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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 Rev. 1	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

Global economic activity continued to recover during the first quarter of 2010, with major industrial economies generally expanding and emerging market economies recording more rapid growth. Inflationary pressures remained contained, especially in industrial economies.

In the euro area, although the economy continued to recover, growth was forecast to be uneven in an environment of unusually high uncertainty and the Governing Council of the ECB expected price developments to remain moderate over the policy-relevant horizon. Inflation expectations remained firmly anchored in line with the Council's aim of keeping inflation rates below, but close to, 2% over the medium term. Against this background, the ECB left its key interest rates unchanged throughout the first seven months of 2010. Thus, the interest rate on the MROs was kept constant at 1.00% over the entire period.

The Eurosystem continued to implement non-standard enhanced credit support measures to ease conditions in the financial system. However, during the first quarter of 2010 it phased some of them out. Thus, in March, the Governing Council decided to return to variable-rate tender procedures in the regular three-month LTRO and to fix the rate in the six-month LTRO, to be allotted on 31 March, at the average minimum bid rate of the MROs over the life of this operation. On the other hand, both the regular MROs and the special-term refinancing operations with a maturity of one maintenance period would continue to be held as fixed-rate tender procedures with full allotment.

In late April and early May, however, concerns over the fiscal situation in some euro area countries led to renewed tensions in financial markets. In response, the ECOFIN Council adopted a comprehensive package of measures to preserve financial stability, including the creation of a European stabilisation mechanism. In addition, on 10 May, the Governing Council decided on a number of measures considered essential to ensure the effectiveness of the monetary policy transmission mechanism. More specifically, it decided to conduct sterilised interventions in the euro area public and private debt securities markets to ensure their depth and liquidity. Moreover, the Council adopted a fixed-rate tender procedure with full allotment in the three-month LTROs to be allotted on 26 May and 30 June and decided 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. Later, 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.

After having contracted over several quarters, economic activity in the euro area began to grow again on an annual basis during the first quarter of 2010. Real GDP expanded by 0.6% on a year earlier, following a 2.1% drop in the previous quarter. Growth in domestic demand resumed as a result of inventory changes, while the decline in investment moderated and private consumption stabilised. With exports rising more rapidly than imports, net exports also contributed positively to growth. Annual HICP inflation meanwhile maintained a gradual upward trend, rising from 0.9% in December 2009 to 1.4% three months later. The pick-up in inflation mainly reflected higher energy prices. During the following quarter, inflation fluctuated in a narrow range, ending June at 1.4%.

The latest Eurosystem staff projections published in June point to a moderate recovery in the euro area, which is set to benefit from an upturn in global economic activity. The average annual

real GDP growth rate is expected to range between 0.7% and 1.3% in 2010 and between 0.2% and 2.2% next year. With economic activity projected to remain subdued, euro area inflation is expected to remain moderate. The average annual rate of HICP inflation is forecast to lie between 1.4% and 1.6% in 2010 and 1.0% and 2.2% in 2011.

In Malta, the recovery that began in the final quarter of 2009 gathered pace during the first quarter of 2010, with real GDP increasing by 3.4% on a year earlier. Growth was underpinned by brisk export activity that reflected more buoyant external demand, as well as a strong accumulation of inventories. Private consumption growth moderated, however, while government consumption and investment fell further, though the decline in the latter was less pronounced than in the previous quarter. The recovery was accompanied by a general improvement in business confidence that extended into the second quarter of the year.

Despite the recovery in output, the performance of the labour market in the first quarter of 2010 appears to have been uneven. According to LFS data, employment continued to expand on a year earlier during the period reviewed. The increase, however, was entirely in the part-time and reduced-hours categories, as the number of full-time jobs dropped. Similarly, ETC records pointed to a decline in full-time employment during the year to January. After an adjustment for seasonal variation, the unemployment rate began to fall during the quarter and decreased further by May.

Broadly in line with the pattern observed in the euro area as a whole, inflation picked up in Malta as well. The steady downward trend seen during 2009 was halted in the first quarter of 2010. The annual rate of HICP inflation turned positive, rising from -0.4% in December to 0.6% in March. The acceleration was mainly driven by an upward shift in the rate of growth of energy prices, which was, however, dampened by developments in prices of unprocessed food and services. Inflation continued to rise in the following quarter, reaching 1.8% in June.

Turning to the available measures of external competitiveness, the nominal and real HCIs both fell further, returning to levels last seen in mid-2007, suggesting some improvement. At the same time, when computed on the basis of four-quarter moving averages, ULC dropped for the second consecutive quarter, reflecting a cyclical recovery in productivity in an environment of stable labour compensation levels. Meanwhile, the deficit on the current account of the balance of payments continued to narrow, falling to 3.3% of GDP during the four quarters to March 2010, as against 9.1% over the twelve months to March 2009.

During the March quarter the contribution of Maltese MFIs to the euro area broad money stock increased as residents' deposits recovered. Growth was driven by overnight deposits, which continued to expand strongly. At the same time, credit to residents increased at a faster annual pace. With official interest rates remaining unchanged during the quarter, average bank deposit and lending rates remained stable. In contrast, domestic money market rates continued to fall, as did government bond yields.

In the first quarter of 2010 the general government deficit narrowed on a year earlier as revenue increased more rapidly than expenditure. Consequently, the cumulative deficit-to-GDP ratio went down to 3.5% during the four quarters to March 2010, from 3.8% during the year to December 2009. Similarly, the Consolidated Fund deficit decreased over the same period. General government debt continued to rise, however, reaching 69.6% of GDP at the end of March.

According to the Bank's latest projections, the Maltese economy is expected to expand by 1.5% in 2010 after having contracted in the previous year.¹ The projected recovery is based on a rebound in domestic demand, largely reflecting a pick-up in investment, as well as strong export growth. In 2011 growth is expected to accelerate moderately to 1.8%, supported by domestic demand.

The Bank also projects HICP inflation to remain stable, with the annual rate averaging 1.8% in 2010 as the impact of rising energy costs and higher hotel accommodation charges is offset by an expected moderation in wage increases due to weak labour demand. Inflation is expected to edge up to 2.2% in 2011. These projections continue to be characterised by an unusually high degree of uncertainty related to ongoing instability in the international environment.

Looking ahead, as the economic recovery gathers pace, the main economic policy priority should be fiscal consolidation, which is necessary to ensure the sustainability of public finances and contain the rise in public debt. In particular, in terms of its European commitments, Malta is obliged to bring the general government deficit below the 3% threshold by 2011. International experience suggests that fiscal consolidation based on the reduction of expenditure has a more favourable impact on economic performance in the long run than revenue-driven tightening. Expenditure-based consolidation should not, however, jeopardise investments in physical infrastructure and education, though efficiency gains in public spending should be sought in these areas as well. The credibility of any consolidation effort would also be enhanced by the introduction of tighter formal spending controls to reinforce budgetary discipline.

Broader structural reforms should be pursued in parallel to support economic growth and to safeguard the economy's external competitiveness. The thrust of reforms should aim at increasing the degree of competition in key areas of the economy and increasing labour force participation, especially among women. Given the importance of labour in the economy's cost structure, increased labour market flexibility and wage moderation, especially in the public sector, are also important.

¹ The Bank's projections are based on information available up to 19 May 2010 and are conditional on a number of technical assumptions regarding exchange rates, interest rates and oil prices.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

During the first quarter of 2010, global economic activity continued to recover, with major industrial economies generally expanding and emerging market economies recording faster growth. Inflationary pressures remained contained, especially in industrial countries.

In the euro area, economic activity started to grow again on an annual basis after several quarters of contraction, as domestic demand picked up. Nevertheless, labour market conditions remained weak. Meanwhile, HICP inflation extended its gradual upward trend as a result of higher energy prices. Looking ahead, growth in the euro area is expected to recover gradually but remain weaker than before the recession. Similarly, inflation is expected to remain subdued, dampened by the economic slack prevailing in the area.

International economic developments

The US economy continues to recover

After having increased slightly in the last quarter of 2009, real GDP in the United States grew by 2.4% on a year earlier in the first quarter of 2010 (see Table 1.1). However, on a quarter-on-quarter basis, the rate of economic growth slowed down by slightly more than half a percentage point to 0.8%. Annual GDP growth was mainly driven by a rise in household consumption and government expenditure. On the other hand, investment fell, although at a much slower rate than in the previous quarter. Both imports and exports began to expand again; however, with exports growing at a faster annual rate, net exports contributed positively to growth.

In line with more dynamic economic conditions, the labour market improved slightly during the first quarter of 2010. The unemployment rate fell from 10.0% in December to 9.7% in January and then remained constant throughout the rest of the quarter. Going forward, however, the jobless rate remained broadly stable ending May at 9.7%.

The increase in the inflation rate at the end of 2009, which was due to energy prices, moderated during the first quarter of 2010 (see Chart 1.1). The annual rate of consumer price inflation fell from 2.7% in December to 2.3% in March. The slowdown reflected lower price pressures on most core items such as housing, amid economic slack. The deceleration extended into the sec-

Table 1.1
REAL GDP GROWTH

Annual percentage changes, seasonally adjusted

	2009				2010
	Q1	Q2	Q3	Q4	Q1
United States	-3.3	-3.8	-2.6	0.1	2.4
Euro area	-5.2	-4.9	-4.1	-2.1	0.6
United Kingdom	-5.3	-5.9	-5.3	-3.1	-0.2
Japan	-8.6	-6.0	-4.9	-1.4	4.2

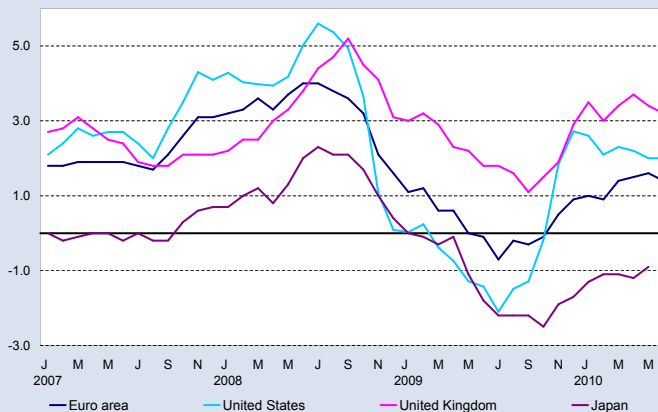
Sources: Eurostat; Bureau of Labor Statistics, US; Statistics Bureau, Japan.

ond quarter of 2010, with inflation ending June at 2.0%.

The Federal Reserve kept the federal funds rate target in a range from zero to 0.25% throughout 2009 and the first half of 2010 (see Chart 1.2). During the first quarter of 2010, the Federal Reserve continued to cut back some of its quantitative easing measures, such as purchases of agency debt and mortgage-backed securities. It also modified the terms of its discount window lending programmes, raising the discount rate from 0.50% to 0.75%, while closing most of its special liquidity facilities. However, in response to the re-emergence of strains in European short-term funding markets, the Federal Reserve, together with the ECB and other major central banks, announced the re-establishment of temporary US dollar liquidity swap facilities in May.

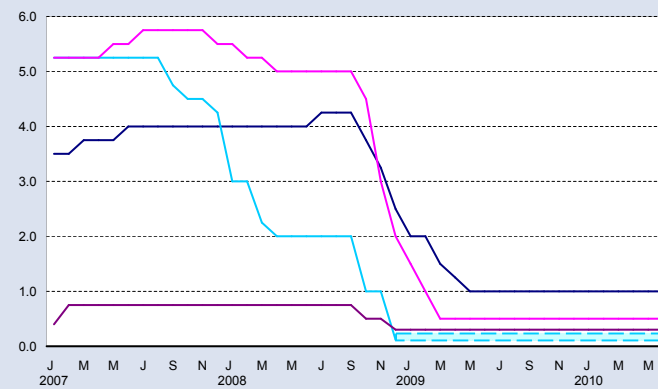
US government bond yields remained relatively stable during the first quarter of 2010 (see Chart 1.3). In January, ten-year bond yields decreased, reflecting safe haven flows amid market concerns about the impact of tighter regulation on banks. Subsequently, however, yields recovered following the release of statistics confirming a gradual recovery of the US economy. Ten-year bond yields ended March at 3.83%, or just one basis point below their level three months earlier. In the following quarter, they decreased substantially, driven by considerable shifts towards US bonds triggered by the Greek fiscal crisis. Yields ended June at 2.94%.

Chart 1.1
CONSUMER PRICE INFLATION
(annual percentage changes)



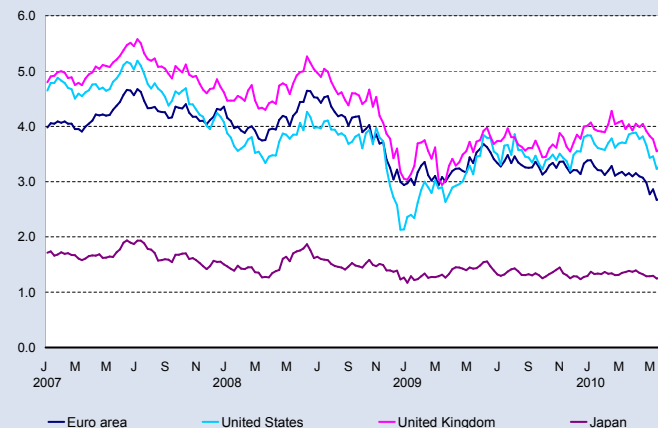
Sources: Eurostat; Bureau of Labor Statistics, US; Statistics Bureau, Japan.

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



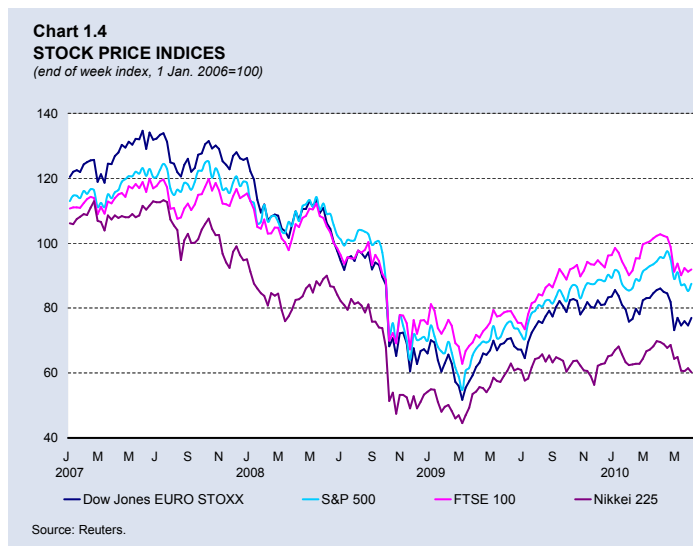
Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

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



Source: Reuters.

US equity prices, as measured by the Standard & Poor's 500, generally rose during the March quarter (see Chart 1.4). Share prices fell at the beginning of the quarter due to concerns on the possible impact of proposed US regulation on the banking sector's profits. However, the gradual improvement in the global macroeconomic outlook led to rising equity prices during March. Thus, over the quarter stock prices rose by 4.9%. Going into the following quarter, equity prices kept on increasing until end April; however, amid renewed financial market tensions, they subsequently decreased, falling by around 12% between the end of March and the end of June.



Economic activity in the United Kingdom declines marginally

In the United Kingdom, the economy contracted in the first quarter of 2010. Real GDP fell by 0.2% on a year earlier, following a 3.1% decline in the previous quarter. An assessment of quarter-on-quarter developments points to some recovery as output grew by 0.3% after having returned to positive growth in the last quarter of 2009. On a yearly basis, domestic demand expanded for the first time in seven quarters, mainly driven by higher government consumption and changes in inventories. Moreover, household consumption and investment fell at a much slower rate than in the previous quarter. Both exports and imports increased for the first time in over a year, but the contribution of net exports to GDP growth remained negative. The unemployment rate stood at 7.8% throughout the quarter, broadly unchanged since the second half of 2009.

Inflation rose over the first quarter of 2010, primarily due to the restoration of the standard VAT rate to 17.5%, the depreciation of the pound sterling and higher energy prices. The annual HICP inflation rate rose to 3.4% in March from 2.9% in December, remaining well above the Bank of England's inflation target. Going into the following quarter, inflation reached 3.7% in April, before slowing down to 3.2% in June.

The Bank of England maintained the official bank rate unchanged at 0.50% and continued with its asset purchase programme throughout the first half of 2010 amid sluggish economic activity. Together with other central banks, the UK central bank reinstated the US dollar liquidity swap facilities with the Federal Reserve in May.

Long-term UK government bond yields fell slightly during the first quarter of 2010, shedding 7 basis points and ending March at 3.95%. During the following quarter, bond yields fell substantially in line with those in the US, partly driven by lower expectations of the path of official interest rates, and ended June at 3.36%. UK equity prices, as measured by the FTSE 100, mirrored US stock market trends, rising by around 5% during the first quarter. In the second quarter, equity prices fell by a further 13% till the end of June.

Japanese economic growth turns positive

The Japanese economy returned to growth after having contracted for seven consecutive quarters. Real GDP rose by 4.2% on a year earlier in the first quarter of 2010, as against a decline of 1.4% in the December quarter. Domestic demand growth turned positive too, mainly driven by stronger household consumption. Government expenditure grew at a slower rate while the contraction in investment moderated. Exports and imports began to expand and, with exports growing much faster than imports, net exports contributed positively to the recovery. In line with the improvement in output, the unemployment rate fell to 5.0% in March 2010 from 5.2% in December 2009. However, the jobless rate then rose slightly to 5.2% in May.

Japan's inflation rate remained negative throughout the first few months of 2010. However, the annual decline in consumer prices moderated, ending March at -1.1% from -1.7% in December. Going into the following quarter, the inflation rate edged down, reaching -0.9% in May.

Against this deflationary background, the Bank of Japan left the basic discount rate unchanged at 0.3% throughout the first two quarters of 2010. In March, the Japanese central bank increased the amount of funds available through the new fund-supplying operation introduced in December. In May, the Bank of Japan, in conjunction with other central banks, re-established temporary US dollar swap agreements with the Federal Reserve. Additionally, in June it announced a new fund-providing measure to support private financial institutions and stimulate economic growth.

Japanese long-term bond yields rose by 12 basis points during the first quarter of 2010, amid concerns about the size of Japan's sovereign debt. Bond yields ended March at 1.41%. This rise was reversed in the following quarter, when yields declined and ended June at 1.09%. Equity prices, as measured by the Nikkei 225, rose by around 5% during the March quarter, but lost ground in the following quarter, as they fell by around 15% till the end of June.

Emerging Asian economies grow at a faster pace

Economic activity in the major emerging Asian countries continued to accelerate during the first quarter of 2010. The Chinese economy grew by 11.9% year-on-year in the first quarter, mainly on the back of stronger domestic demand, up from 10.7% in the December quarter. In India, annual real GDP growth accelerated to 8.6%, driven by a revival in agriculture and expansion in services, compared with 5.9% in the previous quarter.

Rapid growth stoked up inflationary pressures. The annual inflation rate in China continued to rise, reaching 2.4% in March from 1.9% in December. Consumer prices sustained their upward trend with inflation reaching 2.8% in April. In India, the wholesale price inflation rate increased further, to reach 9.9% in March from 8.1% in December. In April, however, the inflation rate slowed down slightly to 9.6%.

Commodities

Oil prices continue to rise

During the March quarter the price of Brent crude oil extended the upward trend seen during 2009, rising by around 2% over the quarter (see Chart 1.5). Oil prices lost some of their previous gains at the beginning of the quarter, driven by concerns on the sustainability of Chinese economic growth. Prices recovered during the rest of the quarter as a result of higher demand in the Unit-

ed States, escalating tensions in the Middle East and prospects of increased oil demand from China. Brent crude closed March at USD79.88 per barrel. During the second quarter prices fell overall, ending June at USD75.50. This decrease followed the appreciation of the US dollar against the euro that was triggered by concerns about the fiscal situation in various euro area member states.

Commodity prices fall

Prices of non-energy commodities, as measured by the Reuters Commodity Index, fell marginally during the first quarter of 2010 (see Chart 1.5).¹ Prices of food declined, mainly driven by record corn crops, as did those of agricultural raw materials. Meanwhile, the surge in metal prices observed during the last few months of 2009 abated amid market concerns over the global economic recovery. Non-energy commodity prices remained broadly unchanged in the following quarter.

Gold prices continue their upward trend

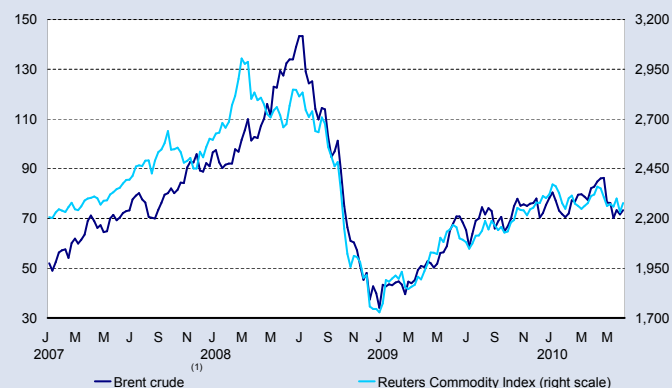
After reaching record highs during the last quarter of 2009, gold prices rose further by around 1.6% during the first three months of the year (see Chart 1.6), as increased demand for gold was fuelled by concerns about sovereign European debt. Gold prices ended March at USD1,112.80 per ounce. As concerns on sovereign debt intensified during the following quarter, prices continued to rise, peaking at USD1,239.05 on 7 June, and ending the quarter around 12% higher than at end-March.

Economic and monetary developments in the euro area

Euro area economic activity starts to expand

Economic activity in the euro area started to expand again on an annual basis in the first quarter of 2010, after five quarters of contraction. Real GDP added 0.6% on a year earlier, after having

Chart 1.5
COMMODITY PRICES
(end of week)



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

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



Source: Reuters.

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

Table 1.2
REAL GDP GROWTH IN THE EURO AREA

Seasonally adjusted

	2009				2010
	Q1	Q2	Q3	Q4	Q1
<i>Annual percentage changes</i>					
Private consumption	-1.7	-1.2	-1.3	-0.5	0.0
Government consumption	3.0	2.9	3.0	2.0	1.4
Gross fixed capital formation	-11.6	-11.5	-11.4	-8.7	-4.8
Domestic demand	-3.7	-3.7	-3.4	-2.8	0.3
Exports	-16.3	-17.0	-13.6	-5.2	5.7
Imports	-13.1	-14.7	-12.4	-7.0	4.9
GDP	-5.2	-4.9	-4.1	-2.1	0.6
<i>Percentage point contributions</i>					
Private consumption	-1.0	-0.7	-0.7	-0.3	0.0
Government consumption	0.6	0.6	0.6	0.4	0.3
Gross fixed capital formation	-2.5	-2.5	-2.5	-1.8	-1.0
Changes in inventories	-0.8	-1.1	-0.8	-1.1	1.0
Domestic demand	-3.7	-3.7	-3.4	-2.8	0.3
Exports	-6.9	-7.2	-5.7	-2.1	2.1
Imports	5.4	6.0	5.1	2.8	-1.7
Net exports	-1.5	-1.2	-0.6	0.7	0.4
GDP	-5.2	-4.9	-4.1	-2.1	0.6

Source: Eurostat.

fallen by 2.1% in the previous quarter (see Table 1.2). This expansion reflects a turnaround in domestic demand and exports. Indeed, domestic demand and net exports each contributed 0.3 and 0.4 of a percentage point to real GDP growth, respectively. On a quarter-on-quarter basis, real GDP increased by 0.2%, up from 0.1% in the previous quarter.

In the March quarter domestic demand resumed growing, increasing by 0.3% on an annual basis, as opposed to the 2.8% drop registered in the previous quarter. This shift was the result of positive inventory changes as well as less negative private consumption and investment growth. Meanwhile, government consumption expanded at a slightly slower pace than in the previous quarter. Exports, which had contracted for five consecutive quarters, expanded by 5.7% and added 2.1 percentage points to growth. In line with the turnaround in exports and domestic demand trends, imports started to grow again, rising by 4.9%. Since exports grew faster than imports, the contribution of net exports remained positive, though smaller than in the previous quarter.

HICP inflation continues to increase

After having turned positive in November 2009, annual HICP inflation in the euro area maintained a generally increasing trend, rising from 0.9% in December to 1.4% in March 2010 (see Chart 1.7).

The increase in inflation during the first quarter primarily reflected higher energy prices. Annual energy price inflation accelerated from 1.8% in December to 7.2% by March, reflecting rising oil prices. Developments in unprocessed food prices also contributed to the rise in inflation, as the annual rate at which they had been falling stabilised. In contrast to the other major HICP components, the contribution to inflation of non-energy industrial goods declined, while that of processed food and services remained practically unchanged over the quarter. In fact, core inflation,

measured by excluding energy and food from the HICP, fell slightly to 1.0% in March from 1.1% in December.

The upward trend in prices continued at the beginning of the following quarter, with area-wide HICP inflation rising in both April and May, before falling again in June to 1.4%.

Unfavourable labour market conditions still prevail

Conditions in the euro area labour market remained weak in the first quarter of 2010. However, the decline in employment moderated compared with earlier quarters, as economic activity recuperated. Indeed, on an annual basis, employment contracted by 1.2% in the March quarter, compared with a decline of 2.0% in the previous quarter. The increase in unemployment appears to be levelling off, though the jobless rate remains high by historical standards. After remaining stable in January and February, the rate edged up by 0.1 of a percentage point to 10.0% in March, reaching its highest level since 1998 (see Chart 1.8). The unemployment rate remained unchanged in the following two months.

Euro area GDP expected to grow moderately

The latest Eurosystem staff macroeconomic projections, published in June, place average annual real GDP growth in the euro area between 0.7% and 1.3% in 2010 and between 0.2% and 2.2% in 2011 (see Table 1.3). Although the euro area is expected to benefit from a rebound in global economic activity, growth in 2010 is projected to be subdued before strengthening in 2011 as domestic demand picks up. Nonetheless, according to the projections, growth is expected to remain weaker than before the recession as various sectors of the economy repair their balance sheets, while high unemployment, precautionary savings and modest income growth restrain private consumption. Compared with the March 2010 projections, the forecast range for real GDP growth in 2010 was revised upwards as a result of stronger global activity, while that for 2011 was adjusted downwards reflecting more pessimistic domestic demand prospects.

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

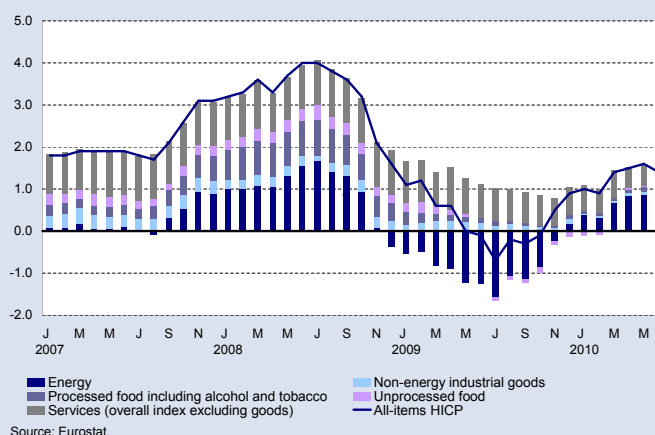


Chart 1.8
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)

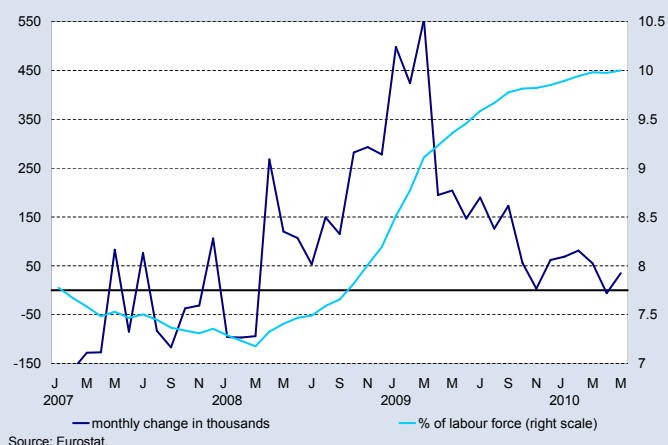


Table 1.3**MACROECONOMIC PROJECTIONS FOR THE EURO AREA⁽¹⁾***Average annual percentage changes, working-day-adjusted data.*

	2009	2010	2011
Private consumption	-1.2	-0.2 – 0.4	-0.2 – 1.6
Government consumption	2.6	0.3 – 1.3	-0.3 – 1.1
Gross fixed capital formation	-10.8	-3.4 – -1.2	-2.1 – 2.7
Exports	-13.2	5.5 – 9.1	1.1 – 7.9
Imports	-12.0	3.8 – 7.0	0.4 – 6.8
Real GDP	-4.1	0.7 – 1.3	0.2 – 2.2
HICP	0.3	1.4 – 1.6	1.0 – 2.2

⁽¹⁾ Eurosystem staff macroeconomic projections (June 2010).

Source: ECB.

Similarly, with economic activity projected to remain subdued, euro area inflation is expected to remain moderate. The average annual rate of HICP inflation is expected to rise to between 1.4% and 1.6% in 2010 and between 1.0% and 2.2% in 2011. Compared with the previous projections, the ranges were revised upwards mainly reflecting the expectation of higher euro prices for commodities.

ECB adopts measures to address severe tensions in financial markets

During the first two quarters of 2010, the ECB Governing Council left the key interest rates unchanged. Official interest rates were deemed appropriate given that price stability was expected to be maintained over the policy relevant horizon.

In the first four months of the year, the ECB continued with its gradual phasing out of non-standard measures it had begun to introduce late in 2008 in response to the financial crisis. Specifically, in March the Governing Council decided to return to variable-rate tender procedures in the regular three-month long-term refinancing operation (LTRO) and to fix the rate in the six-month LTRO at the average minimum bid rate of the MROs over the life of the operation. Subsequently, in April the Council decided to keep the minimum threshold for assets in the Eurosystem collateral framework at investment grade level after 2010, except for asset-backed securities.

