



**BANK ĊENTRALI TA' MALTA**  
**EUROSISTEMA**  
**CENTRAL BANK OF MALTA**

**QUARTERLY REVIEW**

**2010**

**Vol. 43 No. 1**

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*Printed by*

*Gutenberg Press Ltd  
Gudja Road  
Tarxien, Malta*

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*The cut-off date for statistical information published in the Economic Survey of this Review is 30 March 2010, except where otherwise indicated. Figures in tables may not add up due to rounding.*

ISSN 0008-9273 (print)  
ISSN 1811-1254 (online)

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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
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
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

During the final quarter of 2009 the incipient recovery in the global economy gained ground, as the US economy grew moderately, the contraction in other major industrial economies slowed down and the principal emerging market economies recorded faster growth. However, rising global demand and improved macroeconomic prospects pushed up commodity prices, resulting in a slight pick-up in inflation.

In the euro area, the ECB considered that the recovery, though uneven, was on track. With price developments expected to be subdued over the policy relevant horizon, the ECB left its key interest rates unchanged throughout the quarter and during the first four months of 2010. Thus, the interest rate on the MROs remained constant at 1.00% over the entire period.

Meanwhile, towards the end of 2009, the Eurosystem began to phase out some of the non-standard enhanced credit support measures designed to ease conditions in the financial system, which it began to introduce in late 2008. Thus, in December the Governing Council decided that the twelve-month long-term refinancing operation (LTRO) held on 16 December 2009 was to be the last, and that the rate charged on this operation would be set at the average minimum bid rate of the MROs over the life of the operation. Furthermore, in March the Governing Council decided to return to variable rate tender procedures in the regular three-month LTRO and to fix the rate on 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. Both the regular MROs and the special-term refinancing operations with a maturity of one maintenance period, however, would continue to be held as fixed rate tender procedures with full allotment.

Subsequently, however, concerns over the fiscal situation in some euro area Member States led to renewed tensions in financial markets, as shown by widening sovereign bond yield spreads. In response, the ECOFIN Council, on 10 May 2010, adopted a comprehensive package of measures to preserve financial stability, including the creation of a European stabilisation mechanism. In addition, on the same day, the Governing Council of the ECB decided to conduct interventions in the euro area public and private debt securities markets to ensure their depth and liquidity. These interventions will be sterilised to avoid an additional injection of liquidity and neutralise their impact on money market rates. Moreover, the Governing Council decided to adopt a fixed rate tender procedure with full allotment in the three-month LTROs to be allotted on 26 May and 30 June and to conduct an additional six-month LTRO with full allotment on 12 May. Finally, the Council decided to reactivate temporary swap lines with the US Federal Reserve and to resume US dollar liquidity-providing operations. The Governing Council considered these measures essential to address malfunctioning securities markets and ensure the effectiveness of the monetary policy transmission mechanism.

Despite these financial market tensions, economic conditions in the euro area appeared to be improving gradually. Real GDP contracted at a slower pace during the final quarter of 2009, dropping by 2.2% on a year earlier, after having decreased by 4.1% during the previous quarter. Although domestic demand continued to fall, it did so less rapidly than in the previous quarter, as declines in private consumption and investment moderated. At the same time, net exports contributed positively to growth.

Rising energy prices pushed up euro area inflation, however, which turned positive in November and rose to 0.9% by the end of the year. The pick-up in inflation continued into the following quarter, with the annual HICP inflation rate going up to an estimated 1.5% in March.

Nevertheless, the latest ECB staff projections, published in March, confirm an ongoing, gradual recovery in the euro area. The average annual real GDP growth rate is expected to rise to between 0.4% and 1.2% in 2010 and between 0.5% and 2.5% in 2011. Inflation is also expected to pick up, with the average annual rate ranging between 0.8% and 1.6% in 2010 and between 0.9% and 2.1% in 2011.

The Maltese economy resumed growth in the final quarter of 2009, with real GDP putting on 0.5% on a year earlier after having contracted for three consecutive quarters. Growth was driven by net exports, as imports continued to fall while exports increased marginally. The decline in domestic demand moderated too, due to faster growth in private consumption and a slower drawdown of inventories. Investment fell back sharply, however, following an extraordinary increase in the previous quarter, while government consumption also diminished. Industrial confidence strengthened during the quarter, though it declined slightly in the following three months, while confidence among firms in service industries rose further and extended its upward trend into 2010.

According to LFS data, employment expanded on a year earlier during the period reviewed, while ETC statistics pointed to a more moderate contraction in the gainfully occupied population over the year to November. The seasonally-adjusted unemployment rate was stable during the final quarter of 2009 and then began to fall in the following quarter.

The steady downward trend in inflation in Malta seen throughout 2009 persisted during the final quarter of the year, when the annual inflation rate turned negative. In December, the annual rate of HICP inflation stood at -0.4%, as against 0.8% three months earlier. The main factor behind this reduction was a sharp drop in the rate of increase in the prices of unprocessed food, as well as larger year-on-year falls in the prices of energy and of non-energy industrial goods. The annual rate of HICP inflation picked up again in the following quarter, however, reaching 0.7% in February.

On the basis of the measures available, there were modest gains in the Maltese economy's international price competitiveness towards the end of 2009. Both the nominal and the real HCIs fell, reflecting the depreciation of the euro and, in the case of the real indicator, the decline in Malta's inflation rate relative to its main trading partners. The long-term rise in ULC was also stemmed during the quarter, as employee compensation declined while productivity increased. Balance of payments data for 2009 as a whole also show a smaller overall imbalance, with the current account deficit narrowing to 3.9% of GDP from 5.4% in the previous year.

Domestic money market rates fell further during the final quarter of 2009 and in the following three months. There were divergent movements in the yields on government bonds with different maturities, however, as those on five-year debt declined whereas ten-year yields fluctuated within a stable band. Average deposit rates also fell, probably reflecting the lagged effects of earlier reductions in official interest rates, whereas bank lending rates were broadly stable. Credit to residents continued to expand quite strongly, driven mainly by mortgage lending, though the annual rate of credit growth moderated.

Despite less favourable economic conditions, the general government deficit narrowed to 3.8% of GDP during 2009 from 4.5% in 2008, as revenue increased while expenditure fell. A one-off amnesty scheme boosted tax revenue, whereas a sharp reduction in subsidies and the unwinding of the early retirement schemes for shipyard workers lowered spending. The general government debt continued to rise, however, reaching 69.1% of GDP in December.

Looking ahead, as the economic recovery gathers pace, policy attention should turn towards fiscal consolidation. Meeting the targets laid out in the updated Stability Programme should ensure that Malta complies with the agreed 2011 deadline for bringing the fiscal deficit below the 3% threshold. Consolidation should also help to contain the rise in the public debt and also to cushion public finances from the adverse impact of population ageing. While the Government has an important role to play in ensuring that the physical infrastructure supporting the economy is adequate and in improving the quality of the labour force, the focus of consolidation should still lie on the reduction of recurrent expenditure.

At the same time, broader structural reforms remain necessary to ensure that the Maltese economy safeguards its external competitiveness, especially since key trading partners are engaged in radical adjustments of their domestic cost structures. The thrust of reforms should aim at opening up key economic sectors to greater competition, which would also contain price pressures. Given the weight of labour in the economy's cost structure, increasing labour market flexibility and wage moderation, especially in the public sector, are also important.

## ECONOMIC SURVEY

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

During the final quarter of 2009, economic activity in the major industrialised countries generally continued to contract, albeit at a slower pace, although the US economy grew marginally. In contrast, the principal emerging market economies recorded faster growth, which helped drive the global economy out of recession. Moreover, rising demand and improved macroeconomic prospects pushed up commodity prices, and hence, after having been negative in several countries for some months, inflation rates generally turned positive.

In the euro area real GDP continued to contract during the final three months of 2009, though the pace of decline moderated. This was almost entirely attributable to increased net exports. Labour market conditions, however, continued to deteriorate, with employment contracting by 2.0% year-on-year and the unemployment rate rising to 9.9% by the end of December. Meanwhile, rising energy prices pushed up euro area inflation, which, after having been negative for five consecutive months, turned positive in November and ended the year at 0.9%. Looking ahead, real GDP in the euro area is expected to recover gradually, with a return to growth in 2010 and a further pick-up in 2011. But as the recovery gathers pace, area-wide inflation is expected to rise gradually.

#### International economic developments

##### *US GDP growth turns positive*

Following five quarters of negative year-on-year growth, the US economy began to expand again in the final quarter of 2009. Real GDP grew by 0.1% on a year earlier during the quarter, following a 2.6% contraction in the previous quarter (see Table 1.1). On a quarter-on-quarter basis, the economy grew by 1.4%, for its second consecutive quarter of growth. Annual GDP growth was mostly driven by a rebound in household consumption, which put on 1.0%, expanding for the first time in six quarters. At the same time, private fixed investment, both in the residential and in the non-residential categories, fell at a slower annual rate. Government consumption also contributed positively to growth, although it expanded at a slower pace than in the previous quarter. Both exports and imports declined at a slower annual rate, but with imports falling faster than exports, net exports contributed positively to growth.

Despite the pick-up in economic activity, labour market conditions continued to deteriorate during the quarter, with the unemployment rate reaching 10.0% in December from 9.8% in September.

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

*Annual percentage changes, seasonally adjusted*

	2008	2009			
	Q4	Q1	Q2	Q3	Q4
United States	-1.9	-3.3	-3.8	-2.6	0.1
Euro area	-1.9	-5.0	-4.9	-4.1	-2.2
United Kingdom	-2.1	-5.3	-5.9	-5.3	-3.1
Japan	-4.3	-8.4	-6.0	-4.9	-1.4

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

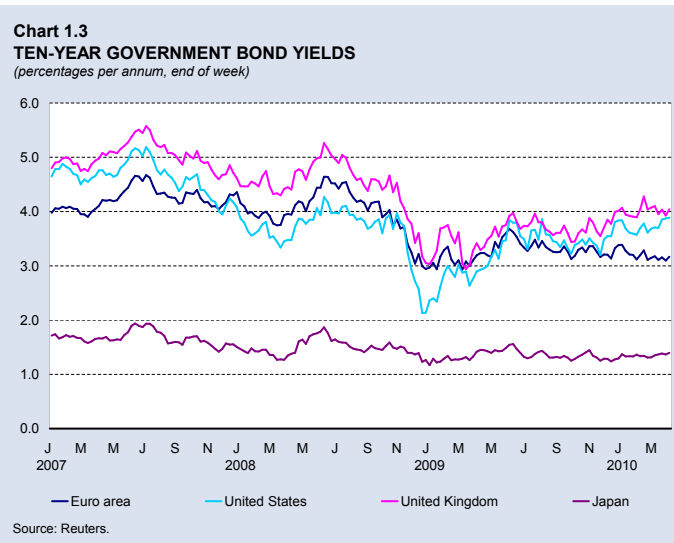
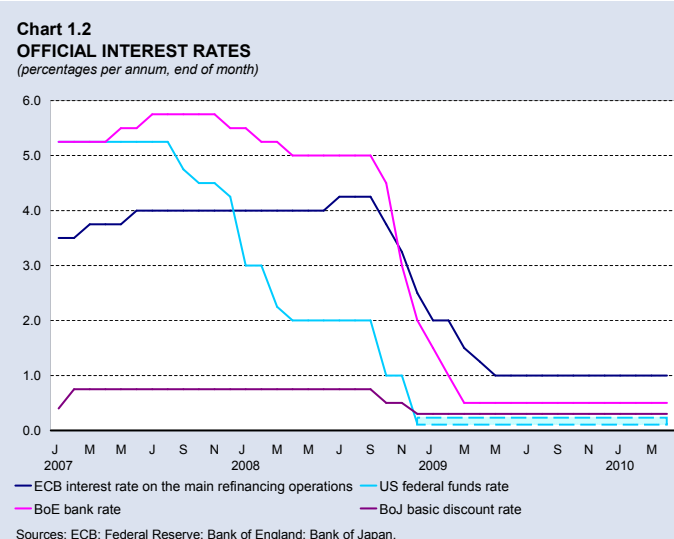
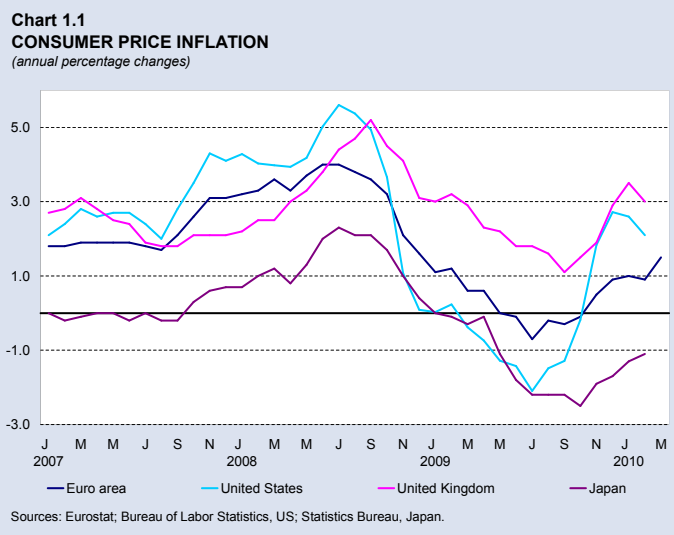


Some signs of a turnaround did emerge, however, as the jobless rate peaked at 10.1% in October, before declining slightly towards the end of 2009. By the end of March 2010, the unemployment rate had eased to 9.7%.

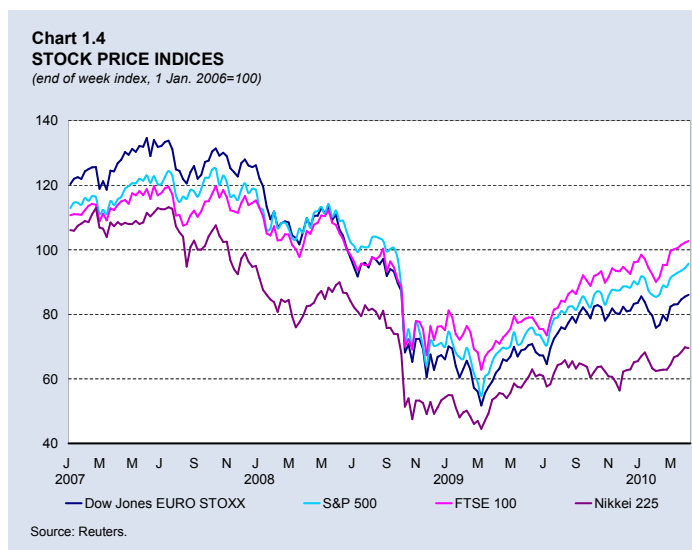
Downward price pressures abated as the base effects of the previous year's high energy prices faded away. Consequently, the annual rate of inflation turned positive in November, after having been negative for eight consecutive months (see Chart 1.1). Thus the rate of inflation rose to 2.7% in December from -1.3% in September. Going into 2010, however, US inflation fell slightly, reaching 2.1% in February.

The Federal Reserve kept the federal funds rate target in a range from zero to 0.25% throughout 2009 and the first quarter of 2010 (see Chart 1.2). During the final quarter of 2009 it also continued to apply quantitative easing measures, such as purchases of agency debt, to support credit and housing markets. Towards the end of the year, however, the Federal Reserve began to slow the pace of such purchases, ceasing them altogether by the end of the first quarter of 2010. During February and March, the Federal Reserve also closed some of its special liquidity facilities as it began to withdraw some of the exceptional support measures it had taken to combat the financial crisis.

US long-term government bond yields generally rose during the final quarter of 2009 (see Chart 1.3). The increase was driven



both by improved macroeconomic prospects and by concerns about the large volume of US government bonds issued. Thus, ten-year yields ended December at 3.84%, up by 53 basis points from their end-September level. At the beginning of 2010, however, yields fell as investors' appetite for risky assets diminished, pushing up prices of safer investments, such as US Treasury securities. Towards the end of quarter, however, long-term government bond yields recovered, ending March at 3.83%.



US equity prices, as measured by the S&P 500, rose for most of the December quarter. The general upward trend was interrupted in mid-October, mainly reflecting concerns about the soundness of the financial sector, but improving economic data soon pushed prices up again (see Chart 1.4). Thus, the index ended the quarter up by 5.5%. And it continued on its upward trend in the following quarter, rising by around another 5%.

#### *Economic activity in the United Kingdom contracts at a slower pace*

In the United Kingdom, the economy contracted at a slower pace in the last quarter of 2009. Real GDP fell by 3.1% on a year earlier, following a 5.3% decline in the previous quarter. On a quarter-on-quarter basis, in fact, output grew for the first time in seven quarters, by 0.4%. The moderation in the annual rate of decline reflected developments in domestic demand, which contracted at a slower rate than in the September quarter, as private consumption fell less rapidly. Changes in inventories also contributed positively to growth. Investment, however, continued to fall, while the contribution from net exports turned negative. After remaining stable throughout the third quarter, the unemployment rate fell slightly, to 7.7%, during the final quarter of 2009.

Despite weak demand conditions, the annual HICP inflation rate rebounded during the quarter, reaching 2.9% in December from 1.1% in September. Inflationary pressures were driven by higher energy prices and the weakness of the pound sterling in the foreign exchange markets. Going into 2010 UK inflation edged up further, reaching 3.0% in February.

Against this economic backdrop, the Bank of England left the official bank rate at 0.50% throughout the last quarter of 2009 and the first quarter of 2010. Additionally, in November, the UK central bank expanded its asset purchase programme and it kept it unchanged through the first quarter of 2010.

Long-term UK government bond yields rose overall during the fourth quarter of 2009. Yields increased by around 43 basis points, ending December at 4.01%. Going forward, bond yields fell slightly, ending March at 3.95%. UK equity prices, as measured by the FTSE 100, mirrored US stock market trends, rising by around 5% in the final quarter of 2009 and again in the first quarter of 2010.

### *The contraction in the Japanese economy moderates*

Japanese economic output contracted at a much slower pace during the December quarter. Real GDP fell by 1.4% on a year earlier, as against a 4.9% drop in the previous quarter. On a quarter-on-quarter basis, output growth even turned positive, with GDP expanding by 0.9%. The moderation in the Japanese economy's decline mainly reflected a positive contribution to growth from net exports, as exports fell at much slower rate than imports, boosted by rising foreign demand. Household consumption also expanded, after six quarters of negative growth. But the decline in investment persisted, albeit at a slower pace. Meanwhile, although government consumption continued to expand, boosting growth, it did so at a slower annual rate. Unemployment remained relatively stable throughout the quarter, ending the year at 5.2%, from 5.3% in September. Going into 2010, the jobless rate fell slightly, to 4.9%, in January.

After remaining stable throughout the September quarter, Japan's (negative) inflation rate fell further in October, reaching -2.5%, before rising to end the year at -1.7%. The persistent decline in Japanese consumer prices was driven by the substantial slack in the economy. During the first quarter of 2010, however, Japanese inflation picked up further, rising to -1.1% in February.

The Bank of Japan left the basic discount rate unchanged at 0.3% throughout 2009 and the first quarter of 2010. During the final quarter of 2009, the Japanese central bank introduced a new funds-supplying operation at an extremely low interest rate of 0.1% to encourage a further decline in longer-term interest rates. And in March 2010 the Bank increased the amount of loans supplied through these operations.

Long-term Japanese government bond yields were stable during the December quarter, and remained at a low level compared to other markets. Bond yields ended the year at 1.29%. In the following quarter, however, yields rose, ending March at 1.41%. Meanwhile, equity prices, as measured by the Nikkei 225, rose by around 4% during the December quarter, and they added a further 5% in the first quarter of 2010.

### *Emerging Asian economies continue to expand robustly*

Economic activity in the emerging Asian countries continued to accelerate further towards the end of 2009. Chinese output grew by 10.7% year-on-year in the December quarter, compared to 8.9% in the previous quarter. Growth was mainly driven by stimulus-driven investment, while the contribution from net exports remained negative. During the same quarter India's real GDP grew by 5.9% in annual terms, compared with 6.8% in the September quarter.

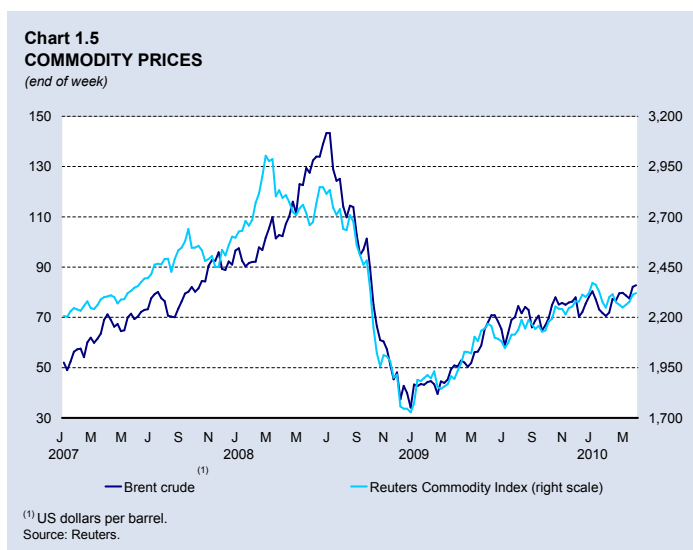
The annual rate of inflation in China turned positive in November, and ended the year at 1.9%. Going forward, China's inflation eased slightly in January 2010 before rising to 2.7% in February. In India, the wholesale price inflation rate rose sharply during the last quarter of 2009, reaching 8.1% in December from 0.5% in September. This was mainly driven by a rapid acceleration in food and energy prices. Inflation in India continued on its upward trend into 2010, reaching 9.9% in February.

## **Commodities**

### *Oil prices maintain their upward trend*

During the December quarter, the price of Brent crude oil extended the upward trend seen since the beginning of 2009, rising by around 19% (see Chart 1.5). The increase was driven by

signs of global economic recovery, indications of stronger oil demand and a weaker US dollar. Brent crude rose from USD65.88 per barrel at the end of September to fluctuate between USD70 and USD79 in the last two months of the year. Although it dipped in December, the price recovered and ended 2009 at USD78.26 per barrel. Going into the first quarter of 2010, Brent crude rose by around 2%, reaching USD79.88 per barrel by the end of March.

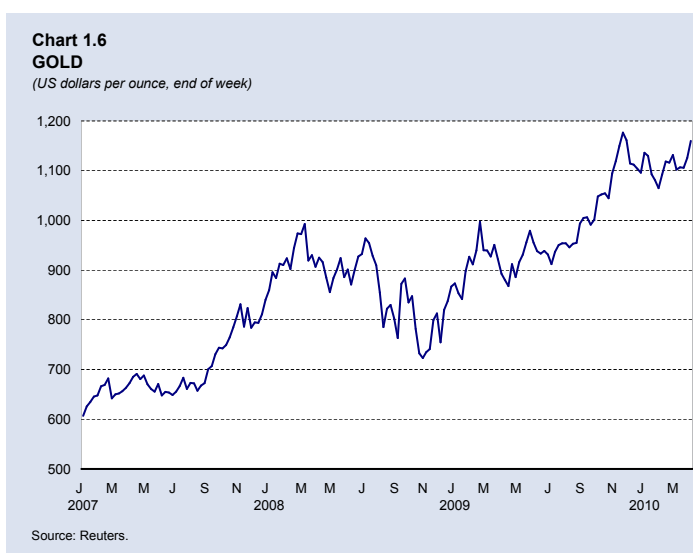


#### *Other commodity prices also increase*

Prices of non-energy commodities, as measured by the Reuters Commodity Index, also continued to increase during the fourth quarter of 2009, continuing to track oil prices (see Chart 1.5).<sup>1</sup> At the beginning of the quarter, food prices posted gains, largely driven by maize and cocoa prices. During December, further price rises were driven by the prices of corn, wheat and sugar. Metal prices also rose, especially those of copper and zinc, on expectations that stocks in industrial economies would be rebuilt as well as stronger demand from emerging markets. Overall, the price of non-energy commodities rose by 8.0% from end-September to end-December. Going forward, non-energy commodity prices declined marginally, ending March 0.2% down from their end-December levels, as food prices fell.

#### *Gold price hits record highs*

The price of gold reached record highs during the fourth quarter of 2009 (see Chart 1.6). Gold rose by around 9% during the quarter, peaking at USD1,214.55 per ounce on 2 December, driven by heavy demand from emerging market economies. The weakening of the dollar also boosted the price of the metal, which acts as a hedge against exchange rate movements and inflation. But improved economic sentiment subsequently dragged the price of gold downwards, so that it ended December at USD1,095.7 per



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

ounce. Going into 2010, the gold price edged up again, ending March 1.6% above its level three months earlier.

## Economic and monetary developments in the euro area

### *Euro area economic activity contracts less sharply*

Economic activity in the euro area contracted at a slower pace in the final quarter of 2009, helped by the incipient recovery in the world economy, the significant macroeconomic stimulus package and the measures adopted to restore the functioning of the banking system. Real GDP contracted by 2.2% on a year earlier, after three quarters of much sharper declines (see Table 1.2). On a quarter-on-quarter basis, area-wide real GDP was flat in the final quarter of the year, after an increase of 0.4% in the previous quarter that followed five quarters of contraction. This suggests that the recovery is likely to be uneven.

Domestic demand continued to contract on a year-on-year basis, falling by 2.9% during the quarter, as against a drop of 3.4% in the previous quarter. In line with recent trends, this reflected a fall in private consumption and investment, both of which, however, contracted at a slower pace than in the September quarter. In contrast, while government consumption continued to expand, it did so less rapidly than in the previous quarter. Meanwhile, inventory changes continued to contribute negatively to growth. In contrast, the contribution from net exports turned positive, rising from -0.7 percentage points in the previous quarter to 0.7 percentage points, as exports declined less steeply than imports.

### *HICP inflation turns positive*

After remaining below zero for five consecutive months, euro area inflation turned positive in November 2009. From -0.3% at the end of the third quarter of 2009, annual area-wide HICP

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

*Seasonally adjusted*

	2008	2009			
	Q4	Q1	Q2	Q3	Q4
	<i>Annual percentage changes</i>				
Private consumption	-0.8	-1.4	-1.0	-1.1	-0.6
Government consumption	2.4	2.4	2.3	2.6	1.8
Gross fixed capital formation	-6.0	-11.4	-11.6	-11.3	-8.8
<b>Domestic demand</b>	<b>-0.5</b>	<b>-3.5</b>	<b>-3.7</b>	<b>-3.4</b>	<b>-2.9</b>
Exports	-7.0	-16.1	-16.6	-13.2	-4.6
Imports	-3.8	-12.9	-14.3	-11.9	-6.3
<b>GDP</b>	<b>-1.9</b>	<b>-5.0</b>	<b>-4.9</b>	<b>-4.1</b>	<b>-2.2</b>
	<i>Percentage point contributions</i>				
Private consumption	-0.4	-0.8	-0.6	-0.6	-0.3
Government consumption	0.5	0.5	0.5	0.5	0.4
Gross fixed capital formation	-1.3	-2.5	-2.5	-2.4	-1.9
Changes in inventories	0.8	-0.6	-1.1	-0.8	-1.0
<b>Domestic demand</b>	<b>-0.5</b>	<b>-3.5</b>	<b>-3.7</b>	<b>-3.4</b>	<b>-2.9</b>
Exports	-2.9	-6.9	-7.0	-5.6	-1.8
Imports	1.5	5.3	5.8	4.9	2.5
<b>Net exports</b>	<b>-1.4</b>	<b>-1.6</b>	<b>-1.2</b>	<b>-0.7</b>	<b>0.7</b>
<b>GDP</b>	<b>-1.9</b>	<b>-5.0</b>	<b>-4.9</b>	<b>-4.1</b>	<b>-2.2</b>

Source: Eurostat.

inflation rose to 0.9% in December (see Chart 1.7).

The pick-up in inflation mainly reflected higher energy prices. The latter, which in September were down by 11.0% from the previous year's level, rebounded, and were up by 1.8% by December. Otherwise, the rate at which the remaining major components of the HICP index rose was practically unchanged from September, with the prices of services, in particular, continuing to increase steadily. Indeed, core inflation, measured by excluding energy and unprocessed food from the HICP, fell only slightly, to 1.1% from 1.2%, during the quarter.

The increasing trend in inflation continued into the first quarter of 2010, with annual area-wide HICP inflation rate rising to an estimated 1.5% in March.

#### Labour market conditions worsen

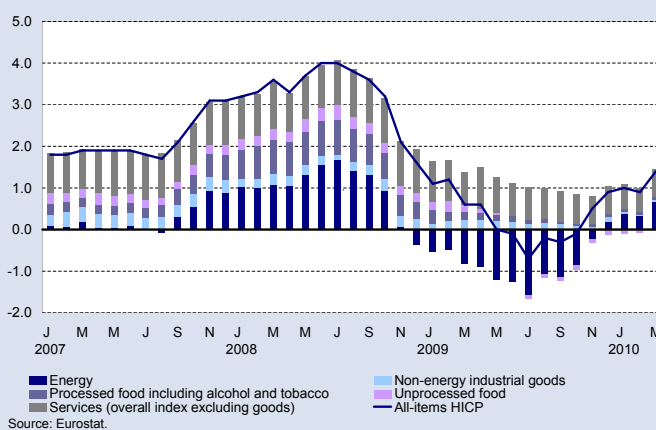
Conditions in the euro area labour market continued to deteriorate during the final quarter of 2009, with employment falling by a further 2.0%, year-on-year, following a 2.2% decline in the previous

quarter. As a result, the unemployment rate continued to rise, edging up from 9.8% in September to 9.9% in December (see Chart 1.8). The jobless rate extended its upward trend into 2010, adding another 0.1 of a percentage point by February to reach its highest level since August 1998.

