises. Concurrently, higher spending on sewage treatment infrastructure and on waste management services was recorded, with 'other' expenditure also going up by EUR1.6 million.

Spending on gross fixed capital formation fell by EUR17.8 million, mainly as a result of a one-off transaction. Expenditure on current transfers decreased by EUR12.1 million, partly due to lower payments to the EU budget, which had risen in the previous quarter.

Consolidated Fund deficit declines

The deficit on the Consolidated Fund for the first nine months of the year narrowed when compared with the same period in 2009, to EUR299.7 million from EUR333.8 million a year ago (see Table 2.9 and Chart 2.15). The main improvements in the fiscal balance took place

Table 2.9
CONSOLIDATED FUND BALANCE

EUR millions

	2009		2010		Change	
	Jan-Sep	Jan-Sep	2009	2010 ⁽¹⁾	Amount	%
Revenue	1,445.3	1,570.9	2,195.5	2,427.4	231.9	10.6
Direct tax ⁽²⁾	749.6	783.9	1,090.2	1,177.0	86.8	8.0
Indirect tax	557.1	599.1	864.6	903.9	39.3	4.5
Non-tax ⁽³⁾	138.7	187.9	240.6	346.5	105.9	44.0
Expenditure	1,779.1	1,870.6	2,492.5	2,724.4	231.9	9.3
Recurrent ⁽²⁾	1,610.2	1,661.0	2,221.1	2,341.5	120.3	5.4
Of which: Interest payments	158.6	141.9	192.0	198.1	6.1	3.2
Capital	169.0	209.6	271.3	382.9	111.6	41.1
Primary balance⁽⁴⁾	-175.2	-157.8	-105.0	-98.9	6.1	-
Consolidated Fund balance	-333.8	-299.7	-297.0	-297.0	0.0	-

⁽¹⁾ Revised estimates

⁽²⁾ 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.

⁽³⁾ Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

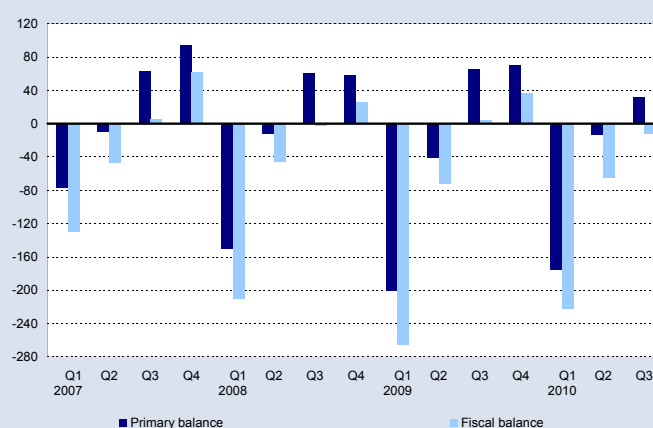
⁽⁴⁾ Revenue less expenditure excluding interest payments.

Sources: NSO, Financial Estimates 2011.

during the first half of the year, as a rise in expenditure was outweighed by higher revenue from grants and direct taxes. The latter related to the amnesty scheme on penalties and interest on overdue tax balances launched last year.

According to the Budget Speech, however, the Consolidated Fund deficit for 2010 as a whole is expected to remain unchanged from a year earlier, at EUR297.0 million. Revenue is set to grow by 10.6%, primarily through non-tax receipts, which include grants from overseas. Meanwhile, expenditure is forecast to grow by 9.3% due to increased capital and recurrent expenditure. The latter is driven by higher outlays on programmes and initiatives, which include social benefits and one-off items, such as support to households to compensate for the revised utility tariffs. Contributions to government entities are also set to increase, though this principally represents a reclassification of transfers to the Malta Tourism Authority from capital to current spending. Interest payments are expected to rise slightly during the year as a whole. The revised estimates presented with the Budget show that capital expenditure is projected to grow strongly.

Chart 2.15
CONSOLIDATED FUND DEVELOPMENTS
(EUR millions)



Source: NSO

Table 2.10
GENERAL GOVERNMENT DEBT

EUR millions

	2009			2010	
	Q2	Q3	Q4	Q1	Q2
General government debt⁽¹⁾	3,875.1	3,933.9	3,947.1	4,045.2	4,166.1
Currency & deposits	34.9	36.8	37.2	36.9	38.8
Securities	3,620.8	3,676.2	3,690.5	3,789.1	3,914.4
Short-term	644.3	559.8	474.1	534.8	552.6
Long-term	2,976.6	3,116.5	3,216.4	3,254.4	3,361.8
Loans	219.4	220.8	219.4	219.1	212.8
Short-term	17.2	17.0	26.2	17.8	19.6
Long-term	202.2	203.8	193.3	201.4	193.3

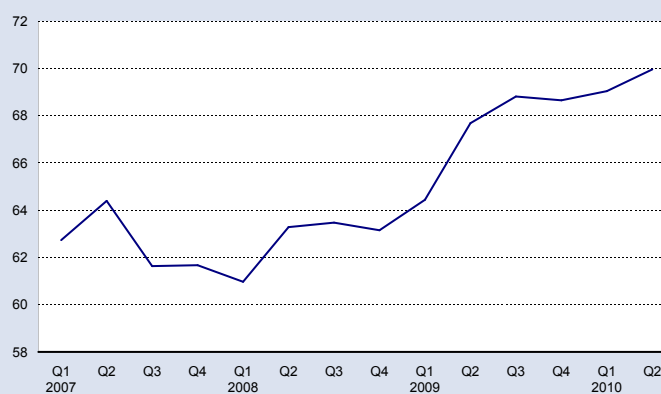
⁽¹⁾ Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.

Source: NSO.

General government debt increases

The stock of general government debt expanded by EUR121.0 million between end-March and end-June 2010 (see Table 2.10). As a result, the debt-to-GDP ratio reached 70.0%, up from 69.0% in March and from 67.7% in June 2009 (see Chart 2.16). Compared with the previous quarter, the debt composition changed slightly as the share of long-term and short-term securities rose, whereas the proportion of loans fell.

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



Source: NSO

Short-term debt in the form of Treasury bills went up by EUR17.9 million, thus marginally increasing their share in total government debt to 13.3%. Concurrently, long-term government debt rose by EUR107.5 million, as new issue of securities exceeded the amount maturing. This led the proportion of long-term debt to increase slightly by 0.2 percentage points to 80.7%.

Meanwhile, government loans outstanding were reduced by EUR6.3 million as some foreign loans were repaid. Concurrently, liabilities in the form of Maltese euro coins in issue increased by EUR1.9 million, leaving their share in total debt unchanged from the previous quarter's level.

BOX 4: TOURISM ACTIVITY

Improved performance in the tourism industry

The recovery registered by Malta's tourism industry in early 2010 continued into the second quarter. Despite the disruption caused by the volcanic ash cloud in April, tourist arrivals, spending and accommodation occupancy rates increased over their year-ago levels.

According to the United Nations World Tourism Organisation, during the second quarter of 2010 worldwide tourist traffic retained its positive momentum, rising by an average of 6.7% year-on-year.

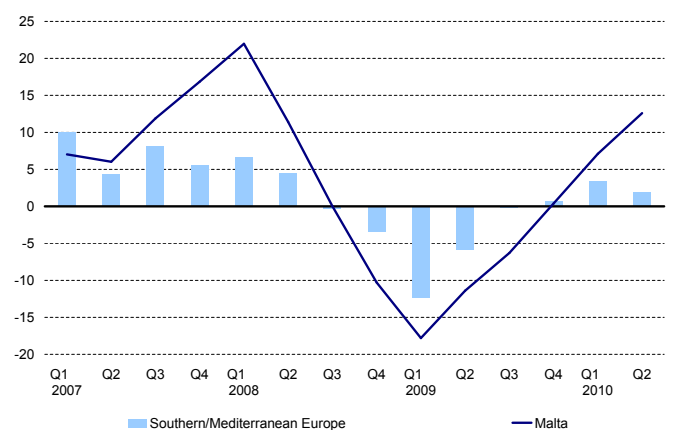
In the Southern/Mediterranean Europe region, the growth rate in visitor numbers was at around 2%, a relatively moderate increase due to the substantial drop in April (see Chart 1).¹

Between April and June 2010, the number of visitors to Malta rose by 12.6% on a year earlier, compared with an increase of 7.1% in the previous quarter. In April, tourist numbers dropped slightly from their year-ago levels, but recovered to double-digit growth rates in the following two months. Malta International Airport data on passenger movements provided further evidence of the strong growth in tourism activity during the second quarter: arrivals (including residents) and aircraft landings were, respectively, 11.3% and 9.3% higher than a year earlier.

In terms of geographical distribution, there was a further increase of 32.8% in arrivals from Italy, compared with 21.3% in the March quarter. Visitors from the United Kingdom, who accounted for 31% of total arrivals, increased by 6.4%. The number of tourists from France rose by 13.5%, while those from Spain more than doubled. On the other hand, the number of German tourists continued to contract, down by 4.8% compared with their year ago levels.

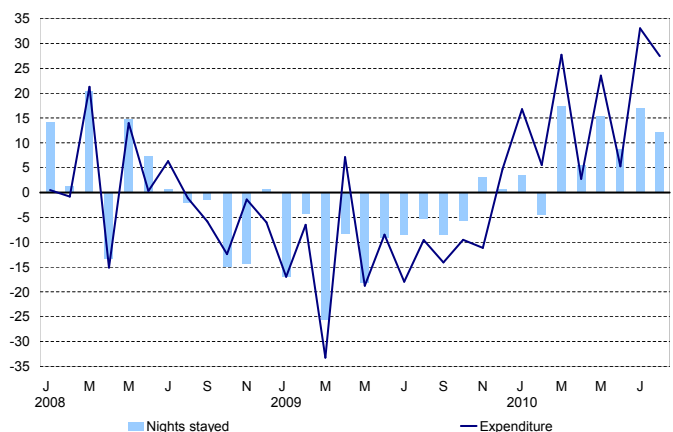
The increase in tourist numbers in the quarter under review gen-

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



Sources: NSO, UNWTO.

Chart 2
TOURISM INDICATORS
(annual percentage changes)



Source: NSO.

¹ UNWTO World Tourism Barometer, August 2010.

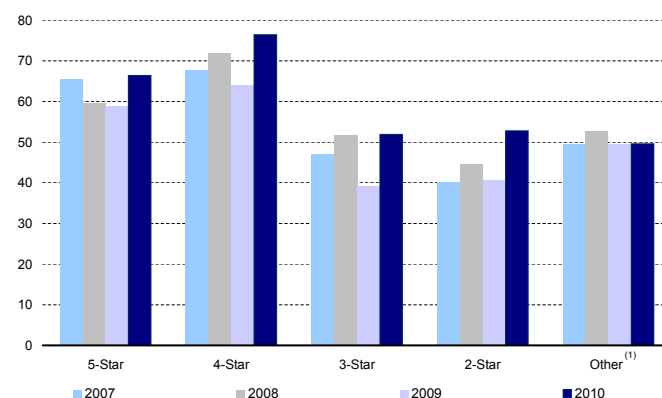
erated additional spending of 10.4% on previous-year levels, taking it broadly back to the level seen in 2008 (see Chart 2).² The increase was mostly due to a growth of 26.0% in spending on non-package holidays, with both accommodation and travel components rising by around a quarter. A further expansion of around 10.0% in 'other' expenditure also contributed to the overall improvement, while spending on package holidays fell slightly.

Higher accommodation income was partly attributable to the 9.9% rise in the number of nights stayed. However, in line with recent trends, the average length of stay dropped marginally by 0.2 nights to 7.2 nights from its year-ago level. These patterns were broadly in line with an industry survey for the second quarter of the year, which recorded more guest nights and additional income from accommodation over the corresponding period in 2009.

NSO data on accommodation indicate that overall hotel occupancy rates rose by 11.2 percentage points compared with the second quarter of 2009, to reach 66.5%. In particular, occupancy rates in 4-, 3- and 2-star hotels all increased by just over twelve percentage points (see Chart 3). Hotel occupancy rates for 5-star hotels, which account for almost a quarter of hotel bed-stock, rose by 7.6 percentage points over 2009. On the other hand, occupancy in the 'other' category was almost unchanged.³ These data are largely corroborated by the industry survey referred to earlier, which indicated a substantial increase in occupancy in all hotel categories.

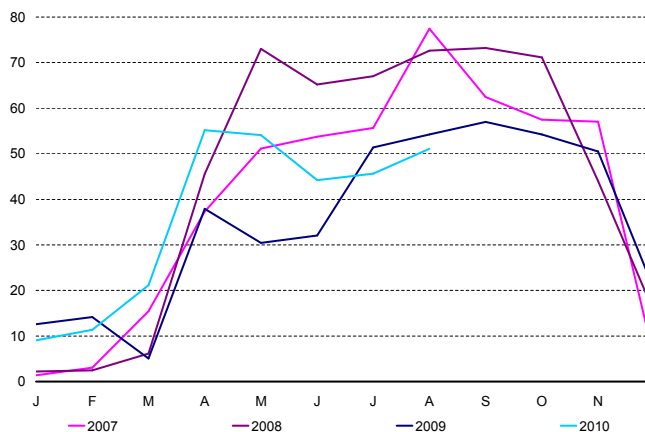
During the second quarter, the performance of the cruise liner industry expanded further to match the substantial increase registered in the first quarter of 2010. Cruise passengers were up by 52.8% and cruise liner visits increased by 16.5% over 2009, reflecting particularly strong gains in May (see Chart 4). This was entirely due to higher numbers

Chart 3
AVERAGE OCCUPANCY RATES IN THE SECOND QUARTER OF 2010
(per cent)



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

Chart 4
CRUISE PASSENGERS
(in thousands)



Source: NSO.

² Total expenditure is split into package, non-package and 'other'. Non-package spending is sub-divided into spending on accommodation and travel, while the 'other' component captures any additional expenditure that tourists incur during their stay in Malta.

³ The 'other' category consists of guesthouses, holiday complexes and hostels.

from the EU, as for the second consecutive quarter other markets dropped on aggregate. Over the quarter, visitors from France, Italy and Spain increased sharply.

Recent information suggests that recovery in the tourism industry was even more pronounced in the third quarter. In July and August, tourist numbers, nights stayed and expenditure all grew at double-digit rates. In particular, expenditure increased by an average of 30% over the same two months in 2009. On the other hand, the cruise liner industry fared less well in these months, with a drop in the number of arrivals being registered over the previous year.

Monetary and financial developments

During the June quarter, the contribution of Maltese MFIs to the euro area broad money stock increased as growth in residents' deposits gathered momentum.^{16,17} 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 second quarter in a row. While official interest rates remained unchanged throughout the quarter, changes in domestic money market yields were mixed. In the capital market, declines in yields on five-year and ten-year Maltese government securities were accompanied by a moderate drop in equity prices.

Recovery in growth of residents' deposits

The contribution of Maltese MFIs to the euro area broad money stock (M3) continued to rise during the second quarter of 2010, with its year-on-year growth rate accelerating from 0.7% in March to 2.6% in June (see Table 2.11). Growth was once again driven by the narrow money component of M3, which expanded strongly, rising by 19.5% during the twelve months ending in June. In contrast, deposits with an agreed maturity of up to two years contracted further on an annual basis, dampening broad money growth.

Residents' overnight deposits, which have been expanding strongly since the beginning of 2009, accelerated further, with their annual growth rate rising to 21.7% in June from 14.2% in March (see Table 2.12). Growth was mainly driven by higher balances belonging to private non-financial companies and households, possibly reflecting the low opportunity cost of holding such liquid monetary assets in an environment of low interest rates. Meanwhile, growth in overnight deposits held by other euro area residents was also significant, reaching 22.6% during the twelve months to June.

Deposits redeemable at up to three months' notice, which account for a negligible proportion of the total, expanded by 1.2% during the year to June. In contrast, deposits with an agreed maturity of up to two years persisted on their downward trend, contracting at an annual rate of 11.0% in June, as opposed to a drop of 8.8% three months earlier. The slowdown was primarily attributable to lower holdings by households. Apart from the above-mentioned shift into more liquid monetary assets, the sharp decline in these deposits may have been influenced by portfolio shifts

Table 2.11
CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES⁽¹⁾

EUR millions; annual percentage changes

	2010	2009			2010	
	June	Q2	Q3	Q4	Q1	Q2
Narrow money (M1)	4,889.2	7.7	8.0	13.2	13.0	19.5
Intermediate money (M2)	8,946.9	-0.4	-2.8	-1.7	-0.1	2.7
Broad money (M3)	9,126.9	3.6	1.4	0.2	0.7	2.6

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

Source: Central Bank of Malta.

¹⁶ Unless otherwise specified, the term 'residents' in this section refers to residents of Malta only. 'Other euro area residents' include residents of all euro area member states except Malta.

¹⁷ Monetary and banking statistics have been revised to include for the first time money market funds statistics. For more information see the Box on developments in the Bank's statistical methodology being carried elsewhere in this *Quarterly Review*.

Table 2.12
RESIDENTS' DEPOSITS ⁽¹⁾

EUR millions; annual percentage changes

	2010 June	2010 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
Overnight deposits	4,127.9	10.6	10.9	16.5	14.2	21.7
Deposits redeemable at notice up to 3 months	111.9	-4.2	-5.3	-2.3	-1.3	1.2
Deposits with agreed maturity up to 2 years	3,845.9	-5.6	-12.3	-13.1	-8.8	-11.0
Total residents' deposits	8,085.7	0.8	-3.1	-1.3	0.8	3.4

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

Source: Central Bank of Malta.

into longer-term assets outside M3 in a search for higher yields. In fact, deposits with a maturity exceeding two years, which do not form part of M3, expanded by 30.2% during the year to June, boosted by a new saving scheme launched by a particular bank. Furthermore, considerable bond issues on the primary market, which were all well received by investors, also played a role in diverting funds away from monetary assets.