At the beginning of May, however, the ECB decided to suspend the application of the minimum credit rating threshold applied to collateral eligibility requirements for debt instruments of the Greek Government. On 10 May the ECB took several steps to address severe tensions observed in some market segments which hampered the monetary policy transmission mechanism. In particular, a Securities Markets Programme was introduced, aimed at conducting sterilised purchases of euro area public and private debt securities, to ensure depth and liquidity in the securities markets. In addition, the Governing Council decided to conduct a six-month LTRO with full allotment on 12 May at a rate fixed at the average minimum bid rate of the MRO over the life of the operation. It also decided to conduct a fixed-rate tender procedure with full allotment in the regular three-month LTROs for operations in May and June 2010, and to reactivate the temporary liquidity swap lines with the Federal Reserve and resume US dollar liquidity-providing operations.

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.

Table 1.4
EURO AREA MONETARY AGGREGATES

Annual percentage changes, seasonally adjusted.

	2009			2010		
	Dec.	Jan.	Feb.	Mar.	Apr.	May
M1	12.4	11.5	11.0	10.8	10.7	10.3
Currency in circulation	6.1	6.2	6.0	6.8	5.5	6.8
Overnight deposits	13.8	12.6	12.0	11.7	11.8	11.0
M2-M1 (Other short-term deposits)	-9.1	-8.1	-8.1	-8.0	-8.5	-8.0
Deposits with an agreed maturity of up to two years	-24.4	-22.7	-22.5	-22.0	-22.5	-21.2
Deposits redeemable at notice of up to three months	15.1	13.7	12.7	11.8	10.6	9.6
M2	1.6	1.8	1.6	1.6	1.4	1.4
M3	-0.3	0.0	-0.4	-0.1	-0.1	-0.2

Source: ECB.

Broad money growth remains weak

Monetary growth remained negative during the first three months of 2010, with the annual rate of change of the broad monetary aggregate M3 reaching a record low of -0.4% in February, only to edge up slightly to -0.1% in March (see Table 1.4). Although this is partly due to base effects, weak monetary expansion also reflects moderate economic activity and the impact of the very steep yield curve which encourages shifts out of M3 into less liquid, but higher-yielding assets. Nonetheless, these shifts have diminished in recent months, given that the yield curve has been steep since early 2009.

However, within the M3 category the annual growth rate of the M1 component remained high, though it seemed to be levelling off, falling by 1.6 percentage points over the quarter to 10.8% in March. As the spread between the interest rate on deposits with an agreed maturity of up to two years and that on overnight deposits remained low, funds continued to move into more liquid assets embodied in M1. Conversely, short-term deposits other than overnight deposits (M2-M1) continued to fall, contracting by 8.0% year-on-year in March, albeit at a slower rate.

The behaviour of monetary aggregates was largely unchanged during the second quarter, with broad money growth remaining constant at -0.1% in April and falling to -0.2% in May, as rapid growth in M1 offset a further decline in short-term deposits other than overnight deposits.

Credit growth remains subdued

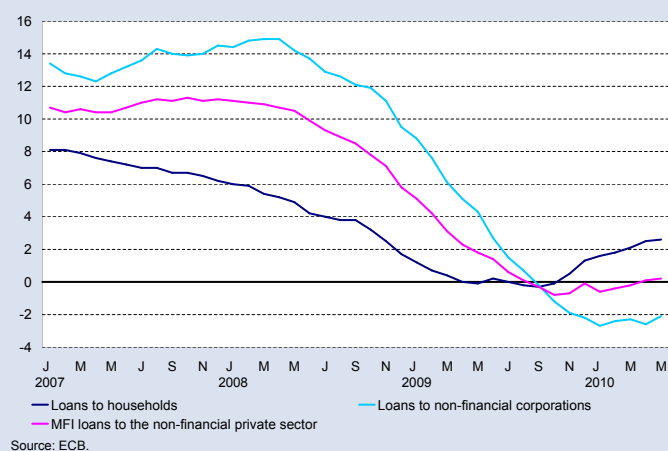
On the counterpart side, negative annual growth in M3 was mirrored by subdued credit growth, with the annual growth rate of total MFI credit to euro area residents declining from 2.4% in December to 1.8% in March. This slowdown in credit reflected reductions in the annual growth rate of MFI credit to both general government and the private sector, which decreased by 1.4 percentage points and 0.6 percentage points, respectively, over the quarter.

The annual rate of growth of MFI loans to the non-financial private sector remained negative during the first quarter of 2010, declining further in the first two months before edging up slightly to -0.2% in March (see Chart 1.9). Over the quarter, the annual growth rate of loans to households extended its upward trend from 1.3% in December to 2.1% in March, driven by loans for house purchases and reflecting decreasing lending rates. But over the same period loans to non-financial corporations continued to contract, falling by -2.4% in March from -2.2% three months earlier. This may partly reflect a recovery in cash flows and retained earnings, in particular for

export-oriented firms. Moreover, the replacement of bank financing with market financing, as well as subdued domestic demand factors, may also have contributed to the contraction. Development in both credit categories is, nevertheless, consistent with the business cycle, given that household lending tends to recover concurrently with GDP, while loans to non-financial corporations pick up with a lag.

In April the annual rate of MFI loans to the non-financial private sector turned positive following seven months of negative growth, edging up to 0.1%, before rising further to 0.2% in May.

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

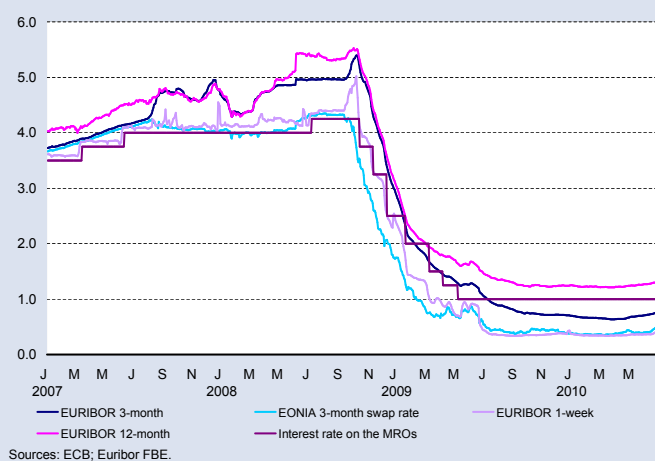


Money markets rates continue to decline

Money market interest rates in the euro area continued to decline in the March quarter. Unsecured money market interest rates, as measured by EURIBOR, extended the downward trend observed in recent quarters (see Chart 1.10).² In particular, over the quarter, the three-month EURIBOR fell by seven basis points to 0.63%, while the twelve-month EURIBOR fell by four basis points to 1.21%. Since the former dropped by more than the latter, the money market yield curve steepened. The reduction in EURIBOR rates reflects the further easing of tensions in money markets as a result of the ECB's non-standard enhanced credit support measures. This declining trend came to a halt in the June quarter, however, as the three-month and twelve-month EURIBOR increased by 13 basis points and 9 basis points, respectively.

The difference between the unsecured EURIBOR and secured rates, such as those derived from the three-month EONIA swap index, which is a measure of market confidence in the soundness of the banking system, continued to narrow during the March quarter.³ It contracted roughly by 5 basis points, largely to the same extent as it had done in the previous quarter. At the three-month maturity, the spread stood at 26 basis points at the end of March. Despite the steady decline

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



² EURIBOR refers to the rates at which a prime bank is willing to lend funds to another prime bank in euro on an unsecured basis.

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.

observed over recent quarters, it remained wider than that prevailing before the onset of the financial crisis. Over the second quarter, the spread widened by 6 basis points.

Euro area long-term government bond yields decline

During the first quarter of 2010, ten-year German government bond yields, which are often taken as a benchmark in the euro area, decreased by 29 basis points to 3.09%, in contrast with those in the United States which remained stable (refer to Chart 1.3). This decline completely reversed the 15 basis point rise that had taken place in the previous quarter. Towards the beginning of the quarter, macroeconomic data releases were mixed and survey findings suggested that market participants' assessment of the euro area economic outlook had hardly changed. Consequently, bond yields fluctuated within a narrow range. However, from late January, bond yields were heavily influenced by intensifying market concerns about the sustainability of fiscal positions in some euro area countries. This reduced investor appetite for risky assets and increased demand for safer German bonds, which exerted downward pressure on their yields. At the same time, the yield spreads between bonds issued by a number of euro area countries vis-à-vis German bonds remained elevated.

The declining trend observed in the first quarter persisted during the second quarter, when government bond yields fell by a further 52 basis points to 2.58%. Thus long-term yields in the euro area stood at historic lows.

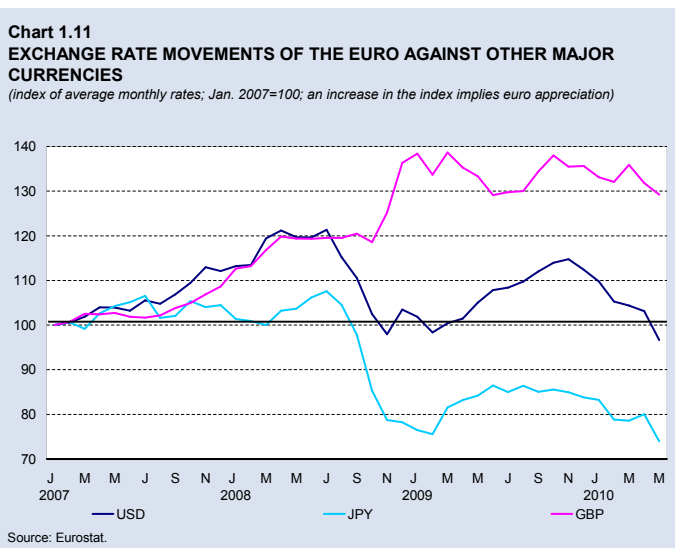
Euro area stock prices rise marginally

Over the March quarter, euro area equity prices as measured by the Dow Jones EURO STOXX index, increased by 0.8%, less than the 2.1% rise of the previous quarter (refer to Chart 1.4). In line with developments in major industrialised countries, stock prices in the euro area were highly volatile during the first three months of the year. After declining during January, equity prices recovered in the following two months owing to positive data on employment and industrial production, even though the rally was dampened by concerns over the strength of the recovery of household demand as well as on the sustainability of public finances in some euro area countries. Increased volatility also characterised the June quarter, over which stock prices fell by 11.1%.

Euro depreciates against other major currencies

The euro depreciated significantly against other major currencies during the period reviewed. This rapid weakening followed continued uncertainty surrounding fiscal sustainability in some euro area countries. In addition, markets were hit by concerns that economic expansion in the euro area would lag behind that of the United States and Japan.

Turning to key bilateral exchange rates, after having depreciated

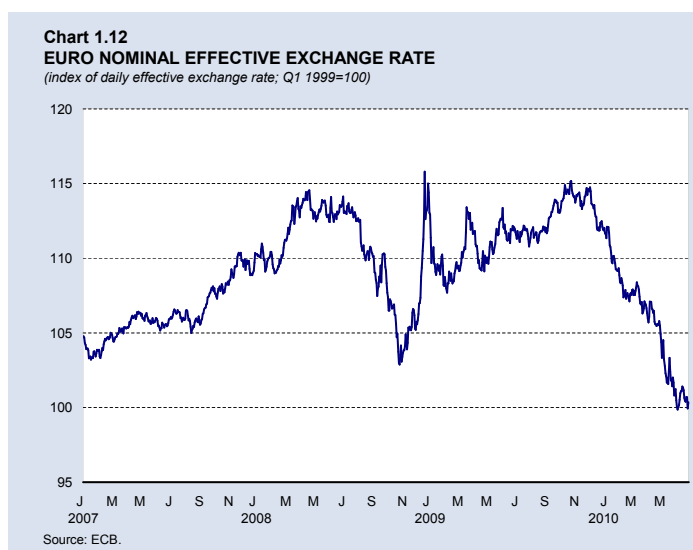


towards the end of the previous quarter, the euro weakened by 7.2% against the US dollar in the quarter under review (see Chart 1.11). Apart from factors already mentioned, the euro was weighed down by a widening in the long-term US-euro area interest rate differential, as well as better than expected US economic data. This depreciation continued well into the second quarter of the year.

Similarly, the euro weakened considerably against the Japanese yen, falling by a cumulative 6.2% between end-December and end-March. The appreciation of the Japanese yen took place in the context of a declining appetite for risk. The depreciation of EUR/JPY came to a halt in April, only to resume in May.

In contrast, the euro strengthened slightly vis-à-vis the pound sterling, rising by 0.2% during the quarter. Despite this modest rise, the exchange rate between the two currencies was volatile. The generally weak economic environment in the United Kingdom as well as uncertainty in the run-up to the British general elections supported the euro against the pound during the quarter. The euro's depreciation resumed in the following 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 over the March quarter (see Chart 1.12). At the end of March the NEER was 4.5% below its level three months earlier. This depreciation, although broad based, reflected in particular the euro's weakening against the US dollar and the Japanese yen. The NEER continued to decline during the second quarter, when it fell by a further 6.1%.



2. THE MALTESE ECONOMY

Output

Economic activity gathers momentum ...

The Maltese economy grew by 3.4% on a year earlier during the first quarter of 2010, following a rise of 1.3% in the previous quarter (see Chart 2.1). Growth was largely underpinned by a strong accumulation of inventories and a brisk pick-up in exports as the world economy continued to recover after the downturn of 2009. By contrast, final domestic demand (which excludes inventories) contracted further, reflecting subdued growth in private consumption and falls in government consumption and gross fixed capital formation (see Table 2.1).

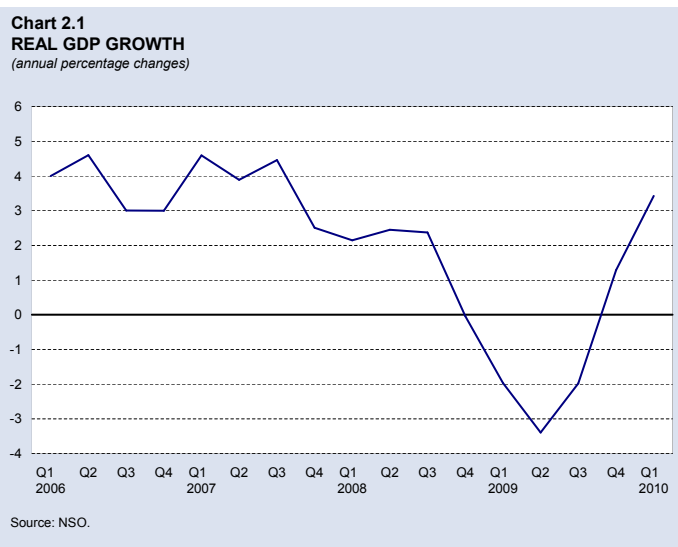


Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2009				2010
	Q1	Q2	Q3	Q4	Q1
	<i>Annual percentage changes</i>				
Household final consumption expenditure	0.4	-0.4	1.0	4.0	0.9
Government final consumption expenditure	2.1	0.6	-1.9	-3.4	-3.6
Gross fixed capital formation	-28.1	-29.3	7.0	-19.4	-5.0
Changes in inventories as a % of GDP	-0.1	-2.0	-6.3	0.7	3.3
Domestic demand	-6.8	-14.3	-2.7	2.9	2.7
Exports of goods & services	-13.8	-2.5	0.3	-1.9	18.9
Imports of goods & services	-18.2	-15.1	-0.4	-0.1	17.4
Gross domestic product	-2.0	-3.4	-2.0	1.3	3.4
	<i>Percentage point contributions</i>				
Household final consumption expenditure	0.3	-0.3	0.6	2.8	0.6
Government final consumption expenditure	0.4	0.1	-0.4	-0.7	-0.8
Gross fixed capital formation	-5.1	-5.1	0.9	-2.9	-0.7
Changes in inventories	-2.9	-10.8	-3.8	3.7	3.6
Domestic demand	-7.3	-16.1	-2.6	2.9	2.7
Exports of goods & services	-12.2	-2.2	0.3	-1.7	14.6
Imports of goods & services	17.5	14.9	0.3	0.1	-13.9
Net exports	5.3	12.7	0.6	-1.6	0.7
Gross domestic product	-2.0	-3.4	-2.0	1.3	3.4

Source: NSO.

The recovery was accompanied by faster growth in industrial production, which continued into May, a slight decline in the unemployment rate and an improvement in business and consumer sentiment (see Box 1).

Following exceptionally rapid growth in the December quarter, real private consumption grew at an annual rate of 0.9% in the first quarter of 2010. The subdued increase reflected the decline in employee compensation and a deceleration in credit growth in recent quarters and is corroborated by other indicators such as imports of consumer goods and motor vehicle registrations which both fell on a year earlier, by 1.6% and 11.2%, respectively. In the latter case, however, a change in the registration tax had led to an exceptional increase in the number of car registrations in early 2009.

A breakdown of real consumption spending highlights higher outlays on food and beverages, recreational activities, restaurants & hotels, household furnishings & maintenance and miscellaneous goods & services. Expenditures on almost all other categories also increased, though to a lesser extent. However, spending on health, education and transport services fell.

Government consumption continued on its downward path, falling by 3.6% and lowering overall GDP growth by 0.8 percentage points. This reflected mainly a drop in compensation of employees, which had been boosted a year earlier by payments to shipyard workers in terms of early retirement schemes. This factor was partly offset by an increase in intermediate consumption related to health services.

Following an annual drop of almost a fifth in the December quarter – which was driven by lower spending on machinery and housing – investment fell by 5.0% in the first quarter, reducing real GDP growth by 0.7 percentage points. In nominal terms, investment contracted by 1.4% entirely because of lower private investment. In turn, this reflected the ongoing weakness in construction investment, held back by a substantial overhang of properties on the market. Indeed, reflecting a drop in the number of permits issued by MEPA in previous quarters, housing investment continued to fall in the first quarter of 2010 (see Box 2). In contrast, investment in machinery and transport equipment rose over a year ago.

Conversely, public investment rose by around one-fifth, partly reflecting higher spending on road maintenance and restoration works on fortifications. Government spending on IT-related products also rose during the period under review.

... as inventories increase ...

Changes in inventories, which also capture statistical adjustments, stood at 3.3% of GDP, up from 0.7% in the December quarter. As a result, inventories made a positive contribution to growth. The build-up of stocks, which is likely to be cyclical, followed a general decline spread over several quarters, and may reflect an anticipation of a more robust recovery in export markets.

... and so do net exports.

Following a sharp contraction in the beginning of 2009, and further, albeit more moderate, declines for most of the rest of the year, exports and imports grew significantly in the first quarter of 2010, going up by 18.9% and 17.4% year-on-year, respectively. As the growth in exports outpaced that of imports, net exports contributed 0.7 percentage points to real GDP growth. According to nominal balance of payments data, this rebound was predominantly driven by trade in goods, particularly semiconductors, though exports of fish and pharmaceuticals also contributed. The nominal rebound in both exports and imports was amplified by a drop in both export and import prices.

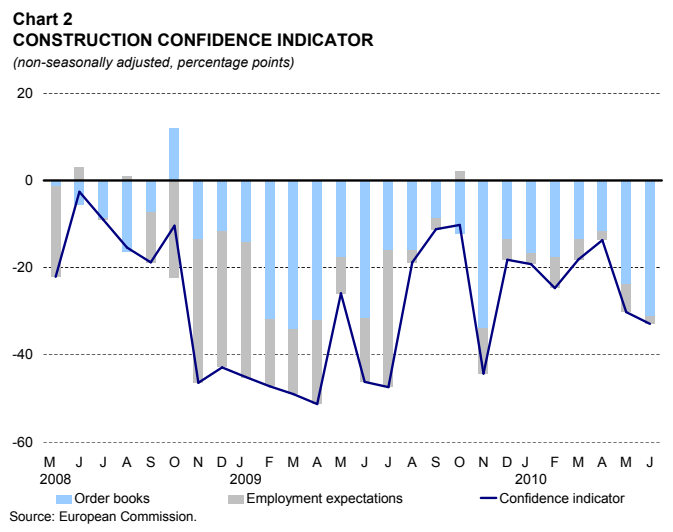
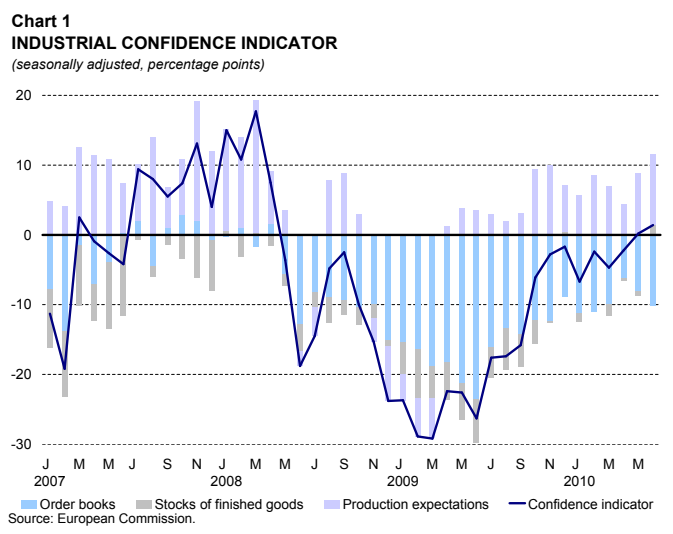
BOX 1: BUSINESS AND CONSUMER SURVEYS¹

Industrial confidence recovers...²

After having dipped slightly during the first three months of 2010, industrial confidence rebounded in the second quarter, as it resumed the upward trend observed since the second half of 2009 (see Chart 1). In fact, the seasonally-adjusted confidence indicator added 6 percentage points to end the June quarter in positive territory for the first time since April 2008.

This improvement in confidence was fuelled by more optimistic production expectations, which rose above their end-March levels and exceeded those recorded in recent quarters, but it also reflected a rundown of stocks of finished goods. Meanwhile, order book levels were broadly unchanged from their March level.

In line with the pick-up in sentiment, respondents expected employment levels to increase for the first time since the beginning of 2008. On the other hand, the majority of respondents continued to point towards insufficient demand as the main factor limiting business expansion. Furthermore, while respondents indicated that current production capacity was more than sufficient to meet demand, the number reporting excess capacity continued to decrease during the second quarter. This declining share is in line with higher production expectations, smaller falls in order books in recent quarters and improved export expectations.



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. Additional sectoral breakdowns were not available at time of writing. The compilation of the consumer survey remained unchanged.

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

... while sentiment deteriorates among construction firms.³

Seasonally-unadjusted data show that sentiment among construction firms, which is subject to a relatively large degree of volatility, deteriorated in the second quarter, with the relevant index dropping from -18 in March to -33 in June (see Chart 2). This reflected a drop in order book levels on the previous quarter. In fact, operators pointed to weak demand as the main factor limiting construction activity. Moreover, respondents still expected to reduce their labour complement over the forthcoming three months, albeit to a lesser degree than in earlier quarters.

Confidence among service providers improves...⁴

Confidence among service providers increased significantly during the second quarter of 2010, remaining in positive territory for the seventh consecutive month. The seasonally-unadjusted index rose by a further 24 percentage points, reaching 42 by June, owing primarily to an increase in demand for services in the previous three months and to a more favourable business situation. The improvement in confidence also reflected, although to a lesser extent, a positive change in demand expectations for the subsequent three months (see Chart 3). Furthermore, respondents also showed increased optimism with respect to manpower levels. Despite the upturn, respondents continued to identify insufficient demand and, to a lesser extent, a tighter cash flow as the main limitations on business activity.

...as does consumer confidence.⁵

The consumer confidence indicator, which has fluctuated within a relatively narrow range since the

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

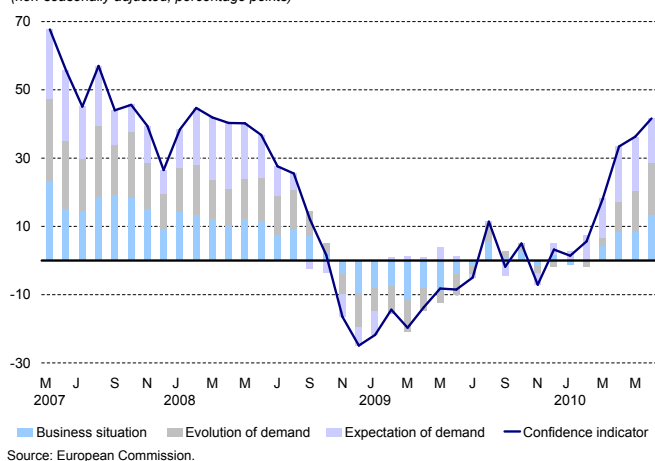
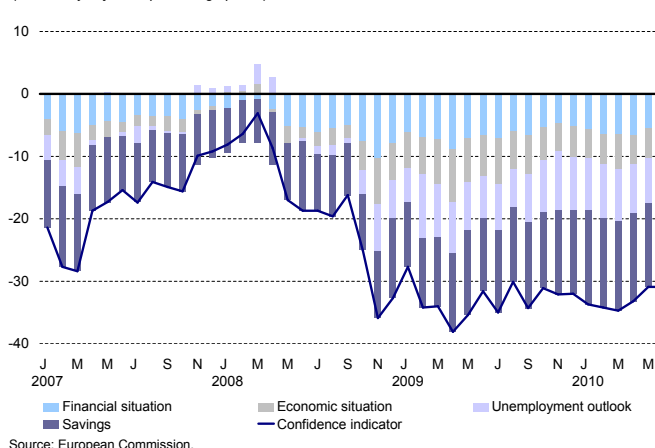


Chart 4
CONSUMER CONFIDENCE INDICATOR
(seasonally adjusted, percentage points)



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

⁴ The services confidence indicator is the arithmetic average of the balances (in percentage points) of the 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.

⁵ The consumer confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of the 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.

end of 2008, edged up during the second quarter of 2010, rising by 4 percentage points to -31 in June (see Chart 4). This mainly reflected renewed optimism on the unemployment outlook, in line with the resumption of job creation in recent quarters and the fall in unemployment levels, accompanied by an improvement in respondents' ability to save in the following twelve months. Moreover, when compared to March, respondents were more optimistic about their financial situation and the general economic outlook. Furthermore, on average, a larger share of respondents intended to make major purchases, such as new cars and homes, than in the previous quarter.

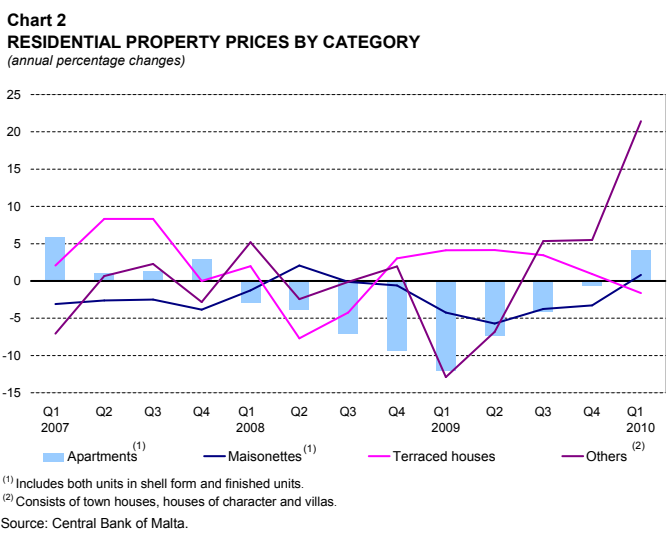
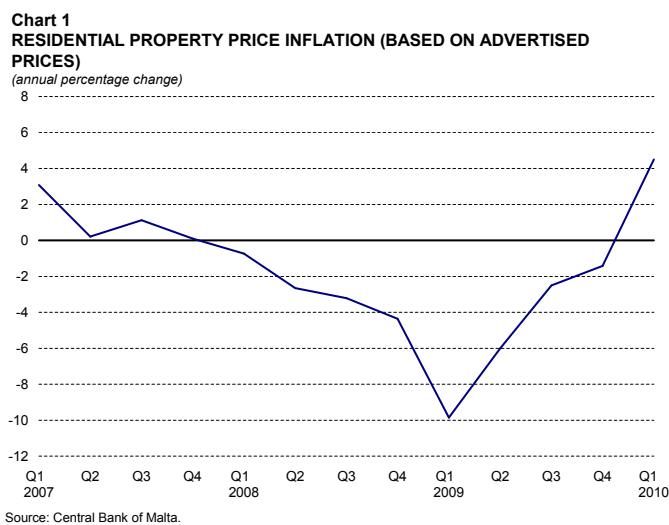
BOX 2: RESIDENTIAL PROPERTY PRICES

Increase in annual residential property price inflation¹

During the first quarter of 2010 the annual rate of increase in property prices, which had reached a trough at the beginning of 2009, turned positive for the first time in eight quarters (see Chart 1). Between January and March 2010, prices increased by 4.5% on a year earlier, as against a 1.4% decline in the previous quarter.

Disaggregated results show that the overall increase was primarily due to higher prices for the 'others' category and for apartments (see Chart 2).² During the March quarter, prices in the 'others' category – which makes up about one-fifth of properties surveyed – were up by 21.4% on a year earlier, compared to a 5.5% increase in the previous quarter. This sharp surge reflects an increase in the asking price for houses of character, as well as a larger proportion of villas, which were relatively less affected by the slowdown, in the latest sample. In total, this category contributed 2.2 percentage points to overall property price inflation. Apartments, which constitute over half the properties in the sample, accounted for 2.1 points, as prices were up by 4.2% on a year earlier. In contrast, during the first quarter of 2010, prices of maisonettes were reported broadly stable compared to the corresponding period of the previous year, whereas those of terraced houses dropped slightly.

The available information on the supply of properties coming onto the market is somewhat mixed. In the first quarter of 2010, the number of properties advertised for sale – an indicator of supply conditions in the housing market – contracted by 1.3% on a year



¹ This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in advertised residential property prices compiled from newspaper advertisements sampled each month. The NSO publishes a separate quarterly index based on monthly information obtained from contracts of sale registered with the Inland Revenue Department. The latest data available from the NSO relate to the first quarter of 2010 and were issued on 28 July 2010, beyond the *Quarterly Review* cut-off date. These data show that during the first quarter of the year, property prices increased by 0.4% over their year-ago levels.