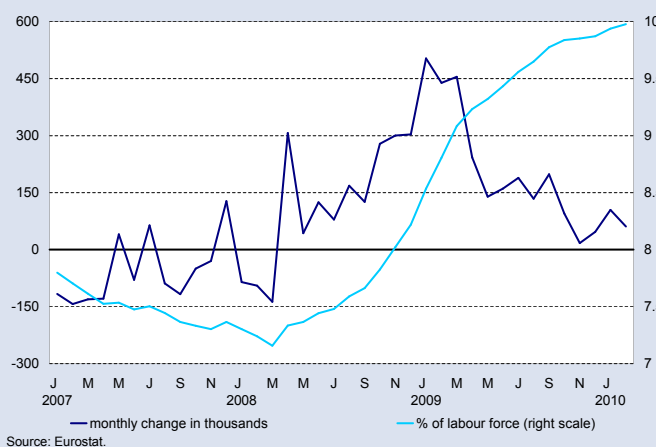
#### Euro area real GDP forecasts revised upwards

In line with the ongoing recovery in the world economy, the latest ECB staff macroeconomic projections, published in March, put annual average real GDP growth in the euro area in a range from 0.4% to 1.2% in 2010 and between 0.5% and 2.5% in 2011 (see Table 1.3). Hence, euro area growth in 2010 is expected to remain moderate, with activity being supported mainly by exports and, to a lesser extent, by a slow recovery in domestic demand. Although growth is expected to accelerate in 2011, it is still expected to remain weaker than before the recession and is likely to be uneven over the projection horizon.

**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<sup>(1)</sup>***Average annual percentage changes, working-day-adjusted data.*

	2009	2010	2011
Private consumption	-1.0	-0.3 – 0.5	0.2 – 2.0
Government consumption	2.5	0.1 – 1.1	0.2 – 1.6
Gross fixed capital formation	-10.8	-3.1 – -0.5	-1.1 – 2.9
Exports	-13.0	3.2 – 7.6	1.4 – 7.8
Imports	-11.6	1.9 – 5.7	0.7 – 6.5
<b>Real GDP</b>	<b>-4.0</b>	<b>0.4 – 1.2</b>	<b>0.5 – 2.5</b>
<b>HICP</b>	<b>0.3</b>	<b>0.8 – 1.6</b>	<b>0.9 – 2.1</b>

<sup>(1)</sup> ECB staff macroeconomic projections (March 2010).

Source: ECB.

At the same time, inflation in the euro area is expected to rise gradually, reflecting the gradual recovery in economic activity but also taking into consideration the fact that potential output growth is likely to remain modest. Therefore, the average annual inflation rate is projected to be between 0.8% and 1.6% in 2010 and between 0.9% and 2.1% in 2011.

*ECB continues phasing out non-standard measures*

The ECB left its key official interest rates unchanged during the final quarter of 2009 and the first quarter of 2010. The Governing Council considered that current interest rates remained appropriate, given that price developments were expected to remain subdued over the policy relevant horizon and that the economic recovery in the euro area, although uneven, was on track.

In December, the ECB began to gradually phase out the non-standard measures it had introduced during the crisis. The Governing Council decided that the twelve-month long-term refinancing operation (LTRO) held on 16 December was to be the last, and that the rate charged on this operation would be fixed at the average minimum bid rate of the MROs over the life of the operation. This phasing-out process continued into the first quarter of 2010. In March the Governing Council decided to return to variable-rate tender procedures in the regular three-month LTRO, starting with the operation to be allotted on 28 April, and to fix the rate in the six-month LTRO to be allotted on 31 March 2010 at the average minimum bid rate of the MROs over the life of this operation. However, the Eurosystem will continue to conduct both the MRO and the special-term refinancing operations with a maturity of one maintenance period through fixed rate tender procedures with full allotment for as long as necessary and at least until 12 October 2010. In this way it will continue to provide liquidity support to the banking system of the euro area on very favourable terms, thereby facilitating the provision of credit throughout the area while avoiding distortions associated with maintaining non-standard measures for longer than needed.

*Annual rate of change of M3 turns negative*

The declining trend in the rate of growth of broad money (M3) observed in recent quarters continued through the final quarter of 2009. In fact, the annual rate of change of M3 turned negative in November, falling to -0.3% (see Table 1.4). The annual rate of broad money growth thus fell to an average of -0.1% in the December quarter, from a positive 2.4% the previous quarter. This decline was probably associated with the steep yield curve and increased investor confidence, which led to shifts out of M3 into longer-term assets, as well as with the weak pace of economic activity.

**Table 1.4**  
**MONETARY AGGREGATES FOR THE EURO AREA**

*Annual percentage changes, seasonally adjusted; Quarterly data are averages.*

	2008		2009			2009			2010	
	Q4	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan.	Feb.
<b>M1</b>	<b>3.0</b>	<b>5.8</b>	<b>8.7</b>	<b>12.8</b>	<b>12.2</b>	<b>11.8</b>	<b>12.5</b>	<b>12.3</b>	<b>11.5</b>	<b>10.9</b>
Currency in circulation	13.3	13.7	13.0	12.7	6.5	6.5	6.8	6.1	6.2	6.0
Overnight deposits	1.0	4.3	7.8	12.7	13.4	12.9	13.8	13.6	12.6	12.0
M2-M1 (Other short-term deposits)	15.1	8.2	2.0	-4.0	-8.3	-7.1	-8.7	-9.1	-8.0	-8.1
Deposits with an agreed maturity of up to two years	27.3	10.3	-2.8	-15.1	-23.2	-21.4	-23.9	-24.3	-22.6	-22.5
Deposits redeemable at notice of up to three months	0.0	5.4	9.3	13.6	15.8	16.1	16.1	15.1	13.7	12.6
<b>M2</b>	<b>8.8</b>	<b>7.0</b>	<b>5.4</b>	<b>4.2</b>	<b>1.9</b>	<b>2.3</b>	<b>1.8</b>	<b>1.5</b>	<b>1.9</b>	<b>1.6</b>
<b>M3</b>	<b>8.0</b>	<b>5.7</b>	<b>4.2</b>	<b>2.4</b>	<b>-0.1</b>	<b>0.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>0.1</b>	<b>-0.4</b>

Source: ECB.

Monetary developments in the euro area continued to be influenced by the narrow spreads between interest rates on the various types of deposits, which in turn caused a substitution within M3 towards M1. Consequently, the annual growth rate of M1, and especially that of the overnight deposit component, remained high, though M1 growth eased to an average of 12.2% in the quarter under review. At the same time, the annual rate of growth of short-term deposits other than overnight deposits (M2-M1) became increasingly negative during the quarter.

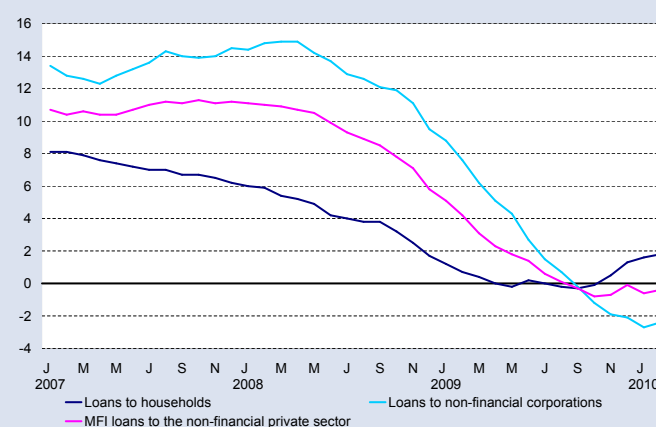
This pattern was repeated during the first two months of 2010, with M3 continuing to decline and M1 expanding at a slower pace.

#### *Credit growth slows further*

On the counterparts' side, credit aggregates continued to slow down during the last three months of 2009, with the annual growth of credit to euro area residents decelerating to 2.4% in December from 3.0% in September. This stemmed from a further decline in the rate of growth of credit to general government, albeit from still high rates. The annual rate of growth of credit to the private sector was relatively stable but negative, edging up from -0.3% in September to -0.1% three months later.

Developments in credit to the non-financial private sector were mixed. While the annual rate of growth of MFI loans to non-financial corporations fell further, dropping by 1.9 percentage points to -2.1%, that of loans to households increased by 1.6 percentage points to 1.3% (see Chart 1.9). The latter rise mainly resulted from increased lending for house purchases, but consumer credit, though still subdued, also contributed. MFI loans to households continued to expand during the first two months of 2010, signalling a turning point in the growth of such loans.

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



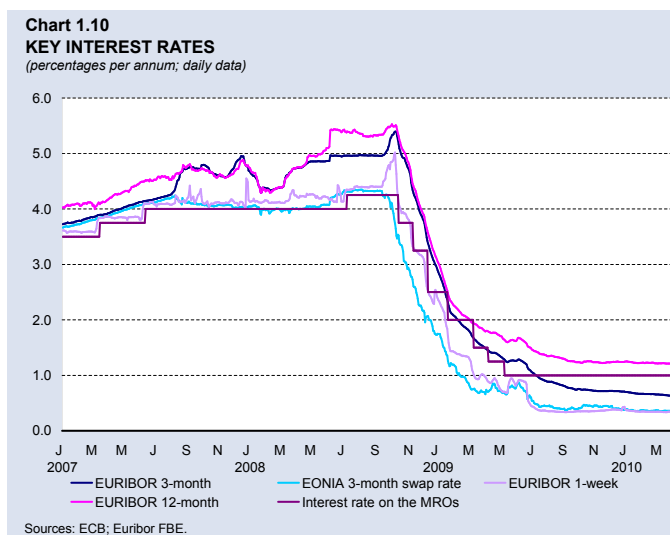


These divergent developments between loans to households and those to non-financial corporations are consistent with cyclical patterns: growth in loans to households tends to pick up early in the economic cycle, while that of loans to non-financial corporations generally lags behind improvements in economic activity.

### *Money markets characterised by high liquidity*

Money markets in the euro area continued to be characterised by ample liquidity during the December quarter. Unsecured money

market interest rates, as measured by EURIBOR, remained broadly stable, falling slightly on some maturities while rising on others (see Chart 1.10).<sup>2</sup> Over the quarter, the three-month EURIBOR fell by 5 basis points to 0.70%, while the twelve-month EURIBOR rose by just 1 basis point to 1.25%. After the turn of the year, however, unsecured money market interest rates declined further across all maturities. This may reflect the further easing of tensions in money markets in the context of the ECB's enhanced credit support measures, particularly following the allotment of the final one-year LTRO on 16 December. Indeed, by the end of March, the three-month and twelve-month EURIBOR had fallen by 7 and 4 basis points from their end-December levels, respectively. Given that the former rate dropped by more than the latter, the money market yield curve steepened.



In general the spread 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, although at a more moderate pace than in the previous quarter.<sup>3</sup> At the three-month maturity, this spread stood at 32 basis points at the end of December, having declined by a cumulative 4 basis points in three months. And in the first quarter of 2010 it fell by another 6 basis points. Despite this narrowing, however, these spreads were wider than those prevailing before the onset of the financial crisis in August 2007.

### *Euro area long-term government bond yields increase*

Over the last three months of 2009, ten-year government bond yields in the euro area increased by 15 basis points to 3.38%.<sup>4</sup> This increase, which was in line with developments in the United States, appears to have been underpinned by upward revisions to growth prospects in the euro area. The rise in yields during the fourth quarter of 2009 was reversed in the following quarter, however, when euro area benchmark bond yields dropped by 29 basis points to 3.09%. This decline took place amid intensifying market concerns about the sustainability of fiscal positions in some euro area countries, which raised demand for relatively safe German government bonds and brought about a widening of bond spreads across the area.

<sup>2</sup> 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.

<sup>3</sup> EONIA is a measure of the effective interest rate prevailing in the euro interbank overnight market. The EONIA swap rate is the fixed rate that banks are willing to pay in exchange for receiving the average EONIA rate over the lifetime of a swap contract.

<sup>4</sup> Data refer to German ten-year government bond yields, which are taken as the benchmark for the euro area.

### Rise in euro area stock prices slows down

Broadly in line with developments in all the major industrialised countries, euro area equity prices, as measured by the Dow Jones EURO STOXX index, extended their upward trend during the December quarter, rising by 2.1%. This was a much slower rate of increase than the 20.7% rise registered in the preceding quarter. The slowdown reflected market concerns about the soundness of the financial sector and an earlier-than-envisaged withdrawal of support by governments, as well as doubts about the speed of the economic recovery. This occurred notwithstanding the release of favourable news on the economy and on corporate earnings expectations. The upward trend in equity prices moderated further in the following quarter, when they put on only 0.8%.

### The euro depreciates significantly

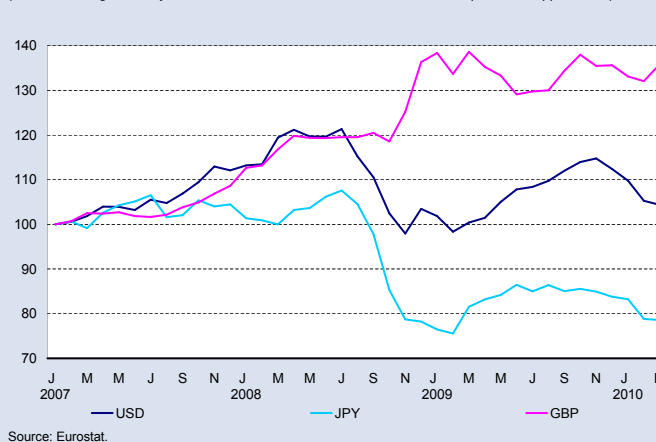
The nominal effective exchange rate (NEER) of the euro, as measured against the currencies of 21 of the euro area's main trading partners, appreciated during October and November (see Chart 1.11). This was driven by the strengthening of the euro against the US dollar, the pound sterling and the major Asian currencies linked to the US dollar. In the following month, however, the euro weakened significantly, more than offsetting the previous two months' gains. The depreciation of the euro was rather broadly based, and was only slightly reduced by the currency's appreciation vis-à-vis the Japanese yen. Over the quarter as a whole, the NEER of the euro weakened by 1.2%. This depreciation accelerated in the first quarter of 2010, with the NEER falling by a considerable 4.5%. Although it was rather broadly based, this depreciation of the European unit was particularly pronounced vis-à-vis the US dollar and the Japanese yen.

From the perspective of key bilateral exchange rates, the euro appreciated against the US dollar in both October and November, reportedly as a result of low US interest rates and declining global risk perceptions (see Chart 1.12). In December, however, the euro weakened vis-à-vis the dollar, due to a relatively broad-based appreciation of the American currency against other major currencies. Over the quarter as a whole, the euro strengthened by just 0.4%

**Chart 1.11**  
**EURO NOMINAL EFFECTIVE EXCHANGE RATE**  
(index of daily effective exchange rate; Q1 1999=100)



**Chart 1.12**  
**EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES**  
(index of average monthly rates; Jan. 2007=100; an increase in the index implies euro appreciation)



against the US dollar. It continued to weaken during the following three months, when it lost 7.2% of its value against the US currency on mixed economic data for the euro area and continued uncertainty about the fiscal situation in Greece.

Against the Japanese yen the euro fluctuated in a narrow range during the December quarter. Over the quarter as a whole, it shed 1.5% of its value against the yen, after having fallen by 1.7% in the previous quarter. The depreciation in the EUR/JPY exchange rate gathered momentum in the first quarter of 2010, with the euro weakening by a further 6.2% in yen terms.

In contrast, the euro strengthened by 0.9% against the pound sterling during the quarter. These gains were driven by weaker-than-expected data about the British economy and uncertainty over the UK's economic outlook. The euro continued to strengthen against the pound during the first quarter of 2010, though to a lesser extent, gaining a further 0.2%.

## 2. THE MALTESE ECONOMY

### Output

#### *Economic growth resumes in the fourth quarter of 2009...*

Following three consecutive quarters of contraction, growth resumed in the fourth quarter of 2009 when real GDP rose by 0.5%, taking the overall decline for the year to 1.9%. The fourth quarter recovery was driven by net exports, although the drop in domestic demand moderated too (see Chart 2.1 and Table 2.1). The recovery in activity was corroborated by a less rapid rise in unemployment and an improvement in business sentiment, even though consumer confidence remained weak (see Box 1).

**Chart 2.1**  
**REAL GDP GROWTH**  
(annual percentage changes)



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

	2008		2009		
	Q4	Q1	Q2	Q3	Q4
<i>Annual percentage changes</i>					
Household final consumption expenditure	2.8	1.1	-0.5	1.0	3.0
Government final consumption expenditure	5.4	1.4	0.0	-2.4	-6.4
Gross fixed capital formation	-37.9	-29.2	-29.8	7.6	-20.5
Changes in inventories as a % of GDP	-1.9	0.6	-2.4	-7.5	-0.2
<b>Domestic demand</b>	<b>-7.5</b>	<b>-6.7</b>	<b>-14.9</b>	<b>-4.4</b>	<b>-0.6</b>
Exports of goods & services	-10.2	-13.1	-1.8	1.3	0.1
Imports of goods & services	-17.7	-17.6	-14.8	-0.9	-1.2
<b>Gross domestic product</b>	<b>0.7</b>	<b>-2.0</b>	<b>-3.9</b>	<b>-2.4</b>	<b>0.5</b>
<i>Percentage point contributions</i>					
Household final consumption expenditure	1.9	0.7	-0.4	0.6	2.0
Government final consumption expenditure	1.1	0.3	0.0	-0.5	-1.3
Gross fixed capital formation	-9.1	-5.3	-5.1	1.0	-3.0
Changes in inventories	-2.1	-3.0	-11.2	-5.4	1.7
<b>Domestic demand</b>	<b>-8.2</b>	<b>-7.3</b>	<b>-16.7</b>	<b>-4.2</b>	<b>-0.6</b>
Exports of goods & services	-9.8	-11.3	-1.5	1.1	0.1
Imports of goods & services	18.8	16.6	14.3	0.7	1.0
<b>Net exports</b>	<b>9.0</b>	<b>5.3</b>	<b>12.8</b>	<b>1.9</b>	<b>1.1</b>
<b>Gross domestic product</b>	<b>0.7</b>	<b>-2.0</b>	<b>-3.9</b>	<b>-2.4</b>	<b>0.5</b>

Source: NSO.

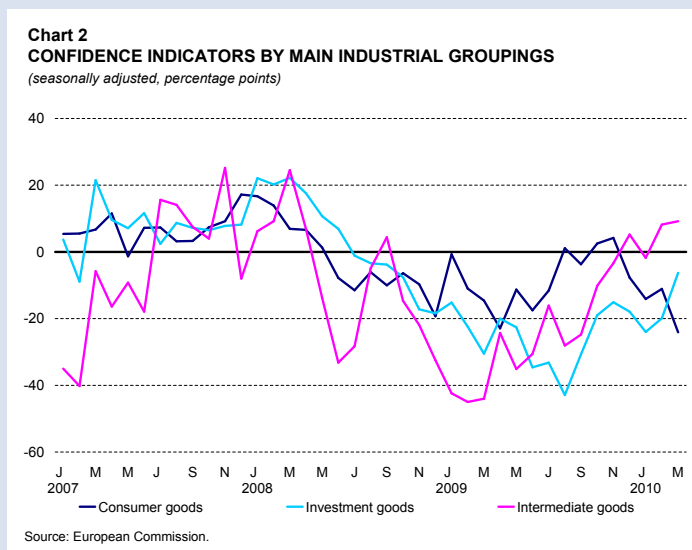
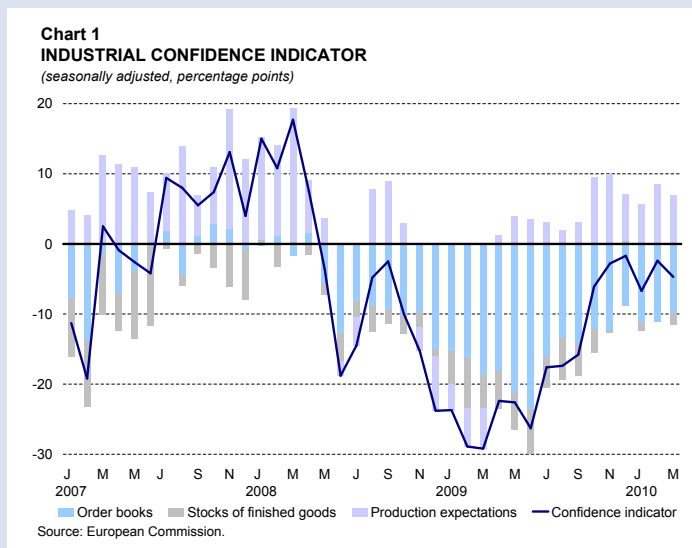
## BOX 1: BUSINESS AND CONSUMER SURVEYS

### Industrial confidence declines slightly in the first quarter ...<sup>1</sup>

Sentiment among Maltese manufacturing firms deteriorated slightly during the first quarter of 2010 after having improved during the previous three quarters. In fact, the seasonally-adjusted confidence indicator declined by 3 percentage points from its December level, to -5 in March (see Chart 1). Nevertheless, at this level the indicator was still well above its average level for 2009 of -18.

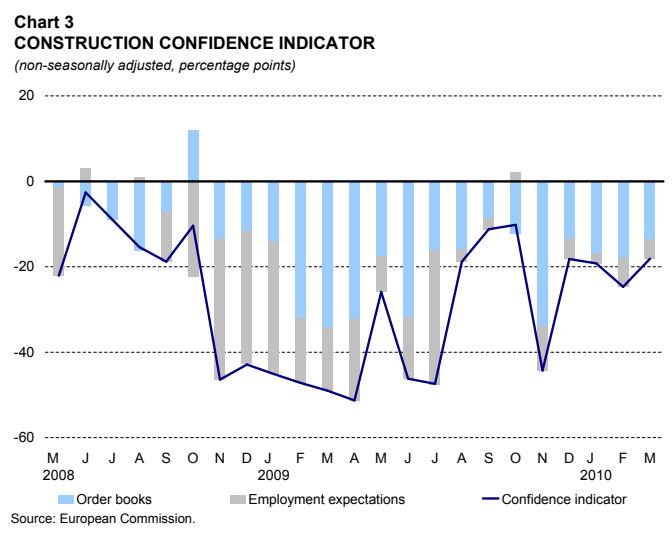
The slight deterioration in confidence reflected lower order book levels and a marginal accumulation of stocks. The former was further corroborated by the fact that respondents identified weak demand as the main factor limiting production. Nevertheless, production expectations for the next three months remained positive and were broadly unchanged from their December level. In addition, survey data showed that employment expectations had improved, even though on balance respondents still expected employment levels to fall. This mirrors the fact that employment in manufacturing fell at a declining pace during the final quarter of 2009.

A breakdown by main industrial groupings, presented in Chart 2, shows a divergence in sentiment between manufacturers of consumer goods and those of investment goods. Confidence among the former deteriorated further, falling by 16 percentage points from its December level to -24 in March. Contributory factors included lower order book levels, particularly in the food & beverages and publishing & printing categories, along with a greater degree of pessimism regarding production expectations and a build-up in stocks. In contrast,



<sup>1</sup> The industrial confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, current levels of order books and stocks of finished products.

sentiment among producers in the investment goods sector continued to improve, with the confidence indicator rising by 12 percentage points. This rise was fuelled by healthier order books and decreasing stock levels, predominantly among respondents engaged in the production of medical, precision & optical instruments. Similarly, confidence among operators in the intermediate goods category continued to improve, increasing by 4 percentage points over the quarter, mainly because of improved production expectations and higher order book levels. Within this category sentiment deteriorated among producers of pulp & paper and, to a lesser extent, electronics, but improved among manufacturers of rubber & plastic, wood and other non-metallic mineral products.

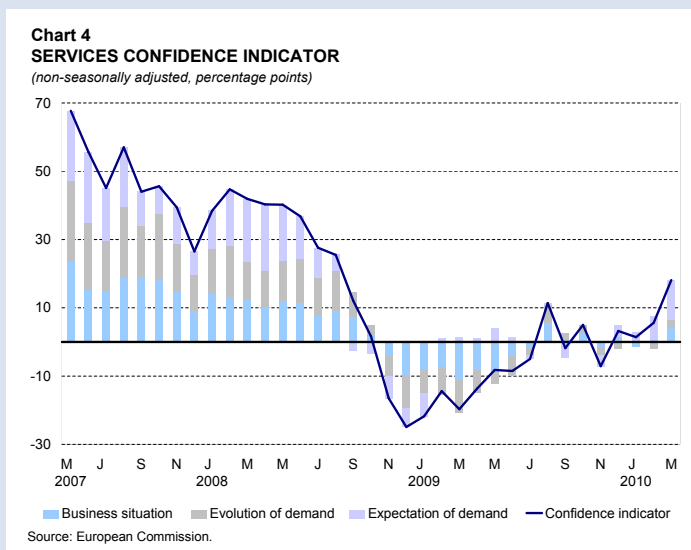


### ... while sentiment remains unchanged among construction firms.<sup>2</sup>

The seasonally-unadjusted indicator for the construction industry fluctuated in a narrow range during the first quarter of 2010. It stood at -18 in March, the same as in December 2009, reflecting unchanged expectations about employment and stable order books (see Chart 3).

### Sentiment among service providers continues to improve ...<sup>3</sup>

By contrast, confidence among service providers improved significantly during the first quarter of 2010, extending the recovery observed since early in 2009. The relevant index rose by a further 15 percentage points during the quarter, reaching 18 by March. This reflected an improvement in demand expectations for the subsequent three months, an increase in demand for services in the previous three months and a more favourable business situation (see Chart 4). In addition, supplementary infor-



<sup>2</sup> 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.

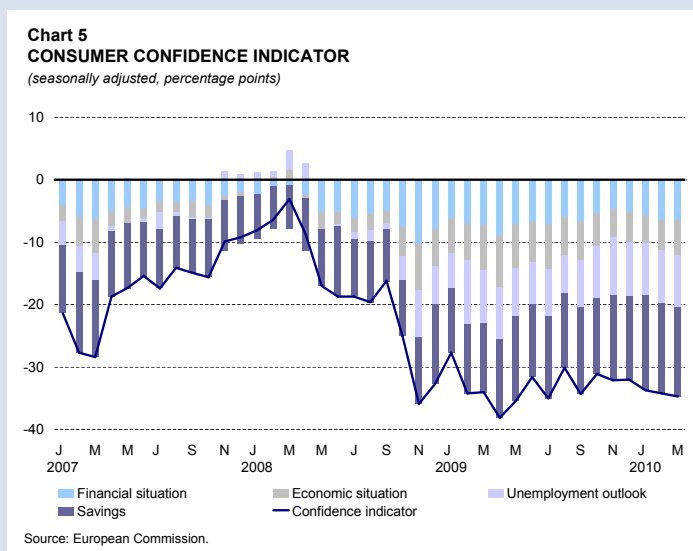
<sup>3</sup> The services confidence indicator is the arithmetic average of the balances (in percentage points) of the replies to the subset of survey questions, namely those relating to the business climate and the recent and expected evolution of demand. Balances are not seasonally adjusted.

mation provided by respondents showed that there was increased optimism with respect to employment expectations, which went up by 31 percentage points over the quarter. Meanwhile, despite the improvement in expected demand, respondents continued to point to insufficient demand as the main factor limiting business expansion.

A more detailed sectoral breakdown shows that the increase in confidence among service providers was broadly based. In particular, compared to December, sentiment among firms in the tourism industry improved significantly, in line with rising tourist numbers during the early part of the year (see Box 3). In addition, firms operating in the recreational, cultural & sporting activities sector, which includes remote gaming, also reported an improvement in confidence levels, mainly due to better demand prospects over the next three months. Further gains were also recorded by firms in the real estate sector, which reported improved demand expectations. Meanwhile, the financial intermediation sector continued to be the most optimistic category of service providers. In contrast, sentiment weakened among firms in the health & social work sector and in insurance.

**... while consumer confidence continues to deteriorate.<sup>4</sup>**

In contrast, consumer sentiment deteriorated during the first quarter of 2010, with the seasonally-adjusted indicator falling by 3 percentage points to -35 in March (see Chart 5). In fact, consumer sentiment has fluctuated in a relatively narrow range since the end of 2008. When compared to December, respondents were more pessimistic about their financial situation, the general economic outlook and their ability to save. Still their expectations about the labour market were unchanged from December, probably reflecting the recent stabilisation of the unemployment rate. Nevertheless, respondents' spending intentions with regard to major purchases, such as of new cars and homes, were on average lower than in the previous quarter.



<sup>4</sup> 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.

*... as the decline in domestic demand moderates ...*

During the final quarter of 2009 the decline in domestic demand slowed down, reflecting a pick-up in private consumption and a slower drawdown of inventories.<sup>1</sup> These factors were offset by a drop in investment, which fell back sharply again after the strong increase of the previous quarter, and a reduction in government consumption (see Table 2.1).

Private consumption advanced by 3.0% year-on-year during the quarter, up from 1.0% in the September quarter, and contributed two percentage points to growth. Supplementary indicators of consumption, such as VAT receipts and motor vehicle registrations, corroborate the acceleration in consumption growth. Consumer credit also continued to expand strongly, albeit at a decelerating pace. However, trade data point to a reduction in imports of consumer goods over a year earlier. Meanwhile a decline in employee compensation – which is a major component of disposable income – could imply that the higher level of consumption was accompanied by lower household saving.