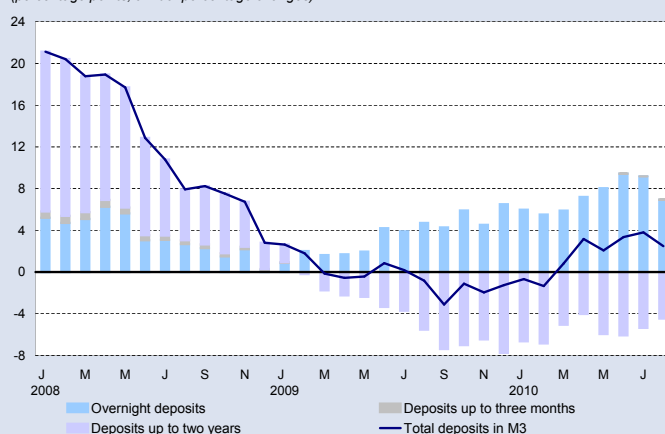
Overall, the annual rate of growth of residents' deposits accelerated to 3.4% in June from 0.8% in March (see Chart 2.17). The increase stemmed entirely from overnight deposits, which accounted for 51% of the total at the end of June. Going into the third quarter, year-on-year growth in residents' deposits slowed down to 2.5% in August.

The weighted average interest rate paid by MFIs on all residents' deposits declined slightly during the second quarter of 2010, falling by six basis points to 1.37% at end-June. While the average interest rate on demand deposits fell by two basis points to 0.27%, the rate on time deposits dipped by one basis point to 2.26%. In contrast, the rate on savings deposits rose by one basis point to 0.35%.¹⁸ The shift towards demand deposits, on which lower interest rates are normally paid, contributed significantly to the overall decline in the weighted average deposit rate.

Meanwhile, changes in interest rates on new accounts were mixed. While rates paid to households on deposits with a maturity of up to one year dropped by 72 basis points during the quarter to 1.15%, rates offered on deposits with a maturity exceeding two years rose by 42 basis points, reaching 3.79%. At the same time, rates on new time deposits

Chart 2.17
CONTRIBUTIONS TO ANNUAL GROWTH IN RESIDENTS' DEPOSITS

(percentage points; annual percentage changes)



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.

Table 2.13
MFI INTEREST RATES ON NEW DEPOSITS BELONGING TO RESIDENTS⁽¹⁾

Percentages per annum; weighted average rates for the period

	2009			2010	
	June	Sep.	Dec.	Mar.	June
Households and NPISH					
Overnight deposits ^(2,3)	0.32	0.29	0.30	0.29	0.29
Savings deposits redeemable at notice up to 3 months ^(2,4)	1.71	1.70	1.70	1.71	1.67
Time deposits with agreed maturity					
Up to 1 year	1.86	1.79	1.95	1.87	1.15
Over 1 and up to 2 years	3.29	3.04	3.00	3.19	3.17
Over 2 years	3.36	3.13	3.44	3.37	3.79
Non-financial corporations					
Overnight deposits ^(2,3)	0.22	0.23	0.23	0.22	0.22
Time deposits with agreed maturity	1.64	1.33	0.85	1.29	1.45

⁽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.

belonging to non-financial corporations rose by 16 basis points, ending the quarter at 1.45% (see Table 2.13).¹⁹

Going into the third quarter, the weighted average deposit rate rose by one basis point, ending August at 1.38%. During the same period, interest rates on new business generally declined. In particular, rates on time deposits, with an agreed maturity of over one and up to two years, as well as those on deposits with a term of over two years, belonging to households fell by 39 and 18 basis points, respectively, to 2.78% and 3.61%.

Credit growth slows down

Although remaining at an elevated level, the annual growth rate of credit to residents eased to 7.9% in June from 10.0% three months earlier (see Table 2.14). The slowdown partly

Table 2.14
CREDIT TO RESIDENTS⁽¹⁾

EUR millions; annual percentage changes

	2010		2009			2010	
	June	Q2	Q3	Q4	Q1	Q2	
Total credit	10,083.9	12.3	11.8	9.5	10.0	7.9	
Credit to general government	2,132.3	25.9	30.5	19.1	19.8	12.0	
Credit to other residents	7,951.6	9.3	7.7	7.4	7.7	6.8	

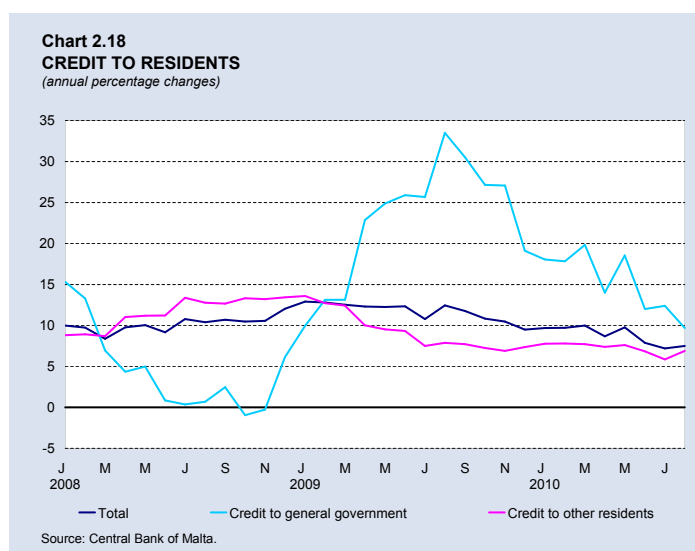
⁽¹⁾ Data only include credit granted to residents of Malta.

Source: Central Bank of Malta.

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 the weighted average interest rates on all deposits and loans.

reflected shifts towards market-based financing by the corporate sector. Nevertheless, credit to households increased substantially, as did lending to non-bank financial intermediaries, whereas credit to general government rose further, though at a slower annual rate.

Year-on-year growth in credit to general government slowed down from 19.8% in March to 12.0% in June as banks accumulated holdings of Treasury bills at a much slower pace (see Chart 2.18). The growth recorded during the twelve months to June primarily reflected an increase in Malta Government bonds held by the banking system.



The annual rate of growth of credit to other residents also eased. During the twelve months to June, credit rose by 6.8% as against 7.8% in the year to March (see Table 2.15).²⁰ Growth stemmed predominantly from the non-bank private sector and largely reflected loans to finance house purchases. Nevertheless, the annual rate of growth of private sector credit decelerated to 6.5%. In contrast, credit to the non-bank public sector picked up sharply, rising to 10.6% in June from 5.8% three months earlier. Meanwhile, loans, which account for 97% of all credit to other residents, slowed down markedly, with their year-on-year growth rate dropping to 6.6% in June from 7.8% in March.

Despite further deceleration, household mortgages registered significant growth during the June quarter and remained the largest, single category of bank borrowing by residents (see Chart 2.19). They accounted for almost half the growth in credit to the private sector during the twelve months to June.

Table 2.15
CREDIT TO OTHER RESIDENTS⁽¹⁾

Eur millions; annual percentage changes

	2010		2009		2010	
	June	Q2	Q3	Q4	Q1	Q2
Total credit to other residents	7,951.6	9.3	7.7	7.4	7.8	6.8
Credit to the non-bank private sector	7,342.6	9.1	7.3	6.8	7.9	6.5
Credit to the non-bank public sector	609.1	12.0	12.9	13.8	5.8	10.6
Total loans	7,717.3	9.3	7.8	7.5	7.8	6.6

⁽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.

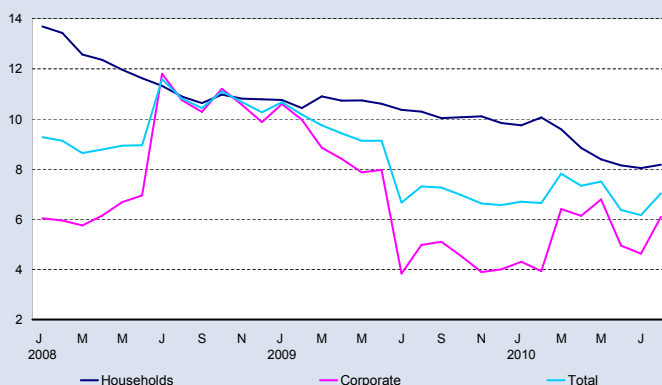
Source: Central Bank of Malta.

²⁰ The term 'other residents' represents all resident economic sectors that do not form part of general government, principally households and non-financial corporations.

During the year to June, credit granted by resident MFIs to residents of other euro area countries also expanded considerably, rising by 40.2% to EUR4.1 billion, up from 12.4% in March. This was mostly attributable to an increase in resident MFI holdings of government securities.

Going into the third quarter of 2010, credit to residents slowed down further with the year-on-year growth rate falling to 7.4% in August, as credit to general government expanded at a reduced pace.

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



Source: Central Bank of Malta.

Although official interest rates remained unchanged during the June quarter, the weighted average interest rate charged by MFIs on all loans to residents increased by 21 basis points, ending June at 4.69%. In contrast, MFI rates on new loans, which are much more volatile, declined, with rates charged to households on overdrafts and other lending registering the biggest changes.²¹ These rates dropped by 75 and 124 basis points, respectively, reaching 5.71% and 4.79% in June. Rates charged on loans to non-financial corporations also decreased substantially, falling by 69 basis points to 5.21% (see Table 2.16).

In August, the weighted average lending rate rose by an additional three basis points to 4.72%. While rates charged to households on new overdrafts and other lending facilities increased to 5.72% and 5.22%, respectively, those on loans to non-financial corporations rose by 27 basis points, ending the month at 5.48%.

Table 2.16
MFI INTEREST RATES ON NEW LOANS TO RESIDENTS⁽¹⁾

Percentages per annum; weighted average rates for the period

	June	2009 Sep.	Dec.	2010 Mar.	June
Households and NPISH					
Overdrafts ⁽²⁾	6.41	6.49	6.44	6.45	5.71
Loans					
Lending for house purchases	3.58	3.40	3.52	3.45	3.39
Consumer credit ⁽³⁾	5.71	5.74	6.02	5.89	5.63
Other lending	5.81	5.72	5.56	6.03	4.79
Non-financial corporations					
Overdrafts ⁽²⁾	5.03	5.09	5.08	5.12	4.87
Loans ⁽³⁾	5.43	5.53	4.95	5.90	5.21

⁽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.

²¹ See footnote 3 above.

The Bank Lending Survey (BLS) conducted in July 2010 indicated that credit standards in respect of lending to households and enterprises remained unchanged during the June quarter.²² At the same time, demand for business loans, mortgages and consumer credit all declined slightly. Banks also reported that they envisaged no change in lending standards in the third quarter of 2010. While demand for mortgages was anticipated to remain unchanged, demand for other consumer credit, as well as loan demand by enterprises, was expected to increase slightly.

Net claims on non-residents of the euro area rise

During the twelve months to June 2010, resident MFIs' net claims on non-residents of the euro area increased by 31.0%, below the 40.0% rise reported in March (see Table 2.17). The 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 20.7%, owing primarily to a significant increase in holdings of securities issued by governments outside the euro area, coupled with a rise in deposits held with non-euro area banks. At the same time, liabilities to non-residents grew less rapidly, by 17.0%, primarily due to a rise in time deposits placed by insurance companies outside the euro area.

Other counterparts (net), which are generally heavily influenced by interbank transactions within the euro area, expanded considerably by 37.1% during the twelve months to June 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 generally decline

The ECB kept official interest rates unchanged during the second quarter of 2010, leaving the MRO rate at 1.00%. However, the three-month EURIBOR rose by 13 basis points during the quarter, ending June at 0.77% (see Chart 2.20).

Conversely, primary market yields on domestic three-month Treasury bills fell during the period, from 0.80% at end-March to 0.68% at end-June. The Treasury issued a total of EUR419.0 million worth of bills, up from EUR350.8 million during the March quarter. Three-month bills accounted for more than two-fifths of the issue, while six-month bills made up an additional third

Table 2.17
EXTERNAL AND OTHER COUNTERPARTS⁽¹⁾

EUR millions; percentage changes on the previous quarter

	2009	2010	Change	
	June	June	Amount	%
External counterpart	6,735.7	8,822.0	2,086.4	31.0
Claims on non-residents of the euro area	25,252.2	30,482.2	5,230.0	20.7
Liabilities to non-residents of the euro area	18,516.5	21,660.2	3,143.7	17.0
Other counterparts (net)⁽²⁾	10,126.6	13,887.1	3,760.6	37.1

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

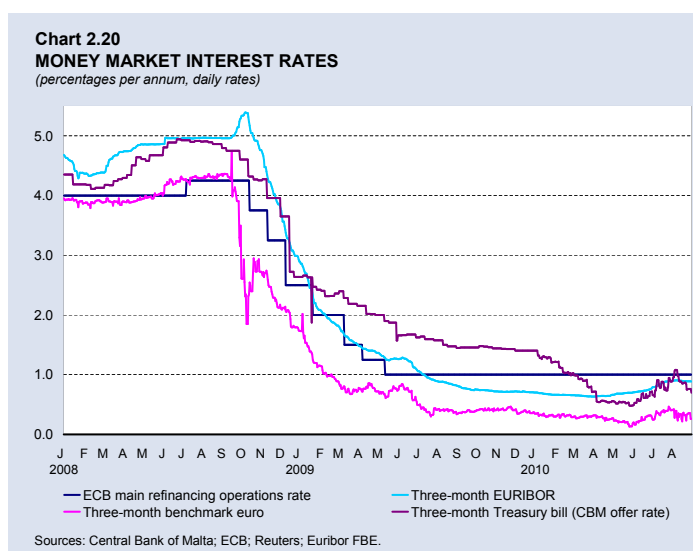
⁽²⁾ Includes net interbank claims/liabilities.

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.

of the total. Domestic banks participated heavily in auctions and purchased more than four-fifths of the amount issued.

Turnover in the secondary Treasury bill market declined to EUR69.7 million in the second quarter of 2010, down from EUR74.1 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 of bills amounting to EUR47.5 million and EUR15.5 million, respectively. After having declined during April and May, secondary market yields moved up in June, ending the second quarter back at the end-March level of 0.71%.



Likewise, the yield on benchmark three-month government securities in the euro area stood unchanged at 0.31%. Since the corresponding domestic yields were also constant, the differential between them remained stable at 40 basis points at end-June (see Chart 2.20).²³

Going into the third quarter, the domestic three-month Treasury bill yield rose by eight basis points, reaching 0.75% at end-August. However, the corresponding secondary market rate edged down by one basis point to 0.70% during the period. At the same time, the secondary market yield on euro area government securities fell by five basis points, leading to a widening in the spread to 44 basis points by end-August.

Bond yields fall, as do equity prices

The Government continued to raise funds through the issue of securities during the second quarter of 2010, launching three issues with a total value of EUR150.1 million in May. These had terms to maturity of five, ten and twelve years, and offered coupon rates of 3.75%, 4.6% and 5.25%, respectively. Slightly over half of the amount was sold by auction, mostly to resident credit institutions and insurance companies, while the remainder was purchased at fixed prices, predominantly by households.

The June quarter was also characterised by substantial issues of corporate debt securities on the primary market. Indeed, five corporate bonds were launched during the period with a total value of EUR89.0 million. International Hotel Investments plc issued a EUR25.0 million bond at a coupon rate of 6.25% per annum, mainly to refinance maturing debt. The bonds are set to mature on 8 April 2020. Premier Capital plc, a company involved in the restaurant business, issued EUR25.0 million worth of bonds carrying a coupon rate of 6.8% to finance its expansion in Malta and abroad. The bonds will mature on 15 March 2020. Simonds Farsons Cisk plc issued EUR15.0 million worth of bonds carrying a coupon rate of 6% and redeemable between 2017 and 2020. The issue was earmarked to finance maturing debt and other general financing requirements, including those

²³ The benchmark for the euro area is the secondary market rate on three-month securities issued by the French government, which is also shown in Chart 2.20.

related to the construction of a new brew house. Eden Finance plc issued EUR15.0 million worth of bonds with a coupon rate of 6.6% and redeemable between 2017 and 2020. Izola Bank plc offered EUR9.0 million 5.35% secured notes maturing in 2015. All issues were oversubscribed.

During the second quarter turnover in the secondary market for government bonds declined substantially compared with the first three months of the year, falling by EUR29.7 million to EUR56.5 million. This was largely driven

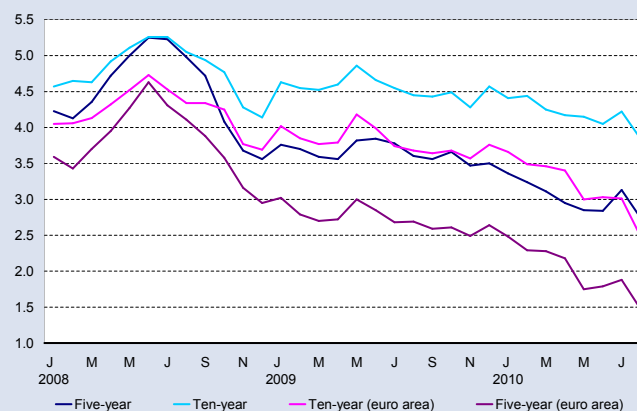
by a EUR38.2 million drop in the value traded of short-term securities. The Central Bank of Malta, in its role as market maker, accounted for most of the value traded. Government bond yields for both five-year and ten-year securities extended their downward trajectory, with yields falling by 27 and 25 basis points, respectively, during the quarter (see Chart 2.21). Meanwhile, a sharper drop in benchmark euro area yields led to a widening in interest-rate differentials.²⁴ While the spread on five-year government bonds expanded by 22 basis points to 105 basis points, the ten-year differential increased by 23 basis points to 102 basis points.

Turnover in the secondary market for corporate bonds fell during the quarter, from EUR7.3 million to EUR6.9 million. Trading was concentrated in seven securities, with yields generally declining in tandem with yields on government securities.