² The 'others' category consists of townhouses, houses of character and villas.

earlier, compared to a 7.9% decline in the last three months of 2009. In contrast, however, the number of building permits issued by the Malta Environment and Planning Authority decreased by almost two-fifths year-on-year, as against a 3.7% drop in the previous quarter. Most of the decline was related to permits for apartments, which, while still making up four-fifths of the total issued, dropped by close to half.

Gross value added continued to recover ...

An analysis of the income side of GDP shows that the annual rate of growth of gross value added (GVA) accelerated to 5.8%, compared to 2.3% in the fourth quarter of 2009 (see Chart 2.2). The operating surplus, which had contracted during most of 2009, expanded by almost 17% and accounted for most of the increase in GVA. In turn, the bulk of the increase in profits was generated in manufacturing and financial intermediation, the latter due to strong growth in net interest income. At

the same time, however, compensation of employees, the other major component of GVA, continued to decline largely reflecting developments in manufacturing and, in particular, the one-off compensation to retiring shipyard workers granted a year earlier. It dropped by an annual 0.6%, a more moderate rate than the -2.0% recorded in the December quarter.

...mainly driven by the services sectors.

The acceleration in GVA during the first quarter of 2010 was broad-based with the services sectors remaining the main engine of growth, though activity in the manufacturing sector also recovered (see Table 2.2).

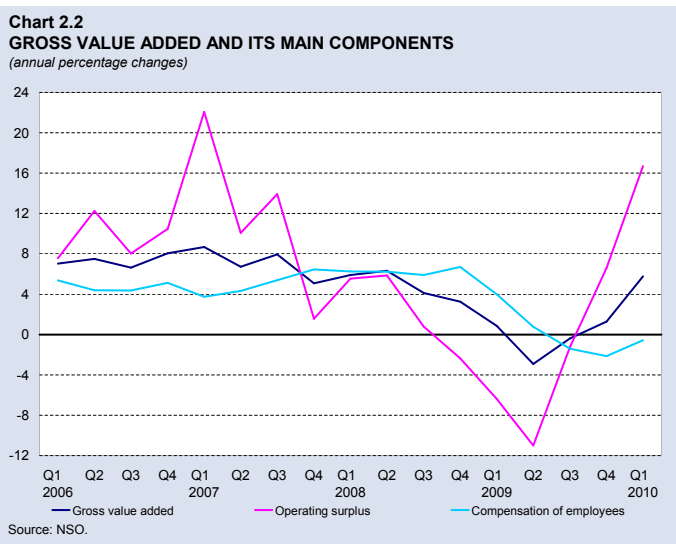


Table 2.2

CONTRIBUTION OF SECTORAL GROSS VALUE ADDED TO NOMINAL GDP GROWTH

Percentage points

	2009				2010
	Q1	Q2	Q3	Q4	Q1
Agriculture, hunting & forestry	-0.1	0.1	0.1	-0.1	0.1
Fishing	0.0	0.0	0.0	0.4	0.0
Manufacturing	-1.5	-3.0	-3.4	-3.1	0.1
Electricity, gas & water supply	1.2	0.9	1.9	0.9	-0.3
Construction	0.0	-0.2	-0.1	-0.3	-0.2
Wholesale & retail trade	-0.9	-1.3	-0.5	-0.2	0.3
Hotels & restaurants	-0.4	-0.5	-0.7	-0.3	0.2
Transport, storage & communication	-0.5	-0.7	-0.8	-0.9	0.0
Financial intermediation	0.2	0.8	1.3	2.7	1.7
Real estate, renting & business activities	0.8	0.5	0.8	1.0	0.8
Public administration	0.0	0.4	0.4	0.3	0.3
Education	0.2	0.2	0.1	0.2	0.5
Health & social work	0.4	0.3	0.5	0.2	0.4
Other community, social & personal services	1.2	0.5	0.6	1.1	1.3
Gross value added	0.6	-2.0	0.2	2.0	5.0
Net taxation on products	0.4	0.5	-0.1	1.4	2.0
Annual nominal GDP growth (%)	1.0	-1.5	0.1	3.4	7.0

Source: NSO.

Table 2.3
MANUFACTURING PRODUCTION AND SALES

Annual percentage changes

	2009				2010
	Q1	Q2	Q3	Q4	Q1
Industrial production	-14.0	-17.4	-14.9	-5.5	7.2
Total sales	-22.8	-20.6	-15.6	-7.5	16.5
Computer, electronic & optical products	-33.7	-28.1	-29.9	-12.5	20.8
Food	-4.7	5.8	-9.2	-14.2	5.3
Electrical equipment ⁽¹⁾	130.1	-3.9	269.4	109.0	31.3
Basic pharmaceutical products & pharmaceutical preparations	-26.7	-29.2	-17.8	-15.5	57.7
Printing & reproduction of recorded media	9.5	8.8	17.6	44.7	13.4
Other transport equipment	62.4	92.4	132.1	-53.6	-43.4
Other non-metallic mineral products	14.9	-10.4	-18.4	-26.7	-14.6

⁽¹⁾ The strong growth rates in electrical equipment were partly due to higher re-export sales rather than domestic production.

Sources: NSO; Eurostat.

Indeed, after having contracted for a number of quarters, the GVA generated by manufacturing increased, providing a small contribution to overall GDP growth. Separate statistics report that both industrial production and sales expanded during the first quarter of 2010, going up by 7.2% and 16.5%, respectively on a year earlier.¹ This followed sharp falls in both indicators throughout 2009 (see Table 2.3).

The increase in turnover mainly reflected resumed growth in sales of semiconductors (captured under computer, electronic & optical products) and pharmaceuticals which, after contracting in previous quarters, increased by 20.8% and 57.7%, respectively. Similarly, sales of electrical equipment, printed material and food also rose. In contrast, sales of other non-metallic minerals and transport equipment fell.

On aggregate, services contributed 5.4 percentage points to nominal GDP growth. In particular, the GVA generated by financial intermediation rose by over 40% on a year earlier and contributed 1.7 percentage points to the 7% growth in nominal GDP. Similarly, the value added of the other community, social & personal services sector, which includes remote gaming and other recreational activities, expanded by around 13% year-on-year and contributed a further 1.3 percentage points to GDP growth.

The real estate, renting & business activities sector added almost a full percentage point to growth, with the bulk arising from the business activities segment. The value added of real estate activities also rose, possibly signalling renewed activity in the property market as house prices appear to be recovering (see Box 2). However, the drop in private construction investment spending depressed construction activity, which continued to decline.

Meanwhile, the contribution of the wholesale & retail trade sector turned positive during the March quarter, despite the slowdown in nominal consumer spending. Similarly, output in the transport, storage & communication sector recovered after several quarterly declines, but as the

¹ Additional data on manufacturing based on monthly indices of industrial production and quarterly short-term industrial indicators, which the NSO recently began to publish, are compiled in accordance with the NACE Rev. 2 statistical classification. See NSO News Releases 112/2010 and 125/2010.

sector's intermediate consumption grew even faster, its overall contribution to nominal GDP was negligible.

The turnaround in tourism activity described in Box 3 was reflected in the performance of the hotels & restaurants sector. After having fallen for six consecutive quarters, the sector's GVA rose by 7.5% on a year earlier and added 0.2 points to nominal GDP growth, with the hotel segment accounting for the bulk of the increase.

Other service sectors making a positive contribution included health & social work, education and public administration which, together, added 1.2 points to nominal GDP growth.

In the March quarter, the electricity, gas & water supply sector contributed negatively to growth as intermediate consumption increased faster than output, reflecting rising international fuel costs. As a result, gross value added was lower than a year earlier and, hence, this sector reduced GDP growth by 0.3 percentage points. The sector's operating losses, however, were the lowest recorded in the last four quarters.

The labour market²

Employment data for the first quarter of 2010 were mixed. Statistics based on administrative records showed a stable decline in employment up to January, whereas survey-based data for the quarter as a whole suggest a recovery in job creation. Furthermore, the seasonally-adjusted unemployment rate eased during the first five months of the year.

Employment indicators show mixed results

The impression of a labour market recovery during the first quarter of 2010 is supported by LFS data. The labour force grew by 3.2% and employment expanded further, adding 2.3% (see Table 2.4). However, the survey indicates that the new jobs created between January and March 2010 were either part-time or on reduced hours. In contrast, full-time employment contracted marginally, by 0.1%, on a year earlier, after having risen for 14 consecutive quarters.

The increase in the labour force reflected a combination of an increase in the working age population and higher participation, primarily among women. In fact, the activity rate, which measures the number of people in the labour force as a proportion of the working-age population, went up by 1.2 percentage points on a year earlier to 59.6%. At 55.3%, the employment rate, which measures the number of people employed as a proportion of the working age population, was 0.7 percentage points higher than a year earlier.

Sectoral data, which are subject to a more significant sampling error than the aggregate statistics, attribute the entire employment increase during the first quarter, which was concentrated among part-timers, to the private sector. In fact, the number of public sector jobs contracted by 1.6% on a year earlier, while private sector employment growth expanded by 3.9%.

In contrast, ETC records show that the declining trend in the gainfully occupied population (which excludes part-timers) observed since August 2008 continued to January 2010. As with the LFS,

² The cut-off date for data in this section is 20 July 2010. Statistics are drawn mainly from two sources: the LFS is a household survey carried out by the NSO in line with international standards, while ETC data 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.

Table 2.4
LABOUR MARKET INDICATORS BASED ON THE LFS

Persons; annual percentage changes

	2009				2010	Annual change %
	Q1	Q2	Q3	Q4	Q1	
Labour supply	171,694	173,388	174,553	175,940	177,135	3.2
Employed	160,635	161,279	162,567	162,918	164,377	2.3
<i>By type of employment:</i>						
Full-time	143,517	142,881	143,714	144,188	143,377	-0.1
Full-time with reduced hours	2,736	3,140	2,796	2,283	3,458	26.4
Part-time	14,382	15,258	16,057	16,447	17,542	22.0
<i>By economic sector:</i>						
Private	114,053	117,518	117,249	114,446	118,542	3.9
Public	46,582	43,761	45,318	48,472	45,835	-1.6
Unemployed	11,059	12,109	11,986	13,022	12,758	15.4
Activity rate (%)	58.4	59.0	59.2	59.4	59.6	
Male	76.7	76.9	76.9	76.0	77.0	
Female	39.3	40.4	40.7	42.0	41.5	
Employment rate (%)	54.6	54.9	55.1	54.9	55.3	
Male	72.0	71.5	71.6	70.9	71.4	
Female	36.4	37.6	37.8	38.3	38.5	
Unemployment rate (%)	6.4	7.0	6.9	7.4	7.2	
Male	6.0	7.0	6.7	6.7	7.2	
Female	7.3	6.9	7.1	8.8	7.2	
Average annual gross salary (annual growth rate, %)	4.1	3.7	-0.6	1.0	5.2	

Source: NSO.

full-time employment contracted on a year earlier, though to a greater extent, dropping by 1.1% (see Table 2.5). At the same time, and in contrast with the LFS data, the labour supply – which is computed as the sum of the gainfully occupied population and the registered unemployed – also declined, by 0.6%.³

According to ETC records, job losses in the private sector accounted for the entire decline in employment. Private sector employment decreased by 1.5% on a year earlier, with most job losses taking place in manufacturing. In turn, the electrical machinery sub-sector registered the largest fall. Similarly, employment in construction dropped significantly. At the same time, though to a lesser extent, employment in private market services also declined, in contrast with the steady growth seen in previous years. The decrease reflected redundancies in the hotels & restaurants and post & telecommunications sub-sectors, which outweighed an increase in the real estate, renting & business activities sector.

Meanwhile, public sector employment levels were broadly stable compared to January 2009. A reduction in employment in the shipyards following early retirement schemes was almost entirely offset by an increase in the number of public employees working in the education sector.

ETC administrative records also showed that, while full-time employment contracted, the number of part-time jobs continued to increase. The latter rose by 4.8% on their year-ago level, with the

³ The measure of the labour supply derived from ETC records is consistently smaller than that obtained from the LFS since the former excludes part-time employees from the gainfully occupied population and includes only the registered unemployed rather than all job-seekers.

Table 2.5
LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS ⁽¹⁾

Persons; annual percentage changes

	2009				2010	Annual change %
	Jan.	June	Sep.	Dec.	Jan.	
Labour supply	152,149	152,397	152,251	151,507	151,280	-0.6
Gainfully occupied ⁽²⁾	145,161	145,124	144,730	143,827	143,522	-1.1
Registered unemployed	6,988	7,273	7,521	7,680	7,758	11.0
Unemployment rate (%)	4.6	4.8	4.9	5.1	5.1	
Private sector	103,800	103,900	103,550	102,475	102,249	-1.5
Direct production	32,508	31,932	31,716	31,195	31,050	-4.5
Market services	71,292	71,968	71,834	71,280	71,199	-0.1
Public sector	40,644	40,527	40,541	40,710	40,626	0.0
Temporary employment	717	697	639	642	647	-9.8
Part-time jobs	47,097	49,491	49,650	49,736	49,336	4.8
Primary	26,279	27,962	27,962	27,899	27,659	5.3
Secondary ⁽³⁾	20,818	21,529	21,688	21,837	21,677	4.1

⁽¹⁾ Figures for February and March 2010 were not available at the time of writing.

⁽²⁾ This category measures full-time employment.

⁽³⁾ This category includes employees holding both a full-time and a part-time job.

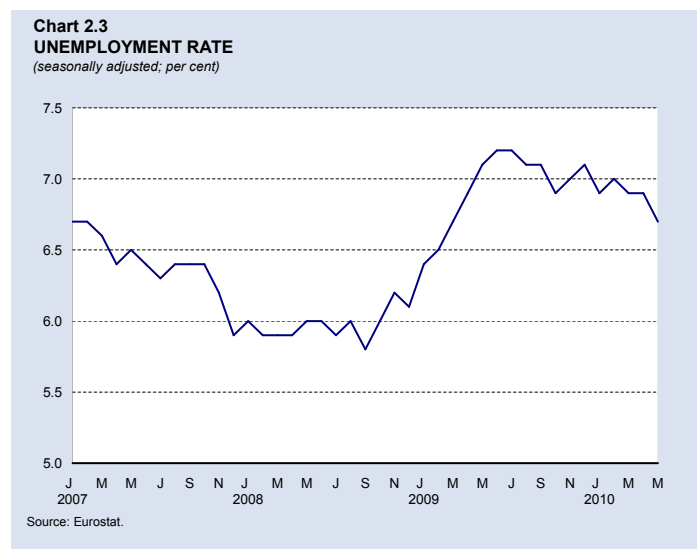
Source: NSO.

real estate, renting & business activities sector registering the largest gain. Part-time employment also increased significantly in the hotels & restaurants and the wholesale & retail trade sectors compared to January 2009.

Signs of easing in unemployment

During the first quarter of 2010, the rise in the labour supply as measured by the LFS outstripped the increase in job creation. Hence, the number of unemployed people continued to grow on a year earlier, although at a slower pace than in the previous three quarters. In fact, the unemployment rate went up to 7.2%, 0.8 percentage points higher than in the first quarter of 2009. Nevertheless, it was 0.2 percentage points below the rate in the last quarter of 2009. In January 2010, at 5.1%, the unemployment rate measured by ETC, which records only those persons registering as unemployed, was half a percentage point above the year-ago level.

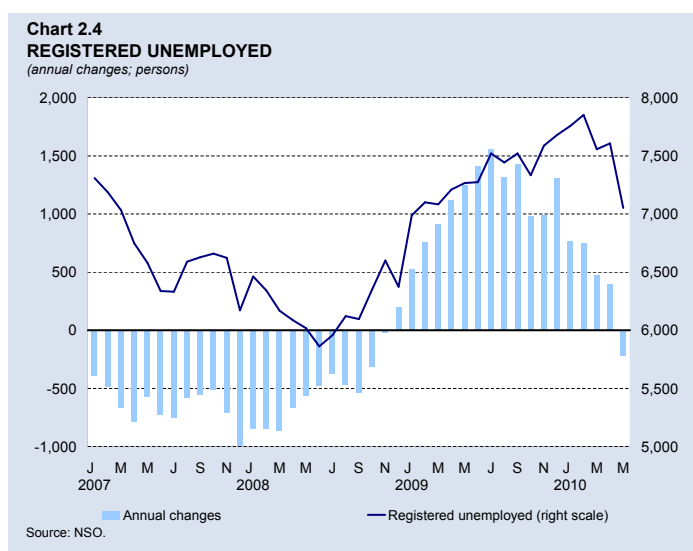
However, the seasonally-adjusted unemployment rate eased during the quarter under review (see Chart 2.3). In fact, at 6.9%,



the rate recorded in March was 0.2 percentage points lower than in December 2009.

More recent data suggest a further decline during the second quarter of 2010, with the jobless rate adjusted for seasonal variations dropping by a further 0.2 percentage points to 6.7% in May. This rate has followed a generally declining path since the peak of 7.2% reached in mid-2009.

ETC records for May show that the number of people registered as unemployed stood at 7,052, down by 214 from the year ago-level. This was the first time that the number fell on a year-on-year basis since the end of 2008 (see Chart 2.4).



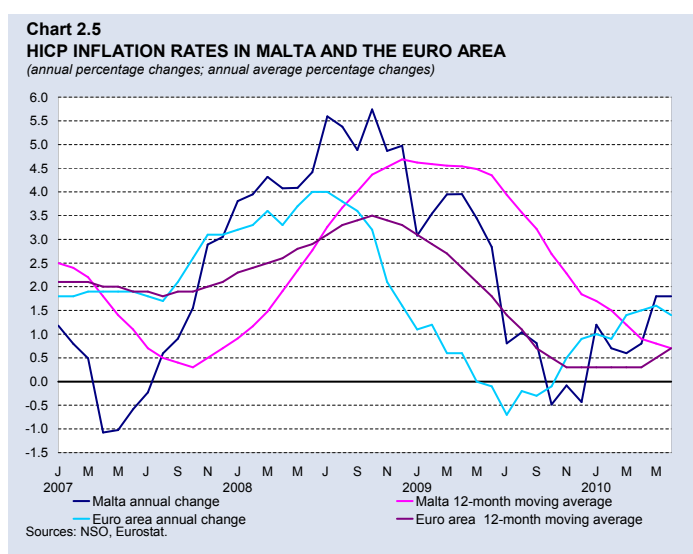
Prices

HICP inflation in Malta turns positive in the first quarter...

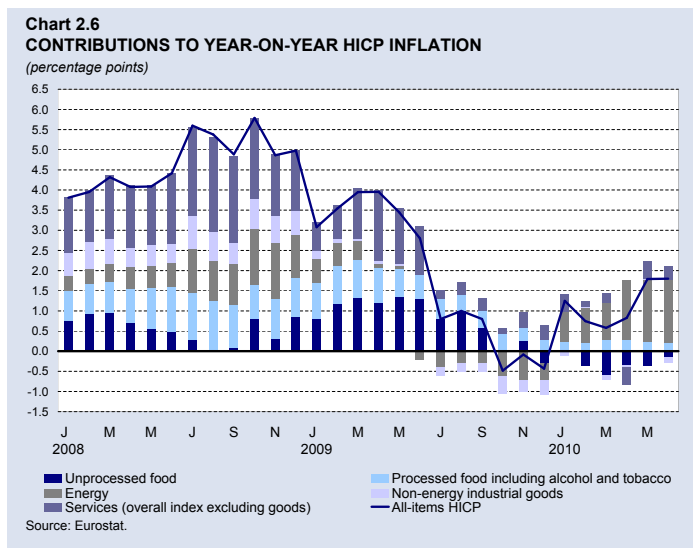
The steady downward trend in inflation experienced during 2009 was halted in the first quarter of 2010, as the annual HICP inflation rate turned positive, rising from -0.4% in December to 0.6% in March. However, the twelve-month moving average rate, which reflects price developments with a lag, continued its downward path reaching 1.2% in March from 1.8% in December. Inflation accelerated further during the following quarter, with the annual HICP rate reaching 1.8% in June.

During the period under review, Malta's inflation rate remained generally below the euro area average, though the difference between the two narrowed over the quarter, with the Maltese rate eventually exceeding the euro area's in May and June (see Chart 2.5). The annual inflation rate in the euro area remained on the upward trend initiated in July 2009 reaching 1.4% in March, and then remained broadly stable in the following quarter.

The main factor behind the increase in Malta's annual inflation rate during the first quarter was an upward shift in the growth rate of energy prices, which turned



positive, from -6.7% in December to 14.9% in March, partly reflecting the substantial increase in oil prices. As a result, the energy component contributed 0.9 percentage points to HICP inflation in March as against a negative 0.4 points in December (see Chart 2.6).⁴ Moreover, the decline in prices of non-energy industrial goods moderated in March, as the decrease in motor vehicle prices eased, and contributed -0.1 percentage points to overall inflation as opposed to -0.4 points three months earlier.



Prices of processed food, which includes alcohol and tobacco, continued to rise, increasing at an annual rate of 2.2% in March, marginally above the 2.0% rate observed in December. As a result, their contribution to inflation was largely unchanged at 0.3 percentage points.

The acceleration in inflation was dampened by developments in prices of unprocessed food and services. The former dropped further, falling by 7.7% in March on a year earlier compared to -3.3% in December. In particular, prices of vegetables and, to a lesser extent, fruit fell compared to the same period of the previous year, outweighing the impact of significantly higher prices of fish & seafood. As a result, the negative contribution of unprocessed food prices to overall inflation doubled to -0.6 percentage points. Meanwhile, the annual rate of change in prices of services moderated, as higher prices for educational services were offset by lower communications costs. Although services prices still rose, adding to overall inflation, their contribution halved to 0.2 percentage points.

Inflation accelerated in the second quarter as a result of base effects related to energy prices and those charged by the hotels & restaurants sector. In the latter case, the pick-up was in line with an improved performance in the tourism industry, which raised accommodation prices during the quarter, whereas it had cut prices in the same period of the previous year when demand had fallen.

... as does RPI inflation.

The annual rate of RPI inflation moved in parallel to that of the HICP, rising to 0.3% in March from -0.6% in December (see Table 2.6).⁵ This was mainly caused by a sharp rise in utility prices in January. As a result, inflation in the water, electricity, gas & fuels component, which stood at -6.0% in December 2009, went up to 16.0% in March. Consequently, its contribution to RPI inflation shifted from -0.1 percentage point in December to 0.5 points in March. Concurrently,

⁴ As from January 2010 the HICP weighting scheme was updated to reflect changes in household consumption patterns. The combined weight of processed and unprocessed food was reduced by about three percentage points. In contrast, shares of non-energy industrial goods and services rose by one point and around two points, respectively. Within the services category, the weights given to restaurants and postal services were halved, while that of air transport doubled. The share allotted to energy remained almost unchanged.

⁵ 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 tourism expenditure in Malta. Thus, while the RPI excludes hotel accommodation prices, these account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

Table 2.6
CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION

Percentage points

	2009			2010		
	Dec.	Jan.	Feb.	Mar.	Apr.	May
Food	-0.2	0.1	-0.4	-0.6	-0.2	-0.3
Beverages & tobacco	0.2	0.2	0.1	0.1	0.1	0.1
Clothing & footwear	-0.1	-0.2	-0.2	-0.3	-0.2	-0.2
Housing	0.2	0.2	0.2	0.2	0.2	0.2
Water, electricity, gas & fuels	-0.1	0.5	0.5	0.5	0.9	0.9
Household equipment & house maintenance costs	0.1	0.1	0.1	0.1	0.1	0.1
Transport & communications	-1.1	-0.2	-0.2	0.0	0.0	0.1
Personal care & health	0.2	0.3	0.2	0.2	0.2	0.2
Recreation & culture	0.0	0.1	0.2	0.1	0.2	0.2
Other goods & services	0.1	0.1	0.1	0.1	0.1	0.1
RPI (annual percentage change)	-0.6	1.1	0.5	0.3	1.2	1.4

Sources: Central Bank of Malta; NSO.

reflecting higher fuel costs, prices of transport & communications services also rose. Whereas they had previously contributed a negative 1.1 percentage points in December 2009, their impact on inflation in March was neutral.⁶

In contrast, the annual rate of food price inflation dropped further, from -0.6% in December to -2.7% in March, lowering overall RPI inflation by 0.6 points. Prices of clothing & footwear also fell at a faster rate, dropping by 3.7% in the year to March to dampen overall inflation. On the other hand, annual increases in prices in the remaining categories contributed positively to annual RPI inflation.

The annual rate of inflation is heavily influenced by relatively volatile components, including food and water and electricity charges. Underlying price pressures can be gauged by examining developments in the Bank's core RPI inflation index, which excludes such components.⁷ On this basis, underlying inflation remained constant at 1.7% in March, whereas the overall inflation rate increased. However, within the core inflation measure, inflation in personal care & health slowed down, whereas it accelerated in the recreation & culture component.

The annual RPI inflation rate increased further to 1.4% in May, mainly reflecting year-on-year changes in utility prices, while food inflation fell less sharply. Meanwhile, the core inflation measure edged up to 2.0%, owing to an increase in the recreation & culture component and the 'other goods & services' category.

Costs and competitiveness

Producer prices fall at a slower pace

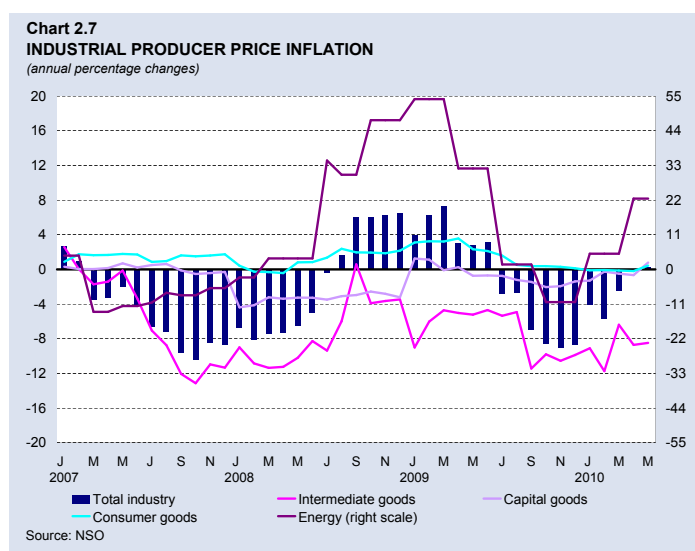
The industrial producer price index, which measures the prices of goods sold by the industrial sector, is commonly used to monitor inflationary pressures at the production stage.⁸

⁶ In the RPI, fuel prices are included in the transport & communications component, while the HICP includes them in energy.

⁷ 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.

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 to provide a breakdown of prices according to industrial activity. These groupings consist of 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.

Chart 2.7 shows annual industrial producer price inflation for different groupings from January 2007 onwards. During this period, it fluctuated in a relatively wide range and exhibited a greater degree of volatility than consumer price inflation. During 2009, the rate of producer price inflation declined from the relatively high rates recorded in the first half of the year, turning negative in July. Although producer prices continued to fall on a year-on-year basis into 2010, the rate of decline moderated during the first

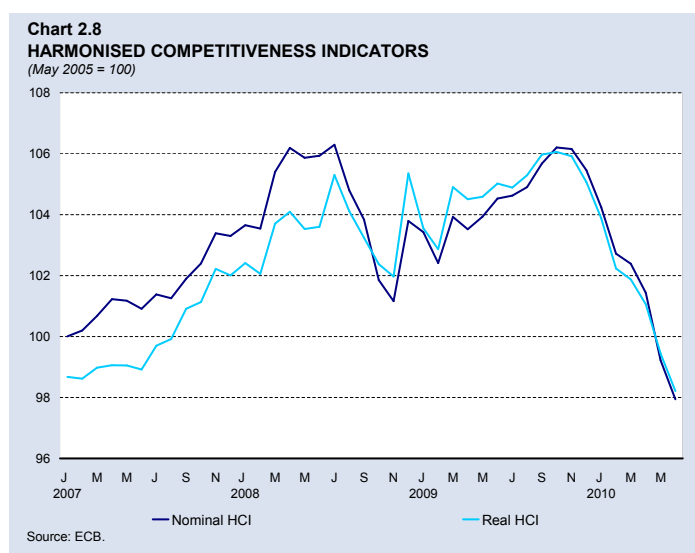


quarter, easing to -2.5% in March from -8.7% in December. This stemmed primarily from developments in the energy component where the annual inflation rate went up to 5.0% in March compared to -10.4% in December. Moreover, the decline in intermediate goods prices moderated, decelerating to -6.4% in March from -9.9% in December. Prices of capital and consumer goods were stable.

In April 2010 the producer price inflation rate stood at nil, up from a negative rate in March, reflecting a further increase in energy prices. In May, the rate increased to 0.2% as a result of an upward shift in capital goods prices.

Malta's HCI shows improved competitiveness in the first quarter...

After having declined towards the end of 2009, both the nominal HCI and its real counterpart extended their downward trend during the first quarter of 2010, contributing positively to international price competitiveness. By March both indices had fallen to levels last seen in mid-2007.