In nominal terms, household consumption expanded by 0.9% on a year earlier, up marginally from 0.8% in the previous quarter.<sup>2</sup> A breakdown of spending by category highlights increased spending on housing, water & electricity, food & non-alcoholic beverages and on miscellaneous goods & services. To a lesser extent, however, expenditure on transport, education and clothing & footwear also rose during the quarter. At the same time, spending on communication services and household-related goods & services, among others, fell compared to the same quarter in 2008.

For the second consecutive quarter, government consumption decreased on a year earlier. It fell by 6.4% and lowered overall GDP growth by 1.3 percentage points. The reduction reflects drops in intermediate consumption and, to a lesser extent, compensation of employees. In the previous year, the latter had been heavily influenced by payments made to shipyard workers in connection with early retirement schemes.

After having rebounded in the third quarter owing to the importation of quayside cranes and yachts, gross fixed capital formation shrank by 20.5% year-on-year during the final quarter of 2009, depressing growth by three percentage points.

In nominal terms, investment contracted by 9.8%, driven entirely by lower private capital formation. Though still significant at 17.2% year-on-year, the drop in private investment was smaller than those recorded in earlier quarters. In contrast, public investment rose by a third.

An analysis of nominal investment by type shows that the drop was largely determined by spending on machinery, which fell by 24.4%, possibly reflecting an increase in spare capacity from a year earlier. In contrast, spending on transport equipment grew primarily due to the acquisition of patrol boats. Meanwhile, the decline in construction investment appeared to be bottoming out. This fell by 8.9%, which was the smallest contraction since the first quarter of 2008, as an increase in spending on road construction and maintenance dampened the impact of a drop in private construction investment.

<sup>1</sup> The figure for inventories also includes statistical adjustments that arise when reconciling the different methods of measuring GDP.

<sup>2</sup> The difference between the growth rates in real and nominal consumption of 3.0% and 0.9%, respectively, was equivalent to the drop of 2.0% in the consumption deflator during the quarter.



Investment in inventories, the figure for which includes statistical adjustments, made a positive contribution to growth as the reported drop in inventories was smaller than a year earlier.

*... and net exports expand.*

As regards the external component, the previous quarter's rebound in exports slowed down to a marginal year-on-year growth rate of 0.1% during the fourth quarter. At the same time, however, imports fell by 1.2%, so that net exports contributed 1.1 percentage points to real GDP growth. According to nominal balance of payments data, developments in net exports were predominantly driven by trade in goods, which in turn, was heavily influenced by developments in the electronics industry. In addition, the fuel import bill was also down from the previous year's level, in part due to lower oil prices.

*Gross value added recovers ...*

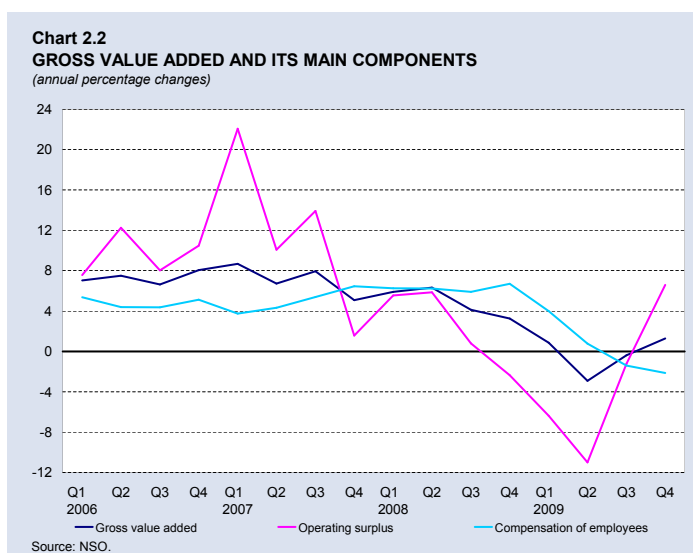
An analysis of the income side of GDP shows that after having declined for two consecutive quarters, gross value added (GVA) recovered in nominal terms during the December quarter. It grew by 1.3% year-on-year, as against drops in the second and third quarters of 2.9% and 0.4%, respectively. A 6.6% rise in operating surplus, which rebounded after falling rapidly during the first half of the year, underpinned this fourth-quarter pick-up, outweighing a 2.1% drop in compensation of employees, which fell for the second consecutive quarter (see Chart 2.2).

*... unevenly across economic sectors.*

The recovery in GVA was mainly driven by the service-oriented sectors, which continued to report positive results during the fourth quarter of 2009. In particular, GVA in financial intermediation rose by over 75% on a year earlier, as a result of a turnaround in operating surplus, and contributed 2.7 percentage points to nominal GDP growth of 2.4% (see Table 2.2). Similarly, the value added of the other community, social & personal services sector, which includes remote gaming and other recreational activities, expanded by around 13% and contributed a further 1.1 percentage points to nominal GDP growth.

The real estate, renting & business activities sector added almost a full percentage point to growth, with the bulk of it coming from the business activities segment. The value added by this sector also rose marginally, in line with the moderation of the decline in residential property prices (see Box 2). Yet, value added in construction continued to shrink, depressing growth by almost half a percentage point, reflecting the slower construction investment activity referred to earlier and an ongoing fall in the number of building permits issued.

Other service sectors that made a positive contribution included health & social work, education and public administration, which together added just under one percentage point to nominal GDP growth.



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

*Percentage points*

	2008		2009		
	Q4	Q1	Q2	Q3	Q4
Agriculture, hunting & forestry	-0.1	0.0	0.1	0.1	0.0
Fishing	-1.9	0.0	0.0	0.0	0.4
Manufacturing	1.9	-1.0	-3.0	-3.3	-3.1
Electricity, gas & water supply	-0.1	1.1	0.9	2.0	0.3
Construction	0.1	0.0	-0.1	-0.2	-0.3
Wholesale & retail trade	-0.4	-1.1	-1.4	-0.6	-0.3
Hotels & restaurants	-0.2	-0.6	-0.5	-0.7	-0.3
Transport, storage & communication	0.7	-0.4	-0.9	-1.1	-1.2
Financial intermediation	0.7	0.2	0.8	1.3	2.7
Real estate, renting & business activities	0.7	0.6	0.2	0.6	0.8
Public administration	0.4	0.0	0.4	0.4	0.2
Education	0.1	0.2	0.1	0.1	0.3
Health & social work	0.6	0.4	0.3	0.5	0.4
Other community, social & personal services	0.2	1.2	0.5	0.6	1.1
<b>Gross value added</b>	<b>2.8</b>	<b>0.7</b>	<b>-2.6</b>	<b>-0.3</b>	<b>1.1</b>
<b>Net taxation on products</b>	<b>0.9</b>	<b>0.4</b>	<b>0.6</b>	<b>0.0</b>	<b>1.3</b>
<b>Annual nominal GDP growth (%)</b>	<b>3.7</b>	<b>1.1</b>	<b>-2.0</b>	<b>-0.3</b>	<b>2.4</b>

Source: NSO.

Following a strong positive impact on growth during the September quarter, the contribution of the electricity, gas & water supply sector was equivalent to less than half a percentage point. During the quarter, a contraction in this sector's output was compensated for by lower intermediate consumption, reflecting the decline in energy prices from the previous year's levels. Hence, the sector's value added expanded on a year earlier while its operating losses were significantly reduced.

In contrast, GVA by the wholesale & retail trade sector continued to fall, albeit at a slower pace than in earlier quarters, possibly reflecting the modest recovery in consumption. The sector's value added contracted by 3.3% during the December quarter, following double-digit declines earlier in the year. Meanwhile, activity in the transport, storage & communication sector declined for the fourth consecutive quarter, lowering GDP growth by 1.2 percentage points.

The weakness in the international economy continued to be reflected in the performance of Malta's traditional export sectors, particularly tourism and manufacturing. With only a small increase in the number of tourist arrivals, shorter stays and a drop in tourist expenditure, GVA generated by hotels & restaurants declined for the sixth quarter running, knocking 0.3 percentage points off fourth-quarter growth (see Box 3). Nevertheless, the decline in GVA attributable to tourism appeared to be slowing down.

In manufacturing, a year-on-year drop of around one-fifth in GVA translated into a 3.1 percentage point contraction in nominal GDP growth. This reflected reductions both in the sector's operating surplus and in its wage bill, as firms continue to shed jobs in response to weak external demand and the ongoing restructuring.

The NSO's sample surveys of manufacturing firms showed that manufacturing output continued to drop during the fourth quarter of 2009, albeit at a slower pace. In fact, the contraction in turn-

**Table 2.3**  
**MANUFACTURING SALES**

*Annual changes; EUR millions*

	2008		2009		
	Q4	Q1	Q2	Q3	Q4
<b>Total sales</b>	<b>-73.2</b>	<b>-119.1</b>	<b>-111.8</b>	<b>-63.7</b>	<b>-8.2</b>
Radio, TV & communication equipment	-56.0	-81.6	-65.4	-60.3	-23.6
Electrical machinery & apparatus	5.8	1.9	-3.4	27.5	23.7
Food & beverages	-0.1	-4.4	4.1	-9.9	-10.0
Chemicals & chemical products	-11.4	-15.4	-13.3	-14.8	-4.6
Publishing & printing	-6.0	-2.7	-1.6	2.3	4.3
Other transport equipment	-0.3	6.2	2.7	7.8	4.0
Games & toys	0.5	-1.4	-0.5	-1.0	2.1
Other	-5.7	-21.7	-34.3	-15.3	-4.1

Source: NSO.

over slowed down to 1.6% on a year earlier (see Table 2.3). This followed an 11.2% fall in the September quarter and a 12.4% drop in the corresponding period of 2008. The drop in turnover was attributable to a decline in exports, as domestic sales grew for the third consecutive quarter.<sup>3</sup>

The drop in total sales during the fourth quarter of 2009 mainly reflected lower sales of semiconductors and, to a lesser extent, of pharmaceuticals and food & beverages (see Table 2.3). Sales of electrical machinery grew for the second consecutive quarter, but the increase was partly due to higher re-export activity rather than domestic production. Furthermore, investment by the sampled manufacturing firms dropped sharply during the December quarter, falling by EUR20.4 million, or 54.8%, from a year earlier. At the same time, employment in manufacturing declined further, albeit at a slower pace compared to the previous two quarters.

### The labour market<sup>4</sup>

LFS data point to a resumption of job creation during the final quarter of 2009, while ETC data through November show a continued contraction in employment, but at a slower pace than in the previous four months. Meanwhile, after adjustment for seasonal variation, the unemployment rate was stable during the quarter, before easing during the first quarter of 2010.

#### *Employment indicators show mixed results*

After having contracted in the preceding quarter, employment as measured in the LFS increased by 1.4% on a year earlier during the last quarter of 2009 (see Table 2.4). Employment among women, which rose by 6.0%, accounted for the entire gain, as male employment fell by 0.8%. Jobs in the full-time category continued to increase, rising by 1.2% and posting a larger absolute rise than part-time employment, which, however, continued to expand rapidly. Employment levels were up both in the public and in the private sector compared with the same quarter of 2008. The latest gain in public-sector employment followed declines in the previous three quarters.

<sup>3</sup> However, the statistics on the relative shares in manufactured output of the export and domestic markets have been influenced by changing practices within the pharmaceutical sector. Whereas the latter used to sell most of its output directly abroad, some of it is now being sold to domestic intermediaries outside the manufacturing sector, which then export it themselves.

<sup>4</sup> The cut-off date for data in this section is 13 May 2010. Data are drawn mainly from two sources. The LFS is a household survey carried out by the NSO in line with international standards. ETC data, on the other hand, are based on administrative records compiled according to definitions set by domestic legislation on employment and social security benefits. Results obtained from the two datasets are not directly comparable due to differences in definitions and methodologies.

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

*Persons; annual percentage changes*

	2008		2009			Annual change %
	Q4	Q1	Q2	Q3	Q4	
<b>Labour supply</b>	<b>171,498</b>	<b>172,575</b>	<b>173,388</b>	<b>174,553</b>	<b>175,940</b>	<b>2.6</b>
Unemployed	10,825	11,265	12,109	11,986	13,022	20.3
Employed	160,673	161,310	161,279	162,567	162,918	1.4
<i>By type of employment:</i>						
Full-time	142,441	143,893	142,881	143,714	144,188	1.2
Full-time with reduced hours	3,084	2,725	3,140	2,796	2,283	-26.0
Part-time	15,148	14,692	15,258	16,057	16,447	8.6
<i>By economic sector:</i>						
Private	112,900	114,545	117,518	117,249	114,446	1.4
Public	47,773	46,765	43,761	45,318	48,472	1.5
<b>Activity rate (%)</b>	<b>58.7</b>	<b>58.7</b>	<b>59.0</b>	<b>59.2</b>	<b>59.4</b>	
Male	77.0	76.8	76.9	76.9	76.0	
Female	39.7	39.9	40.4	40.7	42.0	
<b>Employment rate (%)</b>	<b>55.0</b>	<b>54.9</b>	<b>54.9</b>	<b>55.1</b>	<b>54.9</b>	
Male	72.8	72.0	71.5	71.6	70.9	
Female	36.5	36.9	37.6	37.8	38.3	
<b>Unemployment rate (%)</b>	<b>6.3</b>	<b>6.5</b>	<b>7.0</b>	<b>6.9</b>	<b>7.4</b>	
Male	5.5	6.1	7.0	6.7	6.7	
Female	8.0	7.4	6.9	7.1	8.8	
<b>Average annual gross salary (annual growth rate, %)</b>	<b>4.3</b>	<b>3.6</b>	<b>3.7</b>	<b>-0.6</b>	<b>1.0</b>	

Source: NSO.

The LFS results also show that the labour force increased appreciably during the last quarter of 2009, rising by 2.6% year-on-year. This was primarily attributable to higher female participation, though the rate of male participation also rose. 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 0.7 percentage points on a year earlier, to 59.4%.

Meanwhile the administrative records maintained by the ETC, which are available only through November, point to further employment contraction. In fact, according to these records, the gainfully occupied population peaked in July 2008 and subsequently followed a generally downward path, for a total decline of 1.1% in the twelve months through November (see Table 2.5). The labour force also fell marginally, by 0.4%.

The ETC's records show that both private and public sector employment were down from the previous year's level during the quarter, by 1.1% and 0.7%, respectively. In the private sector, job losses were concentrated in direct production, where employment fell by 1,486, or 4.5%. In turn, the manufacturing sector shed 937 jobs, with the radio, TV & communications equipment sub-sector registering the largest decline. These losses outweighed higher employment levels in the other transport sub-sector, reflecting the ongoing growth of the aircraft maintenance industry. Meanwhile, employment in construction dropped significantly.

**Table 2.5**  
**LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS <sup>(1)</sup>**

*Persons; annual percentage changes*

	2008		2009			Annual change %
	Nov.	Mar.	June	Sep.	Nov.	
<b>Labour supply</b>	<b>152,429</b>	<b>151,663</b>	<b>152,016</b>	<b>152,035</b>	<b>151,853</b>	<b>-0.4</b>
Gainfully occupied <sup>(2)</sup>	145,829	144,580	144,743	144,514	144,265	-1.1
Registered unemployed	6,600	7,083	7,273	7,521	7,588	15.0
<b>Unemployment rate (%)</b>	<b>4.3</b>	<b>4.7</b>	<b>4.8</b>	<b>4.9</b>	<b>5.0</b>	
<b>Private sector</b>	<b>104,096</b>	<b>103,138</b>	<b>103,527</b>	<b>103,344</b>	<b>102,904</b>	<b>-1.1</b>
Direct production	32,779	32,064	31,698	31,586	31,293	-4.5
Market services	71,317	71,074	71,829	71,758	71,611	0.4
<b>Public sector</b>	<b>41,025</b>	<b>40,727</b>	<b>40,519</b>	<b>40,531</b>	<b>40,731</b>	<b>-0.7</b>
<b>Temporary employment</b>	<b>708</b>	<b>715</b>	<b>697</b>	<b>639</b>	<b>630</b>	<b>-11.0</b>
<b>Part-time jobs</b>	<b>47,389</b>	<b>48,339</b>	<b>49,873</b>	<b>49,968</b>	<b>49,958</b>	<b>5.4</b>
Primary	26,700	26,947	28,171	28,106	27,980	4.8
Secondary <sup>(3)</sup>	20,689	21,392	21,702	21,862	21,978	6.2

<sup>(1)</sup> Figures for December 2009 were not available at the time of writing.

<sup>(2)</sup> This category measures full-time employment.

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

Source: NSO.

Employment in private-sector services continued to increase, however, although at a slower pace than in previous months, going up by 0.4% year-on-year in November. Job creation in services was driven by the other business activities and to a lesser extent by the recreational, cultural & sporting activities and health & social work sectors. The gains in these categories exceeded redundancies in hotels & restaurants, which reflected the weak performance of the tourism industry in recent quarters.

In the public sector, early retirement schemes for shipyard workers accounted for the most of the overall drop in employment, which was only partly offset by increases in the number of employees in the areas of education and of health & social work.

The ETC's records also indicated that while full-time employment contracted, the number of part-time jobs continued to increase steadily. The latter rose by 5.4%, with education and, to a lesser extent, the wholesale & retail trade registering the largest gains.

#### *Unemployment stabilises before easing*

During the fourth quarter of 2009, growth in the labour supply as estimated by the LFS outstripped job creation. Hence, on this measure, unemployment continued to increase on a year-on-year basis, posting its fifth quarter of consecutive gains and standing around one-fifth higher than it did a year earlier. Consequently, the unemployment rate went up to 7.4%, 1.1 percentage points above its level in December 2008. Meanwhile, as measured by the ETC, which records only those persons registering as unemployed, the jobless rate stood at 5.0% in November, 0.7 percentage points above the year-ago level.

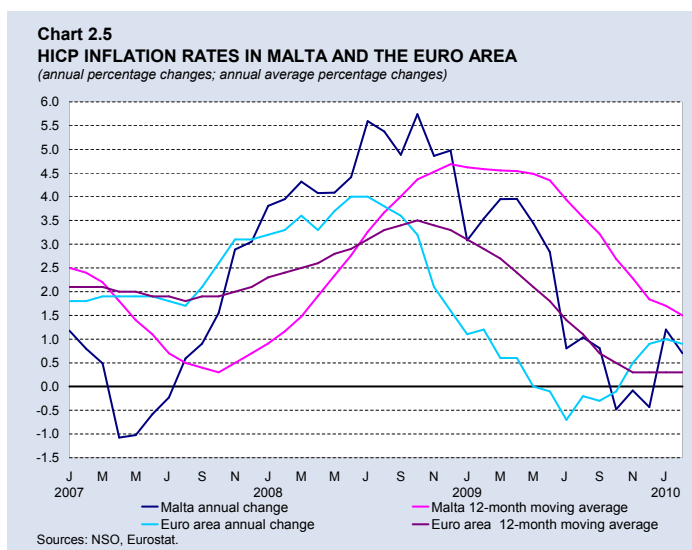
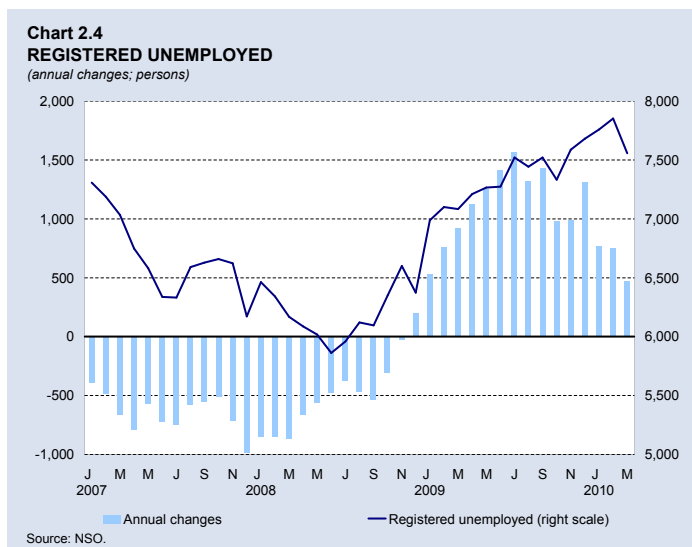
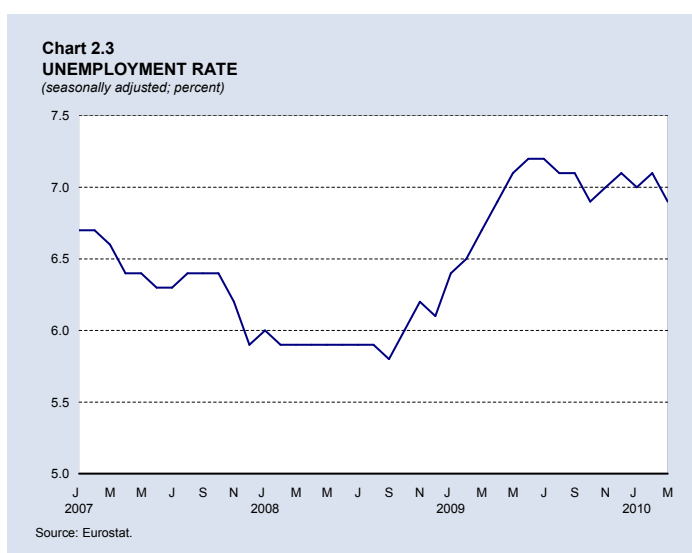
However, the seasonally-adjusted measure of unemployment remained stable during the quarter (see Chart 2.3). At 7.1%, the rate recorded in December was unchanged from September.

More recent information shows that the unemployment rate eased slightly in the first quarter of 2010, with the seasonally-adjusted rate declining to 6.9% in March. For that month, the ETC's records indicate that the seasonally-unadjusted number of registered unemployed had fallen to 7,556, down by 296 from the preceding month's level but 473 higher than in March 2009 (see Chart 2.4).

## Prices

### *HICP inflation in Malta falls in the fourth quarter...*

The steady downward trend in inflation in Malta seen throughout 2009 generally persisted during the fourth quarter of the year. In fact, the annual HICP inflation rate turned negative for the first time since mid-2007, falling to -0.4% in December from 0.8% three months earlier. As a result, the twelve-month moving average rate of inflation continued on its downward path, falling to 1.8% in December from 3.2% in September. In the first two months of 2010, however, the annual rate turned positive again, at 1.2% and 0.7% in January and February, respectively, though the twelve-month average rate continued to decline (see Chart 2.5).



By comparison, the annual inflation rate in the euro area rose during the fourth quarter of 2009, reaching 0.9% in December and remaining positive in the first two months of 2010. Consequently, whereas Malta's inflation rate had consistently exceeded the euro area average since the start of 2008, during the quarter under review it dropped below the euro area average and remained close to it at the beginning of 2010.

The main factor behind the drop in Malta's annual inflation rate during the December quarter was

a sharp drop in the rate of growth of unprocessed food prices, which turned negative, falling from 7.4% in September to -3.3% in December, reflecting lower prices of fruit and vegetables. As a result, unprocessed food prices contributed a negative 0.3 percentage points to HICP inflation in December (see Chart 2.6). Other contributing factors included larger year-on-year falls in the prices of energy and of non-energy industrial goods. Indeed, these contributed a negative 0.4 points each to the overall rate in December. A base effect arising from the upward revision of electricity tariffs in October 2008 and lower fuel prices pulled down the energy contribution, while the drop in prices of non-energy industrial goods was mostly attributable to lower prices of motor vehicles. Meanwhile, prices of services and those of processed food continued to rise, contributing positively to headline inflation. Within the former category, however, accommodation prices fell further – albeit to a lesser extent than in the previous quarter – as hotels reacted to the weak conditions in the tourism industry.

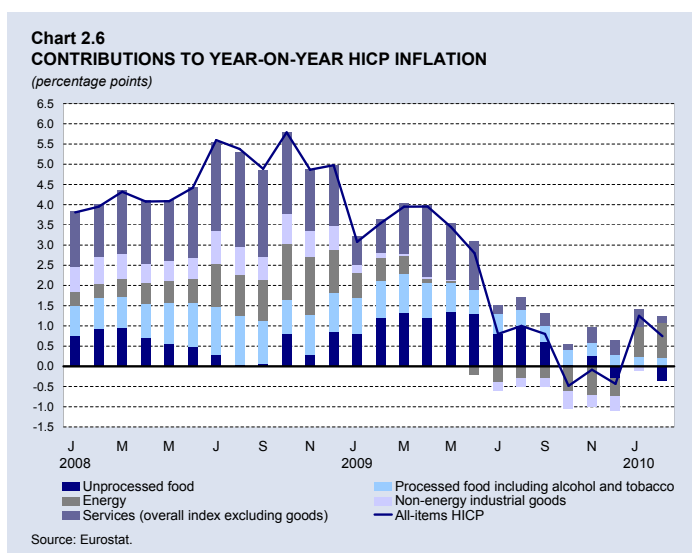
The pick-up in inflation during the first two months of 2010 was the result of higher prices of electricity, gas and fuel, reflecting among other things the revision to water and electricity tariffs in January. Indeed, if energy prices were to be excluded, the annual HICP inflation rate for Malta would have been significantly lower, standing at 0.5% in January and -0.1% in February.

#### ... as does RPI inflation.

The annual rate of RPI inflation moved in parallel with that of the HICP, dropping from 1.2% in September to -0.6% in December (see Table 2.6).<sup>5</sup> This was mainly due to lower food prices, which actually fell by 0.6% year-on-year in December. Consequently, the contribution of food prices to annual RPI inflation dropped from 1.1 percentage points in September to -0.2 points in December. However, the largest negative contribution to RPI inflation continued to stem from the transport & communications component, partly reflecting lower prices of fuel compared with year-ago levels.<sup>6</sup> Over the quarter, utility prices and those of clothing & footwear also contributed negatively to inflation, albeit marginally. On the other hand, prices in the remaining categories increased on a year-on-year basis, contributing positively to annual inflation.

<sup>5</sup> RPI inflation rates are similar to concurrent HICP rates, except for differences resulting from the composition of the two indices. For instance, unlike the HICP, the RPI excludes hotel accommodation prices and allocates a larger weight to the food component.

<sup>6</sup> In the RPI, fuel prices are included in the transport and communications component, while in the HICP they are included in energy.



**Table 2.6**  
**CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION**

Percentage points

	2009				2010	
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Food	1.1	0.4	0.5	-0.2	0.1	-0.4
Beverages & tobacco	0.2	0.2	0.2	0.2	0.2	0.1
Clothing & footwear	-0.2	-0.1	-0.1	-0.1	-0.2	-0.2
Housing	0.2	0.2	0.2	0.2	0.2	0.2
Water, electricity, gas & fuels	0.2	-0.1	-0.1	-0.1	0.5	0.5
Household equipment & house maintenance costs	0.1	0.1	0.1	0.1	0.1	0.1
Transport & communications	-0.9	-1.0	-1.4	-1.1	-0.2	-0.2
Personal care & health	0.2	0.2	0.2	0.2	0.3	0.2
Recreation & culture	0.0	0.0	0.1	0.0	0.1	0.2
Other goods & services	0.1	0.1	0.1	0.1	0.1	0.1
<b>RPI (annual percentage change)</b>	<b>1.2</b>	<b>-0.2</b>	<b>-0.3</b>	<b>-0.6</b>	<b>1.1</b>	<b>0.5</b>

Sources: Central Bank of Malta; NSO.

The influence of food and energy prices, in particular, on the index can be gauged by examining developments in core inflation.<sup>7</sup> Thus, whereas the overall inflation rate declined in the December quarter, the Bank's core RPI inflation measure increased from 1.5% in September to 1.7% three months later. While rising prices of personal care & health products remained the main driver, the acceleration over the quarter was mainly due to higher prices in the household equipment & maintenance and the recreation & culture components.

Data for the first two months of 2010 show that, as with the HICP, the annual RPI inflation rate also turned positive, standing at 1.1% in January and 0.5% in February. This reflected an increase in energy prices and a reduction in the negative contribution from falling prices in the transport & communication category. In February the core inflation measure edged up to 1.8%, due to an increase in the contribution of the recreation & culture component.

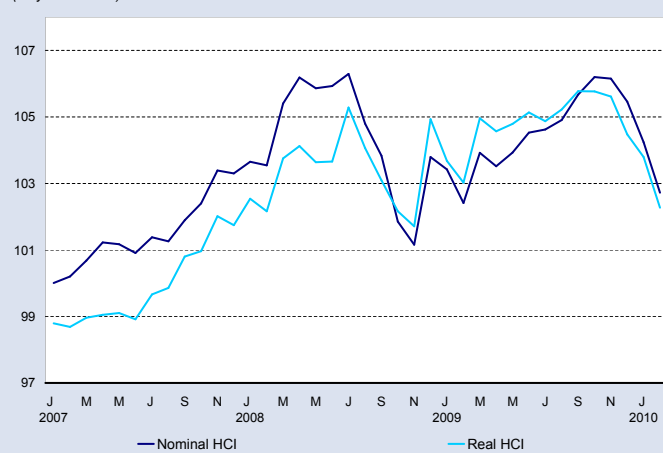
## Costs and competitiveness

### Malta's HCI shows improved competitiveness in the fourth quarter...

After having followed an upward trend during most of 2009, both the nominal HCI and its real counterpart declined towards the end of the year, indicating some gains in the Maltese economy's international price competitiveness.

Between September and December, Malta's nominal HCI dropped by 0.2%, while the real HCI fell by

**Chart 2.7**  
**HARMONISED COMPETITIVENESS INDICATORS**  
(May 2005 = 100)



Source: ECB.

<sup>7</sup> 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 increases. These are: housing, durable household goods, personal care & health, transport & communications and clothing & footwear.