Activity in the equity market also slowed down in the June quarter. Turnover amounted to EUR8.5 million, down from EUR10.3 million in the first quarter. Share prices fell, with the MSE share index shedding 5.2% of its value to stand at 3,365.10 at end-June (see Chart 2.22).

Going into the third quarter, yields on five-year and ten-year government bonds persisted on their downward trend, falling to 2.74% and 3.84%, respectively, in August. Meanwhile, equity prices recovered some of their earlier losses and the MSE share index increased by 2.8% since June, ending August at 3,458.83.

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



Sources: Central Bank of Malta; ECB.

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



Source: MSE.

²⁴ Euro area yields are based on AAA-rated central government bonds.

NEWS NOTES

LOCAL NEWS

Central Bank of Malta announcements

(i) Banks' stress test exercise and results

On 8 July the MFSA and the Bank drew attention to the EU Committee of European Banking Supervisors stress test exercise being undertaken by all EU Member States in close cooperation with the ECB. A total of 91 banks from all Member States participated in the exercise and the results were announced on 23 July.

In each Member State, the exercise covered banks whose aggregate total assets represented at least 50% of the assets of the banking sector as a whole. The exercise was carried out on a consolidated basis and applied a set of commonly agreed macroeconomic scenarios for 2010 and 2011.

When drawing up the list of banks representing at least 50% of banking assets in each Member State, subsidiary banks of foreign parents were not included, as these were stress tested by the national authorities of the Member State where the parent institution was located. In the case of HSBC Bank Malta plc, the authorities in the UK stress tested this subsidiary as part of HSBC Holdings plc, its parent institution.

Meanwhile, Bank of Valletta plc, which has a substantial share of the domestic banking market, was selected to be stress tested by the national authorities. The Central Bank of Malta and the MFSA collaborated with Bank of Valletta plc to carry out the exercise, applying the set parameters within the established macroeconomic scenarios that also included an assessment of sovereign risk. The results of the stress tests of all participating banks were made public on 23 July. In the case of Bank of Valletta the overall results confirmed the bank's resilience.

(ii) Final withdrawal of Lm10 note

On 24 August the Bank reminded the public that the Lm10 banknote of the Fourth Series, which ceased to be legal tender after 13 September 2000, would not remain exchangeable at the Central Bank of Malta after 13 September 2010.

(iii) Issue of silver and gold coins

On 6 September the Bank announced the issue of a silver coin and a gold coin denoting the Auberge d'Italie as part of the *Europa Programme 2010 - Cultural Heritage*. The obverse of the coins shows the Emblem of Malta and the year 2010, while the reverse depicts a detail from the façade of the historical building in Valletta known as Auberge d'Italie.

Regularisation of Inland Revenue arrears

On 7 July the Inland Revenue Department announced the second phase of a tax amnesty scheme which had originally been introduced in September 2009. Individuals facing penalties for non-payment of income tax were offered a 90% reduction on such penalties. Taxpayers who had not made use of the first phase were thus given a second chance to regularise their position by a

specified date. The second phase of the scheme was also extended to employers with arrears in both tax and social security payments.

Capital market developments

(i) Issue of Government Stocks

On 16 July the Government, through Legal Notice 361 of 2010, launched the issue of EUR30 million Floating Rate Malta Government Stock 2013(VI) linked to the six-month EURIBOR under the Government Borrowing and Granting of Loans to the Hellenic Republic Act (Cap. 502) and the Local Loans (Registered Stock and Securities) Ordinance (Cap. 161). Bids amounting to EUR50 million were received for an allotment of EUR30 million.

On 16 July the Government, through Legal Notice 362 of 2010, launched EUR100 million worth of Government Stocks, with an over-allotment option of EUR50 million, under the Budget Measures Implementation Act, 2010 (Act No. I of 2010) and the Local Loans (Registered Stock and Securities) Ordinance (Cap. 161). The issue was divided as follows:

- (a) 3.75% Malta Government Stock 2015(VI) Fungibility issue;
- (b) 5.25% Malta Government Stock 2030(I) Fungibility issue;
- (c) or any combination of the above two Stocks which shall in aggregate be EUR100 million.

In aggregate the value of bids received in nominal terms exceeded EUR217.5 million.

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

On 16 June Mediterranean Investments Holding plc announced that regulatory approval had been granted for the issue of EUR30 million in euro, pound sterling and US dollar bonds subject to an over-allotment option not exceeding EUR10 million. The bonds carry an interest rate of 7.15% annually and will mature in 2017. When the issue was offered to the public on 12 July, it was oversubscribed and an allocation policy was subsequently announced.

On 15 September Mediterranean Bank plc announced the issue of EUR15 million 6.25% bonds of EUR100 at par and maturing in 2015. When the issue was offered to the public on 11 October, it was oversubscribed and an allocation policy was subsequently announced.

Malta's credit rating

On 12 August Moody's confirmed Malta's government debt credit rating at A1 and its outlook as stable. The rating agency cited Malta's relatively high GDP per capita and EU and euro area membership as positive factors. However, it warned of challenges regarding Malta's "very small and relatively concentrated economy" and the importance of "maintaining competitiveness in order to sustain productivity and income growth".

Global Competitiveness Report (2010-2011)

The Global Competitiveness Report 2010-2011, published by the World Economic Forum on 9 September, contained an extensive data section with a detailed profile of the 139 economies featured in the study. Malta ranked 50th in the overall Global Competitiveness Index. In the various components, Malta ranked 11th in financial market development, 29th in technological readiness, 19th in quality of primary education and 21st in foreign direct investment and technology transfer.

Double taxation agreements

Legal Notice 431 of 2010

This Legal Notice, issued on 14 September under the Income Tax Act (Cap. 123) and titled Double Taxation Relief (Taxes on Income) (The Republic of Serbia) Order, 2010, brought into effect double taxation relief for corporate and personal income tax between the two countries. The Convention entered into force on 16 June 2010.

Legal Notice 432 of 2010

This Legal Notice, issued on 14 September under the Income Tax Act (Cap. 123) and titled Double Taxation Relief (Taxes on Income) (Jersey) Order, 2010, brought into effect double taxation relief for income tax between the two states. The Convention entered into force on 19 July 2010.

Legislation related to banking and finance

Act No. XIV of 2010

On 20 July Act No. XIV of 2010 was enacted authorising and regularising Malta's participation in the European Financial Stability Facility. The Act facilitates or provides financing to Member States in financial difficulties through the raising of money by the issue of financial instruments or through entering into financial arrangements with shareholders or third parties. The Act also empowers the government to issue guarantees for the payment of financial instruments or agreement issued or entered into by the European Financial Stability Facility. Legal Notice 377 of 2010, issued on 3 August under the Participation and Guarantees Under the European Financial Stability Act, 2010 (Act XIV of 2010), established 3 August 2010 as the date when the provisions of the said Act came into force.

Legal Notice 443 of 2010

This Legal Notice, issued on 28 September under the Financial Markets Act (Cap. 345) and titled "Notice of coming into force of the Designated Financial Instruments Regulations 2009", established 30 September 2010 as the date when the said regulations came into force. These regulations specify shares in companies and other securities as well as bonds or other forms of securitised debt as designated financial instruments for the purposes of Part IV of the Financial Markets Act (Cap. 345), which deals with the Central Securities Depository.

MFSA notices

On 15 July the MFSA announced that it had revoked the licence granted to the International Banking Corporation (Malta) plc with effect from 11 June 2010. Its majority shareholder had been placed under administration by the Central Bank of Bahrain on 30 July 2009.

On 16 July the MFSA announced that it had accepted the surrender of the warrant of Management Services International (Nominee) Company Limited to act as nominee company in terms of Article 43 of the MFSC Act as retained in force by Section 107(4) of Act XVII of 2002. The surrender was entirely voluntary and did not arise from any regulatory action taken by the MFSA.

Between July and September, 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 taken by the MFSA. These were:

- RBAM II Funds SICAV plc, in respect of its collective investment scheme licence granted in relation to the Scheme;
- I2P SICAV Limited, in respect of its collective investment scheme licence;
- Amarillo Asset Partners Limited, in respect of Category 2 investment services licence;
- DAM Malta Limited, in respect of Category 2 investment services licence;
- Greenbay Investments Limited, in respect of Category 2 investment services licence;
- Auberges Trustees Limited, in respect of the authorisation to provide trustee and other fiduciary services in terms of the Trusts and Trustees Act (Cap. 331) of the Laws of Malta;
- NBCG Fund SICAV plc, in respect of its collective investment scheme licence in relation to various Sub-Funds;
- Altma Fund SICAV plc, in respect of the collective investment scheme licence in relation to various Sub-Funds.

Each of the following three items involved an instance where the licence was surrendered or ceased to be operative following a merger:

- Atlas Investments Services Limited, in respect of its Category 2 investment services licence after it merged with another financial services firm;
- Amstel Balanced Fund, in respect of its collective investment scheme after it merged with Amstel Dynamic Fund;
- The Category 2 investment services licence of GlobalCapital Fund Advisors Limited and the financial institution licence of GlobalCapital Investments Limited ceased to be operative after the two firms merged.

INTERNATIONAL NEWS

ECOFIN Council meetings – main topics discussed and decisions taken

During a meeting held on 13 July 2010 in Brussels, the Council:

- Adopted a political guideline for negotiations with the European Parliament on the financial supervision reform in Europe;
- Took a decision authorising Estonia to adopt the euro as its currency as from 1 January 2011;
- Established broad economic policy guidelines under the new Europe 2020 strategy;
- Initiated excessive deficit procedures against Bulgaria, Cyprus, Denmark and Finland.

On 26 July:

The Council adopted a regulation aimed at strengthening the rules concerning statistical data used under the EU's excessive deficit procedure.

On 12 August:

The Council adopted a position on the EU draft budget for the financial year 2011, approving targeted cuts in the Commission's proposal while ensuring appropriate funding for priorities of the EU, in particular economic recovery. The Council's position for the budget 2011 delineates:

- EUR141.777 billion in commitment appropriations, with a margin of EUR2.02 billion under the total ceiling of the financial framework;
- EUR126.527 billion in payment appropriations corresponding to 1.02% of the Gross National Income of the EU.

On 7 September, during a meeting held in Brussels, the Council:

- Endorsed an agreement with the European Parliament on a reform of the EU framework for financial supervision. The agreement included the creation of a European Systemic Risk Board, which would provide macroprudential oversight of the financial system, and of three European authorities for the supervision of the banking, insurance and securities industries. The agreement will enable these bodies to be operational as from 1 January 2011.
- Endorsed changes to the manner in which the EU's stability and growth pact is to be implemented in order to allow the introduction of a "European semester" from 2011, as part of a reform of EU provisions for economic policy coordination.
- Discussed the options regarding financial industry contributions, in the wake of the financial crisis. Discussions covered the coordination of levies on banks and other financial institutions and the possible introduction of a financial transaction tax.

On 30 September, the Eurogroup remarked, with regard to Ireland and Portugal:

- That it looked forward to the multi-annual economic and fiscal adjustment strategy of the Irish Authorities, which should present detailed consolidation measures and revised annual headline targets, including new structural reforms, for the period until 2014.
- That it encouraged the Portuguese authorities to back the budgetary measures by reforming the budgetary framework and by adopting further comprehensive and ambitious structural reforms to enhance potential growth.

On 30 September and 1 October, during an informal meeting held in Brussels, ECOFIN:

- Restated the importance of implementing the Europe 2020 strategy providing the adequate framework for economic and structural policies in the EU;
- Discussed the possibility of accelerating structural reforms as proposed in the Europe 2020 strategy;
- Referred to risks related to sovereign debt that could have a contagious effect on the banking sector;
- Noted that fiscal consolidation should be at the core of a comprehensive and balanced approach, notably to cope with future challenges such as pensions and healthcare;
- Remarked that the correction of global macroeconomic imbalances, as well as imbalances between private and public demand, should be pursued not only in the euro area but also at international level;

- Stressed the need to pay close attention to interlinkages between fiscal consolidation, growth-enhancing structural reforms and reforms of the financial sector regulatory and supervisory frameworks;
- Acknowledged that efforts should continue to address issues related to credit rating activities;
- Agreed on dealing with the need for the financial sector to make a fair and substantial contribution towards supporting part of the burdens associated with government interventions;
- Noted that bank levies should be a component of a credible and robust financial crisis resolution framework.

European Council Meeting

On 16 September in Brussels, after a meeting of the European Council which discussed the EU's external relations and economic governance, the following conclusions were published:

- The recent economic and financial crisis had dramatically shown the extent to which the well-being, security and quality of life of Europeans depended on external developments.
- A strong economy and internal cohesion would strengthen the Union's ability to project its influence in the world.
- The full participation of emerging economies in the international system should allow benefits to be spread in a balanced manner and responsibilities to be shared evenly.

Following an interim report by the President of the Task Force on economic governance, the European Council welcomed the progress made, notably on the European semester, on the development of a new macro-surveillance framework to monitor and correct unsustainable competitiveness divergences and imbalances in a timely manner, and on strengthening national fiscal frameworks.

Capital Reforms for Banks

On 12 September the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements. The minimum requirement for common equity, the highest form of loss absorbing capital, was raised from the current 2% level, before the application of regulatory adjustments, to 4.5% after the application of stricter adjustments. This will be phased in by 1 January 2015. The Tier 1 capital requirement, which includes common equity and other qualifying financial instruments based on stricter criteria, will increase from 4% to 6% over the same period. The capital conservation buffer above the regulatory minimum requirement was to be calibrated at 2.5% and would be met by common equity after the application of deductions to ensure that banks maintained a buffer of capital that could be used to absorb losses during periods of financial and economic stress. A countercyclical buffer within a range between 0% and 2.5% of common equity or other fully loss-absorbing capital would be implemented according to national circumstances to achieve the broader macroprudential goal of protecting the banking sector from periods of excess aggregate credit growth.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

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

CAPITAL CITY	Valletta		
AREA	316 km ²		
CURRENCY UNIT	Euro exchange rates ¹ :	EUR 1 = USD 1.2271 EUR 1 = GBP 0.8175	
CLIMATE	Average temperature (1990-2009):	Dec. - Feb. 13.2° C	
		June - Aug. 26° C	
	Average annual rainfall (1990-2009)	487 mm	
SELECTED GENERAL	GDP growth at constant 2000 prices ²	3.9%	
ECONOMIC STATISTICS	GDP per capita at current market prices (2009) ²	EUR13,900	
	GDP per capita in PPS relative to the EU-27 average (2009)	78.0%	
	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	0.7%	
	HICP inflation rate	0.7%	
	Ratio of exports of goods and services to GDP ²	81.6%	
	Ratio of current account surplus to GDP ²	6.8%	
	Employment rate	55.9%	
	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 (2009)	1,396	
EDUCATION	Gross enrolment ratio (2007/2008)	82.5%	
	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 182 countries (2007)	38	
	Mobile phone subscriptions per 100 population	106.4	
	Private motor vehicle licences per 1,000 population	558	
	Internet subscribers per 100 population	28.4	

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 June 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.

BOX 5: DEVELOPMENTS IN THE CENTRAL BANK OF MALTA'S STATISTICS

The inclusion of Money Market Fund statistics

The European System of Central Banks (ESCB), as part of its remit, compiles the consolidated balance sheet of the monetary financial institutions (MFI) sector, which comprises the central bank, credit institutions and other MFIs. The latter primarily include money market funds (MMFs).

According to the European Central Bank's Regulation ECB/2008/32, MMFs are defined as:

Collective investment undertakings (CIUs), the shares/units of which 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 on money market instruments.

The criteria applied to identify MMFs are derived primarily from the public prospectus of the respective CIU. MMFs issue shares/units regarded as close substitutes for bank deposits and generally invest in money market instruments, such as bank deposits and short-term securities.

In the past, considering that the local MMF sector was small, with its statistics largely estimated, the Central Bank of Malta did not consolidate MMF statistics with other MFI data when compiling monetary and banking statistics. Over the last two years, however, resident MMFs have grown, though their market share remains considerably smaller than that of the MFI sector as a whole. In view of this, and given that the relevant statistics are now collected regularly, the Bank has decided to start including MMF statistics with those of the other MFIs. Following this, the resultant impact on M3 was moderate. For example, in June 2010 the inclusion of MMF deposit liabilities in M3 raised this monetary measure by 2.9%. Concurrently, MMFs raised the aggregated OMFI balance sheet by just 0.5%.

As from this issue of the Bank's *Quarterly Review*, monetary and banking statistics will include MMF statistics, with past MFI data revised back to December 2008. Data published on the Bank's website have been similarly revised. MMF statistics will not be shown separately to safeguard the confidentiality of individual reporting institutions but will be included with those of other monetary financial institutions. For consistency's sake, MMF statistics will simultaneously be included in other datasets, such as Malta's balance of payments and international investment position statistics.

NACE¹ Rev. 2 classification of OMFI loans to residents

NACE provides the framework for the presentation of statistics by economic activity. As it is subject to an EU Regulation, statistics produced on the basis of NACE are comparable in all Member States.² An economic activity takes place when resources such as capital goods, labour, manufacturing techniques or intermediary products are combined to produce specific goods or services.

¹ NACE is the acronym for Nomenclature statistique des activités économiques dans la Communauté européenne.

² Council regulation (EEC) No 3037/90 of 9 October 1990 on the statistical classification of economic activities in the European Community as amended by Commission Regulation (EEC) No 761/93 of 24 March 1993.

Structural changes in the economy, as well as technological developments, give rise to new activities and products, which may supersede existing ones. Such changes require a reordering of statistical classifications. NACE Rev. 2, a revision to NACE Rev. 1.1, is the outcome of a long consultation process which included the major international statistical agencies. The Regulation establishing NACE Rev. 2 was adopted in December 2006, though it is being implemented over a transition period across various statistical domains.