Between December and March, Malta's nominal HCI decreased considerably, down by 2.9%, while the real HCI fell by 3.0% (see Chart 2.8).⁹ The drop in the nominal index reflected exchange

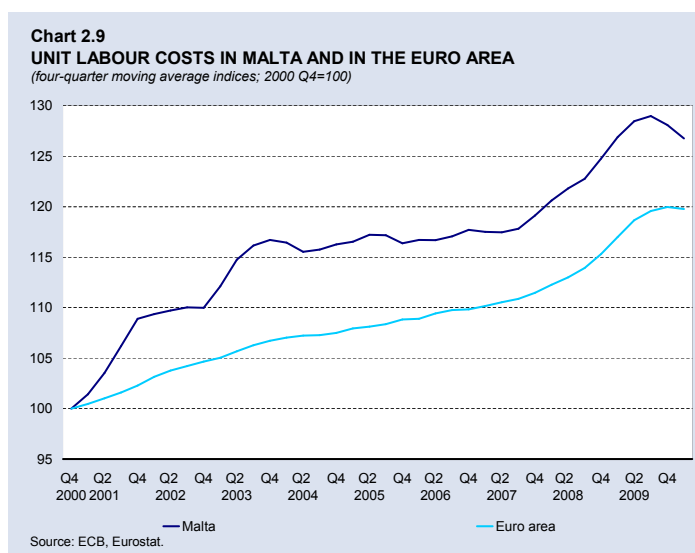
⁹ A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes 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.

rate movements and, more specifically, the depreciation of the euro against the US dollar. The larger fall in the real HCI mirrored the additional effect of the marginal decline in Malta's inflation rate relative to its main trading partners.

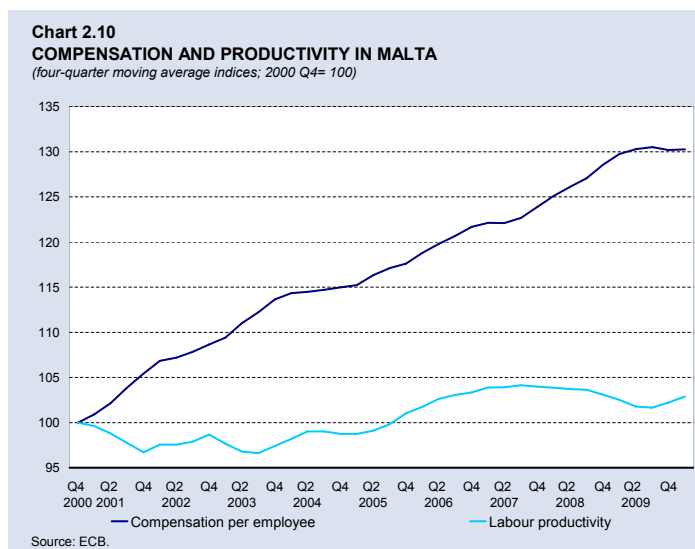
Both nominal and real HCI fell further from March onwards, shedding an additional 4.3% and 3.6%, respectively, between end-March and end-June. Favourable exchange-rate movements outweighed the impact of adverse inflation developments.

...while unit labour costs continue to fall.

Computed on the basis of a four-quarter moving average, between January and March 2010 ULC in Malta dropped for the second consecutive quarter. They fell by 1.0% on the previous quarter, a larger decline than the 0.7% drop in the final quarter of 2009 (see Chart 2.9).¹⁰ On a year-on-year basis, ULC in Malta edged down by 0.1%, the first such decline after thirteen quarters of growth. During the March quarter euro area ULC dropped by 0.2% on the previous quarter. The latest developments helped to narrow the accumulated erosion of competitiveness reflected in the gap between Maltese and euro area ULC as shown in the Chart.



Turning to the components of ULC, during the first quarter of 2010 labour productivity in Malta increased by 0.7% over the previous quarter, following a 0.6% rise three months earlier (see Chart 2.10). This improvement in productivity reflected a substantial rise in real GDP, which was dampened by a smaller increase in employment.



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.

the first quarter of 2010 stemmed from a cyclical recovery in productivity in an environment of stable labour compensation levels.

The balance of payments

During the first three months of 2010, the deficit on the current account of the balance of payments narrowed substantially compared to the same quarter of 2009. This mainly reflected lower net outflows on the income account and a significantly smaller deficit on trade in goods. In addition, albeit to a lesser extent, an increase in the services surplus also contributed. Together, these movements outweighed larger net outward current transfers.

During the same period, concurrently with the improvement in the current account, net outflows were recorded on the capital and financial account, reversing the year-ago position. This was almost entirely attributable to developments on the financial account, though the surplus on the capital account also declined marginally. At the same time, reserve assets – movements which are recorded in the financial account – decreased. Net errors and omissions were positive.¹¹

The current account deficit improves considerably

In the first quarter of 2010 the deficit on the current account stood at EUR86.9 million (see Table 2.7). This was EUR159.1 million less than that registered a year earlier. Consequently, the current account deficit expressed as a four-quarter moving sum narrowed to EUR189.9 million (see Chart 2.11); this is equivalent to 3.3% of GDP, compared to 9.1% in the year to March 2009.

The merchandise trade gap narrows ...

On the basis of balance of payments data, the merchandise trade deficit declined to EUR143.1 million during the March quarter, falling by EUR90.8 million, or 38.8%, compared with the same

	2009		2010		four-quarter moving sum			
	Q1	Q2	Q3	Q4	2009			
			Q1	Q2	Q3	Q4	2010	
							Q1	
Current account	-246.0	-86.9	-519.6	-163.3	-261.2	-349.0	-189.9	
Goods	-234.0	-143.1	-1,093.3	-955.3	-889.7	-873.2	-782.4	
Services	166.5	178.4	954.5	965.9	921.6	904.6	916.5	
Income	-166.3	-66.2	-364.2	-287.9	-347.8	-375.0	-274.9	
Current transfers	-12.2	-56.0	-16.6	113.9	54.7	-5.5	-49.2	
Capital and financial account	418.5	-6.4	793.1	182.3	353.7	189.6	-235.3	
Capital account	1.2	0.5	25.5	27.4	23.5	71.0	70.3	
Financial account	417.2	-6.9	767.6	154.9	330.2	118.6	-305.6	
Direct investment	262.9	-214.2	649.4	505.5	662.3	553.6	76.5	
Portfolio investment	311.6	-659.9	683.4	1,743.9	1,590.3	-1,906.0	-2,877.4	
Financial derivatives	-128.4	-53.4	-344.3	-385.3	-385.1	-70.4	4.6	
Other investment	-13.9	913.5	-384.2	-1,768.6	-1,648.6	1,543.8	2,471.1	
Reserve assets	-14.9	7.1	163.2	59.4	111.4	-2.4	19.6	
Errors and omissions	-172.5	93.4	-273.5	-19.0	-92.5	159.4	425.3	

Sources: Central Bank of Malta; NSO.

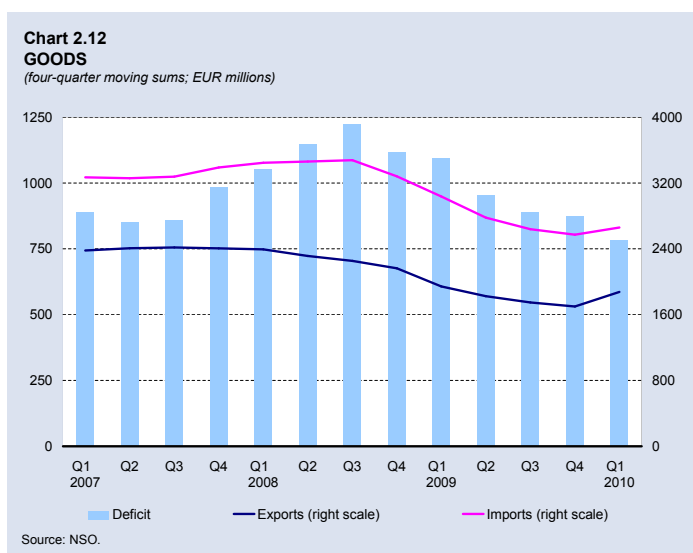
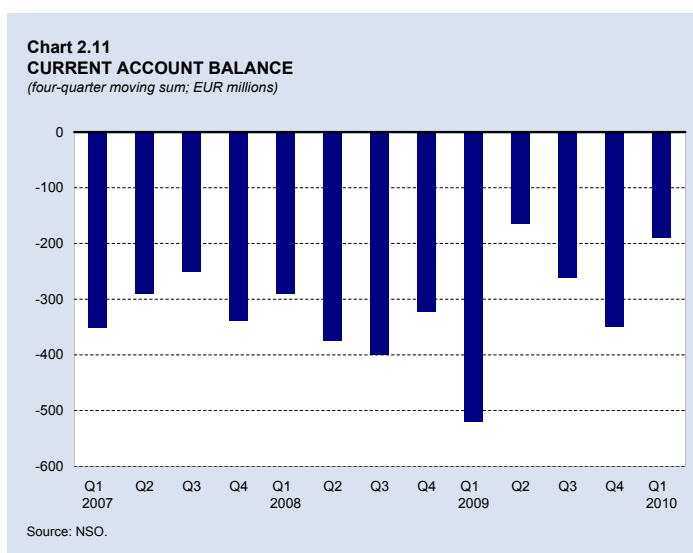
¹¹ Positive net errors and omissions imply an overestimation of the current account deficit and/or an overestimation of net outflows on the capital and financial account.

quarter of 2009. Although both imports and exports expanded significantly, the latter increased to a greater extent.

Between January and March 2010, the value of merchandise exports rose by EUR176.9 million, or 53.3%, on a year earlier. Customs data show that the surge in exports was mainly driven by increased sales of semiconductors; nevertheless, re-exports of fuels and exports of fish and pharmaceuticals also expanded.¹² The increase in exports of fish compensated for a drop in the same category during the final quarter of 2009.¹³ Meanwhile, merchandise imports rose by EUR86.1 million, or 15.2%, on a year-on-year basis. This was mainly driven by a rise of over 90% in the value of fuel imports, reflecting higher international oil prices and the increase in fuel re-exports referred to earlier. In addition, the strong growth in exports also led to additional imports of electronic components and chemicals. In contrast, imports of consumer goods declined marginally.

As a result of these developments, the visible trade gap contracted for the sixth consecutive quarter on a four-quarter cumulative basis, down by 28.4% from the level recorded in the year to March 2009 (see Chart 2.12). This was spurred by a drop of 12.4% in imports against a 3.4% fall in exports. Although the decline in trade flows during most of 2009 was spread across all sectors, it was heavily influenced by a fall in global demand for semiconductors, which account for a significant share of Malta's external trade.

On the basis of Customs data, the visible trade gap narrowed further during April and May. Thus, over the first five months of 2010 the merchandise deficit contracted by EUR202.6 million, or over a third, from the previous year's level. This was attributable to a faster



¹² International trade data compiled on the basis of Customs returns may differ from balance of payments data as a result of differences in coverage, valuation and timing. In particular, during the period reviewed, the Customs data showed significant imports of aircrafts which were not recorded in the balance of payments statistics, since no transfer of ownership was involved.

¹³ In a break from seasonal patterns, the decline observed in fish exports in December 2009 was reversed in January 2010.

increase in exports compared to imports.

... and the surplus on services improves.

During the first quarter of 2010, the positive balance on services stood at EUR178.4 million, up by EUR11.9 million over the same quarter of 2009. This was propelled by higher net receipts from travel and merchanting-related services. The increase in the former was entirely due to a rise of EUR19.6 million in expenditure by inbound tourists, which outweighed a rise of EUR5.1 million

in spending by Maltese residents travelling abroad. At the same time, merchanting services generated net receipts of EUR17.4 million as against net payments of EUR0.8 million in the first quarter of 2009. This was almost wholly attributable to commissions on sales of internationally-traded goods. In contrast, net receipts from transportation were down by EUR20.8 million on the year-ago level, mainly on account of higher freight payments.

As a result, on a twelve-month cumulative basis, the decline in the services balance observed in the second half of 2009 appears to have been halted (see Chart 2.13). Nonetheless, the positive position on this component was still 4.0% lower than it was during the year to March 2009. This was due to the combined effect of a 1.4% drop in receipts and a 0.2% increase in payments.

Net outflows on the income account decrease ...

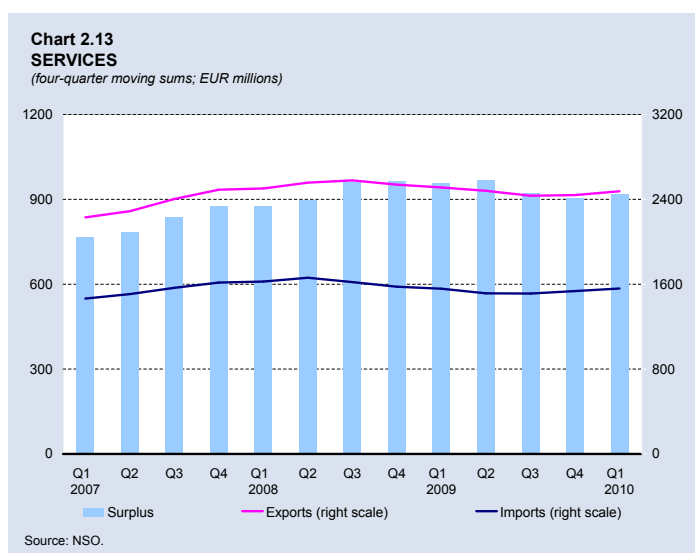
In the three-month period to March 2010, net outflows on the income component of the current account fell by EUR100.1 million on a year earlier, to stand at EUR66.2 million. The decline was mainly driven by a contraction of EUR89.3 million in profits recorded by foreign-owned firms operating in Malta, including banks and manufacturers. Furthermore, with international interest rates remaining low, payments on foreign loans declined by EUR22.7 million. By contrast, for the same reason, earnings on residents' portfolio investments were down by EUR10.2 million on the corresponding quarter of 2009. Banks engaged predominantly in international business accounted for most of these flows.

... while the negative balance on transfers increases.

Meanwhile, net outflows of EUR56.0 million were recorded on the current transfers component, up by EUR43.7 million from the year-ago level. The increase in net outflows was largely due to timing differences between the collection of tax receipts from, and the payment of refunds to, companies engaged in international business operations.

The capital and financial account swings to a negative balance

During the first quarter of 2010, partly reflecting the reduction in the current account deficit, the balance on the capital and financial account declined. The latter registered net outflows of EUR6.4 million as against net inflows of EUR418.5 million in the first quarter of 2009 (see Table 2.7). The



swing was almost totally attributable to developments on the financial account; nevertheless, the net surplus on the capital account fell by EUR0.8 million to just EUR0.5 million.

The shift in the financial account balance during the first three months of 2010 was mainly driven by developments in the portfolio investment component and, to a lesser extent, in net outward direct investment. Net outflows of EUR659.9 million were recorded on portfolio investment as against net inflows of EUR311.6 million in the first quarter of 2009. This was probably related to increased confidence in international financial markets, leading to a rise in cross-border holdings of debt securities, as opposed to a reduction during the corresponding quarter of 2009. Meanwhile, whereas net inward direct investment flows were recorded in the March quarter of 2009, a net outflow of EUR214.3 million was registered during the quarter under review. These outflows were driven by a drawdown of retained earnings and a fall in the share capital held by non-residents in Maltese firms. In turn, they were heavily influenced by the activities of internationally-oriented banks.

The shift in the portfolio investment component was, to a large extent, counterbalanced by movements in the other investment component during the first three months of 2010. The latter posted net inflows of EUR913.5 million as against modest outflows a year earlier. This was attributable to increased borrowing – particularly in the form of short-term loans – by the banking sector and, to a lesser extent, a rise in non-residents' deposits with domestic banks. Banks engaged in international business accounted for most of these transactions. Furthermore, lower net outflows on transactions involving financial derivatives also contributed positively to the financial account.

During the first quarter of 2010, the reserve assets declined by EUR7.1 million as opposed to an increase of EUR14.1 million a year earlier. Meanwhile, net errors and omissions turned positive and amounted to EUR93.4 million.

Malta's international creditor position improves in 2009

On the basis of the international investment position (IIP) statement, Malta's overall holdings of external assets stood at EUR35.8 billion at the end of 2009 while foreign liabilities amounted to

Table 2.8
INTERNATIONAL INVESTMENT POSITION

End of month position; EUR millions

	2008 June	2008 Dec.	2009 June	2009 Dec.
Net International Investment Position	533.3	51.3	445.6	769.5
Total assets	37,067.4	37,209.1	35,531.6	35,847.4
Direct investment abroad	838.9	768.6	1,044.7	1,041.0
Portfolio investment	12,201.6	10,190.8	10,396.9	12,437.2
Financial derivatives	126.7	276.8	113.7	138.1
Other investment	23,514.6	25,704.7	23,614.5	21,857.3
Reserve assets	385.6	268.3	361.8	373.7
Total liabilities	36,534.1	37,157.8	35,086.0	35,077.9
Direct investment in Malta	5,630.5	5,910.6	6,139.4	6,535.8
Portfolio investment	469.2	555.5	534.9	502.2
Financial derivatives	57.9	281.7	202.9	181.2
Other investment	30,376.5	30,410.1	28,208.8	27,858.7

Source: NSO.

BOX 3: TOURISM ACTIVITY

Positive results in the tourism industry

At the beginning of 2010, the performance of Malta's tourism industry improved considerably after having been adversely affected by the global recession of 2009. Both tourist arrivals and spending increased, with indicators pointing to further gains up to May.

Between January and March 2010, the number of visitors to Malta rose by 7.1% on a year earlier, following an increase of 0.4% in the previous quarter, reflecting a continuing improvement in the global travel industry. In fact, according to the United Nations World Tourism Organisation, during the first three months of 2010 tourist traffic improved worldwide, rising by an average of 8.0% year-on-year. In the Southern/Mediterranean Europe region, however, visitor numbers were up by about 4.1%, indicating a slower recovery (see Chart 1).¹ Data on passenger movements published by Malta International Airport corroborate the impression of a revival in tourism activity during the first quarter of 2010: air passenger arrivals (including residents) and aircraft landings were, respectively, 9.7% and 5.5% higher than a year earlier.²

In terms of geographical distribution, arrivals from the major markets generally increased, although some decline was seen in several smaller ones. Visitors from the United Kingdom, which accounted for 38% of total arrivals, increased by 7.1% during the quarter. Arrivals from Italy expanded further by 21.3%, reflecting the operation of additional routes, while the number of tourists from France increased by 5.2%. On the other hand, German tourist numbers continued to contract, down by 6.2% compared to the first quarter of 2009.

Growth in tourist numbers during the first quarter of 2010 generated increased spending. After seven quarters of consecutive decline, total expenditure rose

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

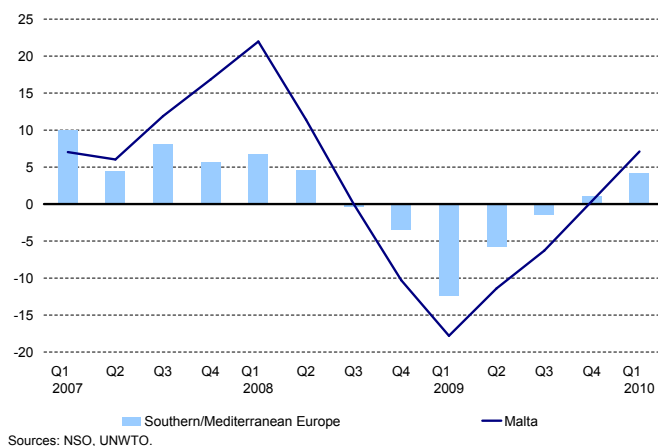
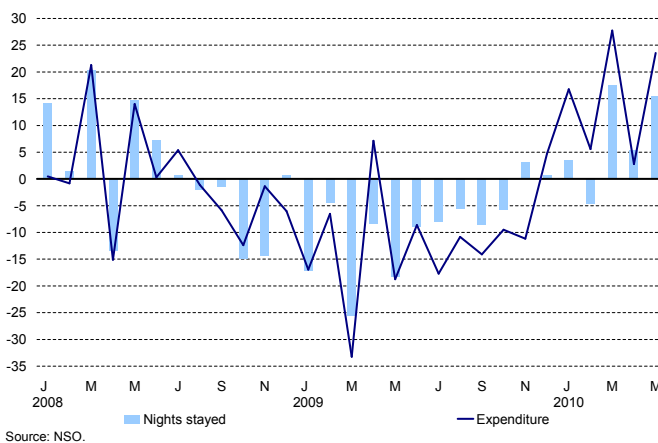


Chart 2
TOURISM INDICATORS
(annual percentage changes)



¹ See the January-April 2010 results reported in the UNWTO *World Tourism Barometer*.

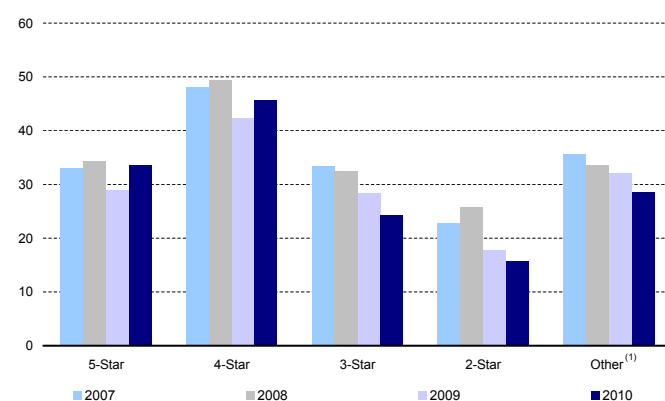
² See MIA website - <http://www.maltairport.com/page.asp?n=statistics>

by 17.6% on a year earlier, though it remained below the level registered in the same period of 2008 (see Chart 2).³ The rebound was partly due to an expansion of 18.0% in spending on package holidays. Expenditure on non-package holidays, which is split into outlays on accommodation and travel, was up by 8.0%. In turn, most of this increase is attributable to spending on accommodation, which rose by 11.4%, while travel expenditure went up by 5.2%. However, 'other' expenditure expanded by 25.3%, contributing significantly to the overall increase. Higher accommodation income is partly attributable to the increased number of nights stayed, which rose by 6.3%. In line with recent trends, the average length of stay dropped marginally, down by 0.1 nights to 8.0 nights from its year-ago level. These patterns are broadly in line with an industry survey for the first quarter of the year, which recorded additional income from accommodation over the corresponding period in 2009.

Moreover, in line with additional nights spent in Malta, NSO data indicate that hotel occupancy rates rose by almost one percentage point compared to the same period in 2009, to 34.9%. In particular, occupancy rates in 5- and 4-star hotels – which together account for around two-thirds of hotel bed-stock – gained 4.7 and 3.5 percentage points, respectively (see Chart 3). In contrast, hotel occupancy rates for 3-star and 2-star categories dropped further by 4.1 and 2.1 percentage points, respectively, and occupancy in the 'other' category contracted by 3.4 points.⁴ These data are largely corroborated by findings of the industry survey referred to earlier, indicating a substantial increase in 5-star occupancy during the same period, while it remained unchanged in 4-star hotels. On the other hand, according to the survey, the drop in occupancy reported in 3-star hotels was marginal.

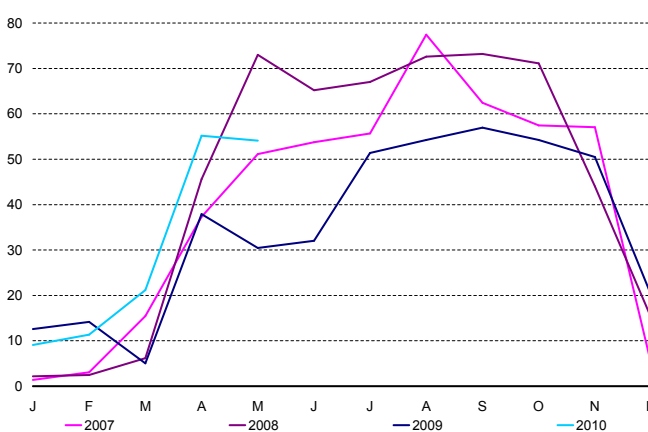
The cruise liner industry also expanded considerably in the first quarter of 2010 compared to the same period in 2009, which had

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



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

Chart 4
CRUISE PASSENGERS
(in thousands)



Source: NSO.

³ 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.

⁴ The 'other' category consists of guesthouses, holiday complexes and hostels.

itself shown robust growth. Cruise passengers rose by 43.3% and cruise liner visits increased by 26.7%, reflecting strong gains in March (see Chart 4). This was entirely due to higher numbers from the EU, as other markets dropped on aggregate. Over the quarter, visitors from Germany, France and Italy increased sharply, whilst those from Spain dropped slightly.

The available information suggests that recovery in the tourism industry persisted into the second quarter. In April, despite the drop in arrivals caused by the volcanic ash cloud that disrupted flights across Europe, tourist spending and occupancy rates increased over their year-ago levels. In May, the situation improved further with arrivals up by 17.5% over 2009, while expenditure and nights spent also grew significantly. The cruise liner industry also fared well in April and May, growing by an average of three-fifths over its year-ago level.

EUR35.1 billion, down by EUR1.4 billion and EUR2.1 billion, respectively, from the position a year earlier.¹⁴ Given the sharper fall in foreign liabilities, Malta's net creditor position strengthened by EUR718.2 million during 2009.

The overall improvement was entirely brought about by an increase of EUR2.3 billion in net holdings of portfolio assets, principally debt securities. Nevertheless, albeit to a lesser extent, an expansion of EUR105.4 million in official reserve assets also contributed. By contrast, 'other investment' assets fell more than the corresponding liabilities. This was mainly on account of a reduction in outstanding loans to non-residents following repayments, which were only partly offset by a decrease in foreign borrowings. Moreover, the stock of net foreign direct investment in Malta stood at EUR5.5 billion, up by EUR352.8 million from the end-2008 level.

Developments in the IIP reflect financial transactions but also various adjustments to cater for exchange rate movements and changes in market valuations. During 2009 favourable movements in both these factors influenced developments in Malta's IIP considerably.

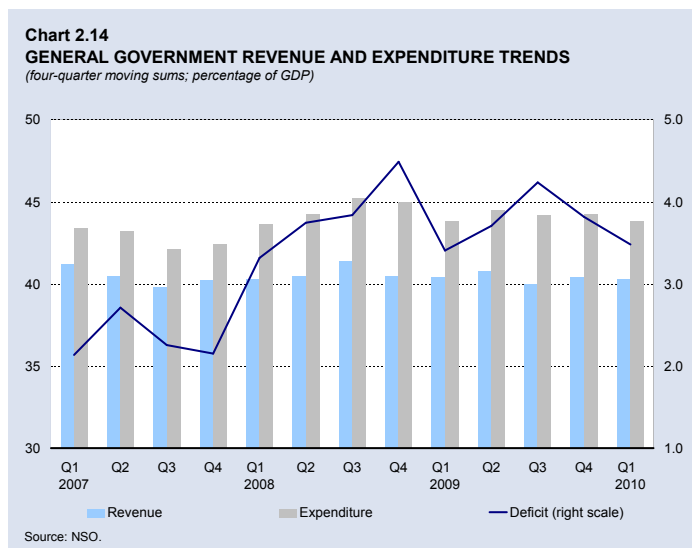
Government finance

In the first quarter of 2010 the general government deficit narrowed on a year-on-year basis as revenue grew more than expenditure. Similarly, the Consolidated Fund deficit also decreased over the same period, as revenue rose while expenditure fell.¹⁵ General government debt continued to rise.

General government deficit decreases in the first quarter

The general government deficit contracted by EUR15.9 million in the first three months of the year compared with the same period in 2009, to EUR22.3 million (see Table 2.9). This reflected an increase in revenue of 5.8% as against a 2.7% increase in expenditure. As a result, the primary surplus, which excludes interest payments from the overall balance, improved by EUR3.4 million to stand at EUR9.4 million.

Consequently, the cumulative deficit-to-GDP ratio, computed on the basis of four-quarter sums, went down to 3.5% in the year to March from 3.8% in the twelve months to December 2009 (see Chart 2.14). Compared to the previous quarter, revenue was broadly unchanged at 40.3% of



¹⁴ The international investment position (IIP) statement shows the stock of external assets and liabilities of residents vis-à-vis the rest of the world as at the end of a particular period.

¹⁵ 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 both central government, including extra-budgetary units, and local councils on an accrual basis.

Table 2.9
GENERAL GOVERNMENT BALANCE

EUR millions

	2009				2010	Change Q1 2009	
	Q1	Q2	Q3	Q4	Q1	Amount	%
Revenue	545.3	571.8	531.0	663.5	577.2	31.8	5.8
Taxes on production and imports	174.2	189.9	213.0	236.1	197.1	22.9	13.2
Current taxes on income and wealth	177.6	221.2	165.4	231.3	181.7	4.1	2.3
Social contributions	112.6	97.7	103.6	120.9	107.4	-5.1	-4.6
Capital and current transfers	14.9	22.7	12.8	33.2	23.3	8.4	56.0
Other	66.1	40.3	36.2	42.0	67.7	1.6	2.4
Expenditure	583.5	654.0	604.0	688.4	599.5	16.0	2.7
Compensation of employees	219.2	202.3	204.4	204.9	210.3	-8.9	-4.1
Intermediate consumption	66.9	94.1	102.5	95.3	81.1	14.1	21.1
Social benefits	179.5	214.5	186.5	228.1	182.7	3.2	1.8
Subsidies	21.3	21.4	8.6	12.1	8.9	-12.3	-58.0
Interest	44.2	45.7	43.4	50.2	31.7	-12.4	-28.1
Current transfers payable	24.5	23.9	22.3	32.2	35.0	10.6	43.1
Gross fixed capital formation	25.0	28.0	30.3	42.5	30.5	5.5	21.9
Capital transfers payable	8.3	25.6	7.9	19.9	16.3	8.0	96.5
Other	-5.3	-1.5	-1.9	3.3	3.0	8.3	-156.8
Primary balance	6.0	-36.5	-29.6	25.3	9.4	3.4	-
General government balance	-38.2	-82.2	-73.0	-24.8	-22.3	15.9	-

Source: NSO.

GDP, while the expenditure-to-GDP ratio fell back to just under 44%, a level last seen in March 2009.

Substantial revenue growth...

Revenue expanded by EUR31.8 million in the first quarter of 2010 compared to the same period in 2009. This was mostly the result of a EUR22.9 million increase in receipts from taxes on production and imports, which were buoyed by additional VAT revenue. While the timing of VAT payments contributed substantially to this rise, it also reflected growth in private consumption.