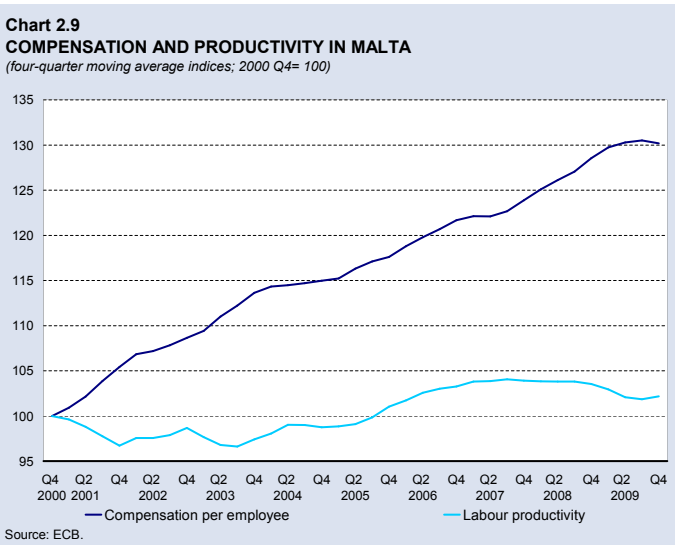
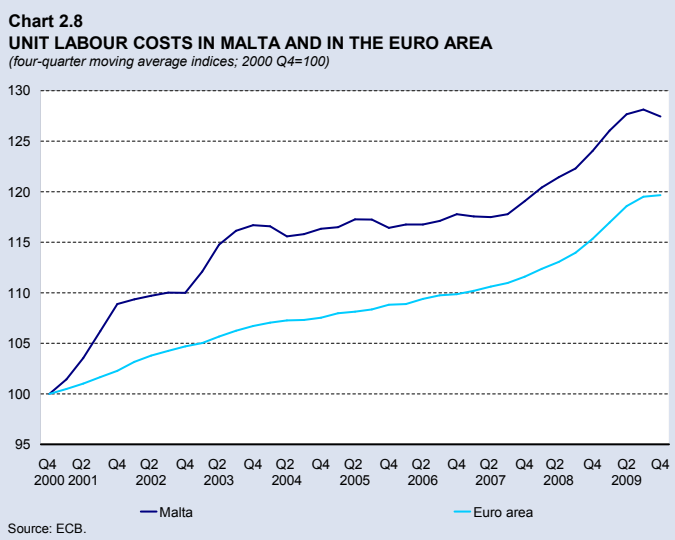
1.2% (see Chart 2.7).<sup>8</sup> The drop in the nominal index reflected exchange rate movements and, more specifically, the reduction in the value of the euro against the US dollar and the pound sterling. The larger fall in the real HCI reflected the additional effect of the decline in Malta's inflation rate relative to its main trading partners.

Both the nominal and the real HCI fell further during the first two months of 2010, shedding an additional 2.6% and 2.1%, respectively, between end-December and end-February. This continued decline was mostly related to exchange-rate movements.

*...while ULC deviate from their upward trend.*

Computed on the basis of a four-quarter moving average, ULC in Malta diverged from their upward trend during the last quarter of 2009, falling by 0.5% on the previous quarter, compared with the slight increase of 0.2% across the euro area (see Chart 2.8).<sup>9</sup> Both components of Malta's ULC deviated from their recent paths: employee compensation declined by 0.3%, while productivity increased by 0.3% (see Chart 2.9). In turn, this improvement in productivity was the result of a marginal rise in aggregate output that was contemporaneous with a small drop in employment.

The decline in Malta's ULC during the quarter indicates a small cyclical recovery in productivity and competitiveness that reflects the resumption of output growth coupled with a lagged contraction in employment and compensation.



<sup>8</sup> A higher (lower) score in the HCI indicates a deterioration (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 have to be interpreted with caution, as the index is subject to considerable month-to-month fluctuations.

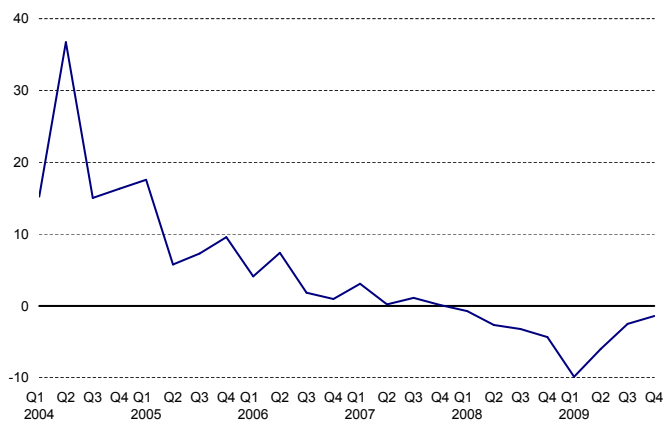
<sup>9</sup> ULC are measured as the ratio of the nominal compensation per employee and labour productivity. The latter is defined as real GDP per person in employment. A drop in ULC indicates an improvement in competitiveness. Unless otherwise indicated, ULC and their components are measured on the basis of a four-quarter moving average, to dampen volatility in the data.

## BOX 2: RESIDENTIAL PROPERTY PRICES

### Slower rate of decline in residential property prices<sup>1</sup>

The Central Bank of Malta's index of advertised residential property prices was down by 1.4%, year-on-year, during the fourth quarter of 2009, as against the 2.5% decline registered in the third quarter. Over the year as a whole, average property prices were 5.0% lower, reflecting the more pronounced contraction seen in the first half of the year (see Chart 1). The relatively modest fall in the index towards the end of 2009 suggests that the negative trend in prices appears to have bottomed out and that the residential property market may be stabilising.

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



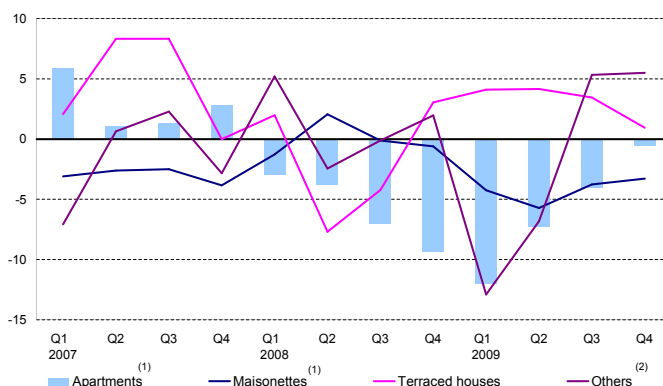
Source: Central Bank of Malta.

The available information also suggests that the drop in the supply of properties coming onto the market may also be moderating. In the December quarter the number of properties advertised for sale in the Bank's sample – an indicator of supply conditions in the housing market – dropped by 7.9% on a year earlier, following a 24.1% decline in the previous three months. Meanwhile, the number of building permits issued by the Malta Environment and Planning Authority was down by 3.7%, year-on-year, as against a 38.9% drop in the previous quarter.

Disaggregated results show that the moderation in the overall price decline was due to developments in two major housing categories (see Chart 2). During the December quarter, the prices of apartments – which make up over half the properties surveyed – were down by 0.5% on a year earlier, compared with the 4.0% drop reported in the previous quarter. Asking prices of maisonnettes, which represent 18.1% of the properties monitored, shed 3.3%, following a decline of 3.8% in the September quarter.

On the other hand, the growth rate in the prices of terraced houses eased to 0.9% in the December quarter, while that of dwellings in the 'others' category rose slightly, to 5.5%.<sup>2</sup>

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



<sup>(1)</sup> Includes both units in shell form and finished units.  
<sup>(2)</sup> Consists of town houses, houses of character and villas.  
Source: Central Bank of Malta.

<sup>1</sup> The Bank's residential property price index tracks movements in advertised residential property prices compiled on the basis of 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 at the time of writing refer to the first quarter of 2009.

<sup>2</sup> The 'others' category consists of townhouses, houses of character and villas.

## The balance of payments

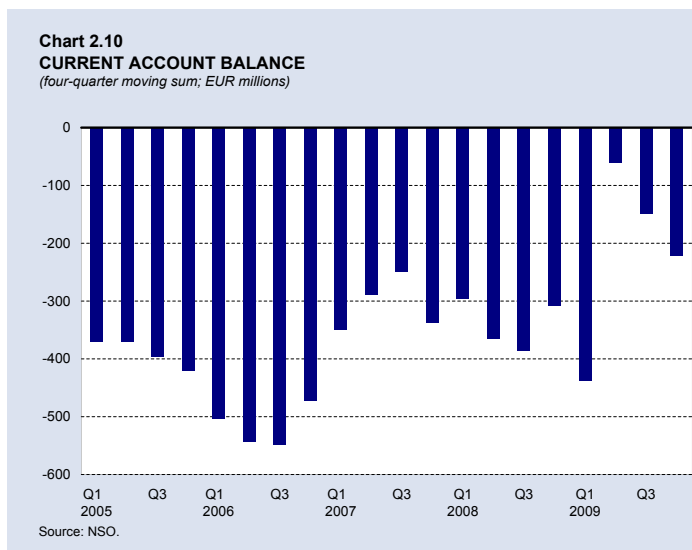
In the final quarter of 2009 the deficit on the current account of the balance of payments was considerably larger than in the same quarter a year earlier. This was mainly due to a higher net outflow in the volatile current transfers component. Meanwhile, a wider deficit on the income account and lower net receipts on services outweighed a sizable narrowing of the goods deficit.

During the same period, net inflows on the capital and financial account were significantly lower compared with the fourth quarter of 2008. This drop was entirely driven by developments in the financial account, since the surplus on the capital account increased substantially. At the same time, reserve assets – movements in which are recorded in the financial account – increased, while net errors and omissions were positive.<sup>10</sup>

By contrast, over the year as a whole, the current account deficit was notably smaller than in the previous year. This was entirely attributable to a contraction in the merchandise trade gap, which completely offset unfavourable developments in the income, current transfers and services accounts. At the same time, net inflows on the capital and financial account decreased significantly.

### The current account deficit widens

During the fourth quarter of 2009 the deficit on the current account reached EUR212.8 million, up by EUR72.5 million compared with the same quarter of the previous year (see Table 2.7). Over the year as a whole, however, it was



**Table 2.7**  
**BALANCE OF PAYMENTS**  
EUR millions

	2008		four-quarter moving sum				
	Q4	2009	2008	2009			
			Q4	Q1	Q2	Q3	Q4
<b>Current account</b>	<b>-140.2</b>	<b>-212.8</b>	<b>-307.6</b>	<b>-438.2</b>	<b>-60.5</b>	<b>-149.8</b>	<b>-222.3</b>
Goods	-171.0	-146.6	-1,090.2	-1,012.5	-865.2	-797.2	-772.8
Services	153.7	143.4	947.8	947.4	959.7	917.1	906.8
Income	-47.1	-70.3	-201.2	-356.3	-268.7	-321.3	-344.5
Current transfers	-75.7	-139.3	36.0	-16.7	113.7	51.7	-11.8
<b>Capital and financial account</b>	<b>332.0</b>	<b>139.8</b>	<b>379.2</b>	<b>785.8</b>	<b>169.3</b>	<b>390.3</b>	<b>198.1</b>
Capital account	10.0	57.6	27.5	25.5	27.4	23.5	71.0
Financial account	321.9	82.2	351.7	760.3	142.0	366.8	127.0
Errors and omissions	-191.7	73.0	-71.7	-347.6	-108.8	-240.5	24.2

Sources: Central Bank of Malta; NSO.

<sup>10</sup> Positive net errors and omissions imply an overestimation of the current account deficit and/or an underestimation of net inflows on the capital and financial account.

down by EUR85.2 million to EUR222.3 million (see Chart 2.10). At this level, the deficit stood at 3.9% of GDP, as against 5.4% in 2008.

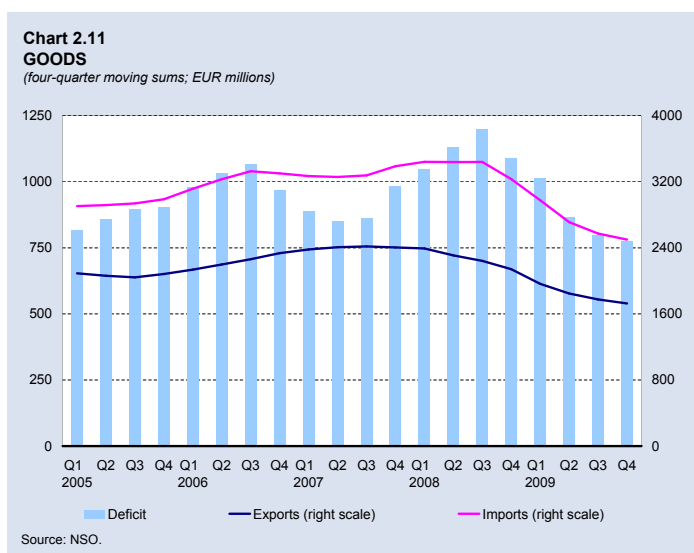
*The merchandise trade gap narrows substantially ...*

On the basis of balance of payments data, the merchandise trade deficit narrowed to EUR146.6 million during the December quarter, down by EUR24.4 million, or 14.3%, compared with the same quarter of 2008. Although both imports and exports were down sharply, the contraction in imports was more pronounced.

In the September-December 2009 period, the value of imports fell by EUR72.4 million, or 10.0%, on a year-on-year basis. As indicated by Customs data, purchases of semi-finished industrial supplies dropped by 11.7%, in line with falling exports of semi-conductors, and accounted for around two-fifths of the overall decline. A drop of over 20% in the fuel import bill and a reduction of almost 9% in imports of durable consumer goods also contributed. In contrast, foreign purchases of food and beverages rose by nearly 5%. Meanwhile, exports were down by EUR48.0 million, or 8.6%, compared with the December quarter of 2008, mainly under the impact of continued lower sales of electronic components and a significant decline in exports of fish.<sup>11</sup> By contrast, exports of pharmaceuticals and beverages increased, albeit marginally.

On a four-quarter moving sum basis, the declining trend in the visible trade gap, evident since the last quarter of 2008, persisted throughout 2009 (see Chart 2.11). As a result, the deficit on the goods balance during 2009 as a whole was 29.1% lower than in 2008. This was due to a drop of EUR731.5 million, or 23.6%, in imports, which outweighed a contraction of EUR414.2 million, or 19.3%, in exports. The fall in imports was primarily driven by declines in the fuel bill – reflecting lower international oil prices – and in imports of machinery and transport equipment (mainly semi-finished electronic components). Together, these accounted for more than 60% of the overall contraction in imports. In the meantime, when compared to 2008, all major categories of exports were down, with the largest drops being recorded in exports of semi-conductors and food.

More recent Customs data indicate that during the first two months of 2010 the visible trade deficit narrowed further, shrinking by nearly EUR100 million compared with the corresponding period of 2009. This time, however, the improvement was propelled by a EUR78.8 million increase in exports and a EUR18.5 million decline in imports. The surge in exports was mainly driven by increases in sales of semi-conductors, but re-exports of fuels and increased exports of fish also contributed.



<sup>11</sup> The year-on-year drop in fish exports that was observed in fourth quarter was compensated for by the increase in the same category in January 2010.

*... but the positive balance on services decreases.*

During the final quarter of 2009 the surplus on services stood at EUR143.4 million, down by EUR10.3 million, or 6.7%, from the corresponding quarter of 2008. This drop was attributable to lower net receipts on transport and travel-related services, which were down by EUR26.7 million and EUR9.9 million, respectively. Both components were heavily influenced by the decline in tourist numbers and expenditure, though increased spending by Maltese residents travelling abroad also

contributed. By contrast, a swing from net payments to net receipts on financial services and lower net outflows on business, professional and technical services partly compensated for lower earnings in the tourism-related sectors.

On a cumulative four-quarter basis, the surplus on services declined for the second consecutive quarter (see Chart 2.12). As a result, during 2009 as a whole, net receipts from services were down by EUR41.0 million, or 4.3%, compared to 2008. This stemmed from a 3.9% fall in receipts that was only partly offset by a 3.7% decline in payments. The former was mainly due to lower inflows from travel and transport services, while the latter was predominantly the result of a fall in payments to non-residents for financial services.

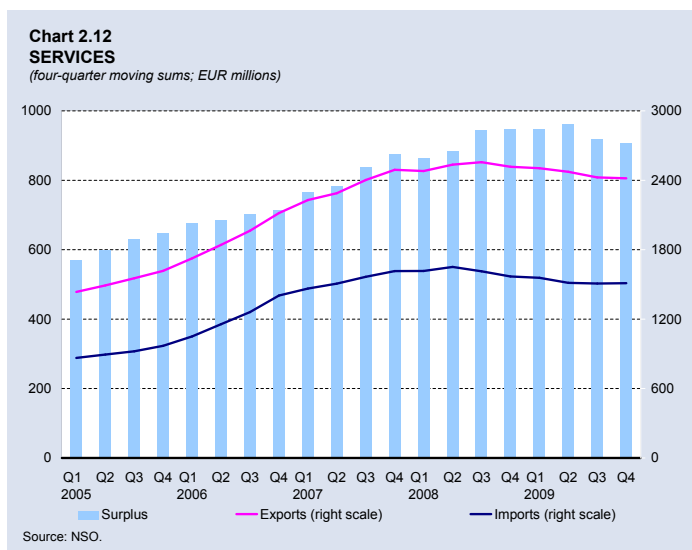
*Net outflows on the income account rise ....*

In the three months to December 2009, net outflows on the income account climbed to EUR70.3 million, an increase of EUR23.1 million on the same period a year earlier. This was entirely because of lower net earnings on residents' portfolio investment abroad, which were down by over 40% from the corresponding quarter of 2008. To a lesser extent, on account of a combination of lower interest rates in international financial markets and a reduction in outstanding debt, payments on foreign loans also fell significantly. These income flows were predominantly driven by financial transactions undertaken by internationally-oriented resident banks.

As a result, during 2009 as a whole net outflows on the income account amounted to EUR344.4 million, an increase of EUR143.3 million over 2008. The main driving force behind this development was a continued surge in profits registered by foreign-owned firms, particularly banks, operating in Malta, but lower international interest rates, by eroding residents' investment income from abroad, also contributed.

*... while the negative balance on transfers increases.*

In the last quarter of 2009, the negative balance on current transfers reached EUR139.3 million, nearly twice the level recorded in the December quarter of 2008. This was largely due to timing differences in connection with tax payments and receipts by companies registered in Malta



engaged in international business, which normally even out over a longer time span. Indeed, during 2009 as a whole net outflows of only EUR11.8 million were recorded on the current transfers account, as against net inflows of EUR36.0 million in 2008.

#### *Net inflows on the capital and financial account decrease*

Net inflows on the capital and financial account declined to EUR139.8 million during the last quarter of 2009, a drop of EUR192.2 million over the comparable period of 2008. This stemmed entirely from a significant contraction in net inflows on the financial account, which fell to EUR82.2 million from EUR321.9 million in the last three months of 2008.

By contrast, the surplus on the capital account surged to EUR57.6 million during the quarter, up by EUR47.6 million from the previous year's level. This increase was totally attributable to higher capital transfers received by the Government, mostly from EU structural and cohesion funds.

Meanwhile, the drop in net inflows on the financial account during the quarter was largely propelled by movements in the portfolio investment component. Net outflows of EUR842.9 million were recorded on this account, mostly because of an increase in residents' debt securities held abroad. This contrasts with net inflows of EUR2.7 billion recorded in the last quarter of 2008, when residents appear to have scaled back their portfolio investments abroad as the international financial crisis intensified.

Moreover, net inward direct investment amounted to EUR154.6 million, a decline of EUR74.1 million from the last quarter of 2008. This was driven by both a smaller rise in equity invested by non-resident firms in their Maltese subsidiaries and an increase in trade-related claims held by parent companies on such subsidiaries. Banks engaged in international business and firms in the electronics and pharmaceutical industries accounted for most of these flows. These drops were partly offset by increases in reinvested earnings and a decline in outward direct investment.

Meanwhile, reserve assets increased by EUR24.0 million, contributing an outflow of the same amount in the overall financial account, whereas they had contracted by EUR89.7 million in the last quarter of 2008.

In contrast, the 'other investment' component, largely counterbalancing movements in the portfolio investment account, posted net inflows of EUR785.1 million during the three months to December 2009 as opposed to large net outflows in the last quarter of 2008. This was entirely driven by lower repayments of short-term loans and an increase in long-term borrowings by the banking sector. Furthermore, net inflows of EUR6.8 million were recorded as a result of transactions in financial derivatives, as against net outflows of EUR307.9 million a year earlier.

Similar patterns characterized financial flows for 2009 as a whole, where net inflows declined to EUR127.0 million, from EUR351.8 million in 2008. The main contributor was a sharp rise in portfolio investment outflows, driven by an increase in residents' holdings of foreign debt securities. These outward flows, however, were partly offset by a swing on the 'other investment' component, where net inflows were recorded, along with higher net inward direct investment and lower net outflows on financial derivatives.

### BOX 3: TOURISM ACTIVITY

#### Signs of recovery in the tourism industry

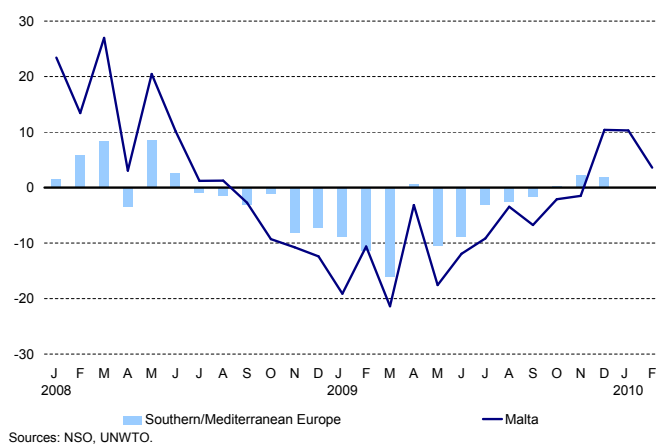
In 2009 the tourism industry faced a difficult external environment as major source markets were severely affected by the global recession. Towards the end of the year, however, the first signs of a recovery were observed, with a pick-up in arrivals. Nevertheless, the industry's performance remained subdued as tourist spending continued to fall.

During the December quarter, the number of visitors to Malta was up by 0.4% on a year earlier, following a year-on-year drop of 6.3% in the previous quarter.

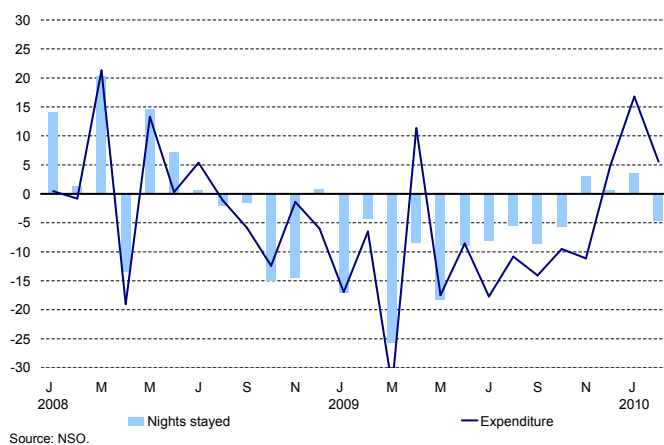
This pick-up reflected improving global economic conditions. In fact, according to the United Nations World Tourism Organisation, tourist traffic picked up worldwide during the quarter, and arrivals in the Southern/Mediterranean Europe region rose by 1.4%, year-on-year (see Chart 1). Similarly, data on passenger movements published by Malta International Airport indicated a revival in tourism activity during the final quarter of 2009: air passenger arrivals (including residents) increased by 3.0%, while the number of aircraft landings was 2.3% higher than a year earlier. This contrasted with the first three quarters of the year, when passenger arrivals were down by 8.2% on a year earlier while aircraft traffic through Malta was 4.2% lower.

In terms of the major source markets, the performance of the tourism industry varied considerably during the quarter. Thus, the number of visitors from the United Kingdom, which during 2009 accounted for over one-third of total arrivals, dropped by 1.8%, while a considerable decline was registered in the number of visitors from Germany, which went down by 10.0%. In contrast, the Italian market continued to expand, with arrivals up by 12.0%, as did a number of other smaller European markets.

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



**Chart 2**  
TOURISM INDICATORS  
(annual percentage changes)



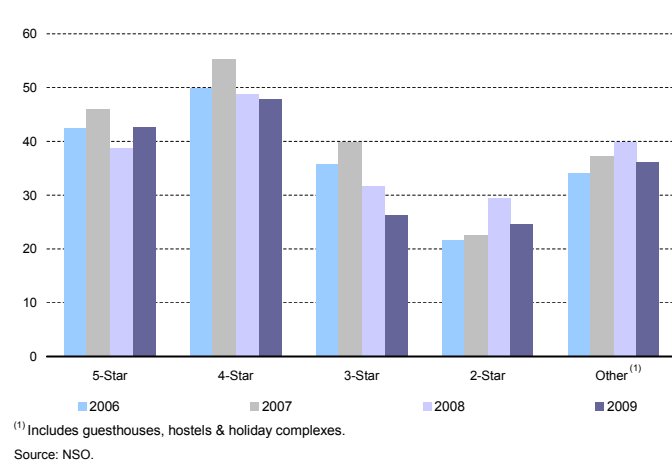
Although tourist arrivals in the fourth quarter were marginally up, expenditures fell by 7.7%, with spending on both package and non-package holidays down from year-ago levels. The overall rate of decline, however, was slower than in the previous quarter (see Chart 2).

The drop in spending was in line with the reduction in the number of nights stayed, which was down by 2.0%. The average stay shortened marginally, to 7.8 nights. Lower tourist expenditure probably also reflected persistent downward pressure on accommodation prices.

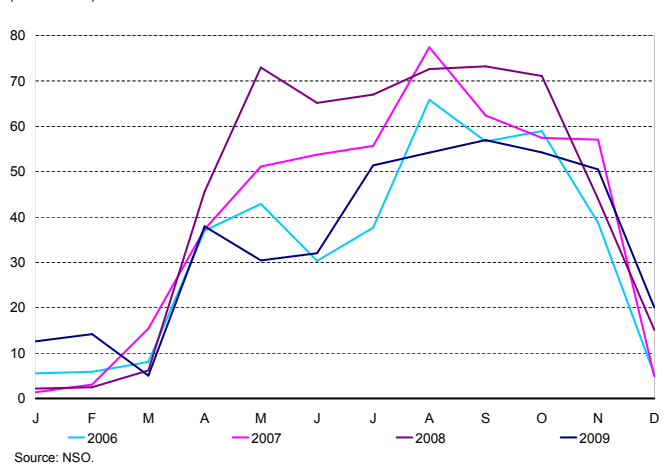
Indeed, according to a survey carried out by the Malta Hotels and Restaurant Association, average achieved room rates were lower among the hotels in the sample. Moreover, the prices of accommodation captured in the HICP were also down from a year earlier. Yet another factor contributing to the drop in tourist expenditure was a reduction in spending on airfares, mainly reflecting the expansion of low-cost airline operations. Indeed, spending on travel by tourists taking non-package holidays, who normally rely more heavily on low-cost carriers, was down by 9.4% year-on-year during the December quarter.

In line with the reduction in the total number of nights stayed, NSO data indicate that hotel occupancy rates fell further compared to the corresponding period of 2008, decreasing by one percentage point to 40.2%. The largest annual declines were recorded in the lower end categories. In fact, occupancy rates in 3- and 2-star hotels shed 5.4 and 4.9 percentage points, respectively. Meanwhile, occupancy rates in 4-star hotels remained virtually unchanged from year-ago levels, while those in 5-star hotels increased by 3.8 points (see Chart 3). These findings were broadly in line with those of an industry survey. The latter, however, while corroborating the positive results for 5-star facilities, reported a sharper drop in occupancy in the 3-star category. Overall, according to this survey increasing costs, lower occupan-

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



**Chart 4**  
CRUISE PASSENGERS  
(in thousands)





cy rates and price cuts resulted in lower gross operating profits being registered by all hotel categories.

With regard to the cruise liner sector, year-on-year drops of 4.2% and 10.6% in cruise liner passengers and cruise liner calls, respectively, were registered during the December quarter (see Chart 4). The downturn in activity in evidence during most of the year persisted at the beginning of the quarter, but passenger numbers picked up considerably in November and December. Over the entire quarter the number of visitors from Spain and the United Kingdom fell, but passenger numbers from Germany, France and Italy rose sharply.

Meanwhile, the signs of an incipient recovery in the tourism industry noted towards the end of 2009 continued into the first two months of 2010. In January and February, tourist arrivals were up by 10.3% and 3.6%, respectively, on the corresponding months of 2009, while expenditure was up by 16.8% and 5.6%.

## Government finance<sup>12</sup>

During the final quarter of 2009 the general government recorded a smaller deficit than in the corresponding period of 2008. Over the year as a whole the deficit decreased to 3.8% of GDP from 4.5% in 2008, as revenue increased while expenditure fell. Meanwhile, the general government debt ratio rose by 5.5 percentage points to 69.1% of GDP. The improvement in the general government balance contrasts with a widening of the deficit on the Consolidated Fund over the same period.<sup>13</sup>

### General government deficit decreases

Between October and December 2009 the general government deficit was reduced by around EUR22.0 million compared to the same quarter of 2008, reaching EUR24.8 million (see Table 2.8). This was due to a 7.5% rise in revenue, which outweighed a 3.6% increase in expenditure. The primary balance, which excludes interest payments from the overall balance, improved by EUR17.9 million to reach a surplus of EUR25.3 million.