Therefore, for the purposes of Table 1.11, as from June 2010, the Central Bank of Malta will be using NACE Rev. 2 instead of NACE Rev. 1.1 in classifying OMF1 loans to residents by economic activity. The most prominent changes introduced in NACE Rev. 2 include (a) the amalgamation of 'old' economic activities, (b) the introduction of new ones, and (c) the shifting of divisions from one section to another so as to represent more accurately important new industries or old industries that have increased their economic or social relevance. For example, in Table 1.11, lending related to the development and selling of real estate, previously shown under "real estate, renting and business activities", has been relocated to "construction", while lending to holding companies has been shifted from "real estate, renting and business activities" to the financial and insurance activities section under the "other" category.

Revisions to classifications, particularly if they include structural changes, lead to breaks in the time series. Thus, certain time series in Table 1.11 may not be comparable with data prior to June 2010.

Aggregated statement of assets and liabilities - insurance corporations

As from this issue of the *Quarterly Review*, a statistical table entitled "Aggregated statement of assets and liabilities – insurance corporations" is being introduced. The statistical information is restricted to resident insurance corporations in Malta, and excludes those dealing predominantly with non-residents. According to the European System of Accounts 1995 (ESA 1995), the insurance corporations sector comprises non-monetary financial institutions principally engaged in financial intermediation as the consequence of the pooling of risk. The principal function of insurance corporations is the provision of life, accident, health, fire and/or other forms of insurance.

The aggregated statement of assets and liabilities is based on balance sheets submitted by the resident insurance corporations on a quarterly basis to the Central Bank of Malta. Reporting is based on statistical standards as specified in ESA 1995, while accounting rules, for the purpose of reporting in these returns, 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.

Assets and liabilities are classified by financial instrument. On the assets side, "currency and deposits" mainly include those funds or other balances normally lodged with a bank. "Holdings of securities other than shares" comprise securities normally traded in financial markets, which give holders the unconditional right to fixed money incomes, or to contractually determined variable money incomes, or to receive stated fixed sums on a specified date (e.g. Treasury bills, government and corporate bonds). "Holdings of shares and other equity" are securities representing property rights, which generally entitle holders to a share in company profits and to a share in their net assets in the event of liquidation. Holdings of shares/units in investment funds are shown separately in this category. "External assets" include all claims on non-resident counterparties,

while “fixed and other assets” mainly comprise financial derivatives with resident counterparties, non-financial assets (including fixed assets), other assets and accruals.

There are five main instrument categories on the liabilities side of the table. “Loans” are created when creditors lend funds to insurance corporations. “Shares and other equity” comprise instruments that generally entitle holders to a share in profits. “Insurance technical reserves” consist of technical provisions for investment-linked life assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves. “External liabilities” are claims by non-residents and “other liabilities” mainly include financial derivatives with resident counterparties, other liabilities and accruals.

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Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

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

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets ⁴	Total assets/liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009									
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

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 Malta¹ (liabilities)

EUR millions

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

EUR millions

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

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

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

³ Includes items in course of settlement.

⁴ Includes provisions and revaluation accounts.

Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Holdings of euro-denominated cash 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

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

EUR millions

End of period	Currency issued ⁵	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities ⁴
		Withdrawable on demand ⁶	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

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 Includes resident interbank transactions.

⁵ 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.

⁶ For the purposes of this table deposits withdrawable on demand include deposits redeemable at notice.

Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Balances held with Central Bank of Malta ²	Claims on residents of Malta			External assets				Other assets ³	Total assets/liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2003	607.7	4,449.2	1,449.1	83.1	2,831.3	7,484.8	177.2	10,493.3	818.3	17,900.8
2004	448.6	4,734.9	1,531.2	77.9	3,626.4	8,794.1	787.5	13,208.0	837.6	20,838.2
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
2008										
Jan.	573.1	6,321.5	1,265.1	92.7	5,522.8	22,983.8	601.1	29,107.7	634.4	37,994.5
Feb.	527.2	6,352.2	1,281.7	93.0	5,704.5	22,973.0	548.2	29,225.7	652.1	38,131.8
Mar.	519.7	6,449.1	1,260.7	92.8	5,687.3	22,261.1	597.1	28,545.5	705.8	37,573.6
Apr.	520.3	6,607.7	1,218.0	102.6	5,676.1	22,503.3	547.5	28,727.0	693.8	37,869.4
May	522.9	6,654.6	1,221.6	102.3	5,877.1	23,634.0	603.3	30,114.5	702.4	39,318.2
June	521.3	6,727.3	1,268.2	103.9	5,952.6	25,188.2	554.8	31,695.6	648.7	40,965.0
July	516.8	6,858.5	1,291.7	104.8	6,745.4	25,775.2	653.8	33,174.4	680.6	42,626.8
Aug.	509.3	6,832.6	1,281.1	105.0	7,095.5	26,695.2	674.3	34,465.0	717.2	43,910.2
Sep.	641.9	6,924.5	1,258.4	112.0	7,346.4	27,394.6	768.1	35,509.1	669.7	45,115.6
Oct.	578.4	6,981.0	1,292.8	111.7	7,110.4	27,606.5	1,026.4	35,743.3	694.2	45,401.5
Nov.	563.3	7,039.4	1,286.8	115.8	6,989.4	26,197.4	1,045.2	34,232.0	716.0	43,953.2
Dec.	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	9,891.8	29,305.4	671.5	39,868.7	870.6	51,503.8

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.

Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Deposits from residents of Malta ²				External liabilities				Debt securities issued ³	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities ³	Total			
2003	2,441.8	67.0	3,727.6	6,236.5	2,426.4	4,862.9	1,597.6	8,886.9	220.9	1,822.4	734.1
2004	2,589.8	70.0	3,700.8	6,360.5	3,203.2	6,640.3	1,583.0	11,426.5	214.7	2,086.4	750.0
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
2008											
Jan.	3,150.6	108.8	5,172.5	8,431.9	8,073.8	15,339.0	2,031.3	25,444.1	140.7	3,304.3	673.5
Feb.	3,152.9	111.2	5,234.7	8,498.9	8,722.9	14,868.9	1,918.1	25,510.0	140.1	3,269.3	713.5
Mar.	3,160.1	112.8	5,227.6	8,500.5	8,646.9	14,598.5	1,740.8	24,986.2	139.2	3,197.9	749.8
Apr.	3,222.8	113.8	5,146.9	8,483.5	8,591.7	15,136.9	1,586.1	25,314.6	139.6	3,252.6	679.0
May	3,206.9	114.3	5,147.6	8,468.8	8,724.8	16,003.6	1,919.4	26,647.8	139.7	3,295.9	765.9
June	3,129.3	115.3	5,137.6	8,382.1	9,861.1	16,348.0	2,110.5	28,319.7	139.2	3,195.2	928.8
July	3,208.1	116.6	5,119.4	8,444.1	10,483.0	16,916.5	2,278.5	29,677.9	139.5	3,387.0	978.3
Aug.	3,188.9	115.5	5,200.8	8,505.2	10,972.9	17,581.8	2,231.7	30,786.4	140.9	3,391.2	1,086.4
Sep.	3,189.0	116.0	5,281.9	8,586.8	11,259.0	18,191.2	2,438.3	31,888.5	171.6	3,260.2	1,208.5
Oct.	3,091.3	114.5	5,356.8	8,562.7	10,649.7	18,909.1	2,492.1	32,050.9	174.7	3,227.4	1,385.7
Nov.	3,195.8	114.6	5,305.3	8,615.7	10,225.8	17,888.9	2,354.5	30,469.2	174.7	3,291.0	1,402.6
Dec.	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	1,679.1	30,033.2	287.7	9,456.5	2,674.3

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

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

EUR millions

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

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

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

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

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

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.5a Counterparts to the monetary aggregates

EUR millions

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

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

EUR millions

End of period	Broad money (M3) ⁴	Credit counterpart ³					External counterpart			Other counterparts (net) ²
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009										
Jan.	8,917.4	1,654.7	7,264.6	494.0	2,985.7	12,399.0	27,416.4	21,326.8	6,089.6	9,571.2
Feb.	8,956.1	1,721.3	7,244.8	515.8	3,038.6	12,520.5	26,671.4	21,299.0	5,372.3	8,936.7
Mar.	8,847.5	1,687.2	7,344.4	539.4	2,938.8	12,509.8	25,994.6	19,527.0	6,467.6	10,129.9
Apr.	8,816.2	1,798.0	7,368.4	604.7	2,400.9	12,172.0	25,713.2	20,560.3	5,153.0	8,508.8
May	8,893.0	1,830.6	7,381.1	618.0	2,344.1	12,173.8	25,710.7	18,755.2	6,955.4	10,236.3
June	8,894.4	1,903.8	7,448.6	647.4	2,285.5	12,285.4	25,252.2	18,516.5	6,735.7	10,126.6
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	2,539.3	14,192.1	30,482.2	21,660.2	8,822.0	13,887.1

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

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

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

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.6a Currency in circulation

EUR millions

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

Table 1.6b Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item: Excess / shortfall (-) on the banknote allocation key ³
	Notional amount of banknotes issued by the Central Bank of Malta ¹	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins ²	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009						
Jan.	617.7	32.3	-	50.1	599.9	57.2
Feb.	619.5	32.4	-	52.6	599.4	74.2
Mar.	623.8	32.7	-	54.6	601.8	85.4
Apr.	633.8	33.4	-	61.9	605.2	87.2
May	639.7	34.4	-	56.4	617.7	84.6
June	637.7	34.9	-	58.1	614.5	97.9
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

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

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

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins ¹	Currency notes					Total
		Lm20	Lm10 ²	Lm5	Lm2		
2003	1,130.6	255.5	744.0	71.8	16.7		1,088.0
2004	1,179.6	257.0	786.3	74.3	17.2		1,134.8
2005	1,211.4	257.5	812.1	76.8	18.1		1,164.5
2006	1,173.9	240.5	785.0	80.9	18.9		1,125.4
2007	677.8	120.2	439.8	57.5	16.7		634.2
2008	90.5	11.3	35.4	9.5	7.5		63.8
2009							
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

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

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

Table 1.7b Denominations of euro banknotes allocated to Malta¹

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009								
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

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.

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.8 Deposits held with other monetary financial institutions by sector¹

End of period	Resident deposits										Deposits held by non-residents of Malta		Total deposits
	General government ²	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	Total			
										EUR	Malta		
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													
Jan.	140.5	132.2	214.7	131.2	1,365.9	6,579.6	8,564.2	8,176.0	16,237.8	32,978.0			
Feb.	148.5	153.0	220.9	152.9	1,390.2	6,586.4	8,651.9	8,806.5	15,692.8	33,151.1			
Mar.	138.3	201.1	214.1	132.4	1,397.9	6,617.9	8,701.6	8,712.0	15,333.4	32,747.0			
Apr.	107.0	136.6	201.4	152.8	1,393.1	6,629.1	8,620.1	8,711.0	15,779.2	33,110.3			
May	101.1	197.3	227.6	150.8	1,362.2	6,627.2	8,666.2	8,899.0	16,782.9	34,338.0			
June	107.0	371.9	196.4	135.8	1,301.3	6,641.8	8,754.0	10,238.9	17,024.7	36,017.6			
July	105.9	402.9	194.3	152.2	1,370.2	6,621.5	8,846.9	10,895.9	17,649.1	37,391.9			
Aug.	113.0	480.3	186.6	144.4	1,416.0	6,645.2	8,985.5	11,357.9	18,224.5	38,567.8			
Sep.	113.3	624.0	206.3	129.4	1,459.6	6,678.3	9,210.8	11,663.0	18,778.6	39,652.4			
Oct.	107.3	804.7	214.8	144.1	1,401.3	6,695.3	9,367.4	10,875.8	19,408.3	39,651.5			
Nov.	110.6	798.9	238.1	146.8	1,404.8	6,715.4	9,414.6	10,436.0	18,321.1	38,171.7			
Dec.	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			

¹ For the purposes of this Table, deposits include loans and unclassified effects.

² Including extra-budgetary units.

Monetary, Banking, Investment Funds and Financial Markets

Table 1.9 Deposits held with other monetary financial institutions by currency¹

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL ²	EUR	GBP	USD	Other	MTL ²	EUR	Other		
2003	5,576.2	244.7	303.3	246.0	60.2	22.4	1,832.6	1,309.4	5,524.1	15,119.0
2004	5,614.5	259.7	353.1	240.7	70.1	20.4	2,400.7	1,010.4	7,160.9	17,130.4
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
2008										
Jan.		7,730.5	386.0	321.3	126.4		5,374.2	2,801.8	16,237.8	32,978.0
Feb.		7,753.6	386.6	379.5	132.1		5,631.3	3,175.1	15,692.8	33,151.1
Mar.		7,786.9	371.7	423.3	119.8		5,713.2	2,998.8	15,333.4	32,747.0
Apr.		7,708.4	389.4	399.5	122.7		5,800.3	2,910.7	15,779.2	33,110.3
May		7,772.0	376.8	414.4	103.0		6,105.0	2,783.9	16,782.9	34,338.0
June		7,905.3	342.4	375.8	130.6		7,092.3	3,146.6	17,024.7	36,017.6
July		8,007.3	347.6	375.3	116.7		7,717.1	3,178.7	17,649.1	37,391.9
Aug.		8,074.9	379.4	417.9	113.4		8,301.8	3,056.1	18,224.5	38,567.8
Sep.		8,219.7	406.8	465.7	118.6		8,324.0	3,339.0	18,778.6	39,652.4
Oct.		8,148.7	377.8	728.7	112.2		7,523.6	3,352.2	19,408.3	39,651.5
Nov.		8,309.4	367.7	636.4	101.0		7,112.9	3,323.2	18,321.1	38,171.7
Dec.		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

¹ Also includes loans granted to the reporting MFIs.

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.10 Other monetary financial institutions' loans by size class¹

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					
Jan.	1,110.0	3,022.3	2,677.3	14,802.6	21,612.1
Feb.	1,150.5	3,056.5	3,031.8	14,942.1	22,180.9
Mar.	1,311.0	3,372.2	2,748.4	14,851.5	22,283.1
Apr.	1,375.2	3,404.9	2,760.0	15,121.5	22,661.6
May	635.9	2,502.0	2,126.1	17,932.2	23,196.2
June	638.9	2,527.9	2,148.7	18,629.8	23,945.4
July	641.3	2,546.3	2,148.8	19,159.3	24,495.7
Aug.	644.7	2,549.6	2,094.8	20,147.3	25,436.5
Sep.	649.8	2,582.8	2,137.8	20,854.5	26,224.9
Oct.	653.4	2,600.9	2,165.6	21,238.4	26,658.3
Nov.	655.6	2,622.7	2,165.3	20,887.7	26,331.4
Dec.	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	20,680.0	26,661.1

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

² The euro amounts are approximations.

Monetary, Banking, Investment Funds and Financial Markets

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

End of Period	Electricity, gas & water supply	Transport, storage, information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals ²				Other ³	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2003	195.4	315.6	430.5	468.5	481.9	671.3	276.0	1,030.2	84.2	306.5	1,420.8	367.8	524.4	4,103.4
2004	222.1	295.7	358.1	505.5	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														
Jan.	183.2	315.3	303.4	681.7	467.8	723.1	738.3	2,026.0	285.7	278.0	2,589.6	350.3	428.5	5,924.3
Feb.	179.3	317.0	306.3	680.4	461.5	721.9	759.4	2,036.8	290.9	283.2	2,610.9	347.2	437.6	5,946.4
Mar.	184.8	335.3	310.9	699.3	464.0	747.4	774.5	2,056.2	292.2	284.0	2,632.4	332.3	436.5	6,044.4
Apr.	289.8	340.0	311.1	694.3	472.9	759.1	781.5	2,076.6	297.3	280.3	2,654.1	344.4	547.9	6,099.3
May	283.0	349.4	322.0	697.3	464.1	755.6	793.5	2,091.6	302.4	286.9	2,681.0	343.1	547.9	6,141.1
June	283.1	358.5	326.0	702.0	457.6	770.7	809.2	2,114.0	305.7	291.7	2,711.4	360.8	550.3	6,229.0
July	270.9	463.0	327.1	713.1	453.6	760.2	829.9	2,132.8	308.2	296.0	2,737.0	362.9	540.4	6,377.3
Aug.	283.9	409.6	330.6	715.9	451.2	751.5	830.0	2,145.5	307.9	298.9	2,752.3	366.1	552.2	6,338.8
Sep.	283.3	429.6	335.4	725.2	448.4	752.3	853.6	2,166.5	315.8	304.9	2,787.2	369.8	561.1	6,423.7
Oct.	286.4	427.7	337.5	727.8	455.6	764.7	861.6	2,185.7	319.8	306.5	2,811.9	360.5	573.0	6,460.5
Nov.	302.4	423.7	341.4	728.5	452.6	761.1	891.2	2,199.9	322.3	309.7	2,831.9	348.1	593.6	6,487.4
Dec.	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	6,966.5
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

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

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

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.12 Other monetary financial institutions' loans by sector

End of Period	Lending to residents of Malta ¹										Lending to non-residents of Malta		Total lending
	General government ²	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents		Non-residents of the euro area			
								Total					
2003	208.4	774.6	5.7	8.1	2,579.1	1,647.9	5,223.8	1,118.2	3,904.7	10,246.7			
2004	129.4	625.7	7.3	8.2	2,686.8	1,903.2	5,360.7	1,756.2	4,044.9	11,161.7			
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5			
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8			
2007	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0			
2008													
Jan.	127.2	527.6	19.3	15.8	3,259.6	2,899.7	6,849.1	2,587.7	16,378.8	25,815.6			
Feb.	119.9	532.2	21.8	15.3	3,267.4	2,927.7	6,884.4	2,777.1	16,677.6	26,339.0			
Mar.	107.9	577.1	21.5	11.2	3,348.2	2,960.3	7,026.2	2,871.0	16,178.8	26,075.9			
Apr.	108.5	596.9	21.4	15.9	3,482.2	2,979.6	7,204.6	2,860.1	16,451.0	26,515.7			
May	108.6	595.9	22.0	14.9	3,499.5	3,009.6	7,250.5	2,980.0	16,844.9	27,075.4			
June	109.8	568.4	21.8	16.4	3,537.5	3,041.7	7,295.6	3,087.9	17,767.0	28,150.5			
July	108.7	544.8	21.3	13.3	3,647.7	3,067.4	7,403.3	3,394.2	18,297.3	29,094.9			
Aug.	110.0	559.4	20.7	14.8	3,601.3	3,085.7	7,392.0	3,720.4	18,960.3	30,072.7			
Sep.	111.3	701.1	21.5	14.0	3,647.7	3,130.1	7,625.5	3,968.2	19,543.9	31,137.7			
Oct.	110.0	653.6	20.6	14.6	3,681.4	3,154.4	7,634.6	4,182.8	20,664.0	32,481.5			
Nov.	111.3	625.8	20.8	12.9	3,717.2	3,177.1	7,665.2	4,106.5	19,847.6	31,619.2			
Dec.	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	6,240.6	20,239.5	35,164.6			

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

² Including extra-budgetary units.