Concurrently, inward capital and current transfers rose by EUR8.4 million due to higher levels of investment grants received from EU institutions. Taxes on income and wealth went up by EUR4.1 million, driven by an increase in income tax proceeds owing mainly to an amnesty scheme on penalties and interest on overdue tax balances. Meanwhile, 'other' revenue went up by EUR1.6 million, as higher market output from extra-budgetary units helped to reverse the decline recorded in this category in the previous four quarters, following the winding down of Malta Shipyards Ltd. Income from social security contributions, on the other hand, went down by EUR5.1 million, partly reflecting a decline in compensation of employees.

... outweighs a rise in expenditure.

General government expenditure increased by EUR16.0 million, or 2.7%, during the first three months of 2010 compared to the same period in 2009. This mainly reflected additional outlays on intermediate consumption and both current and capital transfers.

Expenditure on intermediate consumption rose by EUR14.1 million due to higher outlays in the health sector. Spending on current transfers, which incorporate payments to the EU budget, went up by EUR10.6 million. Capital transfers almost doubled, rising by EUR8.0 million primarily to finance expenditure by the Water Services Corporation on the sewage treatment infrastructure.

In addition, outlays on IT infrastructure, roads and restoration works pushed up spending on gross fixed capital formation, which increased by EUR5.5 million. Meanwhile, higher spending on contributory bonuses and retirement pensions raised expenditure on social benefits by EUR3.2 million. However, growth within this category was dampened by lower spending on items, such as pharmaceutical products, which are classified as social transfers in kind.

In contrast, interest expenditure dropped by EUR12.4 million owing to lower interest rates and an increased proportion of short-term securities in the debt stock. Similarly, subsidies to producers fell by EUR12.3 million, due to lower outlays on incentives to the film and agricultural industries. Compensation of employees declined by EUR8.9 million, since a year earlier it had incorporated the final payment to Malta Shipyards employees under early retirement schemes. In fact, spending on civil servants' personal emoluments continued to rise, particularly in the areas of education and health.

Consolidated Fund balance improves over the year

Between January and March 2010 the deficit on the Consolidated Fund narrowed by EUR42.4 million, to EUR222.6 million (see Table 2.10 and Chart 2.15).¹⁶

Table 2.10				
CONSOLIDATED FUND BALANCE				
<i>EUR millions</i>				
	2009	2010	Change	
	Q1	Q1	Amount	%
Revenue	402.8	425.9	23.0	5.7
Direct tax ⁽¹⁾	163.8	182.1	18.3	11.2
Indirect tax	175.9	181.9	6.0	3.4
Non-tax ⁽²⁾	63.2	61.9	-1.3	-2.1
Expenditure	667.8	648.5	-19.3	-2.9
Recurrent ⁽¹⁾	619.6	599.4	-20.2	-3.3
Capital	48.3	49.1	0.9	1.8
Primary balance⁽³⁾	-200.2	-175.4	24.8	-
Consolidated Fund balance	-265.0	-222.6	42.4	-

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

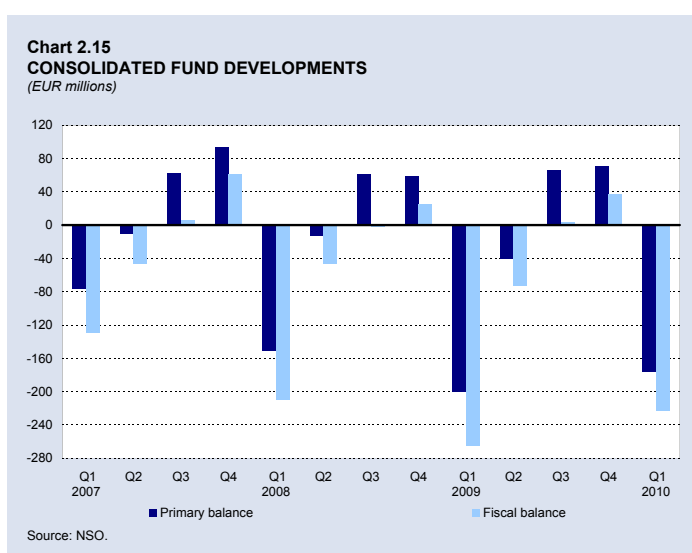
⁽²⁾ Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

⁽³⁾ Revenue less expenditure excluding interest payments.

Source: NSO.

¹⁶ The deficit on the Consolidated Fund during the first quarter of 2010 was considerably higher than that recorded in the general government accounts. This discrepancy is usually large in the first quarter and mainly stems from differences in the time of recording of income tax and VAT revenues, as well as prepayments on certain expenditures.

Revenue increased by 5.7% mostly due to higher inflows from direct taxes related to the amnesty mentioned earlier. Indirect tax receipts also climbed on the back of increased takings from VAT. Meanwhile, expenditure decreased by 2.9% as a result of lower recurrent spending, brought about mainly by the above-mentioned drop in payments related to the Malta Shipyards early retirement schemes and on medical and surgical materials. Interest payments also fell significantly.



More recent statistics indicate that for first five months of 2010 the Consolidated Fund deficit narrowed compared to the same period a year earlier, albeit marginally, falling by EUR6.2 million to EUR288.2 million.

General government debt increases

The stock of general government debt increased by EUR98.2 million between the end of December 2009 and end of March 2010. (see Table 2.11). As a result, the debt-to-GDP ratio rose to 69.6% from 69.0% at the end of December 2009 and 65.1% in March 2009 (see Chart 2.16). The composition of the debt shifted, with short-term debt rising at the expense of long-term debt and bank loans.

Short-term debt in the form of Treasury Bills went up by EUR60.6 million, thus increasing its share in total government debt by 1.2 percentage points to 13.2%. This shift took place in a period of low and declining money market interest rates. In fact, yields on three-month primary market Treasury Bills fell from 1.4% at end-December to 0.8% at end-March.

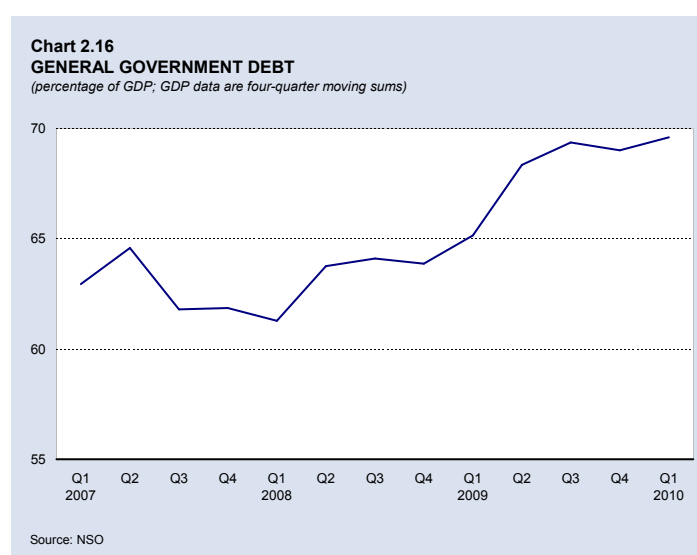
Table 2.11
GENERAL GOVERNMENT DEBT
EUR millions

	2009				2010
	Q1	Q2	Q3	Q4	Q1
General government debt⁽¹⁾	3,707.4	3,875.3	3,934.1	3,947.2	4,045.4
Currency & deposits	32.7	34.9	36.8	37.2	36.9
Securities	3,442.6	3,620.8	3,676.2	3,690.5	3,789.1
Short-term	542.6	644.3	559.8	474.1	534.8
Long-term	2,900.0	2,976.6	3,116.5	3,216.4	3,254.4
Loans	232.1	219.5	221.0	219.5	219.4
Short-term	20.2	17.4	17.2	26.3	18.1
Long-term	211.9	202.2	203.8	193.3	201.4

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

Concurrently, the amount of long-term government debt outstanding rose by EUR38.0 million, as new issues of Malta Government Stocks exceeded the amount of maturing stocks. However, the share of long-term debt in the total government debt decreased by 1.1 percentage points, to 80.4%.

Overall, general government borrowing from the banking system decreased marginally when compared to the previous quarter, to EUR219.4 million. Meanwhile, liabilities in the form of Maltese euro coins in issue declined slightly to EUR36.9 million, leaving their share of total debt unchanged from the previous quarter's level.



Monetary and financial developments

During the March quarter the contribution of Maltese MFIs to the euro area broad money stock increased as residents' deposits recovered, reversing the year-on-year drop registered three months earlier.¹⁷ At the same time, credit to residents expanded at a faster annual pace, while net claims on non-residents of the euro area increased. While official interest rates were kept constant throughout the quarter, domestic money market yields fell markedly, extending their downward trend. In the capital market, yields on five-year and ten-year Maltese government securities both declined, while the MSE share index rose further.

Recovery in growth of residents' deposits

The contribution of Maltese MFIs to the euro area broad money stock (M3) increased during the first quarter of 2010, with its year-on-year growth rate rising from -1.4% in December to 0.3% in March (see Table 2.12). Growth was driven by the narrow money component of M3 which continued to expand strongly, rising by 13.0% during the twelve months ending in March. In contrast,

Table 2.12
CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES⁽¹⁾

EUR millions; annual percentage changes

	2010	2009				2010
	Mar.	Q1	Q2	Q3	Q4	Q1
Narrow money (M1)	4,425.8	3.5	7.7	8.0	13.2	13.0
Intermediate money (M2)	8,720.7	-0.8	-0.4	-2.8	-1.7	-0.1
Broad money (M3)	8,612.7	-1.1	0.2	-2.4	-1.4	0.3

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

Source: Central Bank of Malta.

¹⁷ Unless otherwise specified, the term 'residents' in this section refers to residents of Malta only. 'Other euro area residents' include residents of all euro area member states except Malta.

Table 2.13
RESIDENTS' DEPOSITS ⁽¹⁾

EUR millions; annual percentage changes

	2010		2009			2010
	Mar.	Q1	Q2	Q3	Q4	Q1
Overnight deposits	3,688.4	4.1	10.6	10.9	16.5	14.2
Deposits redeemable at notice up to 3 months	110.3	-0.9	-4.2	-5.3	-2.3	-1.3
Deposits with agreed maturity up to 2 years	4,081.2	-3.0	-5.6	-12.3	-13.1	-8.8
Total residents' deposits	7,879.9	-0.2	0.8	-3.1	-1.3	0.8

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

Source: Central Bank of Malta.

deposits with an agreed maturity of up to two years contracted further on an annual basis, dampening growth of the Maltese contribution to euro area M3.

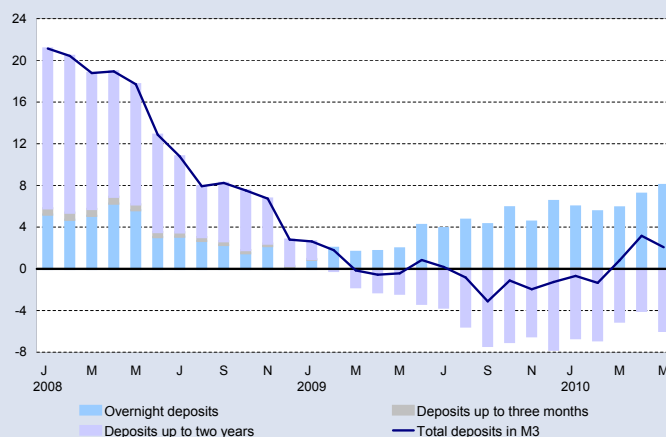
Despite decelerating slightly, overnight residents' deposits continued to grow rapidly during the twelve months to March 2010, expanding by 14.2%, or EUR459.7 million, down from 16.5% in December 2009 (see Table 2.13). Growth was mainly driven by higher balances belonging to households and private non-financial companies, possibly reflecting the low opportunity cost of holding such liquid monetary assets in an environment of low interest rates. Overnight deposits held by other euro area residents also grew, although to a much lesser extent, adding a mere EUR15.1 million.

On the other hand, deposits redeemable at up to three months' notice, accounting for a negligible proportion of the total, declined further by 1.3% on the previous year. Similarly, deposits with an agreed maturity of up to two years persisted in their downward trend, after contracting by 13.1% in the twelve months to December 2009. The latter fell by 8.8%, primarily owing to lower holdings by households. The moderation in the annual rate of decline of such deposits reflected a quarter-on-quarter recovery during the first three months of 2010, following five consecutive quarters of contraction. Apart from the above-mentioned shift into more liquid monetary assets, the sharp decline in these deposits may have been influenced by portfolio shifts into longer-term assets in search of higher yields outside M3. In fact, deposits with a maturity exceeding two years, which do not form part of M3, expanded by 30.2% during the year to March. Furthermore, considerable bond issues on the primary market also played a role in diverting funds away from monetary assets.

Overall, the annual rate of growth of residents' deposits turned positive, rising from -1.3% in December to 0.8% in March (see Chart 2.17). Growth stemmed entirely from overnight deposits, which

Chart 2.17
CONTRIBUTIONS TO ANNUAL GROWTH IN RESIDENTS' DEPOSITS

(percentage points; annual percentage changes)



Source: Central Bank of Malta.

accounted for 47% of total residents' deposits at the end of March. Subsequently, these deposits increased substantially, with the year-on-year growth rate rising to 2.1% in May.

The weighted average interest rate paid by MFIs on all residents' deposits was stable compared to the fourth quarter of 2009, falling by a mere basis point to 1.43% at end-March. While the average interest rate on time deposits fell by three basis points to 2.27%, the rate on savings deposits rose by one basis point to 0.34%. At the same time, the average rate on demand deposits remained unchanged at 0.29%.¹⁸ Meanwhile, changes in interest rates on new accounts were mixed. While rates paid to households on deposits with a maturity over one and up to two years rose by 19 basis points during the quarter to 3.19%, rates offered on deposits with a maturity of up to one year declined by eight basis points. At the same time, rates on new time deposits belonging to non-financial corporations rose by 44 basis points, ending the quarter at 1.29% (see Table 2.14).¹⁹

In April 2010 the weighted average deposit rate dropped by a further three basis points to 1.40%. During the same period, interest rates on new business generally fell. Thus, rates on households' deposits with maturities of over one and up to two years fell by 47 basis points, while those on time deposits belonging to non-financial corporations fell by 38 basis points. In contrast with the general trend, rates on household deposits with maturities exceeding two years increased by 27 basis points.

Table 2.14
MFI INTEREST RATES ON NEW DEPOSITS BELONGING TO RESIDENTS⁽¹⁾
Percentages per annum; weighted average rates for the period

	2009				2010
	Mar.	June	Sep.	Dec.	Mar.
Households and NPISH					
Overnight deposits ^(2,3)	0.34	0.32	0.29	0.30	0.30
Savings deposits redeemable at notice up to 3 months ^(2,4)	1.74	1.71	1.70	1.70	1.71
Time deposits with agreed maturity					
Up to 1 year	2.01	1.86	1.79	1.95	1.87
Over 1 and up to 2 years	3.70	3.29	3.04	3.00	3.19
Over 2 years	3.32	3.36	3.13	3.39	3.38
Non-financial corporations					
Overnight deposits ^(2,3)	0.33	0.22	0.23	0.23	0.23
Time deposits with agreed maturity	1.58	1.64	1.33	0.85	1.29

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

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

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

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

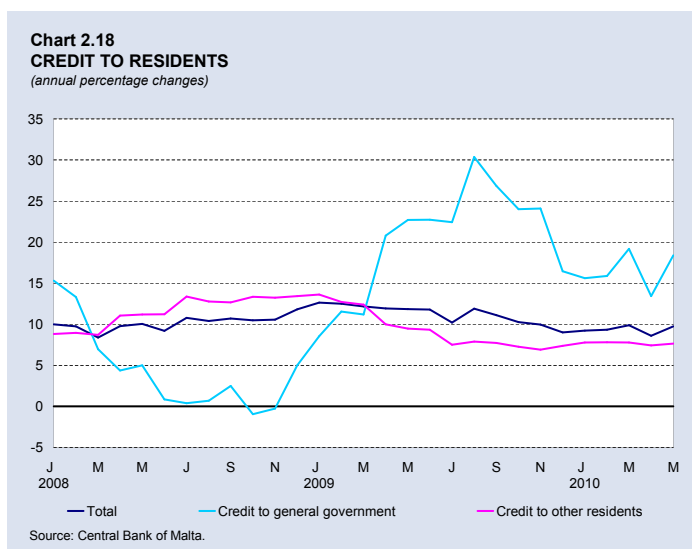
Source: Central Bank of Malta.

¹⁸ In this context, savings deposits include those that can be withdrawn on demand. The latter are included with overnight deposits in MFI interest rates statistics.

¹⁹ Data on interest rates on new business cover MFI euro-denominated deposits from and loans to households and non-financial corporations resident in Malta. The household sector also includes NPISH. Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions. Hence, statistics on new deposit and lending business do not cover all institutional sectors, as is the case with the weighted interest rate averages on all deposits and loans.

Credit expands at a faster pace

The annual growth rate of credit to residents accelerated to 9.9% in March, 2010, from 9.0% in December 2009 (see Table 2.15). Growth was primarily driven by a substantial increase in credit to private non-financial companies and households, although it was also accompanied by a rise in credit to general government. Despite the recent gain, the annual rate of credit growth remained below that recorded in March 2009, mainly reflecting the growing tendency to resort to the capital market for funding in an environment characterised by tighter bank lending standards (see Chart 2.18).



Year-on-year growth in credit to general government increased from 16.4% in December to 19.2% in March, as the Treasury continued to tap domestic financial markets. This acceleration primarily reflected an increase in the amount of Malta Government Stocks held by the banking system.

During the twelve months to March 2010, credit to other residents rose by 7.8% as against 7.4% in the year to December 2009 (see Table 2.16).²⁰ After having expanded at a slower pace during the December quarter, loans increased by 7.8% on a year earlier. Loans, which account for 97% of all credit to other residents, were allocated mainly to the non-bank private sector. Overall, faster annual growth was recorded in credit to manufacturing, transport, storage & communication, construction and the wholesale & retail sectors. At the same time, credit for house purchases and to the real estate, renting & business activities sector grew strongly, albeit at a slower rate. Credit to hotels & restaurants also slowed down. Meanwhile, credit to the non-bank public sector decelerated sharply, primarily owing to a slowdown in lending to the electricity, gas & water supply sector compared with exceptionally high rates recorded in the previous year.

Table 2.15
CREDIT TO RESIDENTS⁽¹⁾

EUR millions; annual percentage changes

	2010		2009				2010
	Mar.	Q1	Q2	Q3	Q4	Q1	
Total credit	9,890.3	12.1	11.8	11.1	9.0	9.9	
Credit to general government	1,976.6	11.2	22.7	26.9	16.4	19.2	
Credit to other residents	7,913.7	12.4	9.3	7.7	7.4	7.8	

⁽¹⁾ Data only include credit granted 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.

Table 2.16
CREDIT TO OTHER RESIDENTS⁽¹⁾
Annual percentage changes

	2009				2010
	Mar.	June	Sep.	Dec.	Mar.
Total credit to other residents	12.4	9.3	7.7	7.4	7.8
Credit to the non-bank private sector	9.9	9.1	7.3	6.8	7.9
Credit to the non-bank public sector	52.7	12.0	12.9	13.8	5.8
Total loans	12.2	9.3	7.8	7.5	7.8
Electricity, gas & water supply	101.5	20.4	27.0	29.7	15.0
Transport, storage & communication	26.9	21.2	2.4	11.8	13.4
Agriculture & fishing	18.8	22.5	35.3	44.2	41.2
Manufacturing	-5.8	-11.7	-11.0	-13.0	1.2
Construction	5.6	5.4	1.5	0.3	2.1
Hotels & restaurants	0.8	2.6	3.9	6.2	5.4
Wholesale & retail trade; repairs	0.2	-0.3	1.7	1.3	6.3
Real estate, renting & business activities	22.7	21.6	18.7	10.9	8.0
Households & individuals	10.9	10.6	10.0	9.8	9.6
Other ⁽²⁾	2.1	3.6	-6.4	-8.0	-7.0

⁽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.

⁽²⁾ Includes mining and quarrying, public administration, education, health and social work, community recreation and personal activities, extra-territorial organisations and bodies and non-bank financial institutions.

Source: Central Bank of Malta.

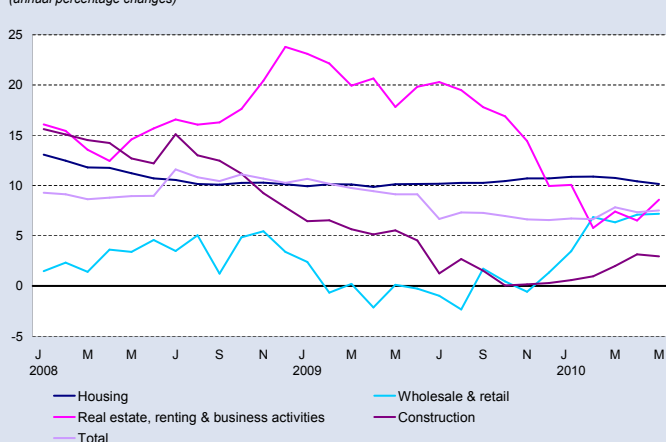
Despite decelerating slightly, household mortgages continued to register significant growth during the March quarter and remained the largest, single category of bank borrowing by residents (see Chart 2.19). They accounted for almost half the growth in credit to the private sector during the twelve months to March 2010.

In the twelve months ending March 2010, credit granted by resident MFIs to residents of other euro area members also expanded, rising by 12.7% to EUR3.9 billion. This was entirely attributable to an increase in MFI credit to general government.

Going into the second quarter of 2010, credit to residents slowed slightly with the year-on-year growth rate falling to 9.7% in May, as credit to other residents and to general government expanded at a reduced pace.

During the March quarter, the weighted average interest rate charged by MFIs on loans to resi-

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



Source: Central Bank of Malta.

Table 2.17
MFI INTEREST RATES ON NEW LOANS TO RESIDENTS⁽¹⁾

Percentages per annum; weighted average rates for the period

	2009				2010
	Mar.	June	Sep.	Dec.	Mar.
Households and NPISH					
Overdrafts ⁽²⁾	6.19	6.41	6.49	6.44	6.45
Loans					
Lending for house purchases	3.46	3.58	3.40	3.52	3.45
Consumer credit ⁽³⁾	5.50	5.71	5.74	6.02	5.89
Other lending	5.58	5.81	5.72	5.56	6.03
Non-financial corporations					
Overdrafts ⁽²⁾	4.91	5.03	5.09	5.08	5.12
Loans ⁽³⁾	5.64	5.43	5.53	4.95	5.90

⁽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.

dents remained broadly stable, rising by only one basis point to 4.47%. At the same time, changes in MFI rates on new loans varied across the various lending categories.²¹ While rates charged to non-financial corporations rose by 95 basis points to 5.90%, those charged to households for house purchases and on consumer credit fell by 7 and 13 basis points, to 3.45% and 5.89%, respectively. Meanwhile, rates paid by households on 'other lending' went up by 47 basis points to end at 6.03% in March (see Table 2.17).

In April the weighted average lending rate remained unchanged at 4.47%. While rates charged to households on new mortgages and other lending facilities and to non-financial corporations fell by 6, 36 and 32 basis points, respectively, those on consumer credit facilities rose by 14 basis points.

The Bank Lending Survey (BLS) conducted in April 2010 indicated that credit standards in respect of lending to households and enterprises remained unchanged during the March quarter.²² At the same time, while demand for business loans increased slightly, requests for home loans and other consumer credit decreased slightly. Banks also reported that they envisaged no change in lending standards in the second quarter of 2010. Demand for mortgages is anticipated to remain unchanged, but loan demand by enterprises and – to a lesser extent – households (for consumer credit) is expected to rise slightly.

Net claims on non-residents of the euro area rise

During the twelve months to March 2010, the external counterpart of resident MFIs' contribution to euro area broad money, which consists of their net claims on non-residents of the euro area, increased by 39.8% (see Table 2.18). The operations of a newly-licensed credit institution in March 2010 had a major impact on these developments. Claims on non-residents of the euro area expanded by 16.1%, owing primarily to a rise in resident MFIs' deposits held with non-euro area MFIs and an equally significant increase in their holdings of securities issued by govern-

²¹ See footnote 3, above.

²² The BLS gauges credit demand and supply conditions. The Central Bank of Malta began to survey a sample of Maltese banks in 2004. Since January 2008, the BLS is carried out as part of a quarterly exercise conducted by the Eurosystem across the entire euro area.

Table 2.18
EXTERNAL AND OTHER COUNTERPARTS⁽¹⁾

EUR millions; annual changes

	2009	2010	Change	
	Mar.	Mar.	Amount	%
External counterpart	6,481.2	9,063.3	2,582.1	39.8
Claims on non-residents of the euro area	25,994.4	30,170.1	4,175.7	16.1
Liabilities to non-residents of the euro area	19,513.2	21,106.8	1,593.6	8.2
Other counterparts (net)⁽²⁾	10,351.8	14,231.2	3,879.4	37.5

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

⁽²⁾ Includes net interbank claims/liabilities.

Source: Central Bank of Malta.

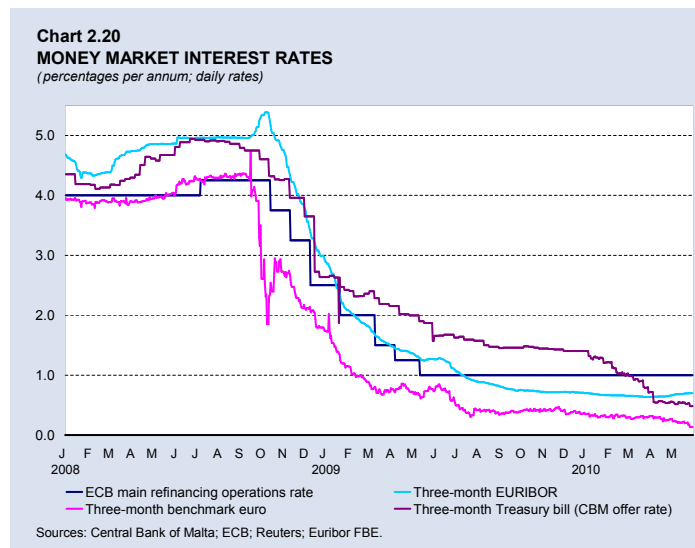
ments outside the euro area. At the same time, liabilities to non-residents grew to a lesser extent, by 8.2%, as an increase in borrowing by resident banks from outside the euro area was coupled with a rise in time deposits belonging to private non-financial companies outside the euro area.

Other counterparts (net), which are generally heavily influenced by interbank transactions within the euro area, increased by 37.5% during the twelve months to March 2010. The change is predominantly attributed to an increase in banks' longer-term financial liabilities, mostly in the form of equity, resulting from entry into the market of the newly-licensed credit institution referred to earlier.

Money market rates continue falling

The Governing Council of the ECB kept its MRO rate unchanged at 1.00% during the first quarter of 2010, while continuing to implement enhanced credit support measures to ease conditions in the financial system of the euro area. During the period under review, as discussed earlier in this *Review*, euro area money market rates edged down, with the three-month EURIBOR continuing to decline (see Chart 2.20).

At the same time, the domestic three-month Treasury bill yield fell significantly in the primary market, from 1.40% at end-December to 0.80% at end-March, as strong investor demand outweighed the impact of increased supply. During the first quarter of 2010, the Treasury issued a total of EUR350.8 million worth of bills, up from EUR258.2 million during the preceding quarter. Three-month bills accounted for almost three-fifths of the issues, with the balance consisting almost exclusively of six-month bills. Domes-



tic banks participated heavily in auctions and bought nearly three-quarters of the bills issued. Foreign banks acquired approximately 17%, while insurance companies and money market funds purchased around 5% each.

Turnover in the secondary Treasury bill market rose to EUR74.1 million in the first quarter of 2010, up from EUR64.7 million during the previous three months. Slightly more than half of the transactions involved the Central Bank of Malta in its role as market maker, with purchases and sales of bills amounting to EUR21.8 million and EUR17.5 million, respectively. Compared to the primary market, secondary market yields fell even more markedly, with that on the three-month bill dropping by 70 basis points to end March at 0.71%.

Euro area money market rates also declined during the quarter, with the yield on benchmark three-month government securities easing by four basis points. Since the corresponding domestic yields fell more sharply, the differential between them narrowed to 40 basis points by end-March (see Chart 2.20).^{23, 24}

During the second quarter of 2010, domestic money market yields continued to fall at a faster pace than the corresponding euro area rates. Domestic primary and secondary market Treasury bill yields fell to 0.53% and 0.48%, respectively, by end-May. At the same time, the secondary market yield on three-month euro area government securities stood at 0.14% in May, leading to a further contraction in the spread to 35 basis points.

Government bond yields fall while equity prices edge up

The Government continued to raise funds through bond issues during the first quarter of 2010, launching three issues with a total value of EUR149.8 million. The first two had maturity terms of five and ten years and offered coupon rates of 3.75% and 4.6%, respectively. The third issue, with a maturity of three years, carried a coupon rate linked to the six-month EURIBOR, making it the second, variable-rate bond offered by the Government. In fact, this issue's coupon rate amounted to 1.42% starting from February and will subsequently be revised every six months. Around two-thirds of the bonds issued during the quarter were sold by auction, mostly to credit institutions, while the remainder was purchased at fixed prices, predominantly by households.

The March quarter was also characterised by substantial issues of corporate debt securities on the primary market. Indeed, three corporate bond issues were made during the period. Grand Harbour Marina plc issued EUR12 million worth of bonds, carrying a coupon rate of 7.0% and redeemable between 2017 and 2020. The over allotment option of EUR2 million was exercised as the issue was oversubscribed. Corinthia Finance plc issued EUR15.0 million worth of bonds, with a coupon rate of 6.25% and redeemable between 2016 and 2019. This issue, which was fully taken up, was principally earmarked to refinance maturing debt. Bank of Valletta plc issued EUR70.0 million in new 4.8% subordinated bonds redeemable in 2020. The EUR20.0 million over-allotment option was exercised in full and proceeds were mainly used to finance the redemption of subordinated bonds which matured in March 2010.

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.

²⁴ Up to March 2007, secondary market yields were calculated on the basis of remaining days to maturity divided by 365, while from April 2007, yields are calculated on the basis of remaining days to maturity divided by 360.