As a result, the cumulative deficit-to-GDP ratio, computed on the basis of four-quarter sums, decreased to 3.8% in the year to December 2009 from 4.2% in the twelve months to September

**Table 2.8**  
**GENERAL GOVERNMENT BALANCE**

EUR millions

	2008	2009	2008	2009	Change Q1-Q4	
	Q4	Q4	Q1-Q4	Q1-Q4	Amount	%
<b>Revenue</b>	<b>618.8</b>	<b>665.0</b>	<b>2,298.0</b>	<b>2,313.6</b>	<b>15.5</b>	<b>0.7</b>
Taxes on production and imports	219.1	236.1	830.2	813.2	-17.0	-2.1
Current taxes on income and wealth	215.0	231.3	742.8	795.4	52.7	7.1
Social contributions	120.6	120.9	432.0	434.9	2.9	0.7
Capital and current transfers	16.9	33.2	69.0	83.6	14.6	21.2
Other	47.3	43.5	224.1	186.5	-37.6	-16.8
<b>Expenditure</b>	<b>665.7</b>	<b>689.8</b>	<b>2,552.8</b>	<b>2,531.8</b>	<b>-21.0</b>	<b>-0.8</b>
Intermediate consumption	101.2	96.2	386.1	360.0	-26.1	-6.8
Gross fixed capital formation	30.1	43.0	132.3	126.5	-5.8	-4.4
Compensation of employees	220.9	204.9	833.2	830.8	-2.3	-0.3
Subsidies	14.5	12.1	121.7	63.4	-58.3	-47.9
Interest	54.3	50.2	187.7	183.4	-4.3	-2.3
Social benefits	212.7	228.1	758.0	808.6	50.6	6.7
Other	32.0	55.4	134.0	159.1	25.2	18.8
<b>Primary balance<sup>(1)</sup></b>	<b>7.4</b>	<b>25.3</b>	<b>-67.1</b>	<b>-34.8</b>	<b>32.3</b>	<b>-</b>
<b>General government balance</b>	<b>-46.9</b>	<b>-24.8</b>	<b>-254.8</b>	<b>-218.2</b>	<b>36.6</b>	<b>-</b>

<sup>(1)</sup> Revenue less expenditure excluding interest payments.

Source: NSO.

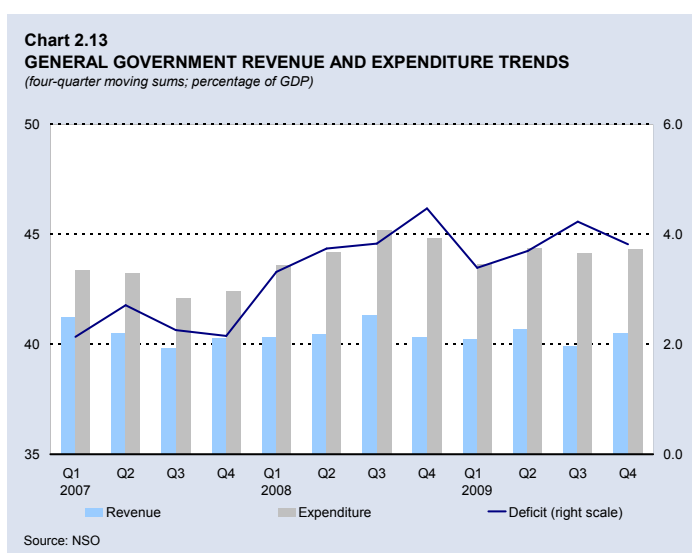
<sup>12</sup> The cut-off date for information in this section is 22 April 2010.

<sup>13</sup> The Consolidated Fund captures most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA95, cover both central government, including extra-budgetary units, and local councils on an accrual basis. In 2008 the general government deficit was boosted by the reclassification of Malta Shipyards Ltd into the general government sector; this reclassification had no impact on the Consolidated Fund deficit. Particularly in 2009, the two measures also diverged because of timing differences in the recording of income tax revenues.

(see Chart 2.13). A rebound in revenue as a proportion of GDP from a low level in the previous quarter outweighed a marginal rise in the expenditure-to-GDP ratio.

#### *A rise in revenue during the year ...*

Revenue went up by 7.5% on a year earlier in the fourth quarter of 2009, with almost all categories posting an increase. Receipts from indirect and direct taxes rose by 7.8% and 7.6%, respectively, while those from capital transfers nearly doubled.



Consequently, revenue for the year as a whole improved by EUR15.5 million, up by 0.7% from 2008. Inflows from current taxes on income and wealth surged by EUR52.7 million on a year earlier, as additional funds were collected from a one-off amnesty scheme on penalties and interest on overdue income tax balances. Higher proceeds were also recorded from annual circulation fees, previously classified as motor vehicle licences. Capital and current transfers went up by EUR14.6 million, boosted by a higher level of investment grants received from EU institutions. Meanwhile, mirroring the subdued performance of the labour market, revenue from social contributions increased only modestly, putting on EUR2.9 million.

In contrast, although the yield from taxes on production and imports went up in the fourth quarter of the year, such taxes yielded EUR17.0 million less during 2009 as a whole. This was mainly due to accrual adjustments in respect of inflows from Customs and Excise duties and motor vehicle registration tax. Receipts from duty on documents also decreased, reflecting the slowdown in the property market during the year. Meanwhile, the proceeds from VAT rose only marginally, in line with weak growth in private consumption.

In addition, during 2009 'other' revenue fell by EUR37.6 million compared to 2008. A drop in market output, which was related to lower activity levels at Malta Shipyards Ltd, accounted for most of the decline. Furthermore, revenue from dividends and interest receivable on government investments also fell.

#### *... coincides with a cut in expenditure.*

General government expenditure increased by 3.6% in the fourth quarter of 2009 compared to the same period in 2008. Higher spending on pensions led to a 7.3% increase in social benefit payments. In addition, investment expenditure increased sharply, rising by around two-fifths, largely as a result of work on the infrastructure, particularly roads, and on health. 'Other' expenses (which include capital and current transfers) increased by almost four-fifths, mainly driven by capital transfers to public non-financial corporations.

At the same time, base effects related to the closure of Malta Shipyards Ltd dampened expenditure growth. During the final quarter of 2008, employee compensation had been boosted by payments made in connection with the shipyard workers' early retirement schemes, while ongoing activity at the yards pushed up spending on intermediate consumption. Consequently, during the quarter under review compensation of employees was 7.3% less than a year earlier, while intermediate consumption expenditure also declined, by 5.0%.

Despite the increase in the final quarter of the year, during 2009 as a whole government spending was down by EUR21.0 million, or 0.8%, when compared with the previous year. Outlays on subsidies were cut by EUR58.3 million to almost half their 2008 level, as financial assistance to the energy sector was scaled back. Intermediate consumption expenditure also went down, by EUR26.1 million, probably reflecting lower spending by the shipyards, where operations were being wound down, and on health. Reduced spending on health and the environment also led to a EUR5.8 million decrease in outlays on gross fixed capital formation.

Interest payments dropped by EUR4.3 million, despite rising debt levels, due to the decline in interest rates and, to a lesser extent, changes in the composition of the debt. Outlays on compensation of employees went down by EUR2.3 million as the effect of early retirement payments to shipyard workers in 2008 unwound. Moreover, data for the first three quarters of the year indicate that the level of employment in the general government sector had declined, offsetting the impact of wage increases.

Meanwhile, spending on social benefits rose by EUR50.6 million, the bulk of which was attributable to retirement pensions. 'Other' expenditure also increased, by EUR25.2 million, mostly due to higher capital transfers to the Water Services Corporation to finance investment.

#### *Consolidated Fund balance worsens over the year*

During the December quarter of 2009 the balance on the Consolidated Fund improved by EUR11.7 million, to reach a surplus of EUR36.9 million (see Table 2.9 and Chart 2.14). A rise in receipts

**Table 2.9**  
**CONSOLIDATED FUND BALANCE**

EUR millions

	2008 Q4	2009 Q4	2008 Q1-Q4	2009 Q1-Q4	Change Q1-Q4	
					Amount	%
<b>Revenue</b>	<b>650.4</b>	<b>750.2</b>	<b>2,132.2</b>	<b>2,195.5</b>	<b>63.3</b>	<b>3.0</b>
Direct tax <sup>(1)</sup>	363.0	340.7	1,076.1	1,090.2	14.2	1.3
Indirect tax	231.6	307.5	852.3	864.6	12.3	1.4
Non-tax <sup>(2)</sup>	55.8	102.0	203.8	240.6	36.8	18.1
<b>Expenditure</b>	<b>625.2</b>	<b>713.3</b>	<b>2,365.3</b>	<b>2,492.5</b>	<b>127.2</b>	<b>5.4</b>
Recurrent <sup>(1)</sup>	566.9	611.0	2,143.2	2,221.1	78.0	3.6
Capital	58.3	102.3	222.1	271.3	49.2	22.1
<b>Primary balance<sup>(3)</sup></b>	<b>58.1</b>	<b>70.2</b>	<b>-44.1</b>	<b>-105.0</b>	<b>-60.9</b>	<b>-</b>
<b>Consolidated Fund balance</b>	<b>25.2</b>	<b>36.9</b>	<b>-233.1</b>	<b>-297.0</b>	<b>-63.9</b>	<b>-</b>

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

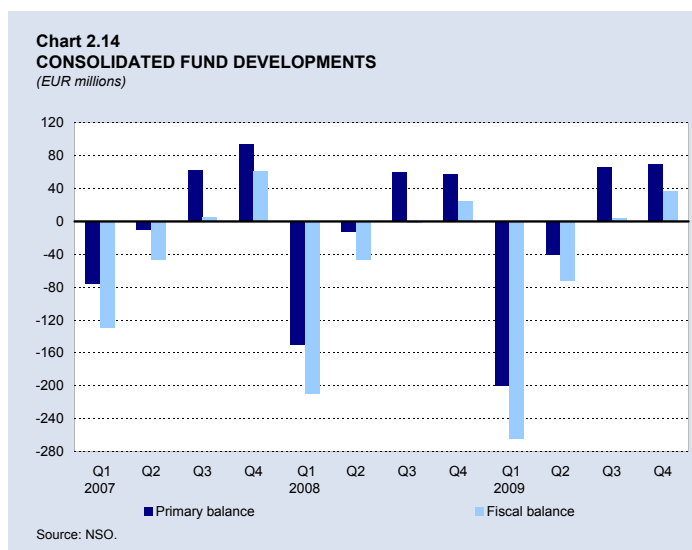
<sup>(2)</sup> Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

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

Source: NSO.

by way of grants and from indirect taxes, the latter largely reflecting the timing of the receipt of excise duties, helped push revenue up by 15.3% during the quarter. At the same time, expenditure rose by 14.1%, fuelled by growth in both current and capital spending.

Nevertheless, the deficit for 2009 as a whole widened by EUR63.9 million to EUR297.0 million. The surge in grants and in indirect tax revenues mentioned above helped to push overall revenue up by 3.0% compared to 2008. However, expenditure increased more rapidly, rising by 5.4%, driven mainly by higher outlays on capital projects and on social benefits.



Nevertheless, the deficit for 2009 as a whole widened by EUR63.9 million to EUR297.0 million. The surge in grants and in indirect tax revenues mentioned above helped to push overall revenue up by 3.0% compared to 2008. However, expenditure increased more rapidly, rising by 5.4%, driven mainly by higher outlays on capital projects and on social benefits.

#### General government debt increases

In the fourth quarter of 2009 general government debt rose by EUR13.5 million from its end-September level to edge closer to EUR4.0 billion (see Table 2.10). Over the year as a whole, the debt increased by EUR321.0 million, or 8.9%, raising the debt-to-GDP ratio to 69.1%, from 63.7% at the end of 2008 (see Chart 2.15). At this level, the ratio thus stands at the level last reached early in 2006.

The year under review also saw significant shifts in the composition of the debt, as short- and long-term debt in the form of bonds and bills rose while loans declined. Short-term debt in the form of Treasury bills stood at EUR474.1 million at end-December 2009, an increase of 29.6% from 2008, so that its share of the total rose to 12.0%, from 10.1%. New issues of MGSs exceeded the amount of maturing stocks, so that long-term government debt rose by EUR262.0 million,

**Table 2.10**  
**GENERAL GOVERNMENT DEBT**  
(EUR millions)

	2008		2009		
	Q4	Q1	Q2	Q3	Q4
<b>General government debt<sup>(1)</sup></b>	<b>3,626.6</b>	<b>3,706.4</b>	<b>3,874.3</b>	<b>3,934.1</b>	<b>3,947.6</b>
<b>Currency &amp; deposits<sup>(2)</sup></b>	<b>31.2</b>	<b>32.7</b>	<b>34.9</b>	<b>36.8</b>	<b>37.2</b>
<b>Securities</b>	<b>3,320.2</b>	<b>3,442.6</b>	<b>3,620.8</b>	<b>3,676.2</b>	<b>3,690.5</b>
Short-term	365.8	542.6	644.3	559.8	474.1
Long-term	2,954.4	2,900.0	2,976.6	3,116.5	3,216.4
<b>Loans</b>	<b>275.2</b>	<b>231.1</b>	<b>218.6</b>	<b>221.0</b>	<b>220.0</b>
Short-term	64.5	20.2	16.6	15.4	15.5
Long-term	210.7	210.9	202.0	205.7	204.4

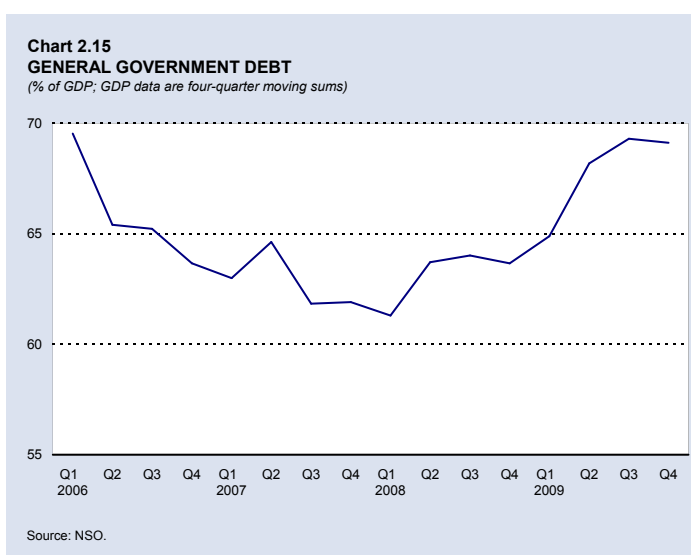
<sup>(1)</sup> Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.

<sup>(2)</sup> As from January 2008, the Maltese euro coins issued are being considered as a currency liability pertaining to general government.

Source: NSO.

or 8.9%, compared to 2008. As a share of the total, long-term debt remained constant at 81.5%.

Concurrently, loans fell by EUR55.3 million, as bank loans that had been taken up by Malta Shipyards Ltd were repaid, as were some foreign loans. The share of loans in the total debt thus fell to 5.6% from 7.6% in the previous year, with both short-term and long-term loans decreasing. At the same time, government liabilities in the form of Maltese euro coins in issue rose by EUR6.0 million, with their share of total liabilities remaining unchanged at 0.9%.



Over 90% of the stock of general government debt outstanding at the end of 2009 was held by Maltese residents, with banks and other financial institutions holding around two-fifths and one-fifth of this amount respectively, and households holding a significant portion of the remainder.

### Monetary and financial developments<sup>14</sup>

During the December quarter of 2009 the contribution of Maltese MFIs to the euro area broad money stock increased as residents' deposits rose, reversing the drop registered in the previous three months.<sup>15</sup> At the same time, credit to residents picked up slightly while net claims on non-residents of the euro area fell. Although official interest rates were kept constant throughout the quarter, domestic money market yields persisted on their downward trend. Developments in the capital market were mixed, with yields on five-year and ten-year government securities moving in opposite directions. As stock prices extended their upward trend, the MSE share index rose further during the quarter.

#### *Residents' deposits recover*

Maltese MFIs' contribution to the euro area broad money stock (M3) expanded by EUR23.5 million, or 0.3%, during the fourth quarter of 2009 (see Table 2.11). This partly reversed the 0.8% drop of the previous quarter, so that at the end of December Malta's contribution to euro area M3 stood at EUR8.6 billion.

During the quarter under review, overnight deposits belonging to residents expanded at a faster pace compared to the previous quarter, with the quarter-on-quarter growth rate doubling to 4.7% (see Table 2.12). This pick-up, which added EUR162.7 million in absolute terms, was mainly driven by a rise in balances belonging to households and possibly reflected the low opportunity cost of holding such liquid monetary assets in an environment of low interest rates. Overnight

<sup>14</sup> The cut-off date for statistical information included in this section is 7 May 2010.

<sup>15</sup> Unless otherwise specified, 'residents' in this section refers to residents of Malta only. 'Other euro area residents' include entities residing in all euro area Member States except Malta.

**Table 2.11**  
**CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES<sup>(1)</sup>**

EUR millions; percentage changes on the previous quarter

	2009	2009			
	Dec.	Q1	Q2	Q3	Q4
Currency issued <sup>(2)</sup>	639.8	-10.1	2.1	0.7	3.4
Overnight deposits <sup>(3)</sup>	3,719.8	4.2	5.0	2.1	4.7
<b>Narrow money (M1)</b>	<b>4,359.5</b>	<b>1.7</b>	<b>4.5</b>	<b>1.9</b>	<b>4.5</b>
Deposits redeemable at notice up to 3 months <sup>(3)</sup>	111.7	-2.1	-1.2	-0.6	1.7
Deposits with agreed maturity up to 2 years <sup>(3)</sup>	4,199.9	-3.2	-4.2	-2.8	-4.1
<b>Intermediate money (M2)</b>	<b>8,671.1</b>	<b>-1.1</b>	<b>-0.3</b>	<b>-0.6</b>	<b>0.1</b>
Repurchase agreements	0.0	0.0	0.0	0.0	0.0
Debt securities issued up to 2 years initial maturity <sup>(4)</sup>	-111.9	0.7	-28.2	19.4	-10.1
<b>Broad money (M3)</b>	<b>8,559.1</b>	<b>-1.1</b>	<b>0.2</b>	<b>-0.8</b>	<b>0.3</b>

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

<sup>(2)</sup> This is not a measure of currency in circulation in Malta. It comprises the Central Bank of Malta's share of euro banknotes issued by the Eurosystem, plus coins issued by the Bank on behalf of the Treasury, less holdings of issued euro banknotes and coins held by the MFI sector.

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

<sup>(4)</sup> Debt securities up to 2 years issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. This row shows net amounts and may be negative. Figures also include money market funds shares/units.

Source: Central Bank of Malta.

deposits belonging to other euro area residents also grew, though to a much lesser extent, adding EUR5.6 million, as holdings belonging to private non-financial companies rose.

Meanwhile, growth in deposits redeemable at up to 3 months' notice turned positive during the quarter, after they had contracted for four consecutive quarters. These deposits expanded by 1.6%, though the increase in absolute terms amounted to just EUR1.8 million. At the same time, despite contracting for the fifth quarter in a row, the decline in deposits with an agreed maturity of up to two years moderated, with the quarterly growth rate rising from -4.1% in the September quarter to -2.1%. The fall stemmed predominantly from a drop in holdings belonging to households and non-bank financial intermediaries, which was only partly offset by a rise in corporate balances. Indeed, the drop in these deposits may be reflecting a shift into more liquid monetary assets, as well as an increase in holdings of assets outside M3 – such as deposits with maturities exceeding two years, government bonds and corporate debt securities.<sup>16</sup>

**Table 2.12**  
**RESIDENTS' DEPOSITS<sup>(1)</sup>**

EUR millions; percentage changes on the previous quarter

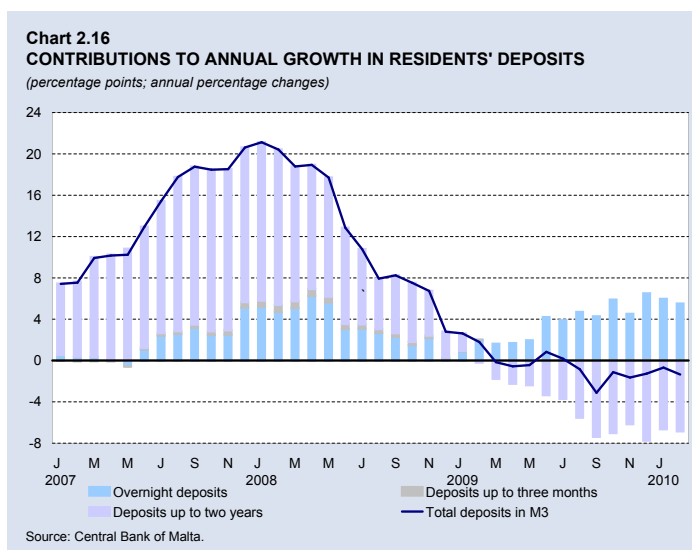
	2009	2008	2009			
	Dec.	Q4	Q1	Q2	Q3	Q4
Overnight deposits	3,633.6	-0.3	3.5	5.0	2.4	4.7
Deposits redeemable at notice up to 3 months	111.6	-1.5	-2.1	-1.2	-0.6	1.6
Deposits with agreed maturity up to 2 years	4,057.2	-1.2	-4.1	-3.4	-4.1	-2.1
<b>Total residents' deposits</b>	<b>7,802.4</b>	<b>-0.9</b>	<b>-1.1</b>	<b>0.1</b>	<b>-1.3</b>	<b>1.0</b>

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

Source: Central Bank of Malta.

<sup>16</sup> Deposits with terms to maturity exceeding two years do not form part of M3. They put on EUR31.8 million during the quarter reviewed.

Overall, growth in residents' deposits turned positive during the December quarter, rising from -1.3% in the September quarter to 1.0%. As a result, the annual rate of growth of residents' deposits, though still negative, recovered, rising from -3.1% in September to -1.3% in December (see Chart 2.16). Negative growth once again reflected the contraction in deposits with an agreed maturity of up to two years, which account for just over half of residents' deposits.



Going into the first quarter of 2010, deposits belonging to residents continued to decline, though the year-on-year growth rate was stable at -1.3% in February.

The weighted average interest rate paid by MFIs on all residents' deposits persisted on its downward trend, falling by 18 basis points to 1.44% by the end of 2009. While average interest rates on time and demand deposits fell by 25 and two basis points, respectively, to 2.30% and 0.29%, those on savings deposits were unchanged at 0.33%.<sup>17</sup> In contrast, interest rates on newly opened accounts belonging to households rose during the quarter, except for those on time

**Table 2.13**  
**MFI INTEREST RATES ON DEPOSITS BELONGING TO RESIDENTS<sup>(1)</sup>**

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

	2008		2009		
	Dec.	Mar.	June	Sep.	Dec.
<b>New business</b>					
<b>Households and NPISH</b>					
Overnight deposits <sup>(2,3)</sup>	0.57	0.34	0.32	0.29	0.30
Savings deposits redeemable at notice up to 3 months <sup>(2,4)</sup>	2.09	1.74	1.71	1.70	1.70
Time deposits with agreed maturity					
Up to 1 year	3.06	2.01	1.86	1.79	1.95
Over 1 and up to 2 years	4.60	3.70	3.29	3.04	3.00
Over 2 years	5.54	3.32	3.36	3.13	3.39
<b>Non-financial corporations</b>					
Overnight deposits <sup>(2,3)</sup>	0.64	0.33	0.22	0.23	0.23
Time deposits with agreed maturity	2.60	1.58	1.64	1.33	0.85

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

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

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

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

Source: Central Bank of Malta.

<sup>17</sup> In this context, savings deposits include those that are withdrawable on demand. The latter are included with overnight deposits in MIR statistics.



deposits with a maturity of over one and up to two years. This suggests that banks were having to offer higher rates to attract retail funding against a backdrop of repeated issues of securities on the primary capital market. However, rates on new time deposits belonging to non-financial corporations fell by 48 basis points, ending the quarter at 0.85% (see Table 2.13).<sup>18</sup>

During the first two months of 2010, the weighted average deposit rate dropped by a further three basis points, reaching 1.41% in February. Movements in interest rates on new business were mixed: while rates on deposits with maturities of less than two years fell, those on deposits with maturities exceeding two years rose further.

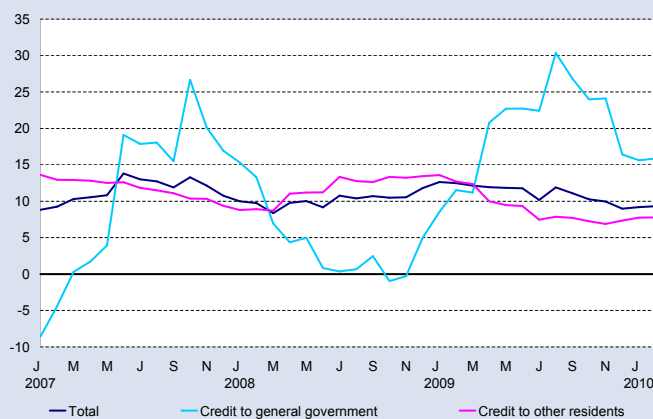
### *Credit continues to expand*

During the final quarter of 2009, growth in credit to residents picked up slightly, rising from 1.8% in the previous quarter to 1.9% (see Table 2.14). Growth was fuelled by a rise in credit to other residents, as credit to general government declined. On a year-on-year basis, however, the rate of credit growth moderated, slowing down to 9.0% in December from 11.1% three months earlier (see Chart 2.17).

After having expanded by 3.4% during the September quarter, credit to general government contracted by 2.9% in the quarter under review, as a drop in credit institutions' holdings of Treasury bills outweighed an increase in their MGS portfolio. On an annual basis, growth in credit to general government decelerated considerably during the quarter, falling from 26.9% in September to 16.4% in December.

In contrast, the quarterly rate of growth of credit to other residents accelerated to 3.1% during the December quarter. This was more than twice the rate observed

**Chart 2.17**  
**CREDIT TO RESIDENTS**  
(annual percentage changes)



Source: Central Bank of Malta.

**Table 2.14**  
**CREDIT TO RESIDENTS<sup>(1)</sup>**

EUR millions; percentage changes on the previous quarter

	2009	2008	2009			
	Dec.	Q4	Q1	Q2	Q3	Q4
<b>Total credit</b>	<b>9,659.9</b>	<b>3.9</b>	<b>1.6</b>	<b>3.4</b>	<b>1.8</b>	<b>1.9</b>
Credit to general government	1,863.4	5.8	3.6	11.9	3.4	-2.9
Credit to other residents	7,796.4	3.5	1.1	1.5	1.4	3.1

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

Source: Central Bank of Malta.

<sup>18</sup> MFI interest rates (MIR) on new business cover all interest rates that credit institutions apply to 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, MIR statistics do not cover all institutional sectors, as is the case with weighted average deposit and lending rates.

in the previous three months, despite the fact that in the September quarter loan amounts are boosted by the biannual addition of accrued interest (see Table 2.14). Loans, which account for almost all such credit, put on 3.0% (see Table 2.15). Growth stemmed mainly from credit to the non-bank private sector, even though credit to the non-bank public sector also rose substantially. The former expanded by 1.9%, driven largely by credit to households, mostly for house purchases. As far as the private corporate sector is concerned, lending to hotels & restaurants, the real estate, renting & business activities and the transport, storage & communications sectors all rose significantly. In contrast, lending to manufacturing and to the construction industry declined. Meanwhile, credit to non-bank public sector corporations expanded strongly, rising by 17.9%, predominantly on account of increased lending to the electricity, gas & water supply sector.

Despite having picked up on a quarterly basis, growth in credit to other residents slowed down on a year-on-year basis. Although still strong, this eased from 7.7% in September to 7.4% in December, reflecting a drop in the annual growth rate of credit to the non-bank private sector (see Chart 2.17). Indeed, growth in credit to the latter persisted on its downward trend, falling to 6.8% in December from 7.3% three months earlier. Nonetheless, relatively strong growth in lending to certain sectors, such as households and the real estate, renting & business activities sector, reflects the ongoing ability of the domestic banking system to satisfy the demand for loans. In comparison, in the euro area as a whole, growth in credit to the private sector was almost flat, at 0.7%, in December.