Monetary, Banking, Investment Funds and Financial Markets

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

End of period	Lending to residents of Malta ¹																Total lending		
	Non-financial corporations								Households & non-profit institutions										Other sectors
	EUR				Other				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	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																			
Jan.	940.2	2,268.3	39.4	11.7					239.2	2,656.4	0.6	3.5		663.5	26.3	6,849.1			
Feb.	927.1	2,290.7	36.7	13.0					243.4	2,680.2	0.8	3.4		666.8	22.4	6,884.4			
Mar.	969.5	2,328.6	35.3	14.8					246.9	2,709.3	0.7	3.4		647.5	70.2	7,026.2			
Apr.	978.5	2,450.1	39.2	14.3					249.8	2,725.9	0.6	3.3		686.7	56.1	7,204.6			
May	979.2	2,463.4	42.0	14.9					255.4	2,750.1	0.8	3.3		688.4	52.9	7,250.5			
June	983.2	2,482.3	49.7	22.3					259.9	2,777.8	0.9	3.2		686.9	29.5	7,295.6			
July	953.2	2,624.5	46.4	23.7					261.8	2,801.5	0.9	3.2		677.6	10.6	7,403.3			
Aug.	957.7	2,578.3	43.5	21.9					257.5	2,824.1	0.9	3.2		682.6	22.4	7,392.0			
Sep.	986.9	2,592.5	45.8	22.4					269.6	2,856.1	1.0	3.4		822.6	25.1	7,625.5			
Oct.	1,044.8	2,560.6	49.9	26.0					268.5	2,880.9	1.3	3.7		746.9	51.9	7,634.6			
Nov.	1,071.6	2,579.6	44.9	21.1					270.9	2,901.0	1.6	3.6		725.3	45.5	7,665.2			
Dec.	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			

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

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

Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets ²	Fixed and other assets ³	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2003	17.4	54.4	419.5	3.4	114.1	221.7	22.9	853.5
2004	11.8	61.0	467.0	5.0	160.3	272.8	25.5	1,003.4
2005	52.2	34.5	624.0	7.9	232.4	350.4	32.7	1,334.1
2006	20.8	50.9	690.2	7.0	204.4	431.6	16.6	1,421.4
2007	32.6	3.4	498.8	6.4	195.3	410.4	12.0	1,159.0
2008	18.8	2.4	421.7	3.9	128.0	299.1	9.4	883.3
2009								
Mar.	19.3	7.9	420.9	3.9	102.9	262.3	5.9	823.0
June	17.3	6.9	412.7	3.8	117.6	282.9	6.6	847.8
Sep.	34.7	18.9	396.6	4.5	121.6	307.3	6.8	890.4
Dec.	33.3	15.4	403.2	4.8	139.3	318.6	5.6	920.2
2010								
Mar.	38.8	16.7	395.4	5.0	142.7	343.8	8.7	951.2
June	34.8	14.3	411.2	4.8	137.9	355.0	7.2	965.2

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

EUR millions

End of period	Loans	Shareholders' units/funds ⁴	External liabilities ⁵	Other liabilities ⁶	Total liabilities
2003	0.7	843.9	7.1	1.7	853.5
2004	0.5	994.5	3.9	4.5	1,003.4
2005	0.2	1,322.5	4.1	7.4	1,334.1
2006	0.4	1,406.4	11.0	3.6	1,421.4
2007	0.3	1,147.6	7.8	3.3	1,159.0
2008	1.9	870.2	6.9	4.2	883.3
2009					
Mar.	1.0	810.6	6.7	4.7	823.0
June	1.1	830.8	7.3	8.6	847.8
Sep.	0.3	871.9	10.8	7.4	890.4
Dec.	2.1	902.0	10.8	5.3	920.2
2010					
Mar.	2.3	924.3	14.8	9.8	951.2
June	1.8	935.3	22.7	5.5	965.2

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.

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

EUR millions

End of period	Currency and Deposits ²	Holdings of securities other than shares	Holdings of shares and other equity		External assets ³	Fixed and other assets ⁴	Total assets
			Investment fund shares/units	Other shares and equity			
2005	61.7	347.6	57.4	103.6	358.1	192.1	1,120.5
2006	103.0	373.8	61.3	112.0	462.0	209.8	1,321.9
2007	193.9	418.5	68.4	121.0	482.9	244.5	1,529.2
2008	222.6	442.6	59.5	97.0	481.0	266.9	1,569.6
2009							
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

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

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves ⁵	External liabilities ⁶	Other liabilities ⁷	Total liabilities
2005	17.1	177.5	863.0	17.1	45.7	1,120.5
2006	21.1	205.1	1,027.1	15.7	52.9	1,321.9
2007	21.3	238.9	1,196.7	15.6	56.7	1,529.2
2008	24.9	229.2	1,229.3	34.3	52.0	1,569.6
2009						
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

¹ Comprising the resident insurance companies.

² Includes loans.

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

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

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

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

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.16 Monetary policy operations of the Central Bank of Malta¹

EUR thousands

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

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

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

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

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

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.17 Monetary financial institutions' interest rates on deposits and loans to residents of Malta¹

	2009			2010					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
NEW BUSINESS²									
Deposits									
Households and NPISH									
Overnight deposits ^{4,5}	0.29	0.29	0.30	0.30	0.28	0.30	0.29	0.29	0.29
Savings deposits redeemable at notice ^{4,6} up to 3 months	1.68	1.70	1.70	1.71	1.70	1.71	1.70	1.70	1.67
Time deposits with agreed maturity up to 1 year	1.86	1.78	1.95	1.92	1.56	1.87	1.82	1.78	1.15
over 1 and up to 2 years	3.02	3.03	3.00	2.73	2.82	3.19	2.72	3.27	3.17
over 2 years	3.13	3.05	3.39	3.38	3.59	3.38	3.65	3.23	3.79
Non-financial corporations									
Overnight deposits ^{4,5}	0.24	0.24	0.23	0.23	0.24	0.23	0.22	0.21	0.22
Time deposits with agreed maturity	1.33	1.49	0.85	0.84	1.23	1.29	0.90	1.69	1.45
Loans									
Households and NPISH									
Overdrafts ^{4, 10}	6.38	6.40	6.44	6.43	6.44	6.45	6.54	6.57	5.71
Loans									
Lending for house purchase	3.41	3.43	3.52	3.56	3.47	3.45	3.40	3.41	3.39
Consumer credit ⁸	5.72	5.90	6.02	6.10	5.87	5.89	6.04	5.86	5.63
Other lending	5.78	5.88	5.56	6.06	5.69	6.03	5.67	5.69	4.79
Non-financial corporations									
Overdrafts ^{4,10}	5.10	5.08	5.08	5.09	5.10	5.12	5.11	5.11	4.87
Loans ³	5.00	5.26	4.95	5.00	5.90	5.90	5.58	5.54	5.21
APRC ⁷ for loans to households and NPISH									
Lending for house purchase	3.70	3.70	3.71	3.85	3.77	3.71	3.70	3.68	3.61
Consumer credit ⁸	5.85	6.01	6.10	6.21	5.96	5.98	6.11	5.93	5.71
OUTSTANDING AMOUNTS³									
Deposits									
Households and NPISH									
Time deposits with agreed maturity up to 2 years	2.38	2.29	2.22	2.16	2.16	2.14	2.13	2.10	2.09
over 2 years	3.10	3.09	3.06	3.10	3.06	3.09	3.11	3.09	3.03
Non-financial corporations									
Time deposits with agreed maturity up to 2 years	2.04	2.03	2.01	1.81	2.03	1.93	1.67	1.99	1.97
over 2 years	3.41	3.37	3.35	3.36	3.40	3.38	3.37	3.39	3.28
Loans									
Households and NPISH									
Lending for house purchase	3.52	3.52	3.51	3.50	3.50	3.50	3.49	3.49	3.48
Consumer credit and other lending ⁹	5.66	5.67	5.67	5.68	5.68	5.68	5.69	5.69	5.67
Non-financial corporations ⁹	4.93	4.92	4.91	4.91	4.95	4.97	4.98	4.96	4.96

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 for the period.

³ End of period rates.

⁴ 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.

⁵ Overnight deposits include current/cheque accounts and savings withdrawable on demand.

⁶ Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.

⁷ 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.

⁸ Excludes bank overdrafts.

⁹ Includes bank overdrafts.

¹⁰ As from June 2010, overdrafts also include revolving loans.

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

% per annum	2009			2010					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
NEW BUSINESS²									
Deposits									
Households and NPISH									
Overnight deposits ^{4,5}	0.29	0.29	0.30	0.30	0.28	0.30	0.29	0.29	0.29
Savings deposits redeemable at notice ^{4,6} up to 3 months	1.68	1.70	1.70	1.70	1.70	1.71	1.70	1.70	1.72
Time deposits with agreed maturity up to 1 year	1.86	1.78	1.97	1.91	1.56	1.87	1.81	1.78	1.06
over 1 and up to 2 years	3.02	3.03	3.00	2.73	2.91	3.19	2.72	3.27	2.67
over 2 years	3.13	3.05	3.39	3.38	3.59	3.38	3.65	3.23	3.34
Non-financial corporations									
Overnight deposits ^{4,5}	0.24	0.25	0.23	0.23	0.25	0.24	0.23	0.22	0.24
Time deposits with agreed maturity	1.31	1.45	1.44	0.95	1.74	1.92	1.38	2.51	2.76
Loans									
Households and NPISH									
Overdrafts ^{4,10}	6.38	6.40	6.45	6.43	6.44	6.45	6.54	6.57	5.62
Loans									
Lending for house purchase	3.41	3.43	3.52	3.56	3.47	3.45	3.39	3.42	3.40
Consumer credit ⁸	5.72	5.90	6.01	6.10	5.85	5.89	6.04	5.86	5.62
Other lending	5.77	5.88	5.56	6.07	5.69	6.02	5.67	5.69	4.79
Non-financial corporations									
Overdrafts ^{4,10}	5.10	5.08	5.08	5.09	5.10	5.12	5.11	5.11	4.80
Loans ⁸	4.31	4.50	4.42	4.26	4.93	5.19	4.86	4.95	4.49
APRC ⁷ for loans to households and NPISH									
Lending for house purchase	3.70	3.69	3.71	3.85	3.76	3.71	3.70	3.70	3.62
Consumer credit ⁸	5.85	6.01	6.09	6.21	5.94	5.98	6.11	5.93	5.71
OUTSTANDING AMOUNTS³									
Deposits									
Households and NPISH									
Time deposits with agreed maturity up to 2 years	2.38	2.28	2.21	2.16	2.15	2.14	2.13	2.10	2.09
over 2 years	3.14	3.13	3.10	3.14	3.10	3.13	3.14	3.13	2.88
Non-financial corporations									
Time deposits with agreed maturity up to 2 years	2.22	2.03	2.03	1.77	2.07	2.02	1.80	2.15	2.21
over 2 years	3.17	3.14	3.13	3.13	3.16	3.14	3.16	3.18	3.24
Loans									
Households and NPISH									
Lending for house purchase	3.52	3.52	3.51	3.50	3.50	3.50	3.49	3.49	3.48
Consumer credit and other lending ⁹	5.65	5.67	5.67	5.68	5.67	5.68	5.69	5.69	5.62
Non-financial corporations ⁹	4.12	4.11	4.13	4.10	4.12	4.15	4.20	4.20	0.00

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 for the period.

³ End of period rates.

⁴ 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.

⁵ Overnight deposits include current/cheque accounts and savings withdrawable on demand.

⁶ Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.

⁷ 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.

⁸ Excludes bank overdrafts.

⁹ Includes bank overdrafts.

¹⁰ As from June 2010, overdrafts also include revolving loans.

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

	2005	2006	2007	2008	2009				2010	
					Mar.	June	Sep.	Dec.	Mar.	June
INTEREST RATES (%)¹										
Key ECB interest rates²										
Marginal lending facility	3.25	4.50	5.00	3.00	2.50	1.75	1.75	1.75	1.75	1.75
Main refinancing operations - minimum bid rate	2.25	3.50	4.00	2.50	1.50	1.00	1.00	1.00	1.00	1.00
Deposit facility	1.25	2.50	3.00	2.00	0.50	0.25	0.25	0.25	0.25	0.25
Money market rates (average for the quarter)										
Overnight deposit (EONIA)	2.09	2.83	3.95	3.15	1.38	0.77	0.36	0.36	0.35	0.35
Rates for fixed term deposits (EURIBOR)										
1 month	2.14	2.94	4.39	3.89	1.68	0.93	0.53	0.45	0.41	0.45
3 months	2.18	3.08	4.72	4.21	2.01	1.31	0.87	0.72	0.64	0.73
6 months	2.23	3.23	4.70	4.28	2.11	1.51	1.12	1.00	0.95	1.01
1 year	2.33	3.44	4.68	4.35	2.22	1.67	1.33	1.24	1.22	1.28
Central Bank of Malta²										
Central intervention rate	3.25	3.75	4.00							
Money market intervention rates:										
Term deposit rate	3.20	3.70	3.95							
Reverse repo rate	3.30#	3.80#	4.05#							
Rate on standby (collateralised) loans	4.25	4.75	5.00							
Rate on overnight deposits	2.25	2.75	3.00							
Remuneration on required reserves	3.00	3.50	4.00							

¹ End of period rates unless otherwise indicated.

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

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

Monetary, Banking, Investment Funds and Financial Markets

Table 1.20 Other rates and indicators

	2005	2006	2007	2008	2009				2010	
					Mar.	June	Sep.	Dec.	Mar.	June
INTEREST RATES (%)¹										
Other monetary financial institutions²										
Weighted average deposit rate	2.13	2.37	3.00	2.57	2.13	1.88	1.62	1.44	1.43	1.37
Current deposits	0.45	0.57	0.78	0.51	0.28	0.29	0.27	0.29	0.30	0.27
Savings deposits	1.17	1.17	1.73	0.73	0.41	0.37	0.33	0.33	0.34	0.35
Time deposits	2.97	3.27	3.97	3.74	3.27	2.94	2.55	2.30	2.27	2.26
Weighted average lending rate	5.48	5.90	6.30	4.96	4.49	4.48	4.48	4.46	4.47	4.47
Non-financial companies	5.99	6.34	6.74	5.31	4.95	4.96	4.97	4.93	4.97	5.16
Households and individuals	4.93	5.38	5.80	4.51	3.92	3.93	3.93	3.91	3.90	3.66
Consumer credit	6.70	7.42	7.84	7.15	5.69	5.86	5.88	5.90	5.90	5.92
House purchase	4.52	4.95	5.39	3.98	3.51	3.50	3.49	3.47	3.46	3.16
Other lending	6.09	6.46	6.74	5.54	4.99	4.92	5.00	4.96	5.04	5.10
Government securities										
Treasury bills (primary market) ³										
1 month	3.26	3.51	4.32	-	-	-	-	-	-	-
3 month	3.22	3.91	4.35	3.65	2.19	1.68	1.46	1.40	0.80	0.68
6 month	3.23	4.00	4.54	2.75	2.31	1.80	1.57	1.52	0.86	0.75
1 year	3.22	4.20	4.39	-	-	-	-	-	-	-
Treasury bills (secondary market)										
1 month	3.20	3.75	4.32	2.64	2.20	1.40	1.40	1.36	0.76	0.62
3 month	3.22	3.90	4.35	2.64	2.15	1.63	1.46	1.40	0.71	0.71
6 month	3.27	4.00	4.54	2.65	2.34	1.69	1.58	1.46	0.80	0.74
1 year	3.32	4.20	4.58	2.73	2.04	1.81	1.62	1.69	1.13	0.99
Government long-term debt securities (average for the quarter)										
2 year	3.41	3.73	4.58	3.43	2.62	2.47	2.27	2.30	1.81	1.61
5 year	3.95	3.94	4.65	4.01	3.65	3.77	3.69	3.52	3.17	2.91
10 year	4.55	4.32	4.82	4.53	4.49	4.71	4.54	4.43	4.33	4.13
15 year	4.96	4.54	5.11	4.76	4.99	5.04	4.93	4.86	-	-
MALTA STOCK EXCHANGE SHARE INDEX	4,981	4,873	4,938	3,208	2,698	2,932	3,202	3,461	3,549	3,365

¹ End of period rates unless otherwise indicated.

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

³ '-' denotes that no transactions occurred during the reference period.