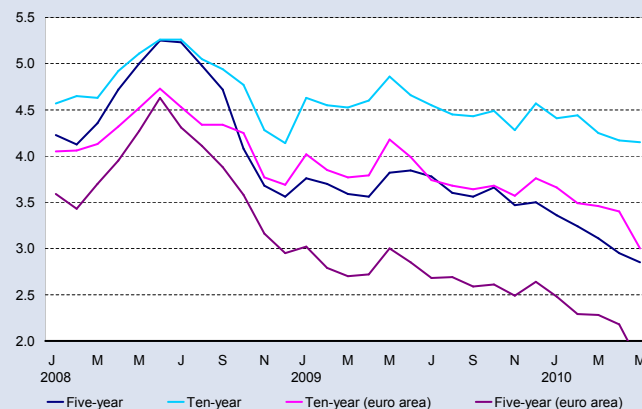
Activity in the secondary market for government bonds slowed down during the first quarter of 2010, with turnover falling by EUR11.7 million to EUR86.3 million. The Central Bank of Malta, in its role as market-maker, accounted for most of the value traded which focused mainly on short-term securities. Government bond yields declined during this period with five-year and ten-year yields falling by 39 and 32 basis points, respectively (see Chart 2.21). Similarly, euro area yields for both maturities dropped, although not to the same extent.²⁵ As a result, the interest-rate differential on five-year government bonds narrowed by three basis points to 83 points, whereas that on ten-year government securities contracted by only two basis points, ending the quarter at 79 points.

Turnover in the secondary market for corporate bonds fell during the quarter, from EUR10.3 million to EUR7.3 million. Trading was concentrated in eight securities and, in contrast to those on government debt, yields generally rose.

By comparison, turnover in the equity market rose to EUR10.3 million during the first three months of 2010 from EUR7.3 million in the preceding quarter. Trading in bank shares accounted for almost three-fifths of the total. As share prices recovered further, the MSE share index peaked in January before declining slightly (see Chart 2.22). At end-March the index stood at 3,549.24, or 2.6% above the end-December level.

Yields on five-year and ten-year government bonds fell further to 2.85% and 4.15%, respectively, by the end of May. At the same time, equity prices declined slightly, with the MSE share index dipping by 1.8% from its level at end-March to 3,484.29.

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.

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

BOX 4: ECONOMIC PROJECTIONS FOR 2010 AND 2011

Outlook for the Maltese economy¹

In 2010 the pace of economic activity is expected to improve, with real GDP projected to grow by 1.5% after having contracted by the same rate in 2009.

Economic growth projected to recover moderately

In 2009 the fall in economic activity turned out to be less pronounced than expected in the previous projection round, when a drop of 2.2% had been forecast.² The forecast error was almost entirely the result of a stronger contribution of net exports, reflecting the sharp upturn in world trade in the fourth quarter of 2009. Meanwhile, the current projection for 2010 represents an upward revision of 0.4 percentage points on the previous exercise that is similarly attributable to more favourable expectations for external demand conditions.³ For 2011, growth is projected to accelerate, albeit moderately, to 1.8%.

The projected recovery in 2010 is largely driven by a rebound in domestic demand, mainly responding to a turnaround from the sharp drop registered in investment in 2009. This year investment is projected to grow by 7.4%, mostly supported by higher government capital expenditure, based on the indications given in the Stability Programme for 2009-2012. Private investment is also expected to slowly recover, underpinned by spending on machinery and equipment and, to a lesser extent, on non-residential construction projects. However, the projected rise in private investment is expected to be partly dampened by a further decline in investment in dwellings as the property market is set to remain characterised by excess supply.

A strong recovery in exports is also expected to contribute positively to improved economic conditions. Exports are projected to grow by 5.9% in 2010 after having declined by 4.2% in 2009. This swing primarily reflects the recovery in world trade, already in evidence in the final three months of 2009. A weaker euro, which should improve Malta's export competitiveness with countries outside the euro area, is also expected to contribute to the turnaround. Exports of goods, especially semiconductors, are expected to record strong growth, while tourism is also envisaged to stage a robust recovery during 2010. Both sectors had already shown signs of increased activity towards the end of 2009 and this is supported by indicators for the first quarter of this year. The rebound in manufacturing activity is also expected to give rise to a positive contribution of inventories to GDP growth after the sharp de-stocking recorded in 2009.

In 2010 growth in private consumption is forecast to weaken further, reflecting soft labour market conditions, with unemployment projected to peak during this year. By contrast, government consumption is projected to grow again in 2010, after a contraction in the previous year that was largely caused by base effects in connection with voluntary redundancy schemes at the shipyards.

The projected recovery in investment, especially in machinery and equipment, together with the increase in exports and inventory accumulation, are expected to boost import volumes, which are projected to rise by 6.8% in 2010. Thus, the contribution of net exports to GDP growth is expected to be slightly negative during 2010, partly offsetting the positive contributions from domestic demand and inventories.

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

² The previous projections were published in the *Quarterly Review* 2009:4, pages 56-59.

³ Published in the *Annual Report* 2009, page 54.

Table 1
PROJECTIONS OF THE MAIN MACROECONOMIC AGGREGATES FOR MALTA

	2009 ⁽¹⁾	2010 ⁽²⁾	2011 ⁽²⁾
Real economic activity (% change)			
GDP	-1.5	1.5	1.8
Private consumption expenditure	1.3	0.7	1.9
Government consumption expenditure	-0.7	0.5	0.0
Gross fixed capital formation	-18.8	7.4	7.9
Inventories (% of GDP)	-2.0	-1.8	-1.5
Exports of goods & services	-4.2	5.9	3.8
Imports of goods & services	-8.5	6.8	4.7
Contribution to real GDP growth (in percentage pts)			
Domestic demand	-2.3	1.6	2.4
Net exports	4.2	-0.5	-0.7
Inventories	-3.4	0.3	0.1
Balance of payments (% of GDP)			
Goods and services balance	1.7	1.1	0.6
Current account balance	-3.9	-3.2	-4.3
Labour market (% change)			
Total employment	-0.6	0.7	1.2
Unemployment rate (% of labour supply)	6.9	7.2	7.0
Prices and costs (% change)			
Overall HICP	1.8	1.8	2.2
HICP excluding energy	2.1	0.8	1.8
Retail price index	2.1	2.0	2.0
Compensation per employee	1.6	1.9	2.3
Unit labour cost	2.5	1.0	1.7
Public finances (% of GDP)			
General government balance	-3.8	-4.1	-3.6
Government debt	69.0	71.5	72.6
Technical assumptions			
EUR/US\$ exchange rate	1.394	1.302	1.266
Oil price (US\$ per barrel)	61.9	80.7	85.6
10-year euro area bond yield (%)	4.03	3.91	4.27

⁽¹⁾ Data on GDP are sourced from NSO News Release 043/2010 published on 9 June 2010.

⁽²⁾ Central Bank of Malta projections.

In 2011 economic growth is projected to pick up further, albeit moderately, to 1.8%. The recovery in domestic demand, especially in private consumption, is expected to gather pace as labour market conditions improve. At the same time, growth in investment is expected to remain strong, partly underpinned by sustained public investment largely financed by EU funds. Private sector investment is also forecast to accelerate during 2011 as housing investment starts recovering gradually, while expenditure on machinery and equipment is likely to strengthen. However, rapid growth in private consumption and investment is dampened by slower growing public consumption, as Government pursues fiscal consolidation.

Export growth is expected to decelerate to 3.8% in 2011, mainly reflecting less rapid increases in import demand in Malta's main trading partners after the projected strong rebound in 2010. Significantly slower export growth is expected in semiconductors, while tourism is also seen to expand at a weaker rate than in 2010. The slowdown in export growth is expected to affect imports, which are projected to slow down to 4.7% in 2011. However, in view of the pick-up in private consumption and investment, the slowdown in imports is likely to be slightly less pronounced than that in exports. Consequently, the overall contribution of net exports to economic growth should be slightly more negative in 2011.

Labour market conditions to improve only gradually

After having declined in 2009, employment is expected to expand by 0.7% in 2010. However, because of slightly faster growth in the labour supply, unemployment is projected to rise further, peaking at 7.2% of the labour force. The trend decline in employment in manufacturing is expected to continue, although to a lesser extent than in 2009, while the construction sector is also projected to shed jobs. However, these losses are expected to be offset by higher employment in the services sector.

In 2011 labour market conditions are seen to improve further as economic activity continues to gather momentum. Employment growth is projected to accelerate to 1.2%, with unemployment expected to start easing, though at a gradual pace, with the jobless rate falling to 7.0%. Overall, labour market conditions are thought to remain weaker than in the pre-crisis period.

In view of the expected slack in the labour market, the recovery in economic activity is unlikely to generate significant upward pressures on wages during the forecast horizon. Growth in compensation per employee is projected to recover only moderately, increasing virtually in line with the rate of HICP inflation. Meanwhile, growth in unit labour costs is projected to slow down from 2.5% in 2009 to 1.0% in 2010, mainly reflecting productivity gains. However, it is expected to accelerate to 1.7% in 2011, primarily on the back of faster wage growth as labour market conditions improve.

HICP inflation mainly driven by commodity prices

In 2010 HICP inflation is projected to remain stable at 1.8%, with price developments being characterised by two contrasting trends. On the one hand, the surge in international commodity prices is expected to boost domestic energy prices, as already manifested in the first quarter of 2010. The recovery in tourism is also expected to give rise to higher hotel accommodation rates. However, weaker underlying inflation is indicated in the projected path of HICP excluding energy. This is expected to moderate, from 2.1% in 2009 to 0.8% in 2010, reflecting the impact of subdued labour market conditions on domestic demand.

In 2011 inflation is projected to rise to 2.2%, driven by improved labour market conditions and rising wages, which are in turn expected to increase private consumption. Indeed, HICP inflation excluding energy is forecast to rise to 1.8% in 2011. Meanwhile, on the basis of oil futures prices and exchange rate expectations, inflation in the energy component of HICP is expected to slow down sharply, though it would still remain at a high level.

External balance to remain in surplus

The downturn in economic activity in 2009 brought about a correction in the external accounts, with the goods and services balance, measured in nominal terms, turning into a surplus of 1.7% of

GDP. The strong rebound in exports in 2010 is expected to keep the goods and services balance in surplus, though faster growth in imports is likely to contribute to a reduced surplus of 1.1%. A smaller surplus is also attributable to the rise in the nominal oil import bill following increases in energy prices and depreciation of the euro. In 2011 the surplus on the goods and services balance is expected to narrow further to 0.6% of GDP as exports increase at a slower rate than imports.

Fiscal deficit to narrow by 2011

The general government deficit is projected to rise slightly to 4.1% of GDP in 2010, as expenditure grows more rapidly than revenue, with capital spending set to accelerate sharply.⁴ In 2011 the deficit is expected to narrow to 3.6% of GDP as revenue growth gathers pace, whereas current expenditure growth is set to be contained. Government debt is forecast to rise as new borrowing finances the projected deficits. Hence, the government debt-to-GDP ratio is set to increase from 69.0% in 2009 to 72.6% in 2011.

Risks to the projections

The latest projections continue to be characterised by a higher-than-usual degree of uncertainty because of the sharp economic downturn in the economies of Malta's main trading partners and a drop in confidence triggered by the sovereign debt crisis. Nevertheless, risks to economic growth appear to be balanced for both 2010 and 2011.

In the short term, there are upside risks stemming from a quicker than expected recovery in world trade, which could raise domestic exports by more than anticipated. A larger depreciation of the euro than that assumed in the current exercise would also have a positive effect on Malta's external competitiveness, especially since countries outside the euro area are key markets for Malta's exports. Downside risks, on the other hand, include the possible negative impact on external demand of a persistence in uncertainty due to the continued fragility of financial systems in major economies. A fall in foreign demand could also be exacerbated by the expected fiscal consolidation in Malta's main trading partners, particularly in 2011. In a local context, further increases in international commodity prices, reflected in higher food and energy prices, could hold back a recovery in consumer confidence and household expenditure. Finally, there is the possibility that the expected rise in public sector investment and the concomitant increase in EU funds do not materialise in full.

Inflation risks during the projection horizon are seen to be tilted on the upside. These mainly stem from both direct and indirect effects of higher international energy and food prices, which would be amplified by a further depreciation of the euro. The indirect effects are conditioned by product market imperfections and labour market rigidities. A further upside risk relates to hotel accommodation prices, which have a significant weight in the HICP, should the rebound in tourism demand prove even stronger than anticipated.

⁴ The Bank's fiscal projections deviate from the Government's forecasts for two main reasons. First, there are differences between the underlying macroeconomic projections on which the fiscal forecasts are based. Second, the Bank's projections include its own assessment regarding revenue and expenditure developments in the light of policy measures announced by the Government. More specifically, the Bank's projections only include measures that are well-specified and that are likely to be implemented.

NEWS NOTES

LOCAL NEWS

Double taxation agreements

Legal Notice 242 of 2010 titled Double Taxation Relief (Taxes on Income) (Republic of Lebanon) (Amendment) Order, 2010 issued on 27 April under the Income Tax Act (Cap. 123) brought into effect amendments to the double taxation relief agreement between Malta and Lebanon and declared that the protocol specified in the relative Schedule entered into force on 23 March 2010.

Legal Notice 328 of 2010 titled Double Taxation Relief (Taxes on Income) (The Great Socialist People's Libyan Arab Jamahiriya) Order, 2010 issued on 11 June under the Income Tax Act (Cap. 123) brought into effect double taxation relief between Malta and Libya and declared that the arrangements specified in the Convention set out in the relative Schedule entered into force on 20 May 2010.

Legal Notice 329 of 2010 titled Double Taxation Relief (Taxes on Income) (Republic of France) Order, 2010 issued on 11 June under the Income Tax Act (Cap. 123) brought into effect amendments to the double taxation relief legislation between Malta and France and declared that the protocol specified in the relative Schedule entered into force on 1 June 2010.

Privatisation of ship repair facilities

On 2 February the best offers for the privatisation of the ship repair facility and the Manoel Island Yacht Yard (MIYY) were announced. The best offer for the ship repair facility was submitted by the Italian company Palumbo S.p.A. and amounted to EUR52.7 million in present value terms. The sum incorporated rent and payment for the right to operate the facilities for 30 years. With regard to the MIYY, the best offer was made by the MIYY Consortium with a value of approximately EUR13 million. On 19 May the House of Representatives approved two motions for the transfer of the respective entities to the new operators. The agreement to sell the ship repair facility was signed on 3 June while that for the MIYY was signed on 8 July.

Renting out of yacht marina

On 26 May it was announced that an agreement was signed between the Government and Harbour Management Limited for the concession of the Mġarr Marina. Total rent for 25 years will amount to about EUR1.4 million calculated on a net present value basis. The company shall also invest around EUR0.3 million to develop and modernise the marina.

Capital market developments

(i) Issue of Government Stocks

On 7 May the Government, through Legal Notice 275 of 2010, launched the issue of EUR100 million worth of Malta Government Stocks under the Budget Measures Implementation Act, 2010 (Act No. I of 2010) and the Local Loans (Registered Stock and Securities) Ordinance (Cap. 161), subject to an over-allotment option of an additional sum of EUR50 million. The issue consisted of:

- 3.75% Malta Government Stock 2015 (VI) Fungibility Issue
- 4.6% Malta Government Stock 2020 (II) Fungibility Issue

- 5.25% Malta Government Stock 2030 (I)
- any combination of the above three stocks which shall in total be EUR100 million.

The value of applications/bids exceeded EUR232 million and all subscriptions by members of the public were accepted in full.

On 11 June the Government, through Legal Notice 327 of 2010, issued EUR430,700 worth of 7% Malta Government Stock 2020 (III) under the Local Loans (Registered Stock and Securities) Ordinance (Cap. 161) and in accordance with the Agreement entered into between the Holy See and Malta on 28 November 1991.

(ii) Corporate Sector – issue of bonds

On 12 May Simonds Farsons Cisk plc announced the issue of EUR15 million 6% unsecured bonds redeemable between 2017 and 2020 with a nominal value of EUR100 per bond at par. The issue was oversubscribed and an allocation policy was applied.

On 12 May Tumas Investments plc announced the issue of EUR20 million 6.2% bonds redeemable between 2017 and 2020, subject to an over-allotment option not exceeding EUR5 million. The nominal value per bond was EUR100 issued at par. The bonds, unsecured but guaranteed by Spinola Development Company Limited, were over-subscribed and an allocation policy was applied.

On 13 May Eden Finance plc announced the issue of EUR15 million 6.6% bonds redeemable between 2017 and 2020 with a nominal value of EUR100 per bond issued at par. The bonds, guaranteed on a joint and several basis by Eden Leisure Group Ltd, were oversubscribed and an allocation policy was applied.

On 10 June Izola Bank plc announced a EUR27 million Debt Issuance Programme and launched the first tranche of EUR7 million worth of 5.35% Izola Bank Secured Notes redeemable in 2015, with an over-allotment option of EUR2 million, at an issue price of 100%. The issue was oversubscribed and the over-allotment option of EUR2 million was exercised. An allocation policy was applied.

Government loan to Greece

In the context of the agreement reached between the euro area Member States regarding financial support to Greece, in May the Maltese Government lent EUR14.8 million to its Greek counterpart. These funds were provided within the framework of the Loan Facility Agreement of 8 May, which set up official financing worth up to EUR80 billion. In terms of the associated Intercreditor Agreement, Malta's commitment was set at EUR74.5 million.

The loan was granted following the enactment of Act No. III of 2010 titled the Government Borrowing and Granting of Loans to the Hellenic Republic Act, 2010. The Act, which authorises the Government of Malta to borrow up to EUR30 million for this purpose through the issue of stock in Malta, entered into force on 13 July. In this respect, on 16 July the Government, through Legal Notice 361 of 2010, launched the issue of EUR30 million Floating Rate Malta Government Stock 2013 (VI). Additional amounts may be raised as authorised by resolution by the House of Representatives.

Legislation related to banking and finance

Legal Notice 243 of 2010

This legal notice, issued on 30 April under the Companies Act (Cap. 386) and titled Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2010, set the rules for the establishment and operation of cells and cell companies in the insurance business.

Legal Notice 294 of 2010

This legal notice issued on 18 May under the Prevention of Financial Markets Abuse Act (Cap. 476) and titled the Prevention of Financial Markets Abuse (Disclosure and Notification) (Amendment) Regulations, 2010 amended one of the regulations in the principal regulations, Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005. The amendment provides for the competent authority to publish information on specific transactions on its website.

Act No. II of 2010

On 7 May Act No. II of 2010, which was titled an Act to amend various laws on Financial Institutions and other Financial Services and to implement Directive 2007/64/EC, which regards payments services in the internal market, was published. The Act implements the Payment Services Directive and regulates the licensing of Payment Institutions.

Surrender of financial services licences

Between March and June the MFSA announced that a number of institutions in the financial services sector had surrendered their licences on an entirely voluntary basis. These included:

- Medarea Forex Services Limited with respect to the undertaking of financial institution activities.
- Island Financial Services Limited with respect to the undertaking of Money Broking Activities.
- Epic Financial Services Limited with respect to the Category 2 Investment Services Licence.
- AVA International Trading Limited with respect to the Investment Services Licence.
- V.I.P. Select Funds (SICAV) plc with respect to the collective investment scheme licence of its sub-fund BFI Reserve Fund (USD).
- Lombard Funds SICAV plc with respect to the collective investment scheme licence.

INTERNATIONAL NEWS

IMF-World Bank Meetings

On 24 April the International Monetary and Financial Committee of the IMF met in Washington DC and issued a communiqué announcing:

- A firm commitment to the implementation of collective policies consistent with the goals for a balanced and stable global economy, renewed job creation, price stability and the avoidance of protectionism in all its forms.
- A re-doubling of efforts to forge a collaborative approach for a stable global financial system that can support the economic recovery.

- An appreciation of the economic recovery in many low-income countries following improved macro-economic frameworks, effective policy responses and the support of the international community.
- A commitment to accelerate the improvement of the IMF's legitimacy, credibility and effectiveness, through quota and governance reforms and the modernizing of its surveillance and financing mandates.
- An acceleration of the work required for management selection, staff diversity, ministerial engagement, Board composition, size and voting majorities.
- An open debate on surveillance, lending, and the stability of the international monetary and financial system.

On 25 April the Development Committee of the World Bank and the IMF met in Washington DC and issued the following remarks in their communiqué:

- An endorsement of a voice reform to increase the voting power of developing and transition countries.
- A general capital increase for the IBRD to underline support and commitment to the World Bank Group and its branch institutions.

The G-20 Toronto Summit

On 26-27 June the G-20 held its first summit in its new capacity as the premier forum for international economic cooperation. The leaders issued a declaration which affirmed:

- Agreement to strengthen financial market infrastructure by accelerating the implementation of strong measures to improve transparency and regulatory supervision of hedge funds, credit rating agencies and over-the-counter derivatives.
- Commitment to the design and implementation of a system to include powers and tools to restructure all types of financial institutions in crisis, and to adopt principles of implementation so that taxpayers will not ultimately bear the burden of such misfortunes.
- Endorsement of important voice reforms agreed by shareholders at the World Bank to increase the voting power of developing countries and transition countries.
- Their resolve to ensure ratification of the 2008 IMF Quota and Voice Reforms and expansion of the New Arrangements to Borrow.
- Renewal for a further three years, until the end of 2013, of their commitment to refrain from raising new barriers to investment or trade in goods and services, imposing new export restrictions or implementing inconsistent measures to World Trade Organisation standards to stimulate exports. Participants agreed to rectify inconsistencies, if and when those arose, and to maintain momentum for Aid for Trade.

ECOFIN Council meetings – main topics discussed and decisions taken

During the 16-17 April informal meeting held in Madrid, Economy and Finance Ministers analysed the stability and convergence programmes of the Member States and the contributions of the European Commission. Ministers also noted *inter alia* that:

- The preventive framework evaluated by the EU is not to be regarded as an insurance policy for financial institutions to take risks.

- The implementation of financing instruments maintained by the banks themselves, in the form of fees or taxes, will serve as a further guideline in the design of a crisis prevention strategy.
- The financial measures mentioned above are to be implemented while avoiding an overload of the financial system that might hinder economic recovery.
- The proposed bank levy should take new international capital requirements into account (in reference to Basel III).

The Ministers also agreed with the European Commission's proposal to supervise national budgets, although this would not involve the Commission's right to veto them.

During an extraordinary meeting on 9-10 May, it was decided that:

- A comprehensive package of measures be adopted to preserve financial stability in Europe, including a European financial stabilisation mechanism with a total volume of up to EUR500 billion.
- The mechanism will stay in place as long as required to safeguard financial stability.
- Euro area Member States stand ready to complement such resources through a Special Purpose Vehicle (SPV) guaranteed on a pro rata basis by participating Member States in a coordinated manner. The SPV will expire after three years, respecting members' national constitutional requirement, up to a volume of EUR440 billion.
- The EU will urgently start working on the reforms required to complement the existing framework to ensure fiscal sustainability in the euro area.

On 18 May:

- The Council agreed on a mandate for negotiations with the European Parliament on draft rules for entities engaged in the management of alternative investment funds.
- The Council took note of additional consolidation measures to be introduced by Spain and Portugal in their 2010 and 2011 budgets.

The Council further adopted conclusions on financial stability and crisis management; the budgetary framework for exit strategies with regard to measures taken during the crisis; the unwinding of government guarantee schemes for the financial sector; and the financing of measures in developing countries to tackle climate change.

On 8 June the Council:

- Adopted conclusions on the EU's new Europe 2020 strategy for jobs and growth.
- Assessed progress made by Estonia in the fulfilment of criteria on economic and monetary union, with a view to allowing it to adopt the euro on 1 January 2011.
- Approved a draft regulation aimed at strengthening the rules on the quality and reliability of statistical data used to determine Member States' deficit and debt figures under the EU's excessive deficit procedure.
- Approved a draft adjustment to the European Investment Bank's mandate for loans to projects outside the EU.
- Approved a draft regulation targeting Member States' fight to combat value-added tax fraud.

- Adopted conclusions on pensions, examining how public finances can best cater for sustainable, accessible and adequate incomes.
- Adopted conclusions on implementation of the EU's code of conduct on harmful tax competition, calling on the Commission to start a dialogue with Liechtenstein and Switzerland on the application of the principles and criteria set out in code.

Support to Greece by Euro Area Member States

On 11 April the euro area Member States agreed on the terms of the financial support to be given to Greece to safeguard financial stability in the euro area. Member States were ready to provide bilateral loans as part of a package including IMF financing towards a centrally pooled fund coordinated by the European Commission.

The programme will cover a three-year period and Member States were ready to contribute up to EUR30 billion in the first year in a joint programme to be designed and co-financed by the IMF. Financial support for the following years will be decided after agreement between the IMF and Member States on the joint programme. Member States' loans will be granted at non-concessional interest rates to encourage Greece to return to market financing.

European Council Meeting

On 17 June the European Council met in Brussels and agreed on the following:

- The adoption of "Europe 2020", the new strategy for jobs and smart, sustainable and inclusive growth.
- Collective determination to ensure fiscal sustainability, including acceleration of plans for fiscal consolidation where warranted.
- The commitment to ensure financial stability by addressing the gaps in regulation and supervision of financial markets, both at EU and G20 level.
- The urgent need to reinforce the coordination of Member States' economic policies and procedures regarding the Stability and Growth Pact and budgetary surveillance, as well as broader macroeconomic surveillance.
- The introduction of levies and taxes on financial institutions to ensure fair burden-sharing and to set incentives to contain systemic risk.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

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

CAPITAL CITY	Valletta		
AREA	316 km ²		
CURRENCY UNIT	Euro exchange rates ¹ :	EUR 1 = USD 1.3479 EUR 1 = GBP 0.8898	
CLIMATE	Average temperature (1990-2008):	Dec. - Feb. 13.3° C	
		June - Aug. 26.1° C	
	Average annual rainfall (1990-2008)	478.6 mm	
SELECTED GENERAL	GDP growth at constant 2000 prices ²	3.4%	
ECONOMIC STATISTICS	GDP per capita at current market prices (2009) ²	EUR 13,800	
	GDP per capita in PPS relative to the EU-27 average (2009)	78.0%	
	Ratio of gross general government debt to GDP (2009) ²	69.0%	
	Ratio of general government deficit to GDP (2009) ²	3.8%	
	RPI inflation rate	1.3%	
	HICP inflation rate	1.2%	
	Ratio of exports of goods and services to GDP ²	74.7%	
	Ratio of current account deficit to GDP ²	6.1%	
	Employment rate	59.6%	
	Unemployment rate	7.2%	
	POPULATION	Total Maltese and foreigners (2008)	413,609
		Males	205,873
		Females	207,736
Age composition in % of population (2008)			
0 - 14		16%	
15 - 64		70%	
65 +		14%	
	Average annual growth rate (1990-2008)	0.8%	
	Density per km ² (2008)	1,309	
HEALTH	Life expectancy at birth (2008)		
	Males	77	
	Females	82	
	Crude birth rate, per 1,000 Maltese inhabitants (2008)	10.0	
	Crude mortality rate, per 1,000 Maltese inhabitants (2008)	7.9	
	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 (2009Q4)	101.3	
	Private motor vehicle licences per 1,000 population	555	
	Internet subscribers per 100 population (2009Q4)	26.7	

¹ End of month ECB reference rates.

² Provisional.

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

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at March 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 (December 2009)
Raiffeisen Malta Bank p.l.c.
Saadgroup Bank Europe Ltd. (from January 2009)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Volksbank Malta Ltd.