Over the twelve months to December, growth in lending to the private sector was once again driven mainly by mortgages, which continued to expand steadily and accounted for more than half of the annual expansion in private sector borrowing. At the same time, credit to two other important categories – namely, the real estate, renting & business activities sector and the

**Table 2.15**  
**CREDIT TO OTHER RESIDENTS<sup>(1)</sup>**  
*EUR millions; percentage changes on the previous quarter*

	2009	2009	Change	
	Sep.	Dec.	Amount	%
<b>Total credit</b>	<b>7,559.3</b>	<b>7,796.4</b>	<b>237.1</b>	<b>3.1</b>
Credit to the non-bank private sector	6,986.3	7,121.0	134.7	1.9
Credit to the non-bank public sector	573.0	675.4	102.3	17.9
<b>Total loans</b>	<b>7,347.9</b>	<b>7,571.6</b>	<b>223.7</b>	<b>3.0</b>
Electricity, gas & water supply	359.9	432.1	72.2	20.1
Transport, storage & communication	440.1	480.0	39.9	9.1
Agriculture & fishing	34.8	37.2	2.4	6.9
Manufacturing	297.0	296.4	-0.6	-0.2
Construction	736.0	732.8	-3.2	-0.4
Hotels & restaurants	466.1	485.8	19.7	4.2
Wholesale & retail trade; repairs	765.2	767.2	2.0	0.3
Real estate, renting & business activities	1,013.2	1,033.2	20.0	2.0
Households & individuals	3,072.6	3,144.2	71.6	2.3
Other <sup>(2)</sup>	163.0	162.6	-0.4	-0.3

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

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

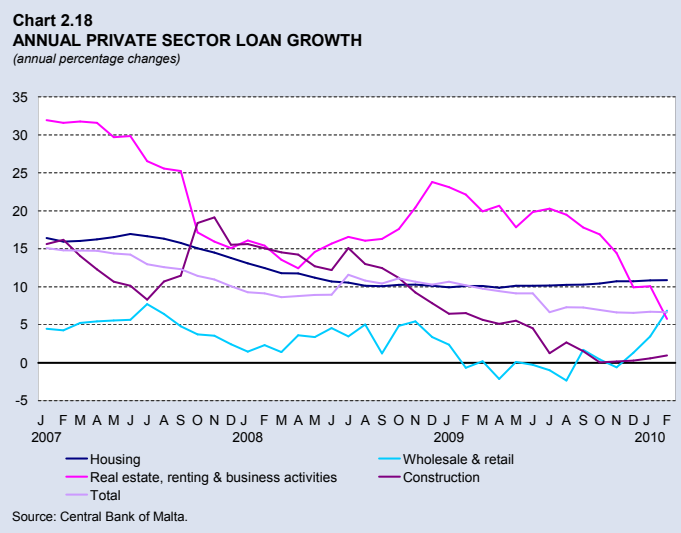
Source: Central Bank of Malta.

construction industry – expanded at a slower annual rate (see Chart 2.18). In absolute terms, bank lending to the private sector continues to be dominated by loans to households, which alone accounted for more than two-fifths of the total outstanding at the end of December.

Meanwhile, credit granted by resident MFIs to other residents of the euro area expanded by EUR41.0 million to EUR2.3 billion. This was mainly attributable to increased purchases of securities issued by non-bank financial intermediaries.

Going into the first quarter of 2010, credit to residents of Malta picked up slightly, with the year-on-year growth rate rising to 9.3% in February, as an acceleration in the rate of growth of credit to other residents offset a slowdown in credit to general government.

Credit growth was supported by a further decline in lending rates during the December quarter. Indeed, the weighted average interest rate charged by MFIs on loans to residents fell by two basis points, reaching 4.46% in December. MFI rates on new loans to non-financial corporations fell by 58 basis points to 4.95% (see Table 2.16). In contrast, interest rates charged on loans to households for house purchases put on 12 basis points to 3.52%.



**Table 2.16**  
**MFI INTEREST RATES ON LOANS TO RESIDENTS<sup>(1)</sup>**

Percentages per annum; weighted average rates for the period

	2008		2009		
	Dec.	Mar.	June	Sep.	Dec.
<b>New business</b>					
<b>Households and NPISH</b>					
Overdrafts <sup>(2)</sup>	7.16	6.19	6.41	6.49	6.44
Loans					
Lending for house purchases	3.84	3.46	3.58	3.40	3.52
Consumer credit <sup>(3)</sup>	6.12	5.50	5.71	5.74	6.02
Other lending	6.44	5.58	5.81	5.72	5.56
<b>Non-financial corporations</b>					
Overdrafts <sup>(2)</sup>	5.30	4.91	5.03	5.09	5.08
Loans <sup>(3)</sup>	5.50	5.64	5.43	5.53	4.95

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

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

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

Source: Central Bank of Malta.

Going into the first quarter of 2010, the weighted average lending rate rose slightly, reaching 4.47% in February. While rates charged to households on new mortgages and consumer credit facilities fell – by five and 15 basis points, respectively, to 3.47% and 5.87% – those on loans to non-financial corporations rose considerably. Although banks reported unchanged credit standards, the rate charged on the latter category rose by 96 basis points, possibly reflecting a changing mix of corporate borrowers.

The Bank Lending Survey (BLS) conducted in January 2010 indicated that credit standards in respect of lending to households for house purchases and to enterprises remained unchanged during the December quarter.<sup>19</sup> One bank, however, did report a slight tightening in conditions imposed on consumer credit & other lending. At the same time, while demand for loans by enterprises and for mortgages by households remained unchanged from the previous quarter, demand for consumer credit & other lending to households decreased slightly. Banks also reported that they expected credit supply and demand conditions to remain unchanged in the first quarter of 2010.

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

During the final quarter of 2009, 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, fell by EUR265.7 million, or 3.8% (see Table 2.17). Claims on non-residents of the euro area contracted significantly, mainly due to a drop in loans granted by resident banks. The latter was, however, partly offset by a rise in resident MFIs' holdings of securities issued by governments outside the euro area. At the same time, liabilities to non-residents also fell, though to a lesser extent, as borrowing by resident banks from outside the euro area declined.

Other counterparts (net), which are heavily influenced by interbank transactions within the euro area, increased by EUR357.7 million, or 3.3%, during the quarter. Borrowings by resident banks from credit institutions elsewhere in the euro area increased considerably, exceeding the combined effect of a rise in loans granted by resident credit institutions to other euro area banks and an increase in resident credit institutions' demand deposits held with them. Furthermore, the banks' longer-term financial liabilities, mostly in the form of retained earnings and exchange rate revaluation reserves, continued to rise and also contributed substantially.

**Table 2.17**  
**EXTERNAL AND OTHER COUNTERPARTS<sup>(1)</sup>**

*EUR millions; percentage changes on the previous quarter*

	2009 Sep.	2009 Dec.	Change	
			Amount	%
<b>External counterpart</b>	<b>6,919.2</b>	<b>6,653.5</b>	<b>-265.7</b>	<b>-3.8</b>
Claims on non-residents of the euro area	25,268.7	24,924.6	-344.1	-1.4
Liabilities to non-residents of the euro area	18,349.5	18,271.1	-78.4	-0.4
<b>Other counterparts (net)<sup>(2)</sup></b>	<b>10,890.6</b>	<b>11,248.3</b>	<b>357.7</b>	<b>3.3</b>

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

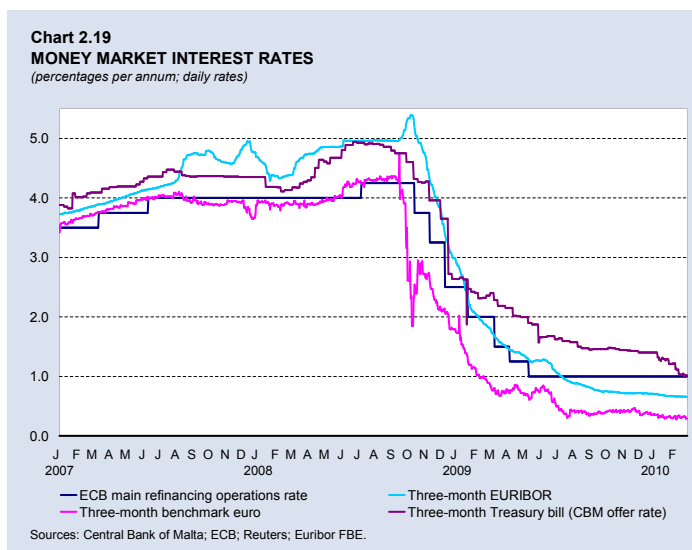
<sup>(2)</sup> Includes net interbank claims/liabilities.

Source: Central Bank of Malta.

<sup>19</sup> The BLS gauges credit demand and supply conditions. The Central Bank of Malta began to survey a sample of Maltese banks in 2004. From January 2008 the BLS is being carried out as part of a quarterly exercise by the Eurosystem across the entire euro area.

### Money market rates fall slightly

The Governing Council of the ECB left its MRO rate unchanged at 1.00% during the fourth quarter of 2009, and it continued to provide longer-term refinancing operations at a fixed rate with full allotment to ease euro area banks' financing needs. In December, however, the Council decided to begin a gradual phasing out of non-standard monetary policy measures. Money market rates in the euro area fell slightly during the period, with the three-month EURIBOR easing from 0.75% at end-September to 0.70% at the end of December (see Chart 2.19).



Similarly, primary market yields on domestic three-month Treasury bills decreased slightly over the period, falling from 1.46% at end-September to 1.40% at the end of the year. The Treasury made less use of money market financing during the December quarter, issuing a total of EUR258.2 million worth of bills, down from EUR403.4 million during the preceding quarter. Three-month bills accounted for almost two-thirds of the total issued, while the remainder consisted of six-month bills. Domestic banks were the most active participants in the primary market, purchasing more than half of the bills issued. Money market funds took up an additional 22%, while 11% were bought by investors resident elsewhere in the euro area.

Turnover in the secondary market for domestic Treasury bills amounted to EUR64.7 million in the last quarter of 2009, up from EUR58.6 million during the previous three months. Almost three-fourths of transactions involved the Central Bank of Malta in its role as a market maker. In fact the Bank purchased and sold EUR36.3 million and EUR11.5 million worth of bills, respectively. Secondary market yields shadowed those in the primary market, with the yield on the three-month bill falling by six basis points to end the year at 1.40%.

At the same time, euro area money market rates also declined gradually, with yields on benchmark three-month government securities dropping by four basis points during the quarter under review. As the corresponding domestic yields fell by more, the differential between the two narrowed to 105 basis points by end-December (see Chart 2.19).<sup>20, 21</sup>

Going into the first quarter of 2010, domestic money market yields continued to fall faster than their euro area counterparts. Domestic primary and secondary market Treasury bill yields fell to 1.04% and 1.02%, respectively, by end-February. At the same time, the secondary market yield

<sup>20</sup> The Chart shows the secondary market rate on three-month securities issued by the French government, which are often taken as the benchmark for the euro area.

<sup>21</sup> 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 being calculated on the basis of remaining days to maturity divided by 360.

on three-month euro area government securities ended February at 0.29%, implying a further narrowing of the spread to 73 basis points.

### *Bond yields decouple while equity prices recover*

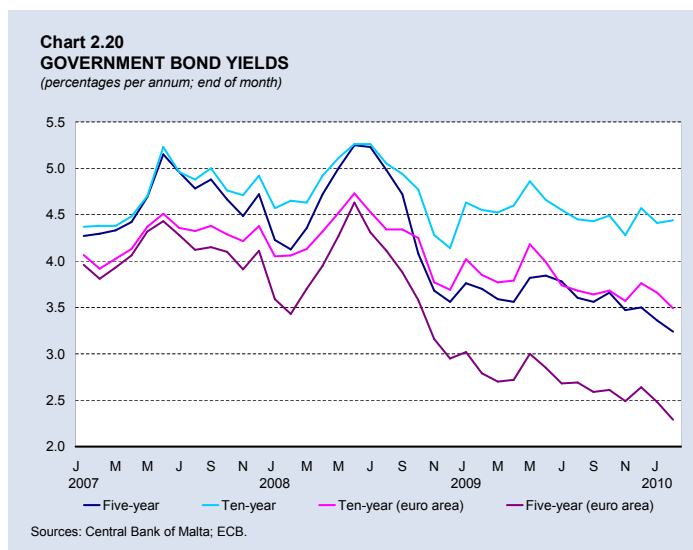
During the fourth quarter of 2009 the Government raised funds through three bond issues with a total value of EUR100.0 million. The first two had terms to maturity of four and 11 years, and offered coupon rates of 3.6% and 4.6%, respectively. The third issue, with a maturity of six years, carried a coupon rate linked to the six-month EURIBOR, making it the first variable-rate bond offered by Government. In fact, this issue's coupon rate will amount to 1.79% until April 2010 and will subsequently be revised every six months. More than two-thirds of the total amount issued during the quarter was sold by auction, mostly to credit institutions, while the remainder was purchased at fixed prices, predominantly by households.

The December quarter was also characterised by substantial issues of corporate securities on the primary market. Indeed three corporate bond issues took place during the period. Island Hotels Group Holdings plc issued EUR14 million worth of bonds carrying a coupon rate of 6.5% and redeemable between 2017 and 2019, while Melita Capital plc issued EUR25.9 million worth of bonds paying a coupon of 7.15% and redeemable between 2014 and 2016. Additionally, Mizzi Organisation Finance plc issued EUR25 million worth of bonds with a coupon rate of 6.2% and redeemable between 2016 and 2019. All three issues were oversubscribed.

Activity in the secondary market for government bonds increased during the final quarter of 2009, with turnover rising by EUR20.6 million to EUR97.2 million. The Central Bank of Malta, in its role as a market-maker, accounted for most of the value traded, which focused mainly on short-term securities. Movements in government bond yields were mixed during the period under review. While yields on five-year securities declined by six basis points to 3.50%, those on ten-year bonds increased by 14 points to 4.57% (see Chart 2.20). This divergence may reflect a growing preference among investors for five-year instruments. Meanwhile, average euro area yields for both maturities rose.<sup>22</sup> As a result, the interest-rate differential on five-year government bonds narrowed by 11 basis points to 86 points, whereas that on ten-year government securities widened by only 2 basis points, ending the year at 81 points.

Turnover in the secondary market for corporate bonds fell during the quarter, from EUR12.9 million to EUR10.1 million. Trading was concentrated in three securities, and yields generally declined.

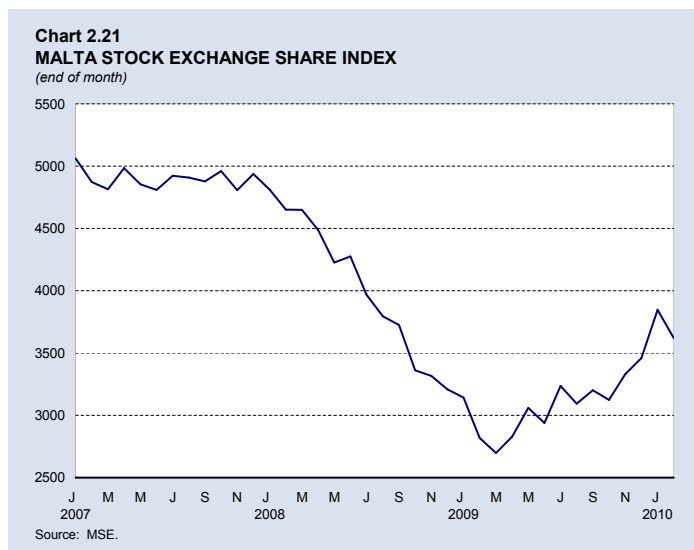
By contrast, turnover in the equity market recovered during the last three months of 2009, rising to



<sup>22</sup> Euro area yields are computed on the basis of AAA-rated euro area central government bonds.

EUR7.3 million from EUR4.2 million in the third quarter. Trading in bank shares accounted for more than three-fifths of the total turnover. Share prices continued to recover, leading to an 8.1% rise in the MSE share index, which ended December at 3,460.55 (see Chart 2.21).

Going into the first quarter of 2010, yields on five-year and ten-year government bonds fell to 3.24% and 4.44%, respectively, in February. At the same time, equity prices continued on their upward path, with the MSE share index rising by 4.6% from its level at the end of December to 3,620.15.



## NEWS NOTES

### LOCAL NEWS

#### **Central Bank of Malta Announcements**

On 12 January the Central Bank of Malta announced that it was withdrawing its Directive No.3, on Cross-Border Credit Transfers, as this had been superseded by EC Regulation 924/2009 of the European Parliament. The latter introduces measures facilitating the automation of payments and further stipulates that charges for payments made between countries in the European Economic Area must not differ from those applied to payments made locally. In addition, it regulates charges between service providers in respect of direct debit interchange.

On 20 January the Bank reminded the public that Maltese lira coins would cease to be legal tender after 31 January 2008. Following the end-January deadline, on 2 February, the Bank informed the public that the value of unredeemed coins amounted to Lm11.12 million, equivalent to EUR25.91 million.

#### **European Council Recommendation on Malta's excessive budget deficit**

On 27 January the European Commission assessed the action taken by Malta in response to recommendations proposed by the Commission and endorsed by the Council in July 2009 with regard to the correction of its budget deficit. The Commission proposed to extend the deadline for its correction by one year to 2011. The Commission observed that Malta had taken effective action and that in view of a significant worsening of the economic situation the previous deadlines could no longer be deemed realistic.

#### **Central Bank of Malta-IMF bilateral loan agreement**

As part of a consolidated effort by EU countries to strengthen the lending capacity of the IMF following the global financial crisis, the Maltese Government agreed to lend resources to the Fund, on a bilateral basis, through the Central Bank of Malta. Under this bilateral loan arrangement the Bank will make available an SDR-denominated loan, up to the equivalent of EUR120 million and over a maximum of four renewable one-year periods. The IMF announced the signing of the agreement with the Central Bank of Malta on 12 February.

#### **Capital market developments**

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

On 2 February the Government, through Legal Notice 62 of 2010, launched EUR100 million worth of stocks with an over-allotment option for an additional EUR50 million. The stocks were to be made up of (i) 3.75% MGS 2015 (VI), (ii) 4.6% MGS 2020 (II) (Fungibility Issue) and (iii) Floating Rate MGS 2013 (V) linked to the six-month Euribor. The value of applications exceeded EUR248 million, of which EUR149.781 million were accepted.

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

On 25 January Grand Harbour Marina plc announced the issue at par of EUR10 million 7% bonds 2017-2020 with a nominal value of EUR100 per bond subject to an over-allotment option of EUR2 million. The issue was oversubscribed and the over-allotment option was exercised.



On 12 February Bank of Valletta plc announced that it would be issuing at par EUR50 million worth of subordinated bonds with a coupon of 4.80% redeemable in 2020, with a nominal value of EUR100 per bond subject to an over-allotment option of EUR20 million. The issue was oversubscribed and the over-allotment option was exercised in full.

On 12 February Corinthia Finance plc announced the issue of 6.25% EUR15 million bonds maturing in 2019 with a nominal value of EUR100 per bond. The issue was oversubscribed and an allotment policy was applied.

On 1 March International Hotel Investments plc announced the issue at par of EUR25 million 6.25% bonds 2017-2020 with a nominal value of EUR100 per bond. The issue was oversubscribed and an allocation policy was applied.

On 3 March Premier Capital plc announced a EUR20 million bond issue at par with a coupon of 6.8% maturing on 15 March 2020 with an over-allotment option of EUR5 million. The issue was oversubscribed and the over-allotment option was exercised.

#### **Double taxation agreements**

On 5 February Legal Notice 65 of 2010 brought into effect the double taxation agreement between Malta and Georgia. The agreement provides for taxation relief on profits, incomes and property. The relevant Convention between the two countries had come into force on 30 December 2009.

On 9 February Legal Notice 69 of 2010 brought into effect a double taxation agreement between Malta and Qatar. The agreement provides for taxation relief on income as set out in a Convention signed by the two countries and that had entered into force on 9 December 2009.

On 18 March Legal Notice 162 of 2010 brought into effect a double taxation agreement between Malta and the Isle of Man providing for tax relief on income and profits as set out in a Convention signed by the two jurisdictions that had entered into force on 26 February 2010.

On 30 March Legal Notice 192 of 2010, entitled Double Taxation Relief (Taxes on Income) (The Republic of San Marino) (Amendment) Order, 2010, brought into effect amendments to the principal order as set out in the Protocol specified in the Schedule attached to the order that had entered into force on 15 February 2010. The amendments are designed to ensure better procedures for the exchange of information between the two jurisdictions in relation to taxation.

#### **Moody's rating for Malta**

On 3 February Moody's Investors Service, in its latest sovereign credit report on Malta, said that Malta's A1 government ratings reflected the country's high economic resilience and its very high financial robustness. The outlook on Malta's government ratings was stable, while the country's primary challenge was to maintain economic competitiveness over the longer term, building on and securing its success in attracting investment. Malta's banks had also weathered the initial stage of the crisis relatively unscathed, but their concentration risk was considerable, given their high exposure to the real estate sector.

#### **Fitch confirms Bank of Valletta rating**

On 18 January the credit rating agency Fitch affirmed the long-term credit rating of Bank of Valletta Group at A-, with a stable outlook. Fitch noted the bank's strong capital and liquidity, the

improving quality of its loan book and its prudent business model. Fitch stated that the bank relied on a large and stable customer base for its funding and kept significant buffers of liquidity.

#### **MFSA signs agreements with Chinese financial services regulators**

On 26 January the MFSA announced that it had signed a Memorandum of Understanding (MoU) with the China Securities Regulatory Commission to protect and promote the development of the securities markets by providing a framework for co-operation, increased mutual understanding and the exchange of information between the two agencies.

On 2 February the MFSA announced that it had signed a MoU with the China Banking Regulatory Commission establishing an arrangement for the sharing of information by the two agencies so as to enhance co-operation in the area of banking supervision.

#### **Redomiciliation of Offshore Funds to Malta**

On 22 December 2009 the MFSA published guidelines regarding the redomiciliation of offshore funds to Malta under the Companies Act, Continuation of Companies Regulations, 2002. The guidelines provide a simple, one-stop procedure to be followed by funds intending to redomicile in Malta.

#### **Shariah Fund Guidance Note**

On 24 March the MFSA published a Guidance Note for Shariah Compliant Funds. This explains how the legal and regulatory framework established under the Investment Services Act would apply to Shariah-compliant funds established under Maltese law.

#### **Legislation related to banking and finance**

##### *Legal Notice 109 of 2010*

This legal notice, issued on 5 March under the Banking Act (Cap. 371) and entitled Depositor Compensation Scheme (Amendment) Regulations 2010, amended regulation 11 of the principal regulations to the effect that funds constituting the Reserve shall become payable to the Scheme upon the happening of certain events and that the Scheme shall cooperate with similar schemes set up in any other country. Moreover, it also amended the Second Schedule with regard to the accumulated supplementary contributions and the reserve of each participant.

#### **MFSA Notices**

##### *Surrender/downgrades of financial services licences*

During the first quarter of 2010, the MFSA announced that a number of institutions in the financial sector had surrendered their licences on an entirely voluntary basis. These were:

- Golden Hedge Umbrella SICAV plc, with respect to their collective investment scheme licence.
- La Valette Funds SICAV plc, with respect to the collective investment scheme licences granted in relation to the La Valette Capital Growth Fund and the La Valette European Opportunities Fund.

### *Credit Institutions New Licences*

During the first quarter of 2010 banking licences were issued to Deutsche Bank (Malta) Limited and IIG Bank (Malta) Limited.

## **INTERNATIONAL NEWS**

### **European Council Meetings**

On 11 February Heads of State or Government of the European Union met in Brussels and expressed their full support for the efforts of the Greek Government and its commitment to do whatever was necessary to ensure that the targets set in its Stability Programme for 2010 and the following years were met. It called on the Greek Government to implement all these measures in a rigorous and determined manner so as to effectively reduce the budgetary deficit by 4% in 2010.

At a meeting of the European Council held in Brussels on 25 and 26 March the Council:

- Discussed the European Union's new strategy for jobs and growth.
- Agreed on the strategy's main elements, including the key targets which will guide its implementation and arrangements for its improved monitoring.
- Exchanged views on competitiveness.
- Discussed the state of preparation for the next G20 Summit.

### **ECOFIN Council meetings – main topics discussed and decisions taken**

#### *19 January*

During this meeting:

- The Council adopted a number of conclusions relating to government deficit and debt statistics in Greece.
- The Council also approved a draft directive aimed at strengthening mutual assistance between Member States in the recovery of taxes. The draft directive also provides for an overhaul of existing provisions aimed at clamping down on tax evasion.

#### *16 February*

During this meeting:

The Council focused on the fiscal situation in Greece and adopted:

- An opinion on an update by Greece of its Stability Programme, which sets out plans for reducing its government deficit below 3% of gross domestic product by 2012.
- A decision giving notice to Greece to correct its excessive deficit by 2012, setting out budgetary consolidation measures according to a specific timetable, including deadlines for reporting on measures taken.
- A recommendation to Greece with a view to bringing its economic policies into line with the EU's broad economic policy guidelines.

The Council also:

- Extended by one year the deadlines for correction of the deficits of Lithuania, Malta and Romania under the excessive deficit procedure.
- Adopted a recommendation on the nomination of Vitor Constancio as vice-president of the European Central Bank, to succeed Lucas Papademos whose term of office expires on 31 May.
- Adopted a directive updating EU rules on the structure and rates of excise duties on cigarettes and tobacco products.

### *16 March*

During this meeting the Council:

- Followed up the decisions it had taken in February 2010 with regard to Greece, assessing the timetable for implementation of measures aimed at reducing the Greek government deficit.
- Approved a general approach on a draft directive aimed at simplifying VAT invoicing requirements, in particular as regards electronic invoicing, and a directive on strengthened mutual assistance between Member States in the recovery of taxes.
- In preparation for the spring meeting of the European Council, adopted conclusions on:
  - The preparation of a new EU strategy for growth and jobs, the EU 2020 Strategy.
  - Exit strategies with regard to support schemes for the financial sector and crisis-related measures in labour and product markets.
  - The follow-up to the UN's Copenhagen conference on climate change as regards financing.

# STATISTICAL TABLES



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

(as at end-December 2009, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Euro exchange rates <sup>1</sup> :	EUR 1 = USD 1.4406 EUR 1 = GBP 0.8881
CLIMATE	Average temperature (1990-2008):	Dec. - Feb. 13.3° C June - Aug. 26.1° C
	Average annual rainfall (1990-2008)	478.6 mm
	Average annual growth rate (1990-2008)	0.8%
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at constant 2000 prices <sup>2</sup>	0.5%
	GDP per capita at current market prices (2008) <sup>2</sup>	EUR 13,800
	GDP per capita in PPS relative to the EU-27 average (2008)	76.0%
	Ratio of gross general government debt to GDP (2009) <sup>2</sup>	69.1%
	Ratio of general government deficit to GDP (2009) <sup>2</sup>	3.8%
	RPI inflation rate	2.1%
	HICP inflation rate	1.8%
	Ratio of exports of goods and services to GDP <sup>2</sup>	71.7%
	Ratio of current account deficit to GDP <sup>2</sup>	14.4%
	Employment rate (Q3 2009)	55.1%
	Unemployment rate (Q3 2009)	6.9%
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%
	Density per km <sup>2</sup> (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	101.3
	Private motor vehicle licences per 1,000 population	554
	Internet subscribers per 100 population	26.7

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

<sup>2</sup> Provisional.

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

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at December 2009:

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)
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.
The International Banking Corporation (from September 2008)
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](http://www.centralbankmalta.org).



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## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

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

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets <sup>4</sup>	Total assets/liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
<b>2008</b>									
Jan.	3.9	863.7	452.4	241.5	372.3	-	143.1	397.4	2,474.3
Feb.	3.9	918.4	498.1	205.3	397.1	-	90.3	399.8	2,512.9
Mar.	4.1	939.5	502.9	179.4	402.7	-	59.1	434.3	2,522.0
Apr.	4.1	868.4	413.1	205.7	364.1	-	47.5	465.9	2,368.7
May	4.1	861.1	457.4	264.4	488.6	38.0	47.3	475.7	2,636.7
June	4.4	837.4	540.3	323.8	370.9	184.0	47.3	528.1	2,836.2
July	4.3	903.1	507.0	315.2	375.3	145.7	47.3	612.5	2,910.6
Aug.	4.2	911.6	493.9	340.4	344.6	168.9	47.3	617.3	2,928.2
Sep.	4.2	893.5	471.4	345.5	348.5	299.0	47.3	619.8	3,029.2
Oct.	4.2	707.0	312.5	476.6	289.8	304.0	47.3	622.9	2,764.3
Nov.	4.2	634.0	158.4	393.7	289.9	391.0	47.3	619.0	2,537.5
Dec.	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
<b>2009</b>									
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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

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

EUR millions

End of period	Banknotes in circulation <sup>2</sup>	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities <sup>3</sup>	Capital and reserves <sup>4</sup>
			Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
<b>2008</b>										
Jan.	749.8	375.0	287.9	87.1	24.9	-	12.1	644.3	59.4	233.8
Feb.	669.3	395.7	264.1	79.9	24.5	-	12.1	798.1	46.2	223.1
Mar.	638.9	402.7	282.8	80.9	34.6	-	11.7	767.3	75.4	227.6
Apr.	627.8	396.7	364.5	79.7	35.2	0.1	11.7	569.3	54.8	228.8
May	627.7	394.2	294.6	68.6	186.8	0.1	11.7	762.3	61.0	229.6
June	631.0	405.4	401.1	72.7	87.4	0.1	11.7	873.6	128.7	224.4
July	636.1	426.1	309.7	71.7	93.9	0.1	11.7	1,028.6	106.6	226.0
Aug.	632.1	418.8	352.2	69.2	57.3	0.1	11.7	1,075.8	84.1	227.1
Sep.	631.3	568.1	363.9	76.4	58.4	0.1	12.3	987.6	102.2	229.0
Oct.	666.1	497.4	353.8	84.8	48.4	0.1	12.3	723.6	148.7	229.3
Nov.	668.0	481.3	272.4	83.5	44.2	0.1	12.3	589.5	156.5	229.6
Dec.	693.1	483.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
<b>2009</b>										
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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Holdings of euro-denominated cash <sup>2</sup>	Claims on residents of Malta			External assets				Other assets <sup>4</sup>	Total assets/liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets <sup>3</sup>	Total		
<b>2009</b>										
Jan.	0.0	5.1	254.9	260.0	1,683.0	477.1	162.7	2,322.8	504.8	3,087.7
Feb.	0.0	5.1	263.1	268.2	1,820.3	397.4	161.2	2,379.0	327.6	2,974.8
Mar.	0.0	5.3	262.6	267.9	911.2	450.4	177.2	1,538.9	333.0	2,139.7
Apr.	0.0	5.2	260.1	265.3	1,279.3	446.2	182.4	1,907.9	303.2	2,476.4
May	0.5	5.2	257.2	262.4	975.3	591.0	190.7	1,757.0	338.3	2,358.3
June	0.5	5.2	282.0	287.2	1,331.7	505.9	173.6	2,011.3	459.4	2,758.4
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

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

EUR millions

End of period	Currency issued <sup>5</sup>	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities <sup>4</sup>
		Withdrawable on demand <sup>6</sup>	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities <sup>3</sup>	Total		
<b>2009</b>										
Jan.	650.0	386.7	0.0	386.7	0.0	94.0	88.5	182.5	290.4	1,578.0
Feb.	651.9	278.1	0.0	278.1	0.0	79.2	103.5	182.7	284.6	1,577.5
Mar.	656.5	266.4	5.9	272.3	57.0	77.9	91.8	226.7	279.9	704.3
Apr.	667.2	607.6	6.0	613.6	0.0	78.1	93.6	171.8	276.7	747.2
May	674.1	533.9	5.7	539.6	144.7	84.7	90.5	319.8	278.8	545.9
June	672.6	513.2	5.7	518.9	0.0	79.0	103.7	182.7	287.3	1,096.8
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

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

<sup>2</sup> May include some holdings of Maltese lira banknotes and coins.