Monetary, Banking, Investment Funds and Financial Markets

Table 1.21 Debt securities, by sector of resident issuers¹

EUR millions

End of period	Outstanding amounts as at end of period					Net issues during period					Net valuation changes
	General government	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
2010²											
Q1	3,796.9	279.7	17.0	694.7	4,788.3	98.6	23.4	0.0	15.1	137.1	14.1
Q2	3,922.2	288.5	17.0	748.0	4,975.7	125.3	5.5	0.0	34.3	165.2	22.2

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

² Figures are provisional.

Sources: Central Bank of Malta; MSE.

Table 1.22 Quoted shares, by sector of resident issuers¹

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	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

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

² Figures are provisional.

Source: MSE.

Government Finance

Table 2.1 General government revenue and expenditure¹

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+) ²
	Current	Capital	Total	Current	Capital	Total		
2003	1,640.2	23.6	1,663.8	1,746.3	353.8	2,100.1	-436.2	-286.7
2004	1,744.9	89.4	1,834.3	1,843.1	204.4	2,047.5	-213.2	-49.1
2005	1,835.1	172.9	2,008.0	1,909.9	240.1	2,150.0	-142.1	35.8
2006	1,936.7	167.9	2,104.6	2,004.2	241.3	2,245.5	-140.9	38.8
2007	2,128.8	70.6	2,199.4	2,104.8	219.4	2,324.2	-124.7	56.5
2008	2,252.5	46.5	2,299.0	2,383.4	189.3	2,572.7	-273.7	-86.0
2009	2,244.8	63.7	2,308.5	2,348.7	176.7	2,525.4	-216.9	-33.5
2009								
Q1	534.1	10.6	544.8	555.3	27.6	582.8	-38.1	6.3
Q2	554.1	16.3	570.4	601.6	50.9	652.6	-82.2	-36.8
Q3	521.7	8.5	530.3	567.7	36.5	604.2	-73.9	-30.4
Q4	634.9	28.2	663.1	624.1	61.7	685.8	-22.7	27.3
2010								
Q1	555.9	19.3	575.1	549.8	54.1	604.0	-28.8	3.3
Q2	557.4	35.5	593.0	627.7	40.5	668.2	-75.2	-18.6

Table 2.2 General government revenue by main components¹

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden ³
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2003	519.6	566.1	349.6	82.1	110.0	12.8	1,640.2	6.3	17.4	23.6	1,663.8	1,441.6
2004	502.4	657.9	360.3	99.6	98.2	26.5	1,744.9	9.4	80.1	89.4	1,834.3	1,530.0
2005	559.5	718.2	380.2	93.8	69.5	14.0	1,835.1	17.5	155.4	172.9	2,008.0	1,675.3
2006	609.8	759.2	389.8	95.5	63.5	18.9	1,936.7	14.7	153.2	167.9	2,104.6	1,773.4
2007	725.9	801.7	398.3	108.6	72.7	21.6	2,128.8	15.7	54.9	70.6	2,199.4	1,941.7
2008	742.8	830.2	432.0	151.5	70.5	25.5	2,252.5	15.1	31.4	46.5	2,299.0	2,020.0
2009	795.4	812.8	434.9	113.5	69.2	19.0	2,244.8	14.0	49.6	63.7	2,308.5	2,057.2
2009												
Q1	177.6	174.2	112.6	24.6	40.8	4.3	534.1	3.0	7.6	10.6	544.8	467.4
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	103.7	28.5	6.6	4.6	521.7	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	196.3	107.4	25.3	40.8	4.2	555.9	2.3	17.0	19.3	575.1	487.8
Q2	225.4	168.3	117.7	26.0	16.6	3.5	557.4	5.5	30.1	35.5	593.0	516.8

¹ Based on ESA95 methodology. Data are provisional.

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

³ The fiscal burden comprises taxes and social security contributions.

Sources: Eurostat; NSO.

Government Finance

Table 2.3 General government expenditure by main components¹

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total ²	
2003	647.2	580.3	149.6	220.8	95.6	52.9	1,746.3	206.9	139.4	353.8	2,100.1
2004	658.5	599.8	164.1	248.6	86.0	86.1	1,843.1	173.2	39.2	204.4	2,047.5
2005	668.4	642.7	177.8	238.7	101.2	81.2	1,909.9	226.0	48.7	240.1	2,150.0
2006	678.4	666.5	179.7	287.7	109.4	82.4	2,004.2	201.3	47.9	241.3	2,245.5
2007	706.8	718.6	181.3	293.3	112.1	92.7	2,104.8	202.8	43.2	219.4	2,324.2
2008	831.5	758.0	187.7	386.3	125.1	94.8	2,383.4	132.8	47.7	189.3	2,572.7
2009	831.1	808.6	183.4	354.6	63.3	107.8	2,348.7	128.4	58.3	176.7	2,525.4
2009											
Q1	219.3	179.5	44.4	65.8	21.3	25.1	555.3	25.7	7.7	27.6	582.8
Q2	202.5	214.5	45.4	92.9	21.4	25.1	601.6	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	604.2
Q4	205.0	228.1	50.0	94.4	12.1	34.5	624.1	43.3	18.8	61.7	685.8
2010											
Q1	210.3	182.7	32.1	80.0	8.9	35.9	549.8	35.1	16.1	54.1	604.0
Q2	211.1	224.8	56.5	101.6	20.8	12.9	627.7	10.7	29.8	40.5	668.2

¹ Based on ESA95 methodology. Data are provisional.

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

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function¹

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2003	276.9	38.4	75.7	413.1	60.8	44.0	264.2	29.1	273.7	624.2	2,100.1
2004	337.8	44.7	75.3	279.0	62.1	40.9	274.4	32.6	261.1	639.6	2,047.5
2005	324.8	44.9	76.4	303.3	69.8	39.6	309.6	31.6	272.9	677.1	2,150.0
2006	341.5	39.6	76.2	309.3	77.3	41.8	327.1	29.3	288.1	715.3	2,245.5
2007	345.3	38.5	80.5	322.6	82.2	38.7	316.0	31.7	296.6	772.1	2,324.2
2008	388.0	43.0	86.8	424.1	93.4	45.2	320.2	35.9	313.2	822.8	2,572.7

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

Sources: Eurostat; NSO.

Government Finance

Table 2.5 General government financial balance sheet¹

Period	EUR millions										Net financial worth	
	Financial assets					Financial liabilities						
	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	293.4	0.0	43.0	1,024.5	164.0	1,525.0	0.0	3,204.7	324.8	227.7	3,757.3	-2,232.3
2005	372.0	0.0	29.2	1,117.8	218.9	1,737.9	0.0	3,420.9	300.5	304.9	4,026.3	-2,288.4
2006	404.6	0.0	26.4	842.9	208.8	1,482.7	0.0	3,297.4	265.5	331.8	3,894.8	-2,412.1
2007	464.6	0.0	27.5	821.7	297.9	1,611.6	8.3	3,311.1	267.0	401.6	3,988.0	-2,376.3
2008	415.4	0.0	32.8	725.5	340.1	1,513.8	31.2	3,664.9	278.2	467.3	4,441.6	-2,927.7
2009												
Mar.	271.2	0.0	31.4	697.6	486.4	1,486.7	32.7	3,722.6	235.9	448.2	4,439.4	-2,952.7
June	393.9	0.0	30.6	713.9	507.6	1,646.0	34.9	3,893.9	220.8	501.1	4,650.6	-3,004.6
Sep.	421.4	0.0	30.6	749.8	450.5	1,652.3	36.8	3,957.3	223.4	497.9	4,715.4	-3,063.1
Dec.	469.2	0.0	29.9	782.8	347.2	1,629.0	37.2	3,995.6	221.9	419.9	4,674.7	-3,045.7
2010												
Mar.	397.6	0.0	28.6	807.9	534.6	1,768.7	36.9	4,137.6	222.5	449.7	4,846.8	-3,078.0
June	429.8	0.0	44.0	803.6	530.1	1,807.5	38.8	4,318.8	214.0	434.7	5,006.3	-3,198.9

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

Government Finance

Table 2.6 General government deficit-debt adjustment¹

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other ²	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2003	469.6	-436.2	155.8	-58.3	0.0	2.6	-6.7	-56.1	33.4
2004	210.1	-213.2	14.2	-5.5	0.0	-1.4	-13.9	3.5	-3.1
2005	106.0	-142.1	79.8	-0.1	0.0	-55.4	-27.7	-32.6	-36.0
2006	-101.7	-140.9	33.1	-2.8	0.0	-219.4	-11.2	-42.3	-242.6
2007	125.6	-124.7	54.4	1.1	0.0	-32.1	-14.7	-7.8	0.8
2008	247.4	-273.7	-55.6	5.3	0.0	-5.1	3.4	25.6	-26.3
2009	320.5	-216.9	53.8	-2.9	0.0	-1.7	1.0	53.4	103.6
2009									
Q1	80.7	-38.1	-144.3	-1.4	0.0	1.6	16.7	170.1	42.6
Q2	167.8	-82.2	122.9	-0.9	0.0	0.0	-13.5	-22.8	85.6
Q3	58.7	-73.9	27.6	0.0	0.0	0.0	14.1	-57.0	-15.2
Q4	13.2	-22.7	47.6	-0.7	0.0	-3.3	-16.3	-36.8	-9.5
2010									
Q1	98.1	-28.8	-71.7	-1.3	0.0	0.1	6.4	135.8	69.2
Q2	121.0	-75.2	31.7	15.4	0.0	-1.2	-7.4	7.3	45.8

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

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

² Represents outstanding balances on general government guaranteed debt.

Sources: Eurostat; NSO.

Government Finance

Table 2.8 Treasury bills issued and outstanding¹

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding ³ and held by		
		OMFIs ⁴	Others ²	Total	MFIs	Others ²	Total
2003	1,660.0	1,415.5	289.8	1,705.3	461.8	79.2	541.1
2004	1,387.7	1,170.0	248.1	1,418.1	466.7	104.8	571.5
2005	1,204.7	831.0	245.3	1,076.3	351.5	91.5	443.0
2006	992.0	522.5	400.2	922.7	249.7	124.2	373.9
2007	1,129.5	823.7	287.0	1,110.7	278.6	76.3	354.9
2008							
Jan.	59.9	0.0	6.1	6.1	231.3	69.8	301.1
Feb.	57.4	45.0	39.8	84.8	247.9	80.6	328.5
Mar.	61.8	41.0	32.9	73.9	232.1	108.5	340.6
Apr.	95.9	45.0	62.0	107.0	211.6	140.0	351.6
May	94.3	53.5	51.1	104.6	212.3	146.8	359.1
June	48.4	46.0	63.0	109.0	226.5	193.2	419.7
July	65.9	27.7	54.9	82.6	236.0	200.4	436.4
Aug.	129.9	17.0	89.0	106.0	167.1	245.4	412.5
Sep.	96.1	2.0	90.2	92.2	141.5	267.1	408.6
Oct.	130.5	18.0	85.2	103.2	117.2	264.0	381.2
Nov.	99.2	15.0	61.5	76.5	94.8	263.7	358.5
Dec.	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

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, Amount issued in primary market and taken up by money market funds are reclassified from Others to OMFIs.

Sources: Central Bank of Malta; The Treasury.

Government Finance

Table 2.9 Treasury bills issued and outstanding¹ (as at end-June 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	
01/Apr/2010	02/Jul/2010	0.710	N/A4	38.0	2.3	38.5	1.9	40.4
09/Apr/2010	09/Jul/2010	0.550	0.620	0.0	5.0	0.0	5.0	5.0
08/Jan/2010	09/Jul/2010	1.399	0.620	15.0	2.1	15.2	1.9	17.1
16/Apr/2010	16/Jul/2010	0.563	0.621	22.5	5.0	22.5	5.0	27.5
15/Jan/2010	16/Jul/2010	1.363	0.621	15.0	2.4	0.5	16.9	17.4
23/Apr/2010	23/Jul/2010	0.550	0.622	0.0	9.0	0.0	9.0	9.0
30/Apr/2010	30/Jul/2010	0.544	0.626	5.0	4.5	5.4	4.1	9.5
05/Feb/2010	06/Aug/2010	1.247	0.634	59.0	0.0	59.0	0.0	59.0
14/May/2010	13/Aug/2010	0.549	0.644	50.0	0.0	50.0	0.0	50.0
21/May/2010	20/Aug/2010	0.540	0.653	9.0	0.0	9.0	0.0	9.0
28/May/2010	27/Aug/2010	0.531	0.663	2.5	0.2	2.6	0.1	2.7
11/Jun/2010	10/Sep/2010	0.589	0.682	20.0	2.9	20.1	2.8	22.9
18/Jun/2010	17/Sep/2010	0.675	0.692	11.0	8.0	11.0	8.0	19.0
26/Mar/2010	24/Sep/2010	0.862	0.701	35.0	0.0	35.0	0.0	35.0
09/Apr/2010	08/Oct/2010	0.778	0.711	27.0	0.0	27.0	0.0	27.0
16/Apr/2010	15/Oct/2010	0.775	0.714	34.5	6.0	34.8	5.7	40.5
07/May/2010	05/Nov/2010	0.686	0.721	16.0	0.0	16.0	0.0	16.0
21/May/2010	19/Nov/2010	0.709	0.726	6.8	2.3	6.8	2.3	9.1
26/Feb/2010	26/Nov/2010	1.100	0.729	3.9	1.1	3.9	1.1	5.0
28/May/2010	26/Nov/2010	0.667	0.729	5.0	3.0	5.0	3.0	8.0
18/Jun/2010	17/Dec/2010	0.883	0.737	24.0	9.8	24.3	9.5	33.8
25/Jun/2010	24/Dec/2010	0.750	0.739	2.5	0.0	2.5	0.0	2.5
14/May/2010	11/Feb/2011	0.766	0.827	50.0	0.0	50.0	0.0	50.0
04/Jun/2010	04/Mar/2011	0.738	0.867	15.0	4.9	15.0	4.9	19.9
25/Jun/2010	25/Mar/2011	0.883	0.908	17.5	0.0	17.5	0.0	17.5
Total				484.2	68.4	471.6	81.0	552.6

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).

Sources: Central Bank of Malta; The Treasury.

Government Finance

Table 2.10 Malta government long-term debt securities outstanding¹ (as at end-June 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	30.1	4.8	34.9
7.00	2010 (III) ³	2000	100	N/A ⁶	30/06 - 30/12	0.0	1.3	1.3
7.50	2011 (I)	1996	100	1.16	28/03 - 28/09	19.6	15.3	34.9
6.25	2011 (II) ⁴	2001	100	0.90	01/02 - 01/08	54.0	39.2	93.2
7.00	2011 (III) ³	2002	100	1.32	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	1.58	24/05 - 24/11	38.7	41.7	80.4
7.00	2012 (II) ³	2002	100	1.74	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	1.67	30/03 - 30/09	280.1	148.8	428.9
7.80	2013 (I)	1997	100	2.03	18/04 - 18/10	40.9	38.9	79.8
6.35	2013 (II) ⁴	2001	100	1.88	19/05 - 19/11	6.8	53.7	60.6
7.00	2013 (III) ³	2003	100	2.10	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV) ⁴	2009	100	2.03	18/04 - 18/10	193.9	93.1	287.0
6.60	2014 (I) ⁴	2000	100	2.21	30/03 - 30/09	5.8	18.6	24.5
6.45	2014 (II) ⁴	2001	100	2.53	24/05 - 24/11	21.8	48.0	69.9
5.10	2014 (III) ⁴	03/04/06/07/08	100/103.25/ 103.64/105.5	2.34	06/01 - 06/07	143.5	245.4	388.9
7.00	2014 (IV) ³	2004	100	2.58	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I) ⁴	2000	100	2.77	10/06 - 10/12	29.6	40.2	69.9
5.90	2015 (II) ⁴	02/03/07	100/102/105	2.90	09/04 - 09/10	30.1	86.4	116.5
7.00	2015 (III) ³	2005	100	2.98	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV) ³	2005	100	2.98	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI) ⁴	2010	100	2.95	03/06 - 03/12	54.4	12.8	67.2
3.75	2015 (VI) ⁴	2010	100	2.95	03/06 - 03/12	4.0	14.1	18.1
6.65	2016 (I) ⁴	2001	100	3.05	28/03 - 28/09	10.5	59.4	69.9
4.80	2016 (II) ⁴	03/04/06	100/101/104	3.26	26/05 - 26/11	66.8	119.5	186.4
7.00	2016 (III) ³	2006	100	3.29	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I) ³	2007	100	3.61	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II) ³	2007	100	3.61	30/06 - 30/12	0.0	10.3	10.3
7.80	2018 (I)	1998	100	3.72	15/01 - 15/07	80.8	82.3	163.1
7.00	2018 (II) ³	2008	100	3.83	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III) ³	2008	100	3.83	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	3.94	01/03 - 01/09	42.0	60.5	102.5
7.00	2019 (II) ³	2009	100	3.99	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I) ⁴	2007	100	4.06	10/06 - 10/12	8.1	44.3	52.4
4.60	2020 (II) ⁴	2009	100	4.04	25/04 - 25/10	57.0	63.0	120.0
4.60	2020 (II) ⁴	2010	100	4.04	25/04 - 25/10	28.7	9.6	38.3
7.00	2020 (III)	2010	100	4.20	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I) ⁴	04/05/07/08	98.5/100	4.13	08/02 - 08/08	122.3	336.6	458.8
5.10	2022 (I) ⁴	2004	100	4.20	16/02 - 16/08	6.1	64.9	71.0
5.50	2023 (I) ⁴	2003	100	4.26	06/01 - 06/07	15.3	63.5	78.8
5.25	2030 (I)	2010	100	5.19	23/06 - 23/12	1.0	92.7	93.7
F.R. 6-mth EURIBOR ⁷	2013 (V) ⁴	2010	100	1.415/0.318 ⁷	24/02 - 24/08	7.0	0.3	7.3
F.R. 6-mth EURIBOR ⁷	2015 (V) ⁴	2009	100	1.754/0.844 ⁷	25/04 - 25/10	11.0	18.8	29.8
Total						1,410.2	1,959.5	3,369.6

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.