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

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

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Monetary, Banking, Investment Funds and Financial Markets

Table 1.1 Financial statement of the Central Bank of 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

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

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

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										
July	0.5	5.2	268.5	273.7	1,426.1	491.2	163.0	2,080.2	493.6	2,848.0
Aug.	0.5	5.2	284.3	289.5	1,119.2	473.5	249.6	1,842.3	488.2	2,620.5
Sep.	0.4	5.4	275.9	281.3	1,094.2	327.3	255.5	1,677.0	656.3	2,615.0
Oct.	0.4	5.5	221.6	227.0	1,016.8	364.4	253.4	1,634.6	784.4	2,646.5
Nov.	0.4	5.4	236.7	242.1	1,059.5	359.7	248.3	1,667.5	1,198.5	3,108.5
Dec.	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

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										
July	680.9	447.6	5.7	453.2	0.0	85.1	93.7	178.9	295.4	1,239.7
Aug.	677.4	439.1	5.6	444.7	2.4	87.7	130.6	220.6	387.1	890.7
Sep.	677.4	451.5	0.0	451.5	307.1	90.5	82.3	479.9	401.1	605.1
Oct.	681.0	445.4	5.4	450.8	337.8	85.8	82.5	506.1	402.6	606.0
Nov.	684.7	463.2	5.3	468.5	674.8	86.0	89.1	849.8	408.6	696.9
Dec.	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

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.	600.7	7,150.4	1,325.3	115.3	6,089.2	25,468.6	846.4	32,404.1	687.4	42,283.3
2009										
Jan.	1,564.5	7,149.5	1,373.6	114.8	6,196.3	25,851.9	940.8	32,988.9	732.8	43,924.1
Feb.	1,534.3	7,130.1	1,426.9	116.6	6,160.2	25,267.1	861.7	32,289.0	697.9	43,194.8
Mar.	680.2	7,229.4	1,386.8	116.3	5,935.2	24,519.7	866.2	31,321.2	625.1	41,359.0
Apr.	728.6	7,256.9	1,495.1	116.3	6,130.8	24,253.2	855.8	31,239.8	641.3	41,478.1
May	523.5	7,275.1	1,522.8	116.3	5,613.7	24,164.0	780.4	30,558.0	658.5	40,654.3
June	1,072.3	7,344.6	1,553.7	118.9	5,544.5	24,019.5	572.1	30,136.1	646.9	40,872.6
July	1,212.9	7,369.2	1,592.9	118.9	5,419.5	24,089.4	625.6	30,134.5	606.3	41,034.7
Aug.	856.6	7,365.2	1,656.4	113.2	5,423.9	24,447.8	603.7	30,475.4	646.5	41,113.3
Sep.	567.5	7,454.9	1,620.9	114.3	5,758.2	24,107.7	597.5	30,463.4	599.7	40,820.6
Oct.	582.2	7,486.1	1,676.0	114.3	5,975.6	23,950.9	642.4	30,568.9	625.0	41,052.4
Nov.	682.6	7,526.5	1,665.5	114.7	6,080.3	23,571.5	692.3	30,344.1	609.8	40,943.3
Dec.	674.9	7,677.1	1,626.4	132.2	6,145.2	23,631.2	631.9	30,408.2	646.4	41,165.2
2010										
Jan.	715.0	7,700.7	1,645.7	132.8	6,257.5	23,873.3	654.2	30,785.0	686.0	41,665.3
Feb.	635.2	7,684.8	1,745.8	132.7	6,813.7	24,110.2	597.6	31,521.5	657.5	42,377.5
Mar.	641.7	7,787.5	1,796.1	134.1	8,450.7	28,921.8	667.7	38,040.2	620.5	49,020.1

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

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	2,262.1	28,804.4	172.2	3,340.6	1,459.4
2009											
Jan.	3,235.0	113.5	5,235.3	8,583.7	9,283.6	18,793.1	2,414.7	30,491.3	174.6	3,522.6	1,151.9
Feb.	3,295.3	112.0	5,155.2	8,562.6	8,710.7	18,640.5	2,590.8	29,942.0	174.9	3,525.5	989.8
Mar.	3,296.7	112.0	5,072.9	8,481.6	8,537.8	17,065.0	2,614.3	28,217.0	173.8	3,502.4	984.1
Apr.	3,379.7	110.8	5,036.9	8,527.5	7,514.3	18,035.5	2,674.8	28,224.7	173.6	3,592.9	959.4
May	3,373.5	110.7	5,031.8	8,516.0	8,564.8	17,316.6	1,420.6	27,302.0	200.8	3,552.0	1,083.5
June	3,460.8	110.8	4,985.4	8,556.9	8,744.7	17,290.7	1,201.9	27,237.3	250.5	3,641.5	1,186.4
July	3,530.0	110.9	4,974.0	8,614.8	8,386.2	17,521.9	1,327.7	27,235.7	250.5	3,773.4	1,160.2
Aug.	3,576.3	111.3	4,912.2	8,599.7	8,429.6	17,488.3	1,321.6	27,239.5	253.6	3,843.3	1,177.2
Sep.	3,537.1	110.0	4,846.7	8,493.8	8,287.4	17,067.9	1,274.1	26,629.4	252.8	3,986.0	1,458.6
Oct.	3,581.2	111.6	4,954.7	8,647.5	7,775.2	17,566.1	1,209.7	26,551.0	252.5	4,066.8	1,534.8
Nov.	3,569.0	109.1	4,959.6	8,637.7	7,630.1	17,017.8	1,307.4	25,955.3	251.9	4,102.4	1,995.9
Dec.	3,705.3	111.6	4,789.0	8,605.9	7,772.1	17,058.0	1,193.4	26,023.6	253.4	4,113.6	2,245.4
2010											
Jan.	3,734.3	111.5	4,883.2	8,729.0	7,344.4	17,588.0	1,429.8	26,362.1	254.4	4,129.6	2,190.2
Feb.	3,769.1	111.6	4,784.2	8,664.9	7,681.4	18,241.4	1,469.2	27,392.0	255.4	3,897.5	2,167.6
Mar.	3,780.0	110.5	4,865.0	8,755.5	7,848.9	19,579.3	1,506.6	28,934.8	279.1	8,736.8	2,313.8

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

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	
	Total (M0)			Narrow money (M1)			Deposits with agreed maturity up to 2 years	Total (M2)			
				Currency issued	OMFI balances with Central Bank of Malta	Currency in circulation			Deposits withdrawable on demand		Total (M1)
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)							Repurchase agreements	Issues less holdings of MFI debt securities up to 2 years 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				With residents of Malta
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	-	-	-144.3	8,680.3
2009											
Jan.	599.9	3,174.6	70.0	113.4	0.0	4,676.9	220.2	-	-	-146.4	8,708.5
Feb.	599.4	3,240.5	77.6	111.8	0.0	4,596.4	220.3	-	-	-145.5	8,700.5
Mar.	601.8	3,228.8	84.4	111.8	0.0	4,475.3	228.9	-	-	-145.3	8,585.7
Apr.	605.2	3,307.6	77.0	110.4	0.0	4,395.8	186.3	-	-	-145.1	8,537.3
May	617.7	3,306.8	83.9	110.3	0.0	4,396.1	203.3	-	-	-117.9	8,600.2
June	614.5	3,391.1	87.1	110.5	0.0	4,321.9	183.7	-	-	-104.4	8,604.4
July	618.9	3,452.1	90.2	110.7	0.0	4,290.3	139.5	-	-	-94.4	8,607.3
Aug.	622.0	3,497.4	84.7	110.8	0.0	4,218.4	180.0	-	-	-90.9	8,622.4
Sep.	618.9	3,470.9	80.6	109.8	0.0	4,142.9	237.1	-	-	-124.6	8,535.6
Oct.	625.5	3,512.2	87.4	111.5	0.0	4,252.0	181.0	-	-	-115.7	8,653.8
Nov.	630.2	3,493.1	88.6	109.0	0.2	4,245.5	77.8	-	-	-112.7	8,531.7
Dec.	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	-	-	-112.0	8,559.1
2010											
Jan.	636.7	3,650.2	99.7	111.5	0.1	4,148.8	199.6	-	-	-113.1	8,733.6
Feb.	635.9	3,678.6	101.0	111.6	0.1	4,051.2	123.6	-	-	-108.2	8,593.8
Mar.	637.8	3,688.4	99.6	110.3	0.1	4,081.2	103.4	-	-	-108.1	8,612.7

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 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. The column shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include MMF shares/units.

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	8,680.3	1,600.4	7,266.9	461.8	2,763.3	12,092.5	26,970.5	19,592.2	7,378.2	10,790.5
2009										
Jan.	8,708.5	1,633.3	7,264.6	494.0	2,945.1	12,337.1	27,416.2	21,314.9	6,101.3	9,729.9
Feb.	8,700.5	1,697.0	7,244.8	515.8	2,982.5	12,440.0	26,671.1	21,282.3	5,388.7	9,128.3
Mar.	8,585.7	1,658.5	7,341.9	539.4	2,916.5	12,456.3	25,994.4	19,513.2	6,481.2	10,351.8
Apr.	8,537.3	1,767.9	7,365.7	604.7	2,379.9	12,118.2	25,713.0	20,546.5	5,166.6	8,747.5
May	8,600.2	1,798.4	7,378.2	618.0	2,324.9	12,119.6	25,710.4	18,740.5	6,969.9	10,489.3
June	8,604.4	1,855.9	7,448.6	647.4	2,266.7	12,218.7	25,252.0	18,500.6	6,751.3	10,365.7
July	8,607.3	1,883.0	7,471.6	669.8	2,075.4	12,099.8	25,354.3	18,823.3	6,531.0	10,023.5
Aug.	8,622.4	1,962.9	7,461.3	742.9	2,063.2	12,230.3	25,756.2	18,780.6	6,975.7	10,583.6
Sep.	8,535.6	1,918.7	7,552.7	817.0	2,218.6	12,507.0	25,268.8	18,349.5	6,919.3	10,890.7
Oct.	8,653.8	1,919.4	7,584.0	1,206.0	2,256.4	12,965.8	25,191.5	18,747.9	6,443.6	10,755.6
Nov.	8,531.7	1,923.7	7,625.1	1,223.3	2,255.3	13,027.5	24,854.9	18,300.1	6,554.8	11,050.6
Dec.	8,559.1	1,863.4	7,792.4	1,238.3	2,259.6	13,153.7	24,843.9	18,186.5	6,657.3	11,252.0
2010										
Jan.	8,733.6	1,888.3	7,817.5	1,251.5	2,340.8	13,298.0	25,100.1	18,994.6	6,105.5	10,670.0
Feb.	8,593.8	1,966.3	7,803.4	1,322.3	2,410.5	13,502.5	25,293.5	19,687.4	5,606.1	10,514.8
Mar.	8,612.7	1,976.6	7,909.4	1,384.1	2,508.9	13,778.9	30,171.8	21,106.8	9,065.0	14,231.2

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.

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

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	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

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

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

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

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 & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents		Non-residents of the euro area			
								Total					
2003	60.7	193.9	60.0	61.0	976.1	5,078.8	6,430.5	3,164.5	5,524.1	15,119.0			
2004	66.5	177.5	48.3	80.3	965.6	5,199.7	6,538.0	3,431.5	7,160.9	17,130.4			
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0			
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8			
2007	126.8	106.1	198.6	137.8	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8			
2008													
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	8,889.0	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.	113.0	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			

¹ For the purposes of this Table, deposits include loans and uncleared 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

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				Total
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	
2003	714.7	1,553.3	876.5	2,437.6	5,582.0
2004	774.8	1,845.8	1,529.6	5,547.2	9,697.4
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
2007	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
2008					
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

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 & communication	Manufacturing	Construction	Hotels & restaurants	Wholesale & retail trade; repairs	Real estate, renting & business activities	Households & individuals ¹				Other ²	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	6,956.5
Mar.	428.2	482.5	294.9	754.0	493.4	796.1	1,026.0	2,508.7	372.8	318.8	3,200.4	317.9	672.0	7,121.4

¹ Excluding loans to unincorporated bodies such as partnerships, sole proprietors and non-profit institutions. Loans to such bodies are classified by their main activity.
² Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial intermediation (including interbank loans), community, recreational & personal service 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 & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents		Non-residents of the euro area			
								Other euro area residents	Non-residents of the euro area				
2003	208.4	774.6	5.7	8.1	2,579.1	1,647.9	5,223.8	1,118.2	3,904.7	10,246.7			
2004	129.4	625.7	7.3	8.2	2,686.8	1,903.2	5,360.7	1,756.2	4,044.9	11,161.7			
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5			
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8			
2007	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,392.6	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			

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				
	MTL ²			Other			MTL ²			Other			MTL ²		Other		
	Less than 1 year	Over 1 year	Year	Less than 1 year	Over 1 year	Year	Less than 1 year	Over 1 year	Year	Less than 1 year	Over 1 year	Year	Less than 1 year	Over 1 year	Year	Less than 1 year	
2003	1,041.2	1,404.6	9.5	82.7	14.9	26.3	194.5	1,439.6	0.5	10.0	1.1	2.1	907.9	65.1	23.8	5,223.8	
2004	961.0	1,546.5	25.9	92.5	21.4	39.5	213.4	1,671.6	0.8	10.6	4.1	2.8	687.1	62.3	21.1	5,360.7	
2005	860.7	1,568.3	17.3	263.3	18.5	10.2	204.2	1,943.2	1.4	15.0	0.1	2.4	696.7	86.4	19.0	5,706.7	
2006	905.7	1,689.6	69.9	395.1	21.1	11.3	218.5	2,289.2	2.3	29.6	0.1	3.1	713.6	156.9	22.1	6,528.2	
2007	858.3	1,802.5	108.1	450.0	36.6	10.2	241.5	2,616.0	2.0	34.4	1.0	3.5	963.8	744.6	20.3	7,892.6	
2008																	
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	

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								
Mar.	28.3	0.0	483.9	5.9	175.9	371.5	14.1	1,079.5
June	27.3	0.0	438.8	4.9	158.9	352.7	12.8	995.4
Sep.	27.0	0.0	417.5	4.6	144.3	331.0	8.7	933.0
Dec.	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

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					
Mar.	0.7	1,065.8	7.7	5.4	1,079.5
June	1.8	983.3	7.2	3.1	995.4
Sep.	0.5	922.7	7.1	2.8	933.0
Dec.	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

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.

Monetary, Banking, Investment Funds and Financial Markets

Table 1.15 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 1.16 Monetary financial institutions' interest rates on deposits and loans to residents of Malta¹

	2009						2010		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
NEW BUSINESS²									
Deposits									
Households and NPISH									
Overnight deposits ^{4,5}	0.28	0.28	0.29	0.29	0.29	0.30	0.30	0.28	0.30
Savings deposits redeemable at notice ^{4,6} up to 3 months	1.71	1.70	1.70	1.68	1.70	1.70	1.71	1.70	1.71
Time deposits with agreed maturity up to 1 year	1.86	1.87	1.79	1.86	1.78	1.95	1.92	1.56	1.87
over 1 and up to 2 years	3.18	2.86	3.04	3.02	3.03	3.00	2.73	2.82	3.19
over 2 years	3.52	3.44	3.13	3.13	3.05	3.39	3.38	3.59	3.38
Non-financial corporations									
Overnight deposits ^{4,5}	0.24	0.24	0.23	0.24	0.24	0.23	0.23	0.24	0.23
Time deposits with agreed maturity	1.58	1.35	1.33	1.33	1.49	0.85	0.84	1.23	1.29
Loans									
Households and NPISH									
Overdrafts ⁴	6.43	6.43	6.49	6.38	6.40	6.44	6.43	6.44	6.45
Loans									
Lending for house purchase	3.42	3.41	3.40	3.41	3.43	3.52	3.56	3.47	3.45
Consumer credit ⁸	5.75	5.62	5.74	5.72	5.90	6.02	6.10	5.87	5.89
Other lending	5.66	5.80	5.72	5.78	5.88	5.56	6.06	5.69	6.03
Non-financial corporations									
Overdrafts ⁴	5.04	5.05	5.09	5.10	5.08	5.08	5.09	5.10	5.12
Loans ⁹	4.72	5.61	5.53	5.00	5.26	4.95	5.00	5.90	5.90
APRC ⁷ for loans to households and NPISH									
Lending for house purchase	3.77	3.71	3.71	3.70	3.70	3.71	3.85	3.77	3.71
Consumer credit ⁸	5.83	5.71	5.87	5.85	6.01	6.10	6.21	5.96	5.98
OUTSTANDING AMOUNTS³									
Deposits									
Households and NPISH									
Time deposits with agreed maturity up to 2 years	2.84	2.66	2.51	2.38	2.29	2.22	2.16	2.16	2.14
over 2 years	3.13	3.13	3.12	3.10	3.09	3.06	3.10	3.06	3.09
Non-financial corporations									
Time deposits with agreed maturity up to 2 years	2.29	2.12	2.11	2.04	2.03	2.01	1.81	2.03	1.93
over 2 years	3.42	3.43	3.41	3.41	3.37	3.35	3.36	3.40	3.38
Loans									
Households and NPISH									
Lending for house purchase	3.53	3.53	3.53	3.52	3.52	3.51	3.50	3.50	3.50
Consumer credit and other lending ⁹	5.65	5.66	5.68	5.66	5.67	5.67	5.68	5.68	5.68
Non-financial corporations ⁹	4.91	4.92	4.93	4.93	4.92	4.91	4.91	4.95	4.97

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.

Monetary, Banking, Investment Funds and Financial Markets

Table 1.17 Monetary financial institutions' interest rates on deposits and loans to euro area residents¹

% per annum	2009						2010		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
NEW BUSINESS²									
Deposits									
Households and NPISH									
Overnight deposits ^{4,5}	0.28	0.28	0.29	0.29	0.29	0.30	0.30	0.28	0.30
Savings deposits redeemable at notice ^{4,6}									
up to 3 months	1.71	1.70	1.70	1.68	1.70	1.70	1.70	1.70	1.71
Time deposits with agreed maturity									
up to 1 year	1.86	1.87	1.79	1.86	1.78	1.97	1.91	1.56	1.87
over 1 and up to 2 years	3.18	2.86	3.04	3.02	3.03	3.00	2.73	2.91	3.19
over 2 years	3.52	3.44	3.13	3.13	3.05	3.39	3.38	3.59	3.38
Non-financial corporations									
Overnight deposits ^{4,5}	0.25	0.25	0.23	0.24	0.25	0.23	0.23	0.25	0.24
Time deposits with agreed maturity	2.19	1.48	2.61	1.31	1.45	1.44	0.95	1.74	1.92
Loans									
Households and NPISH									
Overdrafts ⁴	6.43	6.43	6.49	6.38	6.40	6.45	6.43	6.44	6.45
Loans									
Lending for house purchase	3.42	3.41	3.40	3.41	3.43	3.52	3.56	3.47	3.45
Consumer credit ⁸	5.75	5.62	5.74	5.72	5.90	6.01	6.10	5.85	5.89
Other lending	5.66	5.80	5.72	5.77	5.88	5.56	6.07	5.69	6.02
Non-financial corporations									
Overdrafts ⁴	5.04	5.05	5.09	5.10	5.08	5.08	5.09	5.10	5.12
Loans ⁸	4.32	5.19	5.87	4.31	4.50	4.42	4.26	4.93	5.19
APRC ⁷ for loans to households and NPISH									
Lending for house purchase	3.77	3.71	3.72	3.70	3.69	3.71	3.85	3.76	3.71
Consumer credit ⁸	5.83	5.71	5.87	5.85	6.01	6.09	6.21	5.94	5.98
OUTSTANDING AMOUNTS³									
Deposits									
Households and NPISH									
Time deposits with agreed maturity									
up to 2 years	2.83	2.66	2.51	2.38	2.28	2.21	2.16	2.15	2.14
over 2 years	3.17	3.17	3.16	3.14	3.13	3.10	3.14	3.10	3.13
Non-financial corporations									
Time deposits with agreed maturity									
up to 2 years	2.36	2.05	2.23	2.22	2.03	2.03	1.77	2.07	2.02
over 2 years	3.16	3.17	3.17	3.17	3.14	3.13	3.13	3.16	3.14
Loans									
Households and NPISH									
Lending for house purchase	3.53	3.53	3.53	3.52	3.52	3.51	3.50	3.50	3.50
Consumer credit and other lending ⁹	5.65	5.66	5.68	5.65	5.67	5.67	5.68	5.67	5.68
Non-financial corporations ⁹	4.14	4.14	4.13	4.12	4.11	4.13	4.10	4.12	4.15

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.

Monetary, Banking, Investment Funds and Financial Markets

Table 1.18 Key Central Bank of Malta, ECB and money market interest rates

	2005	2006	2007	2008	2009				2010
					Mar.	June	Sep.	Dec.	Mar.
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
Main refinancing operations - minimum bid rate	2.25	3.50	4.00	2.50	1.50	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
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
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
3 months	2.18	3.08	4.72	4.21	2.01	1.31	0.87	0.72	0.64
6 months	2.23	3.23	4.70	4.28	2.11	1.51	1.12	1.00	0.95
1 year	2.33	3.44	4.68	4.35	2.22	1.67	1.33	1.24	1.22
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 1.19 Other rates and indicators

	2005	2006	2007	2008	2009				2010
					Mar.	June	Sep.	Dec.	Mar.
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
Current deposits	0.45	0.57	0.78	0.51	0.28	0.29	0.27	0.29	0.30
Savings deposits	1.17	1.17	1.73	0.73	0.41	0.37	0.33	0.33	0.34
Time deposits	2.97	3.27	3.97	3.74	3.27	2.94	2.55	2.30	2.27
Weighted average lending rate	5.48	5.90	6.30	4.96	4.49	4.48	4.48	4.46	4.47
Non-financial companies	5.99	6.34	6.74	5.31	4.95	4.96	4.97	4.93	4.97
Households and individuals	4.93	5.38	5.80	4.51	3.92	3.93	3.93	3.91	3.90
Consumer credit	6.70	7.42	7.84	7.15	5.69	5.86	5.88	5.90	5.90
House purchase	4.52	4.95	5.39	3.98	3.51	3.50	3.49	3.47	3.46
Other lending	6.09	6.46	6.74	5.54	4.99	4.92	5.00	4.96	5.04
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
6 month	3.23	4.00	4.54	2.75	2.31	1.80	1.57	1.52	0.86
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
3 month	3.22	3.90	4.35	2.64	2.15	1.63	1.46	1.40	0.71
6 month	3.27	4.00	4.54	2.65	2.34	1.69	1.58	1.46	0.80
1 year	3.32	4.20	4.58	2.73	2.04	1.81	1.62	1.69	1.13
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
5 year	3.95	3.94	4.65	4.01	3.65	3.77	3.69	3.52	3.17
10 year	4.55	4.32	4.82	4.53	4.49	4.71	4.54	4.43	4.33
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

¹ End of period rates unless otherwise indicated.

² Rates agreed between the OMF 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 1.20 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
2009²											
Q1	3,450.3	173.6	17.0	565.8	4,206.6	122.0	0.0	0.0	-114.3	7.7	15.9
Q2	3,628.5	251.3	17.0	564.3	4,461.1	178.2	79.3	0.0	8.8	266.4	-11.9
Q3	3,683.9	253.6	17.0	628.7	4,583.3	55.4	3.5	0.0	71.0	129.9	-7.8
Q4	3,698.3	254.1	17.0	667.7	4,637.1	14.4	0.0	0.0	36.0	50.4	3.5
2010											
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

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 1.21 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

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	349.8	2,096.1	-432.2	-282.7
2004	1,744.9	89.4	1,834.3	1,843.1	203.7	2,046.8	-212.5	-48.4
2005	1,835.1	172.9	2,008.0	1,909.9	235.9	2,145.8	-137.8	40.0
2006	1,936.7	167.8	2,104.6	2,004.2	231.0	2,235.1	-130.6	49.2
2007	2,128.7	70.6	2,199.3	2,104.6	212.2	2,316.8	-117.5	63.8
2008	2,254.6	43.4	2,298.0	2,380.9	172.0	2,552.8	-254.8	-67.1
2009	2,245.6	66.0	2,311.7	2,351.7	178.2	2,529.9	-218.2	-34.8
2009								
Q1	534.3	11.1	545.3	555.6	28.0	583.5	-38.2	6.0
Q2	554.2	17.5	571.8	602.0	52.0	654.0	-82.2	-36.5
Q3	522.5	8.6	531.0	567.6	36.4	604.0	-73.0	-29.6
Q4	634.7	28.9	663.5	626.6	61.8	688.4	-24.8	25.3
2010								
Q1	558.0	19.2	577.2	549.9	49.6	599.5	-22.3	9.4

Table 2.2 General government revenue by main components¹

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden ³
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2003	519.6	566.1	349.6	82.1	110.0	12.8	1,640.2	6.2	17.4	23.6	1,663.8	1,441.6
2004	502.4	657.9	360.3	99.6	98.2	26.4	1,744.9	9.4	80.1	89.4	1,834.3	1,529.9
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	759.3	389.8	95.5	63.5	18.9	1,936.7	14.7	153.2	167.8	2,104.6	1,773.4
2007	726.0	801.7	398.3	108.5	72.7	21.5	2,128.7	15.7	54.9	70.6	2,199.3	1,941.7
2008	742.8	830.2	432.0	153.7	70.4	25.5	2,254.6	15.1	28.4	43.4	2,298.0	2,020.0
2009	795.4	813.2	434.9	115.3	69.3	17.6	2,245.6	14.0	52.0	66.0	2,311.7	2,057.5
2009												
Q1	177.6	174.2	112.6	25.2	40.9	3.9	534.3	3.0	8.1	11.1	545.3	467.3
Q2	221.2	189.9	97.7	28.3	12.0	5.2	554.2	3.4	14.1	17.5	571.8	512.2
Q3	165.4	213.0	103.6	29.6	6.7	4.2	522.5	4.2	4.4	8.6	531.0	486.2
Q4	231.3	236.1	120.9	32.2	9.8	4.3	634.7	3.4	25.4	28.9	663.5	591.7
2010												
Q1	181.7	197.1	107.4	26.8	40.9	4.1	558.0	2.3	16.9	19.2	577.2	488.5

¹ Based on ESA95 methodology. Data are provisional.

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

³ The fiscal burden comprises taxes and social security contributions.

Sources: Eurostat; NSO.

Government Finance

Table 2.3 General government expenditure by main components¹

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total ²	
2003	647.2	580.3	149.6	220.8	95.6	52.8	1,746.3	206.8	139.4	349.8	2,096.1
2004	658.5	599.8	164.1	248.6	86.0	86.1	1,843.1	173.2	39.2	203.7	2,046.8
2005	668.4	642.7	177.8	238.7	101.2	81.2	1,909.9	226.0	48.7	235.9	2,145.8
2006	678.4	666.5	179.7	287.7	109.4	82.4	2,004.2	201.3	47.9	231.0	2,235.1
2007	706.8	718.6	181.3	292.6	112.1	93.2	2,104.6	202.8	43.2	212.2	2,316.8
2008	833.2	758.0	187.7	386.1	121.7	94.2	2,380.9	132.2	44.6	172.0	2,552.8
2009	830.8	808.6	183.4	358.8	63.4	106.8	2,351.7	125.8	61.8	178.2	2,529.9
2009											
Q1	219.2	179.5	44.2	66.9	21.3	24.5	555.6	25.0	8.3	28.0	583.5
Q2	202.3	214.5	45.7	94.1	21.4	23.9	602.0	28.0	25.6	52.0	654.0
Q3	204.4	186.5	43.4	102.5	8.6	22.3	567.6	30.3	7.9	36.4	604.0
Q4	204.9	228.1	50.2	95.3	12.1	36.0	626.6	42.5	19.9	61.8	688.4
2010											
Q1	210.3	182.7	31.7	81.1	8.9	35.1	549.9	30.5	16.3	49.6	599.5

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	276.4	38.3	75.6	412.3	60.7	43.9	263.7	29.0	273.2	623.0	2,096.1
2004	337.7	44.7	75.3	278.9	62.1	40.9	274.3	32.6	261.0	639.4	2,046.8
2005	324.2	44.8	76.2	302.8	69.7	39.5	309.0	31.6	272.4	675.8	2,145.9
2006	339.9	39.4	75.9	307.9	77.0	41.6	325.6	29.1	286.8	712.0	2,235.1
2007	344.2	38.3	80.2	321.5	81.9	38.6	315.0	31.6	295.7	769.7	2,316.8
2008	385.0	42.7	86.1	420.8	92.7	44.9	317.7	35.6	310.8	816.4	2,552.8

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

Sources: Eurostat; NSO.

Government Finance

Table 2.5 General government financial balance sheet¹

Period	Financial assets					Financial liabilities					Net financial worth	
	Currency and deposits	Securities other than shares	Loans	Shares and other equity	Other accounts receivable	Total	Currency and deposits	Securities other than shares	Loans	Other accounts payable		Total
2004	293.4	0.0	43.0	1,022.1	164.0	1,522.5	0.0	3,204.7	324.8	225.8	3,755.4	-2,232.8
2005	372.0	0.0	29.2	1,114.9	218.9	1,735.0	0.0	3,420.9	300.5	300.3	4,021.7	-2,286.7
2006	403.8	0.0	26.4	840.3	208.7	1,479.2	0.0	3,297.4	265.5	320.4	3,883.4	-2,404.2
2007	464.6	0.0	27.5	819.4	297.6	1,609.0	8.3	3,311.1	267.0	393.9	3,980.2	-2,371.2
2008	415.4	0.0	32.8	723.1	338.6	1,510.0	31.2	3,664.9	278.2	446.8	4,421.0	-2,911.1
2009												
Mar.	271.4	0.0	31.4	695.0	485.0	1,482.8	32.7	3,722.6	235.7	427.2	4,418.2	-2,935.4
June	394.2	0.0	30.6	711.5	496.5	1,632.8	34.9	3,893.9	221.0	484.1	4,633.9	-3,001.1
Sep.	421.9	0.0	30.6	747.5	437.9	1,637.8	36.8	3,957.3	223.5	479.3	4,696.9	-3,059.1
Dec.	467.8	0.0	29.7	780.2	330.2	1,607.9	37.2	3,995.6	222.1	401.8	4,656.6	-3,048.7
2010												
Mar.	397.6	0.0	28.6	821.1	493.3	1,740.5	36.9	4,138.6	222.8	421.7	4,820.0	-3,079.5

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	-432.2	155.8	-58.3	0.0	2.6	-6.7	-56.1	37.4
2004	210.1	-212.5	14.2	-5.5	0.0	-1.4	-13.2	3.5	-2.4
2005	106.0	-137.8	79.8	-0.1	0.0	-55.4	-23.4	-32.6	-31.8
2006	-101.7	-130.6	32.3	-2.8	0.0	-219.4	-0.9	-41.5	-232.3
2007	125.5	-117.5	55.2	1.1	0.0	-32.1	-7.4	-8.6	8.1
2008	247.4	-254.8	-55.6	5.3	0.0	-5.1	22.4	25.7	-7.4
2009	320.6	-218.2	52.5	-3.1	0.0	-1.3	-0.3	54.5	102.4
2009									
Q1	80.8	-38.2	-144.1	-1.4	0.0	1.6	16.8	169.8	42.6
Q2	167.9	-82.2	123.0	-0.9	0.0	0.0	-13.8	-22.6	85.7
Q3	58.8	-73.0	27.8	0.0	0.0	0.0	15.3	-57.3	-14.2
Q4	13.1	-24.8	45.8	-0.9	0.0	-2.8	-18.5	-35.3	-11.7
2010									
Q1	98.2	-22.3	-70.4	-1.2	0.0	0.0	12.9	134.6	75.9

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	262.5	3,253.7	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	20.2	211.9	232.1	3,707.4	743.9
June	34.9	644.3	2,976.6	3,620.8	17.4	202.2	219.5	3,875.3	736.2
Sep.	36.8	559.8	3,116.5	3,676.2	17.2	203.8	221.0	3,934.1	783.0
Dec.	37.2	474.1	3,216.4	3,690.5	26.3	193.3	219.5	3,947.2	866.8
2010									
Mar.	36.9	534.8	3,254.4	3,789.1	18.1	201.4	219.4	4,045.4	894.8

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	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

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 2.9 Treasury bills issued and outstanding¹ (as at end-March 2010)

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding ³
				OMFIs	Others ²	MFIs	Others ²	
02/Oct/2009	01/Apr/2010	1.581	1.404	26.0	4.6	26.0	4.5	30.6
03/Jul/2009	01/Apr/2010	1.748	1.404	5.0	0.0	5.0	0.0	5.0
08/Jan/2010	09/Apr/2010	1.319	0.762	0.0	1.7	1.1	0.6	1.7
09/Oct/2009	09/Apr/2010	1.622	0.762	12.0	10.7	12.7	10.0	22.7
15/Jan/2010	16/Apr/2010	1.300	0.762	5.0	4.4	5.0	4.4	9.4
22/Jan/2010	23/Apr/2010	1.271	0.762	25.0	0.0	25.0	0.0	25.0
24/Jul/2009	23/Apr/2010	1.730	0.762	12.0	7.9	11.8	8.1	19.9
29/Jan/2010	30/Apr/2010	1.204	0.759	20.0	0.0	20.0	0.0	20.0
30/Oct/2009	30/Apr/2010	1.613	0.759	4.0	12.6	11.5	5.1	16.6
06/Nov/2009	07/May/2010	1.604	0.754	15.6	8.2	15.8	8.0	23.8
12/Feb/2010	14/May/2010	1.120	0.748	22.0	0.0	22.0	0.0	22.0
19/Feb/2010	21/May/2010	1.043	0.742	31.0	0.0	31.0	0.0	31.0
27/Nov/2009	28/May/2010	1.538	0.736	0.0	2.4	0.0	2.4	2.4
28/Aug/2009	28/May/2010	1.639	0.736	18.0	6.9	18.0	6.9	24.9
05/Mar/2010	04/Jun/2010	0.990	0.730	20.0	14.0	20.0	14.0	34.0
04/Dec/2009	04/Jun/2010	1.516	0.730	0.0	2.5	0.0	2.5	2.5
12/Mar/2010	11/Jun/2010	0.925	0.724	20.0	0.0	20.0	0.0	20.0
18/Mar/2010	18/Jun/2010	0.895	0.718	40.0	8.1	40.0	8.1	48.1
26/Mar/2010	25/Jun/2010	0.800	0.712	6.0	0.0	6.0	0.0	6.0
25/Sep/2009	25/Jun/2010	1.600	0.712	30.0	5.6	30.0	5.6	35.6
08/Jan/2010	09/Jul/2010	1.399	0.719	15.0	2.1	15.0	2.1	17.1
15/Jan/2010	16/Jul/2010	1.363	0.727	15.0	2.4	15.0	2.4	17.4
05/Feb/2010	06/Aug/2010	1.247	0.749	59.0	0.0	59.0	0.0	59.0
26/Mar/2010	24/Sep/2010	0.862	0.800	35.0	0.0	35.0	0.0	35.0
26/Feb/2010	26/Nov/2010	1.100	0.908	3.9	1.1	3.9	1.1	5.0
Total				439.5	95.3	448.8	86.0	534.8

¹ Amounts are at nominal prices.