<sup>3</sup> If the Central Bank issues less currency than the amount attributed to it under the banknote allocation key, the shortfall will be reflected in intra-Eurosystem claims. Conversely, if the Central Bank issues more currency than the amount attributed to it under the banknote allocation key, the excess will be reflected in intra-Eurosystem liabilities (refer to General Notes for more details).

<sup>4</sup> Includes resident interbank transactions.

<sup>5</sup> This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury. For 2008, the remaining outstanding Maltese lira banknotes and coins are included.

<sup>6</sup> 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 principles<sup>1</sup> (assets)**

EUR millions

End of period	Balances held with Central Bank of Malta <sup>2</sup>	Claims on residents of Malta			External assets				Other assets <sup>3</sup>	Total assets/liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2003	607.7	4,449.2	1,449.1	83.1	2,831.3	7,484.8	177.2	10,493.3	818.3	17,900.8
2004	448.6	4,734.9	1,531.2	77.9	3,626.4	8,794.1	787.5	13,208.0	837.6	20,838.2
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
<b>2008</b>										
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
<b>2009</b>										
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.	657.6	7,526.4	1,665.5	114.7	6,105.3	23,571.5	692.3	30,369.1	609.8	40,943.3
Dec.	674.9	7,677.1	1,626.4	132.4	6,145.2	23,715.8	628.0	30,488.9	642.2	41,241.9

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

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

<sup>3</sup> 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 principles<sup>1</sup> (liabilities)**

EUR millions

End of period	Deposits from residents of Malta <sup>2</sup>				External liabilities				Debt securities issued <sup>3</sup>	Capital & reserves	Other liabilities <sup>2</sup>
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities <sup>3</sup>	Total			
2003	2,441.8	67.0	3,727.6	6,236.5	2,426.4	4,862.9	1,597.6	8,886.9	220.9	1,822.4	734.1
2004	2,589.8	70.0	3,700.8	6,360.5	3,203.2	6,640.3	1,583.0	11,426.5	214.7	2,086.4	750.0
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
<b>2008</b>											
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
<b>2009</b>											
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

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

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

<sup>3</sup> Up to December 2007, debt securities held by non-residents are included under 'other external liabilities'. As from January 2008 they are included under 'debt securities issued'.

## 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) <sup>1</sup>
	Narrow money (M1)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)				
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation				Deposits withdrawable on demand		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 <sup>4</sup>	Total (M3) <sup>5</sup>
	Narrow money (M1)			Deposits redeemable at notice up to 3 months <sup>3</sup>		Deposits with agreed maturity up to 2 years <sup>3</sup>					
	Currency issued <sup>2</sup>	Overnight deposits <sup>3</sup>		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta			
From residents of Malta		From other euro area residents									
<b>2008</b>											
July	631.6	3,147.0	106.6	116.6	0.0	4,575.9	271.2	-	-	-165.5	8,683.4
Aug.	628.5	3,126.6	117.3	115.5	0.0	4,650.6	253.5	-	-	-169.2	8,722.8
Sep.	629.5	3,130.0	103.4	116.0	0.0	4,726.2	206.9	-	-	-169.1	8,742.8
Oct.	665.0	3,042.7	105.7	114.2	0.1	4,808.4	219.8	-	-	-153.2	8,802.7
Nov.	674.8	3,131.5	108.3	114.3	0.1	4,758.4	241.6	-	-	-147.9	8,881.1
Dec.	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	-	-	-144.3	8,680.3
<b>2009</b>											
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

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

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

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

<sup>4</sup> 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.

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

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

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

EUR millions

End of period	Broad money (M3) <sup>4</sup>	Credit counterpart <sup>3</sup>					External counterpart			Other counterparts (net) <sup>2</sup>
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
<b>2008</b>										
Jan.	8,648.5	1,504.9	6,389.1	320.0	1,989.9	10,203.8	24,525.4	17,345.6	7,179.9	8,735.2
Feb.	8,699.2	1,521.6	6,424.5	319.7	2,008.3	10,274.1	24,537.7	16,753.6	7,784.1	9,359.1
Mar.	8,684.7	1,491.6	6,531.6	299.8	2,143.7	10,466.7	23,903.1	16,341.1	7,562.0	9,344.0
Apr.	8,700.8	1,463.6	6,695.7	326.0	2,232.3	10,717.5	23,976.5	16,668.8	7,307.7	9,324.4
May	8,749.5	1,465.8	6,740.1	341.9	2,298.2	10,845.9	25,344.8	17,811.3	7,533.5	9,629.9
June	8,583.1	1,512.2	6,813.6	366.2	2,488.2	11,180.2	26,819.6	18,134.6	8,685.1	11,282.2
July	8,683.4	1,538.1	6,953.4	389.7	2,980.1	11,861.3	27,554.1	18,837.4	8,716.7	11,894.7
Aug.	8,722.8	1,505.8	6,925.5	390.0	3,118.4	11,939.6	28,455.8	19,491.3	8,964.4	12,181.2
Sep.	8,742.8	1,512.5	7,024.3	391.1	3,134.6	12,062.5	29,223.9	20,289.0	8,934.9	12,254.6
Oct.	8,802.7	1,547.9	7,089.8	402.8	2,930.9	11,971.4	29,442.8	21,275.6	8,167.2	11,336.0
Nov.	8,881.1	1,550.2	7,150.1	413.0	2,919.8	12,033.1	27,896.5	20,116.9	7,779.7	10,931.7
Dec.	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
<b>2009</b>										
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	24,855.0	18,300.1	6,554.9	11,050.6
Dec.	8,559.1	1,863.4	7,792.6	1,238.3	2,259.6	13,153.9	24,924.6	18,271.1	6,653.5	11,248.3

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

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

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

<sup>4</sup> This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate.



## 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 <sup>3</sup>
	Notional amount of banknotes issued by the Central Bank of Malta <sup>1</sup>	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins <sup>2</sup>	Less euro banknotes and coins held by MFIs in Malta	Total	
<b>2008</b>						
Jan.	536.6	23.3	245.4	134.5	670.7	-102.9
Feb.	539.3	22.4	158.8	83.0	637.6	-50.2
Mar.	545.0	23.3	121.8	77.1	612.9	-11.8
Apr.	552.4	24.5	102.4	57.9	621.4	-0.2
May	554.3	25.3	100.4	53.1	627.0	11.1
June	559.8	26.7	98.1	55.4	629.2	20.9
July	566.4	28.3	96.5	59.6	631.6	22.4
Aug.	563.8	29.3	95.1	59.7	628.5	17.0
Sep.	564.2	29.6	93.9	58.2	629.5	17.4
Oct.	600.2	30.0	92.5	57.8	665.0	13.1
Nov.	603.3	30.3	91.3	50.2	674.8	29.8
Dec.	629.3	31.2	80.5	71.7	669.2	54.5
<b>2009</b>						
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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Total notes & coins <sup>1</sup>	Currency notes					Total
		Lm20	Lm10	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
<b>2008</b>							
Mar.	121.8	19.4	54.5	11.8	8.2		93.9
June	98.1	13.0	40.5	10.0	7.7		71.2
Sep.	93.9	12.1	37.7	9.7	7.6		67.1
Dec.	90.5	11.3	35.4	9.5	7.5		63.8
<b>2009</b>							
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

<sup>1</sup> 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 Malta<sup>1</sup>**

EUR millions

End of period	Euro banknotes							Total
	€ 5	€ 10	€ 20	€ 50	€ 100	€ 200	€ 500	
<b>2008</b>								
Mar.	1.8	63.4	244.7	137.1	38.5	28.1	19.7	533.3
June	0.3	54.8	273.7	150.0	37.8	35.6	28.5	580.7
Sep.	-1.1	45.5	279.3	150.4	32.3	38.5	36.8	581.6
Dec.	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
<b>2009</b>								
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

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

**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	
<b>2008</b>									
Mar.	0.1	0.3	0.6	1.2	1.9	3.4	5.9	9.9	23.3
June	0.1	0.3	0.7	1.3	2.2	3.8	6.7	11.6	26.7
Sep.	0.1	0.4	0.8	1.5	2.5	4.2	7.4	12.7	29.6
Dec.	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
<b>2009</b>									
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

## Monetary, Banking, Investment Funds and Financial Markets

Table 1.8 Deposits held with other monetary financial institutions by sector<sup>1</sup>

End of period	Resident deposits										Deposits held by non-residents of Malta		Total deposits
	General government <sup>2</sup>	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				
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			
<b>2008</b>													
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.	113.3	624.0	206.3	129.4	1,459.6	6,678.3	9,210.8	11,663.0	18,778.6	39,652.4			
Oct.	107.3	804.7	214.8	144.1	1,401.3	6,695.3	9,367.4	10,875.8	19,408.3	39,651.5			
Nov.	110.6	798.9	238.1	146.8	1,404.8	6,715.4	9,414.6	10,436.0	18,321.1	38,171.7			
Dec.	101.5	878.8	249.2	146.1	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0			
<b>2009</b>													
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			

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	By residents of Malta					By non-residents of Malta			Total deposits	
						Other euro area residents		Non-residents of the euro area		
	MTL <sup>2</sup>	EUR	GBP	USD	Other	MTL <sup>2</sup>	EUR			Other
2003	5,576.2	244.7	303.3	246.0	60.2	22.4	1,832.6	1,309.4	5,524.1	15,119.0
2004	5,614.5	259.7	353.1	240.7	70.1	20.4	2,400.7	1,010.4	7,160.9	17,130.4
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
<b>2008</b>										
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
<b>2009</b>										
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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Size classes <sup>2</sup>				Total
	Up to € 25,000	Over € 25,000 to € 250,000	Over € 250,000 to € 1 million	Over € 1 million	
2003	714.7	1,553.3	876.5	2,437.6	5,582.0
2004	774.8	1,845.8	1,529.6	5,547.2	9,697.4
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
2007	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
<b>2008</b>					
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
<b>2009</b>					
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	2,888.5	1,960.5	16,901.6	22,457.1
Dec.	704.9	2,896.9	2,701.2	16,180.8	22,483.9

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

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

## Monetary, Banking, 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 <sup>1</sup>				Total lending to residents		
								Lending for house purchase	Consumer credit	Other lending	Total	Public sector	Private sector	
														Other <sup>2</sup>
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
<b>2008</b>														
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
<b>2009</b>														
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	6,799.6
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	3,118.3	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

<sup>1</sup> Excluding loans to unincorporated bodies such as partnerships, sole proprietors and non-profit institutions. Loans to such bodies are classified by their main activity.

<sup>2</sup> 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 <sup>1</sup>										Lending to non-residents of Malta		Total lending
	General government <sup>2</sup>	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	7,892.6	2,439.4	15,373.9	25,706.0			
<b>2008</b>													
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			
<b>2009</b>													
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	636.1	22.0	11.5	3,900.6	3,480.3	8,162.5	2,894.7	16,827.7	27,884.9			
Dec.	111.0	649.0	22.3	10.9	4,034.5	3,498.5	8,326.1	2,900.0	16,910.0	28,136.1			

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

<sup>2</sup> 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 <sup>1</sup>															Total lending
	Non-financial corporations					Households & non-profit institutions					Other sectors					
	MTL <sup>2</sup>		EUR		Other	MTL <sup>2</sup>		EUR		Other	MTL <sup>2</sup>		EUR		Other	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	
2003	1,041.2	1,404.6	9.5	82.7	14.9	26.3	194.5	1,439.6	0.5	10.0	1.1	2.1	907.9	65.1	23.8	5,223.8
2004	961.0	1,546.5	25.9	92.5	21.4	39.5	213.4	1,671.6	0.8	10.6	4.1	2.8	687.1	62.3	21.1	5,360.7
2005	860.7	1,568.3	17.3	263.3	18.5	10.2	204.2	1,943.2	1.4	15.0	0.1	2.4	696.7	86.4	19.0	5,706.7
2006	905.7	1,689.6	69.9	395.1	21.1	11.3	218.5	2,289.2	2.3	29.6	0.1	3.1	713.6	156.9	22.1	6,528.2
2007	858.3	1,802.5	108.1	450.0	36.6	10.2	241.5	2,616.0	2.0	34.4	1.0	3.5	963.8	744.6	20.3	7,892.6
<b>2008</b>																
Jan.	940.2	2,268.3	39.4	11.7	39.4	11.7	239.2	2,656.4	0.6	3.5	0.6	3.5	663.5	26.3	6,849.1	
Feb.	927.1	2,290.7	36.7	13.0	36.7	13.0	243.4	2,680.2	0.8	3.4	0.8	3.4	666.8	22.4	6,884.4	
Mar.	969.5	2,328.6	35.3	14.8	35.3	14.8	246.9	2,709.3	0.7	3.4	0.7	3.4	647.5	70.2	7,026.2	
Apr.	978.5	2,450.1	39.2	14.3	39.2	14.3	249.8	2,725.9	0.6	3.3	0.6	3.3	686.7	56.1	7,204.6	
May	979.2	2,463.4	42.0	14.9	42.0	14.9	255.4	2,750.1	0.8	3.3	0.8	3.3	688.4	52.9	7,250.5	
June	983.2	2,482.3	49.7	22.3	49.7	22.3	259.9	2,777.8	0.9	3.2	0.9	3.2	686.9	29.5	7,295.6	
July	953.2	2,624.5	46.4	23.7	46.4	23.7	261.8	2,801.5	0.9	3.2	0.9	3.2	677.6	10.6	7,403.3	
Aug.	957.7	2,578.3	43.5	21.9	43.5	21.9	257.5	2,824.1	0.9	3.2	0.9	3.2	682.6	22.4	7,392.0	
Sep.	986.9	2,592.5	45.8	22.4	45.8	22.4	269.6	2,856.1	1.0	3.4	1.0	3.4	822.6	25.1	7,625.5	
Oct.	1,044.8	2,560.6	49.9	26.0	49.9	26.0	268.5	2,880.9	1.3	3.7	1.3	3.7	746.9	51.9	7,634.6	
Nov.	1,071.6	2,579.6	44.9	21.1	44.9	21.1	270.9	2,901.0	1.6	3.6	1.6	3.6	725.3	45.5	7,665.2	
Dec.	1,133.1	2,608.2	40.7	19.0	40.7	19.0	275.7	2,921.9	1.3	3.4	1.3	3.4	725.2	35.0	7,763.4	
<b>2009</b>																
Jan.	1,119.3	2,607.5	40.7	20.5	40.7	20.5	273.6	2,936.0	1.8	3.4	1.8	3.4	1,707.3	34.1	8,744.3	
Feb.	1,090.1	2,602.4	38.6	20.7	38.6	20.7	270.9	2,954.6	1.7	3.4	1.7	3.4	1,677.7	25.7	8,685.7	
Mar.	1,141.5	2,612.2	37.3	19.6	37.3	19.6	278.1	2,988.8	1.5	3.3	1.5	3.3	800.0	38.1	7,920.4	
Apr.	1,126.7	2,628.4	39.5	18.8	39.5	18.8	278.4	3,010.5	1.2	3.3	1.2	3.3	845.9	37.6	7,990.3	
May	1,073.2	2,660.8	36.3	17.5	36.3	17.5	283.5	3,040.5	1.1	3.0	1.1	3.0	660.8	40.6	7,817.1	
June	1,086.9	2,676.1	40.6	22.3	40.6	22.3	281.3	3,070.4	1.3	7.9	1.3	7.9	1,202.7	35.0	8,424.5	
July	1,076.6	2,697.3	46.2	22.1	46.2	22.1	280.4	3,093.1	1.3	7.9	1.3	7.9	1,287.5	35.8	8,548.1	
Aug.	1,044.9	2,732.5	38.4	21.7	38.4	21.7	275.6	3,100.0	1.1	7.9	1.1	7.9	953.9	35.6	8,211.5	
Sep.	1,069.1	2,745.6	39.0	25.9	39.0	25.9	287.2	3,132.1	1.1	8.0	1.1	8.0	653.5	36.0	7,997.7	
Oct.	1,051.8	2,767.5	41.2	26.3	41.2	26.3	284.0	3,160.5	1.3	8.0	1.3	8.0	674.1	27.5	8,042.2	
Nov.	1,055.5	2,781.5	34.7	28.9	34.7	28.9	286.9	3,183.7	1.6	8.1	1.6	8.1	752.8	28.8	8,162.5	
Dec.	1,152.8	2,811.7	39.4	30.6	39.4	30.6	281.6	3,207.1	1.5	8.2	1.5	8.2	765.5	27.6	8,326.1	

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

<sup>2</sup> 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 funds<sup>1</sup> (assets)**

EUR millions

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

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

EUR millions

End of period	Loans	Shareholders' units/funds <sup>4</sup>	External liabilities <sup>5</sup>	Other liabilities <sup>6</sup>	Total liabilities
2003	0.7	843.9	7.1	1.7	853.5
2004	0.5	994.5	3.9	4.5	1,003.4
2005	0.2	1,322.5	4.1	7.4	1,334.1
2006	0.4	1,406.4	11.0	3.6	1,421.4
2007	0.3	1,147.6	7.8	3.3	1,159.0
<b>2008</b>					
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
<b>2009</b>					
Mar.	1.0	810.6	6.7	4.7	823.0
June	1.1	830.8	7.3	8.6	847.8
Sep.	0.3	871.9	10.8	7.4	890.4
Dec.	2.1	902.0	10.8	5.3	920.2

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

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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.15 Monetary policy operations of the Central Bank of Malta<sup>1</sup>**

EUR thousands

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

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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.16 Monetary financial institutions' interest rates on deposits and loans to residents of Malta<sup>1</sup>**

	2009											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
<b>NEW BUSINESS<sup>2</sup></b>												
<b>Deposits</b>												
Households and NPISH												
Overnight deposits <sup>4,5</sup>	0.46	0.33	0.34	0.35	0.35	0.32	0.28	0.28	0.29	0.29	0.29	0.30
Savings deposits redeemable at notice <sup>4,6</sup> up to 3 months	1.85	1.75	1.74	1.74	2.18	1.71	1.71	1.70	1.70	1.68	1.70	1.70
Time deposits with agreed maturity												
up to 1 year	2.70	2.02	2.01	2.05	2.63	1.86	1.86	1.87	1.79	1.86	1.78	1.95
over 1 and up to 2 years	3.02	4.17	3.70	3.31	4.20	3.29	3.18	2.86	3.04	3.02	3.03	3.00
over 2 years	4.13	4.57	3.32	3.23	4.83	3.36	3.52	3.44	3.13	3.13	3.05	3.39
Non-financial corporations												
Overnight deposits <sup>4,5</sup>	0.58	0.37	0.33	0.29	0.25	0.22	0.24	0.24	0.23	0.24	0.24	0.23
Time deposits with agreed maturity	2.69	1.75	1.58	1.83	1.71	1.64	1.58	1.35	1.33	1.33	1.49	0.85
<b>Loans</b>												
Households and NPISH												
Overdrafts <sup>4</sup>	6.36	6.18	6.19	6.18	6.22	6.41	6.43	6.43	6.49	6.38	6.40	6.44
Loans												
Lending for house purchase	3.30	3.40	3.46	3.20	3.40	3.57	3.42	3.41	3.40	3.41	3.43	3.52
Consumer credit <sup>8</sup>	5.82	5.66	5.50	5.82	5.62	5.71	5.75	5.62	5.74	5.72	5.90	6.02
Other lending	6.04	5.51	5.58	5.49	5.95	5.81	5.66	5.80	5.72	5.78	5.88	5.56
Non-financial corporations												
Overdrafts <sup>4</sup>	5.03	4.87	4.91	4.93	4.98	5.04	5.04	5.05	5.09	5.10	5.08	5.08
Loans <sup>9</sup>	4.88	5.78	5.64	5.20	5.36	5.43	4.72	5.61	5.53	5.00	5.26	4.95
APRC <sup>7</sup> for loans to households and NPISH												
Lending for house purchase	3.84	3.89	3.89	3.85	3.96	3.99	3.77	3.71	3.71	3.70	3.70	3.71
Consumer credit <sup>8</sup>	5.94	5.81	5.59	5.90	5.71	5.80	5.83	5.71	5.87	5.85	6.01	6.10
<b>OUTSTANDING AMOUNTS<sup>3</sup></b>												
<b>Deposits</b>												
Households and NPISH												
Time deposits with agreed maturity												
up to 2 years	3.78	3.51	3.37	3.25	3.11	3.00	2.84	2.66	2.51	2.38	2.29	2.22
over 2 years	3.17	3.17	3.17	3.16	3.03	3.16	3.13	3.13	3.12	3.10	3.09	3.06
Non-financial corporations												
Time deposits with agreed maturity												
up to 2 years	3.30	2.83	2.85	2.79	2.66	2.42	2.29	2.12	2.11	2.04	2.03	2.01
over 2 years	3.50	3.53	3.52	3.48	3.47	3.43	3.42	3.43	3.41	3.41	3.37	3.35
<b>Loans</b>												
Households and NPISH												
Lending for house purchase	3.78	3.57	3.55	3.54	3.55	3.53	3.53	3.53	3.53	3.52	3.52	3.51
Consumer credit and other lending <sup>9</sup>	5.39	5.57	5.56	5.58	5.61	5.64	5.65	5.66	5.68	5.66	5.67	5.67
Non-financial corporations <sup>9</sup>	5.39	5.03	5.00	4.96	4.92	4.91	4.91	4.92	4.93	4.93	4.92	4.91

<sup>1</sup> 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.

<sup>2</sup> Weighted average rates for the period.

<sup>3</sup> End of period rates.

<sup>4</sup> For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.

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

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

<sup>7</sup> The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

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

<sup>9</sup> 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 residents<sup>1</sup>**

% per annum	2009											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
<b>NEW BUSINESS<sup>2</sup></b>												
<b>Deposits</b>												
Households and NPISH												
Overnight deposits <sup>4,5</sup>	0.46	0.33	0.33	0.34	0.35	0.32	0.28	0.28	0.29	0.29	0.29	0.30
Savings deposits redeemable at notice <sup>4,6</sup> up to 3 months	1.85	1.75	1.74	1.74	2.18	1.71	1.71	1.70	1.70	1.68	1.70	1.70
Time deposits with agreed maturity												
up to 1 year	2.70	2.02	2.01	2.05	2.54	1.86	1.86	1.87	1.79	1.86	1.78	1.97
over 1 and up to 2 years	3.02	4.17	3.70	3.31	4.20	3.29	3.18	2.86	3.04	3.02	3.03	3.00
over 2 years	4.13	4.57	3.32	3.23	4.83	3.36	3.52	3.44	3.13	3.13	3.05	3.39
Non-financial corporations												
Overnight deposits <sup>4,5</sup>	0.59	0.38	0.34	0.30	0.26	0.23	0.25	0.25	0.23	0.24	0.25	0.23
Time deposits with agreed maturity	2.87	2.19	1.95	2.19	2.24	2.66	2.19	1.48	2.61	1.31	1.45	1.44
<b>Loans</b>												
Households and NPISH												
Overdrafts <sup>4</sup>	6.36	6.18	6.19	6.18	6.22	6.41	6.43	6.43	6.49	6.38	6.40	6.45
Loans												
Lending for house purchase	3.30	3.40	3.46	3.21	3.40	3.57	3.42	3.41	3.40	3.41	3.43	3.52
Consumer credit <sup>8</sup>	5.82	5.66	5.50	5.82	5.62	5.71	5.75	5.62	5.74	5.72	5.90	6.01
Other lending	6.03	5.51	5.58	5.49	5.95	5.81	5.66	5.80	5.72	5.77	5.88	5.56
Non-financial corporations												
Overdrafts <sup>4</sup>	5.03	4.87	4.91	4.94	4.98	5.04	5.04	5.05	5.09	5.10	5.08	5.08
Loans <sup>8</sup>	4.65	4.81	4.48	4.60	4.60	4.79	4.32	5.19	5.87	4.31	4.50	4.42
APRC <sup>7</sup> for loans to households and NPISH												
Lending for house purchase	3.85	3.89	3.88	3.84	3.96	3.99	3.77	3.71	3.72	3.70	3.69	3.71
Consumer credit <sup>8</sup>	5.94	5.81	5.59	5.90	5.71	5.80	5.83	5.71	5.87	5.85	6.01	6.09
<b>OUTSTANDING AMOUNTS<sup>3</sup></b>												
<b>Deposits</b>												
Households and NPISH												
Time deposits with agreed maturity												
up to 2 years	3.78	3.51	3.37	3.24	3.11	3.00	2.83	2.66	2.51	2.38	2.28	2.21
over 2 years	3.22	3.22	3.22	3.20	3.08	3.21	3.17	3.17	3.16	3.14	3.13	3.10
Non-financial corporations												
Time deposits with agreed maturity												
up to 2 years	3.27	2.70	2.63	2.85	2.63	2.57	2.36	2.05	2.23	2.22	2.03	2.03
over 2 years	3.44	3.46	3.20	3.19	3.18	3.16	3.16	3.17	3.17	3.17	3.14	3.13
<b>Loans</b>												
Households and NPISH												
Lending for house purchase	3.79	3.57	3.55	3.54	3.55	3.53	3.53	3.53	3.53	3.52	3.52	3.51
Consumer credit and other lending <sup>9</sup>	5.39	5.57	5.56	5.58	5.61	5.64	5.65	5.66	5.68	5.65	5.67	5.67
Non-financial corporations <sup>9</sup>	5.05	4.57	4.44	4.40	4.35	4.29	4.14	4.14	4.13	4.12	4.11	4.13

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

<sup>2</sup> Weighted average rates for the period.

<sup>3</sup> End of period rates.

<sup>4</sup> For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.

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

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

<sup>7</sup> The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

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

<sup>9</sup> 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			
				Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
<b>INTEREST RATES (%)<sup>1</sup></b>											
<b>Key ECB interest rates<sup>2</sup></b>											
Marginal lending facility	3.25	4.50	5.00	5.00	5.00	5.25	3.00	2.50	1.75	1.75	1.75
Main refinancing operations - minimum bid rate	2.25	3.50	4.00	4.00	4.00	4.25	2.50	1.50	1.00	1.00	1.00
Deposit facility	1.25	2.50	3.00	3.00	3.00	3.25	2.00	0.50	0.25	0.25	0.25
<b>Money market rates (average for the quarter)</b>											
Overnight deposit (EONIA)	2.09	2.83	3.95	4.05	4.00	4.25	3.15	1.38	0.77	0.36	0.36
Rates for fixed term deposits (EURIBOR)											
1 month	2.14	2.94	4.39	4.23	4.41	4.54	3.89	1.68	0.93	0.53	0.45
3 months	2.18	3.08	4.72	4.48	4.86	4.98	4.21	2.01	1.31	0.87	0.72
6 months	2.23	3.23	4.70	4.48	4.93	5.18	4.28	2.11	1.51	1.12	1.00
1 year	2.33	3.44	4.68	4.48	5.06	5.37	4.35	2.22	1.67	1.33	1.24
<b>Central Bank of Malta<sup>2</sup></b>											
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								

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

Table 1.19 Other rates and indicators

	2005	2006	2007	2008				2009				
				Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	
<b>INTEREST RATES (%)<sup>1</sup></b>												
<b>Other monetary financial institutions<sup>2</sup></b>												
Weighted average deposit rate	2.13	2.37	3.00	2.96	2.95	3.05	2.57	2.13	1.88	1.62	1.44	
Current deposits	0.45	0.57	0.78	0.83	0.77	0.84	0.51	0.28	0.29	0.27	0.29	
Savings deposits	1.17	1.17	1.73	1.67	1.62	1.72	0.73	0.41	0.37	0.33	0.33	
Time deposits	2.97	3.27	3.97	3.92	3.95	4.05	3.74	3.27	2.94	2.55	2.30	
Weighted average lending rate	5.48	5.90	6.30	5.96	5.95	6.20	4.96	4.49	4.48	4.48	4.46	
Non-financial companies	5.99	6.34	6.74	6.28	6.22	6.52	5.31	4.95	4.96	4.97	4.93	
Households and individuals	4.93	5.38	5.80	5.57	5.57	5.80	4.51	3.92	3.93	3.93	3.91	
Consumer credit	6.70	7.42	7.84	7.65	7.69	7.94	7.15	5.69	5.86	5.88	5.90	
House purchase	4.52	4.95	5.39	5.15	5.13	5.34	3.98	3.51	3.50	3.49	3.47	
Other lending	6.09	6.46	6.74	6.49	6.53	6.82	5.54	4.99	4.92	5.00	4.96	
<b>Government securities</b>												
Treasury bills (primary market) <sup>3</sup>												
1 month	3.26	3.51	4.32	4.18	-	-	-	-	-	-	-	
3 month	3.22	3.91	4.35	4.27	4.94	4.75	3.65	2.19	1.68	1.46	1.40	
6 month	3.23	4.00	4.54	4.33	5.04	4.81	2.75	2.31	1.80	1.57	1.52	
1 year	3.22	4.20	4.39	-	-	-	-	-	-	-	-	
Treasury bills (secondary market)												
1 month	3.20	3.75	4.32	4.24	4.29	4.64	2.64	2.20	1.40	1.40	1.36	
3 month	3.22	3.90	4.35	4.27	4.94	4.60	2.64	2.15	1.63	1.46	1.40	
6 month	3.27	4.00	4.54	4.33	5.04	4.55	2.65	2.34	1.69	1.58	1.46	
1 year	3.32	4.20	4.58	4.51	5.19	4.41	2.73	2.04	1.81	1.62	1.69	
<b>Government long-term debt securities (average for the quarter)<sup>3</sup></b>												
2 year	3.41	3.73	4.58	4.06	4.80	4.93	3.43	2.62	2.47	2.27	2.30	
5 year	3.95	3.94	4.65	4.17	4.85	5.04	4.01	3.65	3.77	3.69	3.52	
10 year	4.55	4.32	4.82	4.57	4.98	5.15	4.53	4.49	4.71	4.54	4.43	
15 year	4.96	4.54	5.11	4.98	5.40	5.38	4.76	4.99	5.04	4.93	4.86	
<b>MALTA STOCK EXCHANGE SHARE INDEX</b>	4,981	4,873	4,938	4,650	4,275	3,724	3,208	2,698	2,932	3,202	3,461	

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.20 Debt securities, by sector of resident issuers<sup>1</sup>**

EUR millions

End of period	Outstanding amounts as at end of period					Net issues during period					Net valuation changes
	General government	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
<b>2008</b>											
Q1	3,102.0	139.2	17.0	603.6	3,861.7	-14.4	-4.0	0.0	-0.1	-18.5	-23.0
Q2	3,271.5	139.3	17.0	604.7	4,032.6	169.6	0.0	0.0	0.0	169.6	1.3
Q3	3,317.9	171.7	17.0	659.2	4,165.7	46.3	30.0	0.0	25.2	101.6	31.5
Q4	3,328.3	172.4	17.0	665.4	4,183.1	10.4	0.0	0.0	-2.6	7.9	9.5
<b>2009<sup>2</sup></b>											
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

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

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

Sources: Central Bank of Malta; MSE.