Government Finance

Table 2.11 Malta government long-term debt securities outstanding by remaining term to maturity¹

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2003	103.8	487.8	723.3	630.6	181.3	2,126.8
2004	128.1	567.9	797.5	627.1	243.0	2,363.6
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
2007	93.2	1,037.4	889.6	662.5	78.8	2,761.4
2008						
Mar.	301.3	829.2	889.6	662.5	78.8	2,761.4
June	69.9	1,037.3	950.8	715.0	78.8	2,851.8
Sep.	208.2	829.1	1,219.5	652.5	0.0	2,909.3
Dec.	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

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2003	2.0	177.8	1.1	16.4	0.0	3.1	200.3
2004	1.1	168.6	0.0	12.3	0.4	1.8	184.2
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008 ³	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009³							
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
2010³							
Mar.	0.9	98.8	0.0	1.0	0.0	0.8	101.4
June	0.9	90.0	0.0	1.0	0.0	0.8	92.7

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

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

³ Provisional.

Exchange Rates, External Transactions and Positions

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

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

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

Table 3.1b Selected Maltese lira exchange rates (averages for the period)¹

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

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

Exchange Rates, External Transactions and Positions

Table 3.2a Euro exchange rates against the major currencies¹ (end of period)

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.2630	0.7048	135.05	1.5579	1.6802	1.6234
2004	1.3621	0.7051	139.65	1.5429	1.7459	1.6416
2005	1.1797	0.6853	138.90	1.5551	1.6109	1.3725
2006	1.3170	0.6715	156.93	1.6069	1.6691	1.5281
2007	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2008	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
2009						
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

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

Source: ECB.

Exchange Rates, External Transactions and Positions

Table 3.2b Euro exchange rates against the major currencies (averages for the period)¹

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.1312	0.6920	130.97	1.5212	1.7379	1.5817
2004	1.2439	0.6787	134.44	1.5438	1.6905	1.6167
2005	1.2441	0.6838	136.85	1.5483	1.6320	1.5087
2006	1.2556	0.6817	146.02	1.5729	1.6668	1.4237
2007	1.3705	0.6843	161.25	1.6427	1.6348	1.4678
2008	1.4708	0.7963	152.45	1.5874	1.7416	1.5594
2009	1.3948	0.8909	130.34	1.5100	1.7727	1.5850
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

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

Source: ECB.

Exchange Rates, External Transactions and Positions

Table 3.3 Balance of payments - current, capital and financial accounts (*transactions*)

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit			
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	1,728.3	2,698.3	2,519.2	1,539.9	1,652.2	2,022.8	1,201.2	1,238.8	-398.8	74.4	4.3
2009²											
Q1	376.4	593.1	522.4	346.6	476.3	641.7	196.0	201.0	-211.3	2.0	0.9
Q2	411.6	650.0	636.3	380.9	427.8	457.5	721.3	572.4	136.1	10.5	0.7
Q3	444.6	737.6	769.4	376.6	400.6	501.7	182.0	229.4	-48.6	3.0	1.2
Q4	495.7	717.7	591.2	435.9	347.5	421.8	102.0	236.1	-275.1	58.8	1.5
2010²											
Q1	513.5	693.9	562.9	388.6	354.5	454.7	203.9	252.2	-154.7	1.8	1.5
Q2	585.2	727.9	650.2	358.5	420.0	487.7	394.5	372.5	103.3	35.5	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	641.8	-1,877.2	-31.0	-6.6	-63.8	3,670.3	-2,118.9	-2.4	130.6	198.1
2009²											
Q1	-7.8	271.1	310.0	-2.3	-79.9	-48.5	1,558.3	-1,573.0	-14.9	413.1	-202.9
Q2	-24.7	-28.0	-351.8	-7.1	76.3	-8.7	489.8	-442.1	-57.7	-353.8	207.9
Q3	-19.5	248.1	-992.7	-25.4	-29.5	13.0	588.8	82.2	94.2	-40.7	87.4
Q4	-29.5	150.6	-842.8	3.7	26.5	-19.6	1,033.3	-186.0	-24.0	112.1	105.6
2010²											
Q1	-15.5	-216.5	-697.9	38.8	-64.7	11.3	-1,028.5	1,974.5	7.1	8.5	145.9
Q2	-24.6	741.3	-1,337.2	-68.9	24.4	56.1	755.9	-392.0	75.1	-170.0	32.8

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 assets¹

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets ²	
2003	1.4	35.4	47.8	1,587.7	524.2	3.7	2,200.3
2004	1.4	35.5	46.5	930.9	1,014.3	0.1	2,028.8
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009 ³	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010³							
Jan.	4.6	106.6	36.8	77.7	146.2	-17.1	354.7
Feb.	4.8	108.2	37.3	76.2	158.2	-26.8	357.9
Mar.	4.9	107.9	37.2	69.8	162.2	-17.0	364.9
Apr.	5.2	108.7	29.5	97.0	164.0	-17.6	386.7
May	3.1	114.3	32.7	42.6	168.5	-36.7	324.5
June	3.1	115.4	33.0	5.0	172.1	-38.4	290.2

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

² Comprising net gains or losses on financial derivatives.

³ Provisional.

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

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
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
2009¹										
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.

Exchange Rates, External Transactions and Positions

Table 3.6 Gross external debt by sector, maturity and instrument¹

EUR millions

	2008 ²	2009 ²	2009 ²				2010 ²	
			Mar.	June	Sep.	Dec.	Mar.	June
General Government	292.6	237.2	281.5	268.1	232.0	237.2	267.9	199.8
<i>Short-term</i>	83.7	36.8	76.0	66.3	28.7	36.8	67.2	4.3
Money market instruments	76.6	31.4	71.1	64.6	26.3	31.4	63.4	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	7.1	5.3	4.9	1.7	2.5	5.3	3.8	4.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	208.9	200.4	205.5	201.8	203.2	200.4	200.7	195.5
Bonds and notes	89.9	98.1	88.4	93.7	97.0	98.1	99.3	102.7
Loans	119.0	102.3	117.1	108.2	106.2	102.3	101.4	92.7
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Monetary Authorities	677.8	826.3	66.9	11.2	323.5	826.3	818.8	865.8
<i>Short-term</i>	677.8	826.3	66.9	11.2	323.5	826.3	818.8	865.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	677.8	826.3	66.9	10.9	323.5	826.3	818.8	865.8
Other debt liabilities	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
<i>Long-term</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OMFIs³	28,503.4	25,835.3	27,952.8	27,049.3	26,417.8	25,835.3	28,727.7	29,681.2
<i>Short-term</i>	23,271.7	20,616.8	23,279.9	21,492.4	21,273.0	20,616.8	23,190.4	22,431.8
Money market instruments	0.0	3.4	0.0	0.0	3.4	3.4	3.7	0.0
Loans	9,291.0	7,299.9	9,632.4	8,216.6	7,848.2	7,299.9	8,720.2	5,983.4
Currency and deposits	13,116.8	13,181.4	12,581.9	13,156.6	13,320.3	13,181.4	14,346.2	16,292.0
Other debt liabilities	863.9	132.1	1,065.6	119.3	101.2	132.1	120.4	156.4
<i>Long-term</i>	5,231.7	5,218.5	4,672.9	5,556.9	5,144.8	5,218.5	5,537.3	7,249.4
Bonds and notes	13.7	13.9	13.6	14.1	14.2	13.9	15.0	15.8
Loans	4,986.1	5,111.1	4,581.2	5,446.5	5,036.0	5,111.1	5,474.7	7,233.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	231.9	93.4	78.2	96.2	94.6	93.4	47.5	0.0
Other Sectors⁴	1,321.6	1,475.6	1,282.0	1,297.7	1,275.8	1,475.6	1,375.2	1,408.1
<i>Short-term</i>	668.4	677.6	611.2	631.2	658.7	677.6	695.1	705.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	77.0	37.3	43.1	46.6	40.8	37.3	39.8	38.1
Currency and deposits	119.8	119.8	119.8	119.8	119.8	119.8	119.8	119.8
Trade credits	471.6	520.5	448.3	464.7	498.0	520.5	535.4	547.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	653.1	798.0	670.8	666.6	617.1	798.0	680.1	702.2
Bonds and notes	212.8	210.6	217.0	211.8	214.9	210.6	216.2	213.4
Loans	425.7	568.0	437.3	438.2	395.7	568.0	445.8	481.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	14.7	19.3	16.6	16.6	6.5	19.3	18.1	7.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,156.1	1,306.8	1,178.3	1,163.2	1,177.6	1,306.8	1,248.4	1,276.4
Debt liabilities to affiliated enterprises	75.1	85.0	72.8	74.0	75.0	85.0	89.0	95.7
Debt liabilities to direct investors	1,081.0	1,221.9	1,105.4	1,089.2	1,102.6	1,221.9	1,159.4	1,180.8
Gross External Debt	31,951.4	29,681.2	30,761.4	29,789.5	29,426.7	29,681.2	32,438.0	33,431.2
of which: OMFIs	28,503.4	25,835.3	27,952.8	27,049.3	26,417.8	25,835.3	28,727.7	29,681.2
Gross External Debt excluding OMFIs' debt liabilities	3,448.0	3,845.9	2,808.6	2,740.2	3,008.9	3,845.9	3,710.3	3,750.0

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 trade¹

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	2089.7	3623.1	-1533.4
2009 ²	1654.1	3067.2	-1413.1
2008²			
Jan.	179.3	299.3	-120.0
Feb.	166.5	272.3	-105.8
Mar.	183.1	289.6	-106.5
Apr.	166.5	357.6	-191.1
May	167.6	304.1	-136.5
June	173.8	305.8	-132.0
July	177.0	370.1	-193.1
Aug.	150.9	261.5	-110.6
Sep.	184.4	327.1	-142.7
Oct.	195.4	305.6	-110.2
Nov.	164.9	291.7	-126.8
Dec.	180.3	238.4	-58.1
2009²			
Jan.	116.4	275.8	-159.4
Feb.	112.0	210.4	-98.4
Mar.	149.7	283.0	-133.3
Apr.	132.6	281.2	-148.6
May	132.9	243.0	-110.1
June	139.6	232.8	-93.2
July	153.5	308.3	-154.8
Aug.	128.6	266.7	-138.1
Sep.	148.0	222.0	-74.0
Oct.	153.4	261.5	-108.1
Nov.	147.4	244.9	-97.5
Dec.	140.0	237.6	-97.6
2010²			
Jan.	151.6	207.2	-55.6
Feb.	175.2	272.0	-96.8
Mar.	191.2	308.6	-117.4
Apr.	197.0	265.4	-68.4
May	175.9	261.0	-85.1
June	190.4	271.3	-80.9

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

² Provisional.

Source: NSO.

Exchange Rates, External Transactions and Positions

Table 3.8 Direction of trade - exports¹

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	280.5	221.5	72.9	113.4	688.3	253.9	15.8	958.1	576.3	312.8	315.3	2162.5
2004	327.4	228.3	65.0	86.8	707.5	242.3	67.6	1017.4	544.3	330.5	220.1	2112.3
2005	283.7	236.2	100.6	93.0	713.5	216.0	75.3	1004.8	461.0	263.9	229.4	1959.1
2006	326.7	282.8	81.5	165.6	856.6	213.0	81.0	1150.6	631.3	275.4	199.5	2256.8
2007 ²	271.2	305.3	90.7	131.6	798.8	222.0	86.1	1106.9	719.9	246.7	214.0	2287.5
2008 ²	237.3	268.8	113.9	99.2	719.2	165.3	65.9	950.4	713.9	182.8	242.6	2089.7
2009 ²	186.8	219.3	91.1	87.2	584.4	99.0	60.7	744.1	528.1	152.4	229.5	1654.1
2008²												
Jan.	21.4	28.0	12.2	8.3	69.9	16.5	5.0	91.4	47.7	16.6	23.6	179.3
Feb.	19.9	23.3	10.9	9.7	63.8	17.2	5.5	86.5	47.5	15.6	16.9	166.5
Mar.	19.9	23.2	9.1	7.5	59.7	15.2	5.0	79.9	54.6	26.8	21.8	183.1
Apr.	21.9	21.2	12.2	7.7	63.0	19.0	2.9	84.9	44.3	15.0	22.3	166.5
May	20.7	20.7	10.8	13.2	65.4	13.7	4.9	84.0	53.7	13.8	16.1	167.6
June	19.1	27.0	11.5	5.8	63.4	12.0	8.2	83.6	53.6	11.5	25.1	173.8
July	15.2	24.7	12.3	8.1	60.3	13.3	4.9	78.5	62.8	11.6	24.1	177.0
Aug.	18.8	24.5	6.0	7.0	56.3	8.6	4.8	69.7	50.3	11.7	19.2	150.9
Sep.	18.0	22.8	8.1	7.0	55.9	11.6	5.9	73.4	71.0	13.6	26.4	184.4
Oct.	21.4	24.7	9.9	11.7	67.7	14.3	5.1	87.1	80.3	12.8	15.2	195.4
Nov.	20.2	16.9	5.8	6.3	49.2	13.5	7.2	69.9	67.8	13.0	14.2	164.9
Dec.	20.8	11.8	5.1	6.9	44.6	10.4	6.5	61.5	80.3	20.8	17.7	180.3
2009²												
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	7.1	44.6	7.2	5.6	57.4	45.9	10.8	18.5	132.6
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	7.8	54.4	6.6	4.6	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.	16.1	18.5	6.9	7.2	48.7	6.7	7.2	62.6	44.7	15.7	25.0	148.0
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
2010²												
Jan.	20.0	21.1	8.4	6.1	55.6	7.6	6.6	69.8	51.2	14.7	15.9	151.6
Feb.	20.7	18.1	7.3	9.1	55.2	9.8	6.0	71.0	43.8	15.8	44.6	175.2
Mar.	18.2	25.3	8.5	9.9	61.9	20.0	7.6	89.5	54.1	18.9	28.7	191.2
Apr.	20.5	26.6	10.4	7.4	64.9	6.8	9.4	81.1	60.6	18.1	37.2	197.0
May	18.6	22.8	11.4	8.1	60.9	14.6	10.9	86.4	50.8	16.3	22.4	175.9
June	19.4	20.5	9.6	7.2	56.7	12.0	8.4	77.1	53.8	19.9	39.6	190.4

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

² Provisional.

Source: NSO.

Exchange Rates, External Transactions and Positions

Table 3.9 Direction of trade - imports¹

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	509.9	235.0	685.8	276.0	1,706.7	276.5	37.3	2,020.5	489.6	252.3	222.2	2,984.6
2004	566.3	392.0	772.3	327.8	2,058.4	367.4	71.3	2,497.1	458.0	162.8	210.6	3,328.5
2005	291.4	280.0	956.9	334.6	1,862.9	325.8	77.0	2,265.7	417.7	162.5	271.3	3,117.2
2006	406.0	263.2	966.3	373.4	2,008.9	344.0	69.3	2,422.2	635.1	179.5	251.1	3,487.9
2007 ²	420.2	290.3	876.8	375.3	1,962.6	498.8	103.0	2,564.4	598.6	206.6	210.8	3,580.4
2008 ²	365.3	266.8	1,000.0	437.4	2,069.5	454.0	135.2	2,658.7	594.0	73.4	297.0	3,623.1
2009 ²	314.9	270.3	757.8	418.5	1,761.5	363.0	68.9	2,193.4	437.5	84.2	352.1	3,067.2
2008²												
Jan.	35.2	23.5	70.5	30.8	160.0	38.4	9.7	208.1	57.9	6.5	26.8	299.3
Feb.	22.1	28.1	63.2	44.1	157.5	41.2	7.3	206.0	48.6	5.5	12.2	272.3
Mar.	26.7	28.1	94.5	32.5	181.8	35.3	5.2	222.3	50.1	6.3	10.9	289.6
Apr.	27.7	22.6	97.7	53.2	201.2	40.2	19.9	261.3	51.6	7.1	37.6	357.6
May	42.3	21.2	73.3	51.2	188.0	26.4	10.7	225.1	49.9	7.5	21.6	304.1
June	28.9	23.8	92.3	31.0	176.0	45.9	7.0	228.9	52.9	3.8	20.2	305.8
July	40.5	19.9	96.9	39.9	197.2	61.7	22.5	281.4	56.1	5.2	27.4	370.1
Aug.	30.3	18.2	80.9	32.3	161.7	27.4	8.0	197.1	42.8	3.5	18.1	261.5
Sep.	28.4	21.2	71.5	27.4	148.5	39.5	14.2	202.2	50.1	6.7	68.1	327.1
Oct.	27.6	22.8	93.7	38.2	182.3	38.3	12.3	232.9	47.5	10.5	14.7	305.6
Nov.	33.2	20.2	100.6	28.4	182.4	32.7	8.9	224.0	45.5	5.7	16.5	291.7
Dec.	22.4	17.2	64.9	28.4	132.9	27.0	9.5	169.4	41.0	5.1	22.9	238.4
2009²												
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	54.4	26.7	124.2	24.0	4.9	153.1	36.0	12.6	8.7	210.4
Mar.	22.7	19.5	53.6	78.6	174.4	33.7	6.2	214.3	32.9	5.6	30.2	283.0
Apr.	20.8	19.5	78.0	23.5	141.8	31.5	9.7	183.0	37.8	10.0	50.4	281.2
May	23.4	14.5	64.5	26.3	128.7	24.4	5.6	158.7	33.7	12.3	38.3	243.0
June	27.1	18.0	69.8	34.8	149.7	30.2	7.2	187.1	26.6	7.1	12.0	232.8
July	34.7	18.0	60.0	46.7	159.4	32.4	5.2	197.0	37.0	5.5	68.8	308.3
Aug.	29.1	21.8	59.9	33.8	144.6	34.0	6.0	184.6	59.7	4.5	17.9	266.7
Sep.	32.0	16.0	60.7	36.5	145.2	24.7	4.6	174.5	31.4	6.7	9.4	222.0
Oct.	27.3	25.8	78.7	30.5	162.3	27.6	5.1	195.0	36.6	5.6	24.3	261.5
Nov.	26.4	23.7	69.2	30.8	150.1	35.2	4.7	190.0	35.2	4.4	15.3	244.9
Dec.	28.9	20.5	64.9	28.7	143.0	27.1	5.0	175.1	34.2	6.8	21.5	237.6
2010²												
Jan.	16.5	21.8	52.8	24.2	115.3	22.0	4.3	141.6	36.1	5.7	23.8	207.2
Feb.	17.4	19.4	61.8	38.3	136.9	25.9	7.3	170.1	37.7	6.1	58.1	272.0
Mar.	23.6	26.8	92.9	28.9	172.2	28.0	5.5	205.7	47.6	6.3	49.0	308.6
Apr.	36.8	23.0	61.1	26.2	147.1	20.4	5.3	172.8	47.4	10.5	34.7	265.4
May	23.7	20.2	68.8	34.4	147.1	23.2	7.5	177.8	44.5	5.5	33.2	261.0
June	22.7	25.2	62.5	26.5	136.9	37.2	8.0	182.1	34.1	10.1	45.0	271.3

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.

Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption ²	General government consumption	Gross fixed capital formation	Changes in inventories ³	Total	Exports of goods and services	Imports of goods and services	Net		
2004	3,026.8	933.8	862.9	-146.7	4,676.8	3,552.8	3,727.8	-175.1	4,501.8	4,445.9
2005	3,168.0	941.8	963.1	-15.9	5,057.0	3,700.3	3,957.0	-256.7	4,800.3	4,582.4
2006	3,261.0	1,014.5	1,080.6	28.3	5,384.3	4,452.4	4,705.4	-253.1	5,131.3	4,906.2
2007	3,350.8	1,039.4	1,196.0	-50.6	5,535.5	4,959.3	5,015.0	-55.7	5,479.8	5,272.1
2008	3,616.1	1,219.6	957.2	121.7	5,914.6	4,815.2	4,986.3	-171.1	5,743.6	5,517.5
2009	3,636.0	1,246.7	848.6	-12.1	5,719.3	4,265.1	4,234.7	30.4	5,749.7	5,369.3
2009										
Q1	852.7	307.7	188.5	31.7	1,380.6	898.8	939.6	-40.9	1,339.8	1,168.9
Q2	893.9	310.9	204.5	-9.1	1,400.2	1,047.9	1,030.9	17.0	1,417.2	1,387.2
Q3	922.8	317.6	246.3	-76.2	1,410.4	1,211.0	1,114.1	97.0	1,507.4	1,405.0
Q4	966.7	310.4	209.3	41.6	1,527.9	1,107.4	1,150.1	-42.7	1,485.2	1,408.1
2010										
Q1	873.3	305.9	201.6	74.6	1,455.4	1,073.3	1,078.8	-5.5	1,449.9	1,348.6
Q2	924.7	333.2	216.3	-98.2	1,376.0	1,214.2	1,076.8	137.4	1,513.4	1,446.6

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	2,811.4	796.3	790.3	-132.9	4,265.1	3,746.6	3,976.4	-229.8	4,035.3
2005	2,869.9	789.9	886.6	-14.6	4,531.8	3,769.0	4,103.5	-334.5	4,197.3
2006	2,886.6	836.3	933.0	24.6	4,680.4	4,164.7	4,495.2	-330.5	4,349.9
2007	2,913.6	835.9	987.6	-44.1	4,693.0	4,277.2	4,459.6	-182.3	4,510.7
2008	3,043.3	942.6	716.4	105.9	4,808.2	4,150.1	4,331.5	-181.4	4,626.8
2009	3,042.7	935.9	599.8	-9.9	4,568.5	3,834.1	3,874.0	-39.9	4,528.6
2009									
Q1	714.4	230.2	136.8	25.3	1,106.7	792.0	843.3	-51.3	1,055.4
Q2	739.4	233.0	148.1	-7.1	1,113.4	934.4	937.6	-3.2	1,110.2
Q3	776.3	238.8	166.4	-60.8	1,120.7	1,079.7	1,026.7	53.0	1,173.7
Q4	812.5	233.9	148.5	32.8	1,227.8	1,028.0	1,066.4	-38.4	1,189.3
2010									
Q1	723.5	223.2	143.0	59.4	1,149.1	1,021.8	1,071.5	-49.7	1,099.4
Q2	744.1	242.4	150.4	-75.6	1,061.3	1,151.1	1,059.0	92.2	1,153.4

¹ Provisional.

² Consumption by households and NPISH.

³ Including acquisitions less disposals of valuables.

Source: NSO.

Real Economy Indicators

Table 4.2 Tourist departures by nationality¹

Thousands

Period	EU (of which):								All others	Total
	Euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	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	81.2	150.8	144.5	204.1	580.5	454.4	98.7	1133.5	157.3	1,290.9
2009	72.8	123.4	159.1	194.2	549.4	413.3	85.8	1048.5	134.5	1,182.9
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	7.1	10.9	13.7	17.3	48.9	43.5	8.7	101.1	12.8	113.9
July	9.6	10.4	19.1	26.1	65.1	41.4	12.2	118.6	17.2	135.8
Aug.	13.2	14.0	35.3	32.7	95.2	48.0	11.8	155.0	17.4	172.4
Sep.	6.6	14.2	13.4	21.3	55.5	49.4	11.1	116.0	14.3	130.3
Oct.	6.0	16.2	10.0	20.7	52.8	48.0	9.4	110.2	14.1	124.3
Nov.	4.3	9.3	7.5	10.4	31.5	26.9	5.2	63.6	8.9	72.5
Dec.	1.9	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

¹ Based on the NSO's inbound tourism survey. Data refer to tourist departures by air and sea. Annual figures are not available prior to 2005.

Source: NSO.

Real Economy Indicators

Table 4.3 Labour market indicators based on administrative records

Thousands

Period ¹	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% ²	Number	% ²	Number	% ²
2003	104.1	41.6	145.7	97.9	40.1	137.9	6.3	6.1	1.4	3.4	7.7	5.3
2004	104.1	42.0	146.2	97.5	40.4	137.9	6.6	6.3	1.7	3.9	8.3	5.6
2005	103.6	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 ³	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	103.9	48.3	152.1	98.2	46.6	144.8	5.7	5.4	1.7	3.5	7.3	4.8
2009³												
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	103.9	48.0	151.9	98.3	46.3	144.7	5.6	5.4	1.7	3.5	7.3	4.8
June	104.1	48.3	152.4	98.5	46.6	145.1	5.6	5.4	1.7	3.5	7.3	4.8
July	104.3	48.6	152.8	98.5	46.8	145.3	5.8	5.5	1.7	3.6	7.5	4.9
Aug.	103.8	48.4	152.3	98.1	46.7	144.8	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
2010³												
Jan.	102.9	48.4	151.3	96.9	46.6	143.5	6.0	5.9	1.7	3.6	7.8	5.1
Feb.	103.1	48.5	151.6	97.0	46.7	143.8	6.1	5.9	1.8	3.6	7.9	5.2
Mar.	103.0	48.6	151.6	97.1	47.0	144.0	5.9	5.7	1.7	3.5	7.6	5.0

¹ Annual figures reflect the average for the year.

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

³ Provisional.

Source: ETC.

Real Economy Indicators

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period ¹	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% ²	Number	% ²	Number	% ²
2003	110.1	49.9	159.9	102.3	45.5	147.8	7.8	7.1	4.3	8.7	12.1	7.6
2004	110.4	48.9	159.3	103.3	44.5	147.9	7.1	6.4	4.4	9.0	11.5	7.2
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	113.0	54.2	167.2	106.3	50.0	156.4	6.7	5.9	4.1	7.6	10.8	6.5
2008	113.5	57.2	170.7	107.1	53.2	160.4	6.4	5.7	3.9	6.9	10.4	6.1
2009	115.5	58.4	173.9	107.8	54.0	161.8	7.6	6.6	4.4	7.5	12.0	6.9
2009												
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	116.0	58.5	174.6	108.2	54.4	162.6	7.8	6.7	4.2	7.1	12.0	6.9
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												
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

¹ Annual figures reflect the average for the year.

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

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

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

Source: Central Bank of Malta estimates.

Real Economy Indicators

Table 4.6 Development permits for commercial, social and other purposes¹

Period	Commercial and social								Other permits ⁵	Total permits
	Agriculture	Manufacturing ²	Warehousing, retail & offices ³	Hotels & tourism related	Restaurants & bars	Social ⁴	Parking	Total		
2003	242	26	181	15	24	91	134	713	2,685	3,398
2004	261	31	192	8	25	49	105	671	2,583	3,254
2005	293	33	217	16	25	43	103	730	2,980	3,710
2006	267	38	169	9	26	30	84	623	3,129	3,752
2007	325	27	185	8	14	30	60	649	3,018	3,667
2008	182	29	137	6	14	8	66	442	2,475	2,917
2009	160	31	123	6	20	23	47	410	2,281	2,691

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 type¹

Period	Number of permits ²			Number of units ³				
	New dwellings ⁴	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2003	1,321	517	1,838	4,548	1,085	414	81	6,128
2004	1,378	435	1,813	5,265	966	353	123	6,707
2005	1,852	570	2,422	7,539	1,058	363	121	9,081
2006	2,502	492	2,994	8,961	932	375	141	10,409
2007	2,636	411	3,047	10,252	696	257	138	11,343
2008	1,770	375	2,145	6,184	361	164	127	6,836
2009	1,241	368	1,609	4,616	400	182	100	5,298

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

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

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

⁴ Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Real Economy Indicators

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

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

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

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

Real Economy Indicators

Table 4.9 Main categories of Retail Price Index (base December 2002 = 100)

Period	12-month moving average rates of change (%) ¹											
	All Items Index	All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2003	85.1	1.3	2.3	2.7	-6.4	2.2	0.0	-1.0	2.6	3.3	0.4	4.2
2004	87.5	2.8	0.2	9.2	-2.5	3.8	1.3	2.2	4.0	5.1	1.2	8.0
2005	90.1	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	92.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	93.8	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008	97.8	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
2009	99.8	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
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

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

Real Economy Indicators

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

Period	12-month moving average rates of change (%)													
	All items Index	All items	Food & non alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Communications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2003	94.9	1.9	2.0	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2008	108.1	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
2009	110.1	1.8	6.4	3.6	-0.4	7.0	1.0	4.4	-4.3	-1.3	-0.6	6.9	1.3	2.2
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

Sources: NSO; Eurostat.

GENERAL NOTES

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

PART 1 Monetary, Banking, Investment Funds and Financial Markets

General monetary statistical standards

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

Institutional balance sheets and financial statements

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

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

Determination of 'residence'

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

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

Sector classification

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

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

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

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

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

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

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

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

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

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

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

(d) **General government**

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

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

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

The **public sector** (which is not an institutional sector in the ESA 95) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 95), the latter being those companies that are owned by government or are

subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging “economically significant” prices such that sales cover at least 50% of production costs).

(e) **Non-financial corporations**

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

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

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

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

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

Classification of economic activities

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

Measures of money

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

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Mal-

tese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem¹ in the total issue of banknotes in the area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column 'Banknotes in circulation' in the Financial Statements of the Bank will be a notional amount conforming to the banknote allocation key, and may be quite different from the amount of euro banknotes in the hands of Maltese residents. Moreover, Maltese residents' holdings of M3 within the euro area aggregate will include their holdings of deposits and other monetary instruments issued by MFIs anywhere in the euro area, the amount of which is not known.

The *Quarterly Review* Table 1.4b shows the contribution of Maltese MFIs to the euro area totals. This comprises the notional issue of euro currency attributed to the Bank according to the banknote allocation key, plus the issue of coins (where the Central Bank acts as agent of the Treasury), and, for 2008 only, remaining amounts of Maltese lira currency notes outstanding /less holdings of euro banknotes and coins and, for 2008 only, of Maltese lira currency reported by MFIs in Malta; deposits held by Maltese residents and by residents of other euro area countries with MFIs in Malta excluding any holdings belonging to central governments (since central government holdings of deposits are excluded from the ECB's monetary aggregates) and any interbank deposits; repurchase agreements; any marketable instruments of the kind included in euro area M3 issued by MFIs in Malta /less holdings by Maltese MFIs of such instruments issued by MFIs resident anywhere in the euro area (because Maltese MFIs may hold more of these instruments than they issued, this part of the Maltese contribution to euro area M3 may be negative); and MMFs shares/units issued /less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro-area. Similarly, the 'credit counterpart' to euro area M3 contributed by Maltese MFIs (Table 1.5b) comprises all Maltese MFI lending (including through the acquisition of securities in any form) to Maltese and all other euro area residents (other than MFIs). The so-called 'external counterpart' will be limited to their net claims on non-residents of the euro area². 'Other counterparts (net)' comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs (Tables 1.2-1.3), with details of OMFIs' deposits and loans in Tables 1.8-1.13. The local credit institutions must submit data to the Central Bank of Malta not later than fifteen calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions compile monthly financial information in line with ECB Regulation 2008/32 (Recast). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

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

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

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

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

Release of monetary statistics

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

Investment funds

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

Insurance corporations

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

Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.17 and 1.18 relate to the interest rates which are applied by resident credit institutions to euro denominated deposits and loans vis-à-vis non-financial corporations and households (including non-profit organisations) resident in Malta and in the euro area. MIR statistics are compiled in accordance with Regulation ECB/2009/7 (as amended) of 31 March 2009 and are therefore harmonised across the euro area. Interest rates are shown for both outstanding amounts and new business. Outstanding amounts cover the stock of all kinds of deposits and loans granted to households and non-financial corporations. New business consists of any new agreement between the household or non-financial corporation and the bank during the period under review. Two types of interest rates are quoted: (a) the Annualised Agreed Rate (AAR) and (b) the Annual Percentage Rate of Charge (APRC). The AAR is the rate which is agreed between the customer and the bank, quoted in percentage per annum. This rate covers all interest payments, excluding any other charges that may apply on deposits and loans. The APRC covers only two categories, namely lending for house purchase and consumer credit. It is the annual percentage rate that covers the total costs of the credit to the consumer such as the cost of inquiries, administration, guarantees, legal fees and other additional costs associated with the transaction. The older series of deposit and lending rates compiled by the Central Bank of Malta will be retained in Table 1.20 (see details below).

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

As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates for its operations as the Maltese money market became part of the integrated euro area-wide interbank market. Thus, as from that date (and with some earlier data for convenience), the financial market interest rates shown in Table 1.18 are the key interest rates determined by the ECB for central bank operations throughout the euro area, and overnight (EONIA) and fixed-term (EURIBOR) rates on wholesale business in euro-denominated deposits as reported daily by a panel of active institutions in the euro area interbank market. Table 1.20 also shows the weighted average rates

paid on resident current, savings and time deposits by MFIs in Malta (in Maltese lira to end-2007, in euro since), calculated by multiplying each amount by the different rates on each type of deposit and dividing by the total amount of each type of deposit. The weighted average rate on time deposits is calculated on all time deposits. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents by the interest rate applied thereto and dividing by the total amount.

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

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

Debt securities as presented in Table 1.21 comprise all financial assets that are usually negotiable and traded on recognized stock exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares included in Table 1.22 cover all shares whose prices are quoted on the Malta Stock Exchange. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Part 2 Government Finance

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

Table 2.5 on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatisation receipts or the utilisation of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government (Table 2.6), which mainly relate to the debts of non-financial public sector corporations. Government-guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government, which loans already feature in the calculation of government external debt. Government-guaranteed debt includes guarantees issued by the extra-budgetary units but excludes guarantees issued to them as they already feature in the general government debt. The methodology underlying the compilation of data on the external loans of general government sector in Table 2.11 is generally consistent with the IMF's "External debt statistics - guide for compilers and users". Debt is recognised when disbursement of funds is effected.

Part 3 Exchange Rates, External Transactions and Positions

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

From 2008, statistics on exchange rates (Tables 3.2a-3.2b) show the end-of-period and the average bilateral exchange rates of the euro against other selected major currencies. The euro exchange reference rates are published by the ECB on a daily basis normally at 1415hrs.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics (Tables 3.3-3.5) are generally in line with the *IMF Balance of Payments Manual* (BPM5) and in accordance with ECB Guideline 2004/15 (as amended). Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices. Wherever possible a distinction is made between transactions and positions with residents of other euro area countries and those with non-residents of the euro area. Up to the end of 2007, official reserve assets (Table 3.4) comprised gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside Malta, mainly central banks, other banks and governments, in line with the *IMF's Balance of Payments Manual* (BPM5). From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

Latest trade data are based on the respective NSO press release. Historical data are updated by the Central Bank of Malta on a monthly basis, going back thirteen months, while every calendar quarter data are revised going back three years.

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

Part 4 Real Economy

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

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

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2000/1. The HICP, by contrast, (Table 4.10) covers all household final consumption expenditure irrespective of nationality or residence status.

Consequently, the HICP uses weights that cover not only resident private and institutional household expenditure but also expenditure by tourists in Malta. The differences in these weighting schemes account for the significant monthly disparities between the RPI and the HICP. The sources of data used in the compilation of the Central Bank of Malta's property prices index (Table 4.5) are the advertisements for the sale of properties in all localities in Malta and Gozo carried in the property section of a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month of that quarter. The property types include flats and maisonettes, both in shell and in finished form, together with terraced houses, townhouses, houses of character and villas. Indices for each property type are derived on the basis of median prices weighted by the number of observations in each property category. The overall index is a Fischer chained index, calculated as the square root of the product of the chained Laspeyres and the chained Paasche indices. Annual data are derived as an average of the quarterly indices. Prices of commercial properties are excluded from the index.