² Includes the Malta Government sinking fund.

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

Sources: Central Bank of Malta; The Treasury.

Government Finance

Table 2.10 Malta government long-term debt securities outstanding¹ (as at end-March 2010)

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price ⁵	ISMA Yield (%)	Interest dates	Held by		Amount
						Resident MFIs	Others	
5.90	2010 (I)	1999	100	0.97	19/05 - 19/11	30.0	4.9	34.9
5.75	2010 (II) ⁴	2000	100	N/A ⁶	10/06 - 10/12	39.2	3.9	43.1
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	1.50	28/03 - 28/09	19.5	15.4	34.9
6.25	2011 (II) ⁴	2001	100	1.07	01/02 - 01/08	51.1	42.0	93.2
7.00	2011 (III) ³	2002	100	1.67	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	1.95	24/05 - 24/11	38.5	41.9	80.4
7.00	2012 (II) ³	2002	100	2.20	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	2.10	30/03 - 30/09	279.6	149.3	428.9
7.80	2013 (I)	1997	100	2.57	18/04 - 18/10	40.8	38.9	79.8
6.35	2013 (II) ⁴	2001	100	2.37	19/05 - 19/11	6.6	54.0	60.6
7.00	2013 (III) ³	2003	100	2.67	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV) ⁴	2009	100	2.57	18/04 - 18/10	173.0	88.5	261.5
3.60	2013 (IV) ⁴	2009	100	2.57	18/04 - 18/10	20.2	5.3	25.5
6.60	2014 (I) ⁴	2000	100	2.75	30/03 - 30/09	5.8	18.7	24.5
6.45	2014 (II) ⁴	2001	100	3.01	24/05 - 24/11	21.6	48.3	69.9
5.10	2014 (III) ⁴	03/04/06/07/08	100/103.25/ 103.64/105.5	2.85	06/01 - 06/07	142.0	246.9	388.9
7.00	2014 (IV) ³	26/06/1905	100	3.05	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I) ⁴	2000	100	3.21	10/06 - 10/12	29.0	40.9	69.9
5.90	2015 (II) ⁴	02/03/07	100/102/105	3.31	09/04 - 09/10	29.3	87.2	116.5
7.00	2015 (III) ³	2005	100	3.38	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV) ³	2005	100	3.38	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI) ⁴	2010	100	3.36	03/06 - 03/12	54.1	13.1	67.2
6.65	2016 (I) ⁴	2001	100	3.45	28/03 - 28/09	10.4	59.5	69.9
4.80	2016 (II) ⁴	03/04/06	100/101/104	3.64	26/05 - 26/11	64.4	122.0	186.4
7.00	2016 (III) ³	2006	100	3.67	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I) ³	2007	100	3.93	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II) ³	2007	100	3.93	30/06 - 30/12	0.0	10.3	10.3
7.80	2018 (I)	1998	100	4.03	15/01 - 15/07	79.8	83.2	163.1
7.00	2018 (II) ³	2008	100	4.12	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III) ³	2008	100	4.12	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	4.20	01/03 - 01/09	41.3	61.1	102.5
7.00	2019 (II) ³	2009	100	4.24	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I) ⁴	2007	100	4.28	10/06 - 10/12	7.8	44.6	52.4
4.60	2020 (II) ⁴	2009	100	4.27	25/04 - 25/10	13.6	31.1	44.7
4.60	2020 (II) ⁴	2010	100	4.27	25/04 - 25/10	36.2	39.1	75.3
5.00	2021 (I) ⁴	04/05/07/08	98.5/100	4.38	08/02 - 08/08	115.9	342.9	458.8
5.10	2022 (I) ⁴	2004	100	4.47	16/02 - 16/08	4.7	66.3	71.0
5.50	2023 (I) ⁴	2003	100	4.54	06/01 - 06/07	13.9	64.9	78.8
Floating Rate 6-mth Euribor	2013 (V) ⁴	2010	100	1.415 / 0.541 ⁷	24/02 - 24/08	7.0	0.3	7.3
Floating Rate 6-mth Euribor	2015 (V) ⁴	2009	100	1.788 / 0.851 ⁷	25/04 - 25/10	11.0	18.8	29.8
Total						1,386.5	1,875.6	3,262.2

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

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

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

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

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	2,405.4	3,388.1	2,490.8	1,615.3	1,964.8	2,138.5	534.6	591.5	-337.8	55.7	4.4
2008 ²	2,163.5	3,281.0	2,538.2	1,576.0	2,199.4	2,402.5	810.1	774.4	-322.6	32.3	4.5
2009 ²	1,699.0	2,572.2	2,439.4	1,534.8	1,657.2	2,032.1	1,043.2	1,048.7	-349.0	75.4	4.4
2009²											
Q1	332.1	566.1	512.2	345.7	476.9	643.2	134.6	146.9	-246.0	2.2	0.9
Q2	410.4	621.0	616.0	382.9	428.6	460.1	634.5	443.2	182.3	10.8	0.7
Q3	440.9	713.8	741.7	372.9	402.1	504.9	173.5	222.2	-55.8	3.4	1.2
Q4	515.7	671.4	569.5	433.2	349.6	423.9	100.6	236.4	-229.5	59.1	1.5
2010²											
Q1	509.0	652.2	548.8	370.4	357.0	423.3	198.0	254.0	-86.9	2.0	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	-14.8	747.8	367.0	1.1	-134.6	254.8	-7,598.6	7,021.4	-326.5	317.7	-31.2
2008 ²	-200.8	642.3	199.0	171.6	3.2	-346.2	-4,338.3	4,116.1	108.7	355.6	-60.7
2009 ²	-80.9	634.5	-1,877.9	-28.1	-6.6	-63.8	3,672.2	-2,128.5	-2.4	118.6	159.4
2009²											
Q1	-8.1	271.0	309.9	1.7	-79.9	-48.5	1,556.0	-1,569.9	-14.9	417.3	-172.5
Q2	-24.9	-29.8	-352.0	-3.6	76.3	-8.7	494.3	-455.9	-57.7	-361.9	169.6
Q3	-19.9	245.3	-992.9	-28.8	-29.5	13.0	585.5	86.0	94.2	-47.1	100.7
Q4	-28.0	148.0	-842.9	2.6	26.5	-19.6	1,036.5	-188.7	-24.0	110.3	61.6
2010²											
Q1	-11.1	-203.1	-698.3	38.4	-64.7	11.3	-1,036.3	1,949.8	7.1	-6.9	93.4

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
2009³							
July	10.1	13.0	36.3	90.8	172.5	3.4	326.3
Aug.	10.2	95.6	36.2	76.5	168.4	3.5	390.5
Sep.	10.5	103.8	35.8	37.8	160.5	4.2	352.4
Oct.	8.7	103.1	35.6	81.8	158.6	5.8	393.6
Nov.	7.1	102.9	35.5	83.9	151.4	7.1	387.9
Dec.	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

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
2008¹										
June	838.9	5,630.5	12,201.6	469.2	126.7	57.9	23,514.6	30,376.5	385.6	533.3
Dec.	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.	
General Government	292.6	237.2	281.5	268.1	232.0	237.2	268.6
<i>Short-term</i>	83.7	36.8	76.0	66.3	28.7	36.8	67.2
Money market instruments	76.6	31.4	71.1	64.6	26.3	31.4	63.4
Loans	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
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	208.9	200.4	205.5	201.8	203.2	200.4	201.4
Bonds and notes	89.9	98.1	88.4	93.7	97.0	98.1	99.3
Loans	119.0	102.3	117.1	108.2	106.2	102.3	102.1
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Monetary Authorities	677.8	826.3	66.9	11.2	323.5	826.3	818.8
<i>Short-term</i>	677.8	826.3	66.9	11.2	323.5	826.3	818.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	677.8	826.3	66.9	10.9	323.5	826.3	818.8
Other debt liabilities	0.0	0.0	0.0	0.3	0.0	0.0	0.0
<i>Long-term</i>	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	28,726.5
<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
Money market instruments	0.0	3.4	0.0	0.0	3.4	3.4	3.7
Loans	9,291.0	7,299.9	9,632.4	8,216.6	7,848.2	7,299.9	8,720.2
Currency and deposits	13,116.8	13,181.4	12,581.9	13,156.6	13,320.3	13,181.4	14,346.2
Other debt liabilities	863.9	132.1	1,065.6	119.3	101.2	132.1	120.4
<i>Long-term</i>	5,231.7	5,218.5	4,672.9	5,556.9	5,144.8	5,218.5	5,536.1
Bonds and notes	13.7	13.9	13.6	14.1	14.2	13.9	13.8
Loans	4,986.1	5,111.1	4,581.2	5,446.5	5,036.0	5,111.1	5,474.7
Currency and deposits	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
Other Sectors⁴	1,329.2	1,311.8	1,285.0	1,264.4	1,310.9	1,311.8	1,315.6
<i>Short-term</i>	680.7	718.6	622.0	631.5	664.1	718.6	710.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	61.7	32.1	25.5	22.8	20.6	32.1	34.5
Currency and deposits	119.8	119.8	119.8	119.8	119.8	119.8	119.8
Trade credits	499.3	566.7	476.7	488.9	523.7	566.7	555.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	648.4	593.2	663.0	632.9	646.7	593.2	605.7
Bonds and notes	212.7	210.6	217.0	211.8	214.9	210.6	214.1
Loans	421.0	376.4	430.3	414.6	425.3	376.4	384.8
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	14.7	6.2	15.7	6.5	6.5	6.2	6.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,265.5	1,313.5	1,288.3	1,269.8	1,287.6	1,313.5	1,359.0
Debt liabilities to affiliated enterprises	73.8	99.4	71.4	72.7	74.0	99.4	103.4
Debt liabilities to direct investors	1,191.7	1,214.1	1,216.9	1,197.2	1,213.6	1,214.1	1,255.6
Gross External Debt	32,068.5	29,524.1	30,874.5	29,862.9	29,571.7	29,524.1	32,488.6
of which: OMFIs	28,503.4	25,835.3	27,952.8	27,049.3	26,417.8	25,835.3	28,726.5
Gross External Debt excluding OMFIs' debt liabilities	3,565.1	3,688.8	2,921.7	2,813.6	3,153.9	3,688.8	3,762.1

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	2084.9	3494.6	-1409.7
2009 ²	1651.4	2920.1	-1268.7
2008²			
Jan.	179.3	298.6	-119.3
Feb.	166.5	271.6	-105.1
Mar.	182.9	281.0	-98.1
Apr.	166.3	347.5	-181.2
May	163.6	286.7	-123.1
June	173.7	290.0	-116.3
July	177.0	357.7	-180.7
Aug.	150.9	261.4	-110.5
Sep.	184.4	321.3	-136.9
Oct.	195.4	287.1	-91.7
Nov.	164.9	270.3	-105.4
Dec.	180.0	221.4	-41.4
2009²			
Jan.	116.4	259.5	-143.1
Feb.	112.0	205.6	-93.6
Mar.	149.3	268.2	-118.9
Apr.	132.5	265.5	-133.0
May	132.8	232.2	-99.4
June	139.4	225.2	-85.8
July	152.8	292.3	-139.5
Aug.	128.4	264.4	-136.0
Sep.	147.9	211.8	-63.9
Oct.	153.0	245.9	-92.9
Nov.	147.1	229.3	-82.2
Dec.	139.8	220.2	-80.4
2010²			
Jan.	150.2	193.5	-43.3
Feb.	176.9	253.3	-76.4
Mar.	186.7	299.4	-112.7

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

² Provisional.

Source: NSO.

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	268.7	113.9	94.4	714.3	165.3	66.1	945.7	713.9	182.8	242.5	2084.9
2009 ²	186.8	218.5	90.8	85.2	581.3	99.0	60.6	740.9	528.1	152.4	230.0	1651.4
2008²												
Jan.	21.4	28.0	12.2	8.2	69.8	16.5	5.1	91.4	47.7	16.6	23.6	179.3
Feb.	19.9	23.3	10.9	9.6	63.7	17.2	5.6	86.5	47.5	15.6	16.9	166.5
Mar.	19.9	23.2	9.1	7.4	59.6	15.2	5.0	79.8	54.6	26.8	21.7	182.9
Apr.	21.9	21.2	12.2	7.5	62.8	19.0	2.9	84.7	44.3	15.0	22.3	166.3
May	20.7	20.7	10.8	9.2	61.4	13.7	4.9	80.0	53.7	13.8	16.1	163.6
June	19.1	27.0	11.5	5.7	63.3	12.0	8.2	83.5	53.6	11.5	25.1	173.7
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	6.9	55.8	11.6	6.0	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	11.7	5.1	6.8	44.4	10.4	6.4	61.2	80.3	20.8	17.7	180.0
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	7.4	51.0	9.0	3.3	63.3	56.7	12.1	17.2	149.3
Apr.	12.5	18.2	6.8	7.0	44.5	7.2	5.6	57.3	45.9	10.8	18.5	132.5
May	16.2	16.7	8.1	6.4	47.4	8.0	5.0	60.4	44.8	12.1	15.5	132.8
June	14.1	17.3	6.4	7.7	45.5	10.4	4.9	60.8	48.4	10.4	19.8	139.4
July	15.4	21.4	9.4	7.5	53.7	6.6	4.5	64.8	43.1	16.8	28.1	152.8
Aug.	11.9	19.2	5.4	6.4	42.9	8.6	6.6	58.1	42.1	10.7	17.5	128.4
Sep.	16.1	18.5	6.8	7.1	48.5	6.7	7.2	62.4	44.7	15.7	25.1	147.9
Oct.	18.5	21.9	8.5	7.7	56.6	9.7	5.9	72.2	41.0	16.4	23.4	153.0
Nov.	18.6	21.4	9.1	7.0	56.1	6.9	4.2	67.2	48.5	12.5	18.9	147.1
Dec.	17.2	14.4	6.6	8.6	46.8	9.2	6.2	62.2	44.6	17.0	16.0	139.8
2010²												
Jan.	19.8	21.0	7.4	5.9	54.1	7.6	6.7	68.4	51.2	14.2	16.4	150.2
Feb.	20.4	17.9	6.0	9.0	53.3	9.8	6.0	69.1	43.8	15.8	48.2	176.9
Mar.	17.9	24.5	8.2	7.2	57.8	19.7	7.5	85	54.1	18.9	28.7	186.7

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

² Provisional.

Source: NSO.

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	288.5	266.6	952.8	434.0	1,941.9	453.2	135.1	2,530.2	594.0	73.4	297.0	3,494.6
2009 ²	215.9	271.3	713.8	416.2	1,617.2	360.7	68.4	2,046.3	437.5	84.2	352.1	2,920.1
2008²												
Jan.	35.2	23.5	70.5	30.3	159.5	38.3	9.6	207.4	57.9	6.5	26.8	298.6
Feb.	22.1	28.1	63.1	43.6	156.9	41.1	7.3	205.3	48.6	5.5	12.2	271.6
Mar.	21.8	28.1	91.0	32.3	173.2	35.2	5.3	213.7	50.1	6.3	10.9	281.0
Apr.	22.6	22.6	93.1	53.0	191.3	40.1	19.7	251.1	51.6	7.1	37.7	347.5
May	29.9	21.1	68.7	50.8	170.5	26.4	10.7	207.6	49.9	7.5	21.7	286.7
June	19.7	23.8	85.9	31.0	160.4	45.7	7.0	213.1	52.9	3.8	20.2	290.0
July	33.5	19.9	91.8	39.7	184.9	61.7	22.4	269.0	56.1	5.2	27.4	357.7
Aug.	30.3	18.2	80.9	32.2	161.6	27.4	8.0	197.0	42.8	3.5	18.1	261.4
Sep.	24.2	21.1	69.9	27.5	142.7	39.5	14.2	196.4	50.1	6.7	68.1	321.3
Oct.	15.5	22.8	88.3	37.2	163.8	38.2	12.4	214.4	47.5	10.5	14.7	287.1
Nov.	20.2	20.2	92.7	28.0	161.1	32.7	8.9	202.7	45.5	5.7	16.4	270.3
Dec.	13.5	17.2	56.9	28.4	116.0	26.9	9.6	152.5	41.0	5.1	22.8	221.4
2009²												
Jan.	11.4	51.9	37.2	21.5	122.0	38.1	4.6	164.7	36.4	3.1	55.3	259.5
Feb.	18.9	21.1	52.8	26.6	119.4	24.0	4.9	148.3	36.0	12.6	8.7	205.6
Mar.	12.5	19.4	49.5	78.5	159.9	33.7	5.9	199.5	32.9	5.6	30.2	268.2
Apr.	11.0	19.5	72.4	23.4	126.3	31.4	9.7	167.4	37.8	10.0	50.3	265.5
May	15.6	14.5	61.6	26.3	118.0	24.3	5.6	147.9	33.7	12.3	38.3	232.2
June	22.5	17.9	67.4	34.3	142.1	30.1	7.3	179.5	26.6	7.1	12.0	225.2
July	23.3	17.9	55.7	46.5	143.4	32.4	5.1	180.9	37.0	5.5	68.9	292.3
Aug.	27.7	21.8	59.3	33.6	142.4	33.9	6.0	182.3	59.7	4.5	17.9	264.4
Sep.	24.5	15.9	58.5	36.2	135.1	24.6	4.6	164.3	31.4	6.7	9.4	211.8
Oct.	17.5	25.7	74.8	30.1	148.1	26.2	5.1	179.4	36.6	5.6	24.3	245.9
Nov.	15.3	23.7	65.3	30.4	134.7	35.0	4.7	174.4	35.2	4.4	15.3	229.3
Dec.	15.7	22.0	59.3	28.8	125.8	27.0	4.9	157.7	34.2	6.8	21.5	220.2
2010²												
Jan.	9.0	21.4	47.4	24.0	101.8	21.8	4.5	128.1	36.1	5.7	23.6	193.5
Feb.	7.1	19.2	54.3	37.8	118.4	25.6	7.4	151.4	37.7	6.1	58.1	253.3
Mar.	20.7	26.3	89.6	28.8	165.4	25.3	5.7	196.4	47.6	6.3	49.1	299.4

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

² Provisional.

Source: NSO.

Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption ²	General government consumption	Gross fixed capital formation	Changes in inventories ³	Total	Exports of goods and services	Imports of goods and services	Net		
2004	2,974.4	933.8	862.3	-100.3	4,670.2	3,552.8	3,727.8	-175.1	4,495.2	4,439.3
2005	3,119.7	941.8	961.5	18.6	5,041.6	3,700.3	3,957.0	-256.7	4,784.9	4,567.0
2006	3,211.4	1,014.5	1,077.5	64.0	5,367.3	4,452.4	4,705.4	-253.1	5,114.3	4,889.2
2007	3,333.3	1,039.4	1,114.5	83.0	5,570.1	4,896.2	5,003.4	-107.2	5,462.9	5,272.5
2008	3,611.3	1,219.5	935.2	73.9	5,840.0	4,699.5	4,861.3	-161.9	5,678.1	5,453.6
2009	3,675.2	1,246.2	813.9	-113.5	5,621.8	4,159.0	4,060.5	98.5	5,720.3	5,342.0
2009										
Q1	843.1	307.6	187.0	-0.9	1,336.8	893.1	905.7	-12.6	1,324.2	1,155.3
Q2	901.6	310.8	189.9	-27.9	1,374.4	1,026.1	993.5	32.6	1,407.0	1,375.3
Q3	948.3	316.8	236.1	-95.0	1,406.2	1,182.5	1,086.7	95.8	1,502.1	1,397.8
Q4	982.2	311.1	200.9	10.3	1,504.4	1,057.2	1,074.6	-17.4	1,487.0	1,413.6
2010										
Q1	864.5	304.5	184.5	46.1	1,399.5	999.5	982.2	17.3	1,416.9	1,364.2

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	2,763.6	796.4	789.5	-90.8	4,258.7	3,746.6	3,976.4	-229.8	4,028.9
2005	2,826.7	790.0	885.1	17.0	4,518.8	3,769.0	4,103.5	-334.5	4,184.3
2006	2,843.1	836.3	930.4	56.5	4,666.3	4,164.7	4,495.2	-330.5	4,335.8
2007	2,904.3	836.0	924.4	73.6	4,738.3	4,275.8	4,511.9	-236.2	4,502.1
2008	3,051.6	942.9	724.3	64.8	4,783.5	4,052.3	4,256.6	-204.4	4,579.1
2009	3,090.9	936.4	588.1	-92.1	4,523.2	3,881.4	3,894.0	-12.6	4,510.6
2009									
Q1	708.0	230.1	139.8	-0.7	1,077.2	815.6	842.7	-27.1	1,050.1
Q2	753.0	233.4	141.6	-22.5	1,105.5	955.2	955.9	-0.8	1,104.7
Q3	800.4	238.3	166.7	-77.0	1,128.5	1,095.8	1,052.4	43.5	1,172.0
Q4	829.4	234.5	140.0	8.1	1,212.0	1,014.9	1,043.1	-28.2	1,183.8
2010									
Q1	714.3	221.9	132.8	36.8	1,105.9	969.3	989.1	-19.8	1,086.1

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	72.7	122.8	159.0	193.6	548.1	415.3	85.8	1049.1	133.8	1,183.0
2009										
Jan.	2.5	6.2	8.5	5.7	22.9	17.5	3.8	44.2	7.5	51.6
Feb.	2.9	5.3	6.1	6.5	20.7	20.5	3.0	44.2	7.0	51.2
Mar.	2.8	9.3	11.4	9.3	32.7	27.4	4.1	64.2	6.9	71.2
Apr.	7.6	13.4	13.2	18.5	52.7	32.4	6.1	91.2	10.4	101.6
May	8.4	11.2	13.4	18.2	51.1	39.7	7.2	98.1	10.2	108.3
June	6.9	10.4	13.7	16.6	47.6	45.4	8.7	101.7	12.3	114.0
July	9.6	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

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	41.7	145.8	97.9	40.1	137.9	6.3	6.1	1.4	3.4	7.7	5.3
2004	104.1	42.0	146.2	97.5	40.4	137.9	6.6	6.3	1.7	3.9	8.3	5.6
2005	103.5	42.7	146.2	97.6	41.1	138.7	5.8	5.7	1.6	3.7	7.4	5.1
2006	103.4	43.9	147.3	97.8	42.2	140.0	5.6	5.4	1.7	3.9	7.3	5.0
2007 ³	103.6	45.2	148.9	98.5	43.7	142.2	5.1	4.9	1.6	3.5	6.7	4.5
2008 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	103.8	48.3	152.1	98.2	46.6	144.8	5.7	5.4	1.7	3.5	7.3	4.8
2008³												
Jan.	104.0	46.3	150.2	99.1	44.7	143.8	4.9	4.7	1.6	3.4	6.5	4.3
Feb.	104.1	46.5	150.6	99.3	44.9	144.3	4.8	4.6	1.5	3.3	6.3	4.2
Mar.	104.0	46.5	150.5	99.3	45.1	144.4	4.7	4.6	1.4	3.1	6.2	4.1
Apr.	104.2	46.8	151.0	99.6	45.3	144.9	4.7	4.5	1.4	3.0	6.1	4.0
May	104.1	46.8	150.9	99.4	45.4	144.9	4.7	4.5	1.4	2.9	6.0	4.0
June	104.6	47.3	152.0	100.1	46.0	146.1	4.5	4.3	1.3	2.8	5.9	3.9
July	105.0	47.8	152.8	100.4	46.5	146.9	4.6	4.4	1.4	2.9	6.0	3.9
Aug.	104.7	47.8	152.5	100.0	46.4	146.4	4.7	4.5	1.4	3.0	6.1	4.0
Sep.	104.8	47.8	152.5	100.0	46.4	146.4	4.8	4.5	1.3	2.8	6.1	4.0
Oct.	104.6	47.7	152.3	99.5	46.4	145.9	5.0	4.8	1.3	2.8	6.4	4.2
Nov.	104.7	47.8	152.5	99.5	46.3	145.9	5.2	4.9	1.4	3.0	6.6	4.3
Dec.	104.2	47.7	151.9	99.2	46.4	145.5	5.0	4.8	1.4	2.9	6.4	4.2
2009³												
Jan.	104.3	47.8	152.1	98.9	46.3	145.1	5.4	5.2	1.6	3.3	7.0	4.6
Feb.	104.2	47.8	152.1	98.8	46.2	145.0	5.4	5.2	1.7	3.5	7.1	4.7
Mar.	104.1	48.0	152.1	98.7	46.3	145.0	5.4	5.2	1.7	3.5	7.1	4.7
Apr.	104.1	48.1	152.3	98.6	46.4	145.1	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

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

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

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

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	All Items Index	12-month moving average rates of change (%)												
		All Items	Food & non alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	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

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 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*.

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 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. Diplo-

matic 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, 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 Euro-system, which comprises the ECB and the NCBs of the member countries of the euro area.

ii. **Other monetary financial institutions (OMFIs)**, which in Malta 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 Banking Co-ordination Directives of December 1977 and December 1989 (77/780/EEC and 89/646/EEC), 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.

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

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: long-term financing, financial

leasing, factoring, security and derivative dealing, receiving deposits and/or close substitutes for deposits from MFIs only (and not from the public), and managing investment trusts, unit trusts and other collective investment schemes (collectively termed investment funds).

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

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

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

The non-monetary financial corporations may be split into public and private corporations, depending on who controls them. Control over a company is defined as the ability to determine general corporate policy by appointing directors or by owning more than half of the voting shares or otherwise controlling more than half of the shareholders' voting power. In addition, the government may secure control over a company or corporation by a special decree or regulation that enables it to determine corporate policy or to appoint the directors.

(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 (EEC) No 3037/90 entitled “Nomenclature générale des activités économiques dans les Communautés européennes” (General industrial classification of economic activities within the European Communities), known by the acronym NACE Rev.1.

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 OMF1 deposits with the Bank. **Narrow money (M1)** included the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. **Intermediate money (M2)** comprised M1, residents’ savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years. **Broad money (M3)** comprised M2 and the OMFIs’ repurchase agreements with the non-bank sector and their debt securities issued with an agreed maturity of up to and including two years and held by the non-bank sector.

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Maltese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the 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 show 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, temporarily, 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; and 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 issue, this part of the Maltese contribution to euro area M3 may be negative. 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 OMFIs 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 publishes certain 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 generally 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 exclude professional investor funds and money market funds. 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.

Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.16 and 1.17 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) 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 1.19 (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 Liri 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 1.19 shows the weighted average rates paid on resident current, savings and time deposits by MFIs in Malta (in Maltese Liri 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 Liri. All outstanding Treasury bills and government securities denominated in Maltese Liri 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 1.20 comprise all financial assets that are usually negotiable and traded on recognised exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares included in Table 1.21 cover all shares whose prices are quoted on a recognised stock exchange or other form of regulated market. 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 shows the general government financial balance sheet (end of period amounts), which includes balance sheet statistics on financial assets and liabilities of the general government sector split by instrument. Table 2.6 on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatisation receipts or the utilisation of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government (Table 2.7), which mainly relate to the debts of non-financial public sector corporations. Government-guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government, which loans already feature in the calculation of government external debt. Government-guaranteed debt includes guarantees issued by the extra-budgetary units but excludes guarantees issued to them as they already feature in the general government debt. The methodology underlying the compilation of data on the external loans of general government sector in Table 2.11 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 and other supplementary information received from the NSO. Historical data are updated by the Central Bank of Malta on a monthly basis, going back at least 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*". 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.