**Table 1.21 Quoted shares, by sector of resident issuers<sup>1</sup>**

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	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
<b>2008</b>									
Q1	2,267.9	158.0	1,192.0	3,618.0	0.1	0.0	27.0	27.1	-263.1
Q2	2,066.2	119.6	1,214.0	3,399.8	0.8	0.0	11.2	12.0	-230.2
Q3	1,724.2	102.8	1,152.3	2,979.3	1.2	0.0	0.0	1.2	-421.7
Q4	1,495.2	90.0	981.4	2,566.7	0.0	0.0	0.0	0.0	-412.6
<b>2009<sup>2</sup></b>									
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

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

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

Source: MSE.

## Government Finance

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

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+) <sup>2</sup>
	Current	Capital	Total	Current	Capital	Total		
2003	1,640.2	23.6	1,663.8	1,746.3	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	2,247.5	66.0	2,313.6	2,352.9	178.9	2,531.8	-218.2	-34.8
<b>2008</b>								
Q1	537.1	6.9	544.0	574.6	68.5	643.1	-99.1	-57.1
Q2	546.9	12.6	559.5	598.3	27.1	625.4	-65.9	-19.1
Q3	558.2	17.5	575.8	578.0	40.7	618.7	-42.9	1.8
Q4	612.4	6.5	618.8	629.9	35.7	665.7	-46.9	7.4
<b>2009</b>								
Q1	534.3	11.1	545.4	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	522.9	8.6	531.5	567.9	36.5	604.4	-73.0	-29.6
Q4	636.1	28.9	665.0	627.5	62.3	689.8	-24.8	25.3

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

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden <sup>3</sup>
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2003	519.6	566.1	349.6	82.1	110.0	12.8	1640.2	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	1744.9	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	1835.1	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	1936.7	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	2128.7	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	2254.6	15.1	28.4	43.4	2,298.0	2,020.0
2009	795.4	813.2	434.9	117.2	69.3	17.6	2247.5	14.0	52.0	66.0	2,313.6	2,057.5
<b>2008</b>												
Q1	146.3	190.4	109.8	42.2	44.3	4.1	537.1	2.7	4.2	6.9	544.0	449.2
Q2	190.7	198.9	104.3	38.7	8.6	5.8	546.9	3.8	8.7	12.6	559.5	497.7
Q3	190.8	221.9	97.3	34.4	8.6	5.3	558.2	3.6	13.9	17.5	575.8	513.6
Q4	215.0	219.1	120.6	38.4	8.9	10.4	612.4	4.9	1.5	6.5	618.8	559.6
<b>2009</b>												
Q1	177.6	174.2	112.6	25.2	40.9	3.9	534.3	3.0	8.1	11.1	545.4	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	30.0	6.7	4.2	522.9	4.2	4.4	8.6	531.5	486.2
Q4	231.3	236.1	120.9	33.6	9.8	4.3	636.1	3.4	25.4	28.9	665.0	591.7

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

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

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

Sources: Eurostat; NSO.



## Government Finance

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

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total <sup>2</sup>	
2003	647.2	580.3	149.6	220.8	95.6	52.8	1,746.3	206.8	139.4	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	132.3	44.6	172.0	2,552.8
2009	830.8	808.6	183.4	360.0	63.4	106.8	2,352.9	126.5	61.8	178.9	2,531.8
<b>2008</b>											
Q1	199.6	170.2	42.0	92.7	42.8	27.2	574.6	45.2	18.1	68.5	643.1
Q2	199.9	196.7	46.7	95.3	41.1	18.5	598.3	27.7	8.3	27.1	625.4
Q3	212.8	178.4	44.7	96.9	23.2	22.1	578.0	29.2	8.3	40.7	618.7
Q4	220.9	212.7	54.3	101.2	14.5	26.4	629.9	30.1	9.9	35.7	665.7
<b>2009</b>											
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	102.8	8.6	22.3	567.9	30.5	7.9	36.5	604.4
Q4	204.9	228.1	50.2	96.2	12.1	36.0	627.5	43.0	19.9	62.3	689.8

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

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

Sources: Eurostat; NSO.

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

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2003	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

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

Sources: Eurostat; NSO.

## Government Finance

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

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	1022.1	164.0	1,522.5	0.0	3,204.7	322.0	226.6	3,753.4	-2,230.9
2005	372.0	0.0	29.2	1114.9	218.9	1,735.0	0.0	3,420.9	297.8	301.1	4,019.9	-2,284.8
2006	403.8	0.0	26.4	840.3	208.7	1,479.2	0.0	3,297.4	263.0	321.2	3,881.7	-2,402.5
2007	464.6	0.0	27.5	819.4	297.5	1,609.0	8.3	3,311.1	263.2	395.9	3,978.5	-2,369.5
2008	415.4	0.0	32.8	723.1	338.5	1,509.9	31.2	3,664.9	275.7	447.5	4,419.3	-2,909.5
2009	467.3	0.0	29.7	767.2	329.7	1,594.0	37.2	3,995.6	220.1	402.3	4,655.1	-3,061.1
<b>2008</b>												
Mar.	239.2	0.0	29.8	795.7	419.9	1,484.6	23.3	3,325.1	263.8	454.8	4,067.0	-2,582.5
June	349.6	0.0	31.3	767.2	433.3	1,581.4	26.7	3,388.4	269.2	473.5	4,157.8	-2,576.5
Sep.	381.2	0.0	33.0	736.2	396.5	1,547.0	29.6	3,483.6	274.7	487.2	4,275.0	-2,728.0
Dec.	415.4	0.0	32.8	723.1	338.5	1,509.9	31.2	3,664.9	275.7	447.5	4,419.3	-2,909.5
<b>2009</b>												
Mar.	271.4	0.0	31.4	695.0	492.7	1,490.6	32.7	3,722.6	231.1	436.9	4,423.3	-2,932.8
June	394.2	0.0	30.6	711.5	502.4	1,638.7	34.9	3,893.9	218.8	489.6	4,637.2	-2,998.5
Sep.	421.9	0.0	30.6	747.5	441.5	1,641.4	36.8	3,957.3	221.0	483.7	4,698.8	-3,057.4
Dec.	467.3	0.0	29.7	767.2	329.7	1,594.0	37.2	3,995.6	220.1	402.3	4,655.1	-3,061.1

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

## Government Finance

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

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other <sup>2</sup>	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2003	469.6	-432.2	155.8	-58.3	0.0	2.6	-6.7	-56.1	37.4
2004	210.1	-212.5	14.4	-5.5	0.0	-1.4	-13.2	3.3	-2.4
2005	106.0	-137.8	79.8	-0.1	0.0	-55.4	-23.5	-32.5	-31.8
2006	-101.7	-130.6	32.3	-2.8	0.0	-219.4	-1.0	-41.3	-232.3
2007	125.5	-117.5	55.2	1.1	0.0	-32.1	-6.2	-9.8	8.1
2008	247.4	-254.8	-55.6	5.3	0.0	-5.1	21.0	27.0	-7.4
2009	321.0	-218.2	52.0	-3.1	0.0	-1.3	-0.4	55.4	102.8
<b>2008</b>									
Q1	1.8	-99.1	-231.3	2.3	0.0	-8.2	37.1	102.8	-97.4
Q2	177.8	-65.9	110.1	1.5	0.0	1.5	-12.5	11.3	112.0
Q3	55.2	-42.9	31.5	1.8	0.0	1.5	18.4	-41.0	12.3
Q4	12.6	-46.9	34.1	-0.2	0.0	0.1	-22.0	-46.1	-34.3
<b>2009</b>									
Q1	79.8	-38.2	-144.1	-1.4	0.0	1.6	18.0	167.6	41.6
Q2	167.9	-82.2	123.0	-0.9	0.0	0.0	-16.3	-20.2	85.7
Q3	59.8	-73.0	27.8	0.0	0.0	0.0	16.5	-57.6	-13.2
Q4	13.5	-24.8	45.4	-0.9	0.0	-2.8	-18.6	-34.4	-11.3

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

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

Source: Eurostat.

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

Period	Coins issued	Debt securities			Loans			Total general government debt <sup>1</sup>	Government guaranteed debt <sup>2</sup>
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2003	-	541.1	2,112.9	2,654.0	131.5	253.7	385.3	3,039.2	508.3
2004	-	571.5	2,355.8	2,927.3	84.5	237.5	322.0	3,249.3	590.4
2005	-	443.1	2,614.4	3,057.5	76.8	221.1	297.9	3,355.4	612.4
2006	-	373.8	2,617.4	2,991.2	24.5	238.0	262.5	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	37.2	474.1	3,216.4	3,690.5	15.5	204.4	220.0	3,947.6	866.8
<b>2008</b>									
Mar.	23.3	340.6	2,753.4	3,093.9	48.2	215.6	263.8	3,381.0	642.8
June	26.7	419.7	2,843.8	3,263.5	53.1	215.5	268.6	3,558.8	643.3
Sep.	29.6	408.6	2,901.2	3,309.8	60.0	214.6	274.7	3,614.0	646.7
Dec.	31.2	365.8	2,954.4	3,320.2	64.5	210.7	275.2	3,626.6	684.8
<b>2009</b>									
Mar.	32.7	542.6	2,900.0	3,442.6	20.2	210.9	231.1	3,706.4	743.9
June	34.9	644.3	2,976.6	3,620.8	16.6	202.0	218.6	3,874.3	736.2
Sep.	36.8	559.8	3,116.5	3,676.2	15.4	205.7	221.0	3,934.1	783.0
Dec.	37.2	474.1	3,216.4	3,690.5	15.5	204.4	220.0	3,947.6	866.8

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

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

Sources: Eurostat; NSO.

## Government Finance

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

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs	Others <sup>2</sup>	Total	MFIs	Others <sup>2</sup>	Total
2003	1,660.0	1,415.5	289.8	1,705.3	461.8	79.2	541.1
2004	1,387.7	1,170.0	248.1	1,418.1	466.7	104.8	571.5
2005	1,204.7	831.0	245.3	1,076.3	351.5	91.5	443.0
2006	992.0	522.5	400.2	922.7	249.7	124.2	373.9
2007	1,129.5	823.7	287.0	1,110.7	278.6	76.3	354.9
<b>2008</b>							
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
<b>2009</b>							
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

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

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

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

Sources: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.9 Treasury bills issued and outstanding (as at end-December 2009)<sup>1</sup>**

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding <sup>3</sup>
				OMFIs	Others <sup>2</sup>	MFIs	Others <sup>2</sup>	
09/Oct/2009	08/Jan/2010	1.479	1.351	9.0	15.3	14.8	9.5	24.3
16/Oct/2009	15/Jan/2010	1.472	1.356	36.0	11.9	40.5	7.4	47.9
23/Oct/2009	22/Jan/2010	1.458	1.360	5.0	16.6	5.0	16.6	21.6
30/Oct/2009	29/Jan/2010	1.442	1.364	5.0	1.1	5.0	1.1	6.1
07/Aug/2009	05/Feb/2010	1.651	1.369	44.5	7.2	44.5	7.2	51.7
13/Nov/2009	12/Feb/2010	1.434	1.373	7.5	10.1	7.5	10.1	17.6
20/Nov/2009	19/Feb/2010	1.429	1.378	0.0	2.0	0.0	2.0	2.0
27/Nov/2009	26/Feb/2010	1.428	1.382	2.0	20.1	2.0	20.1	22.1
04/Dec/2009	05/Mar/2010	1.403	1.386	15.0	3.2	15.0	3.2	18.2
04/Sep/2009	05/Mar/2010	1.590	1.386	15.0	0.8	15.0	0.8	15.8
18/Sep/2009	18/Mar/2010	1.567	1.395	33.2	3.1	33.4	2.9	36.3
26/Jun/2009	26/Mar/2010	1.756	1.400	22.0	4.6	22.0	4.6	26.6
02/Oct/2009	01/Apr/2010	1.581	1.404	26.0	4.6	26.0	4.6	30.6
03/Jul/2009	01/Apr/2010	1.748	1.404	5.0	0.0	5.0	0.0	5.0
09/Oct/2009	09/Apr/2010	1.622	1.409	12.0	10.7	12.0	10.7	22.7
24/Jul/2009	23/Apr/2010	1.730	1.417	12.0	7.9	11.6	8.2	19.8
30/Oct/2009	30/Apr/2010	1.613	1.422	4.0	12.6	4.0	12.6	16.6
06/Nov/2009	07/May/2010	1.604	1.426	15.6	8.2	16.0	7.8	23.8
27/Nov/2009	28/May/2010	1.538	1.439	0.0	2.4	0.0	2.4	2.4
28/Aug/2009	28/May/2010	1.639	1.439	18.0	6.9	18.0	6.9	24.9
04/Dec/2009	04/Jun/2010	1.516	1.444	0.0	2.5	0.0	2.5	2.5
25/Sep/2009	25/Jun/2010	1.600	1.457	30.0	5.6	30.0	5.6	35.6
<b>Total</b>				<b>316.8</b>	<b>157.3</b>	<b>327.3</b>	<b>146.8</b>	<b>474.1</b>

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

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

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

Sources: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.10 Malta government long-term debt securities outstanding (as at end-December 2009)<sup>1</sup>**

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price <sup>4</sup>	ISMA Yield (%)	Interest dates	Held by		Amount
						Resident MFIs	Others	
5.90	2010 (I)	1999	100	1.67	19/05 - 19/11	30.0	5.0	34.9
5.75	2010 (II) <sup>4</sup>	2000	100	N/A <sup>6</sup>	10/06 - 10/12	39.2	3.9	43.1
7.00	2010 (III) <sup>3</sup>	2000	100	1.51	30/06 - 30/12	0.0	1.3	1.3
5.40	2010 (IV) <sup>4</sup>	2003/2004	100/104.5	N/A <sup>6</sup>	21/02 - 21/08	59.6	52.2	111.8
7.50	2011 (I)	1996	100	2.12	28/03 - 28/09	19.5	15.4	34.9
6.25	2011 (II) <sup>4</sup>	2001	100	1.79	01/02 - 01/08	50.9	42.3	93.2
7.00	2011 (III) <sup>3</sup>	2002	100	2.26	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	2.41	24/05 - 24/11	38.3	42.0	80.4
7.00	2012 (II) <sup>3</sup>	2002	100	2.71	30/06 - 30/12	0.0	0.4	0.4
			100/102.75/					
5.70	2012 (III) <sup>4</sup>	2005/2007	103.85/105.95/ 108/108.5/109.7	2.57	30/03 - 30/09	278.2	150.7	428.9
7.80	2013 (I)	1997	100	3.12	18/04 - 18/10	40.7	39.0	79.8
6.35	2013 (II) <sup>4</sup>	2001	100	2.91	19/05 - 19/11	6.3	54.3	60.6
7.00	2013 (III) <sup>3</sup>	2003	100	3.24	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV) <sup>4</sup>	2009	100	3.13	18/04 - 18/10	172.0	89.5	261.5
3.60	2013 (IV) <sup>4</sup>	2009	100	3.13	18/04 - 18/10	20.1	5.4	25.5
6.60	2014 (I) <sup>4</sup>	2000	100	3.32	30/03 - 30/09	5.4	19.1	24.5
6.45	2014 (II) <sup>4</sup>	2001	100	3.56	24/05 - 24/11	21.4	48.5	69.9
			100/103.25/					
5.10	2014 (III) <sup>4</sup>	03/04/06/07/08	103.64/105.5	3.44	06/01 - 06/07	141.3	247.6	388.9
7.00	2014 (IV) <sup>3</sup>	2004	100	3.59	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I) <sup>4</sup>	2000	100	3.70	10/06 - 10/12	27.9	41.9	69.9
5.90	2015 (II) <sup>4</sup>	02/03/07	100/102/105	3.80	09/04 - 09/10	30.2	86.4	116.5
7.00	2015 (III) <sup>3</sup>	2005	100	3.86	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV) <sup>3</sup>	2005	100	3.86	03/05 - 03/11	0.0	0.8	0.8
6.65	2016 (I) <sup>4</sup>	2001	100	3.92	28/03 - 28/09	10.2	59.7	69.9
4.80	2016 (II) <sup>4</sup>	03/04/06	100/101/104	4.09	26/05 - 26/11	63.8	122.6	186.4
7.00	2016 (III) <sup>3</sup>	2006	100	4.11	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I) <sup>3</sup>	2007	100	4.32	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II) <sup>3</sup>	2007	100	4.32	30/06 - 30/12	0.0	10.3	10.3
7.80	2018 (I)	1998	100	4.38	15/01 - 15/07	79.8	83.3	163.1
7.00	2018 (II) <sup>3</sup>	2008	100	4.44	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III) <sup>3</sup>	2008	100	4.44	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	4.53	01/03 - 01/09	42.3	60.2	102.5
7.00	2019 (II) <sup>3</sup>	2009	100	4.57	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I) <sup>4</sup>	2007	100	4.61	10/06 - 10/12	7.7	44.7	52.4
4.60	2020 (II) <sup>4</sup>	2009	100	4.60	25/04 - 25/10	13.2	31.5	44.7
5.00	2021 (I) <sup>4</sup>	04/05/07/08	98.5/100	4.74	08/02 - 08/08	104.7	321.0	425.7
5.00	2021 (I) <sup>4</sup>	2009	100	4.74	08/02 - 08/08	10.1	23.0	33.2
5.10	2022 (I) <sup>4</sup>	2004	100	4.86	16/02 - 16/08	4.6	66.5	71.0
5.50	2023 (I) <sup>4</sup>	2003	100	4.95	06/01 - 06/07	17.7	61.1	78.8
Floating Rate 6-mth Euribor	2015 (V) <sup>4</sup>	2009	100	1.788/ 1.012 <sup>7</sup>	25/04 - 25/10	11.0	18.8	29.8
<b>Total</b>						<b>1,346.0</b>	<b>1,878.2</b>	<b>3,224.2</b>

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

<sup>2</sup> Comprising of Resident of Malta MFIs.

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

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

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

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

<sup>7</sup> The 1.788 represents the reset coupon % p.a. whereas the 1.012 is the simple margin. Floating Rate MGS linked to the 6-month Euribor plus a fixed spread of 80 basis points (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 25 April and 25 October of each year. Interest for each period and accrued interest will be calculated on an Actual/360 day basis. The interest rate must not be less than 1.70% p.a. and not exceeding 5.22% p.a.

Sources: Central Bank of Malta; MSE.

## Government Finance

**Table 2.11 Malta government long-term debt securities outstanding by remaining term to maturity<sup>1</sup>**

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2003	103.8	487.8	723.3	630.6	181.3	2,126.8
2004	128.1	567.9	797.5	627.1	243.0	2,363.6
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
2007	93.2	1,037.4	889.6	662.5	78.8	2,761.4
<b>2008</b>						
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
<b>2009</b>						
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

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2003	2.0	177.8	1.1	16.4	0.0	3.1	200.3
2004	1.1	168.6	0.0	12.3	0.4	1.8	184.2
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008 <sup>3</sup>	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009 <sup>3</sup>	1.7	98.9	0.0	1.0	0.0	0.7	102.3
<b>2008<sup>3</sup></b>							
Mar.	0.9	123.2	0.0	2.8	0.0	0.9	128.0
June	0.8	122.1	0.0	2.2	0.0	0.9	125.9
Sep.	1.5	118.9	1.0	1.2	0.0	0.9	123.5
Dec.	1.5	115.2	0.4	1.1	0.0	0.9	119.1
<b>2009<sup>3</sup></b>							
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

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

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

<sup>3</sup> Provisional.

## Exchange Rates, External Transactions and Positions

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

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD
2003	0.4317	2.9197	1.6351	312.16	3.6104	3.8859	3.7692
2004	0.4343	3.1393	1.6252	321.71	3.5536	4.0301	3.7866
2005	0.4293	2.7570	1.6012	323.95	3.623	3.7588	3.2072
2006	0.4293	3.0699	1.5639	364.89	3.7463	3.8869	3.5642
2007	0.4293	3.4291	1.7082	384.18	3.8544	3.9033	3.3657
<b>2007</b>							
Jan.	0.4293	3.0141	1.5458	366.61	3.7784	3.9136	3.5685
Feb.	0.4293	3.0788	1.5693	364.14	3.7589	3.9038	3.5954
Mar.	0.4293	3.1014	1.5850	366.71	3.7865	3.8397	3.5802
Apr.	0.4293	3.1739	1.5908	379.49	3.8331	3.8252	3.5285
May	0.4293	3.1375	1.5856	381.37	3.8386	3.7865	3.3910
June	0.4293	3.1367	1.5666	385.38	3.8522	3.7065	3.3374
July	0.4293	3.1928	1.5700	381.28	3.8484	3.7115	3.3689
Aug.	0.4293	3.1898	1.5784	371.23	3.8310	3.8751	3.3678
Sep.	0.4293	3.3075	1.6243	380.90	3.8673	3.7474	3.2951
Oct.	0.4293	3.3650	1.6244	388.13	3.9065	3.6472	3.2044
Nov.	0.4293	3.4399	1.6648	381.24	3.8550	3.8739	3.4283
Dec.	0.4293	3.4291	1.7082	384.18	3.8544	3.9033	3.3657

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

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

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

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



## Exchange Rates, External Transactions and Positions

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.2630	0.7048	135.05	1.5579	1.6802	1.6234
2004	1.3621	0.7051	139.65	1.5429	1.7459	1.6416
2005	1.1797	0.6853	138.90	1.5551	1.6109	1.3725
2006	1.3170	0.6715	156.93	1.6069	1.6691	1.5281
2007	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2008	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
2009	1.4406	0.8881	133.16	1.4836	1.6008	1.5128
<b>2008</b>						
Jan.	1.4870	0.7477	157.93	1.6051	1.6682	1.4846
Feb.	1.5167	0.7652	158.03	1.5885	1.6226	1.4895
Mar.	1.5812	0.7958	157.37	1.5738	1.7334	1.6226
Apr.	1.5540	0.7902	162.62	1.6147	1.6614	1.5689
May	1.5508	0.7860	163.74	1.6276	1.6212	1.5382
June	1.5764	0.7923	166.44	1.6056	1.6371	1.5942
July	1.5611	0.7890	169.02	1.6354	1.6545	1.5970
Aug.	1.4735	0.8050	160.22	1.6164	1.7066	1.5510
Sep.	1.4303	0.7903	150.47	1.5774	1.7739	1.4961
Oct.	1.2757	0.7869	124.97	1.4686	1.9247	1.5681
Nov.	1.2727	0.8299	121.46	1.5455	1.9533	1.5775
Dec.	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
<b>2009</b>						
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

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

Source: ECB.

## Exchange Rates, External Transactions and Positions

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.1312	0.6920	130.97	1.5212	1.7379	1.5817
2004	1.2439	0.6787	134.44	1.5438	1.6905	1.6167
2005	1.2441	0.6838	136.85	1.5483	1.6320	1.5087
2006	1.2556	0.6817	146.02	1.5729	1.6668	1.4237
2007	1.3705	0.6843	161.25	1.6427	1.6348	1.4678
2008	1.4708	0.7963	152.45	1.5874	1.7416	1.5594
2009	1.3948	0.8909	130.34	1.5100	1.7727	1.5850
<b>2008</b>						
Jan.	1.4718	0.7473	158.68	1.6203	1.6694	1.4862
Feb.	1.4748	0.7509	157.97	1.6080	1.6156	1.4740
Mar.	1.5527	0.7749	156.59	1.5720	1.6763	1.5519
Apr.	1.5750	0.7949	161.56	1.5964	1.6933	1.5965
May	1.5557	0.7921	162.31	1.6247	1.6382	1.5530
June	1.5553	0.7915	166.26	1.6139	1.6343	1.5803
July	1.5770	0.7931	168.45	1.6193	1.6386	1.5974
Aug.	1.4975	0.7928	163.63	1.6212	1.6961	1.5765
Sep.	1.4369	0.7992	153.20	1.5942	1.7543	1.5201
Oct.	1.3322	0.7867	133.52	1.5194	1.9345	1.5646
Nov.	1.2732	0.8306	123.28	1.5162	1.9381	1.5509
Dec.	1.3449	0.9045	122.51	1.5393	2.0105	1.6600
<b>2009</b>						
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

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

Source: ECB.

## Exchange Rates, External Transactions and Positions

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

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit			
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 <sup>2</sup>	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 <sup>2</sup>	2,083.2	2,987.5	1,617.2	969.5	973.9	1,173.5	277.5	241.6	-420.4	165.9	10.2
2006 <sup>2</sup>	2,335.4	3,301.5	2,117.0	1,403.9	1,463.1	1,675.6	420.6	427.0	-472.0	158.3	5.2
2007 <sup>2</sup>	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 <sup>2</sup>	2,141.5	3,231.6	2,516.5	1,568.7	2,197.0	2,398.1	810.0	774.0	-307.6	32.1	4.5
2009 <sup>2</sup>	1,727.3	2,500.1	2,417.5	1,510.7	1,657.1	2,001.6	1,037.5	1,049.3	-222.3	75.4	4.4
<b>2008<sup>2</sup></b>											
Q1	552.2	805.8	517.1	355.5	477.4	480.7	134.3	93.9	-54.8	4.3	1.1
Q2	525.5	861.1	647.7	424.8	519.7	627.5	459.4	398.5	-159.5	8.9	0.8
Q3	509.0	839.0	787.7	378.2	643.2	686.1	148.7	138.2	47.1	7.2	1.1
Q4	554.7	725.7	563.9	410.3	556.7	603.8	67.7	143.4	-140.2	11.6	1.6
<b>2009<sup>2</sup></b>											
Q1	374.3	550.2	505.3	344.1	476.9	635.3	134.6	147.0	-185.5	2.2	0.9
Q2	408.8	597.1	616.0	380.8	428.6	448.8	634.5	443.2	218.1	10.8	0.7
Q3	437.5	699.5	739.2	372.2	402.1	497.7	170.7	222.2	-42.2	3.4	1.2
Q4	506.7	653.3	557.0	413.6	349.5	419.7	97.7	237.0	-212.8	59.1	1.5

EUR millions

Period	Financial account <sup>1</sup>										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
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 <sup>2</sup>	-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 <sup>2</sup>	16.6	543.5	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	299.8	-35.1
2006 <sup>2</sup>	-23.9	1,492.0	-1,965.1	-15.3	40.5	-15.6	-3,325.1	4,208.6	-83.0	313.2	5.7
2007 <sup>2</sup>	-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 <sup>2</sup>	-199.2	641.9	199.3	171.6	3.2	-346.2	-4,337.4	4,109.9	108.7	351.7	-71.7
2009 <sup>2</sup>	-80.0	644.5	-1,877.9	-28.1	-6.6	-63.8	3,647.1	-2,105.8	-2.4	127.0	24.2
<b>2008<sup>2</sup></b>											
Q1	-50.8	107.0	-10.4	9.4	-40.0	-87.2	-1,655.8	1,798.7	-69.4	1.4	50.1
Q2	-43.7	133.0	-1,478.6	62.5	88.6	20.1	-1,742.1	3,164.8	46.1	250.7	-99.3
Q3	-62.2	130.8	-966.2	98.1	-19.1	2.5	-1,756.2	2,307.7	42.3	-222.4	169.3
Q4	-42.5	271.2	2,654.4	1.6	-26.3	-281.6	816.7	-3,161.3	89.7	321.9	-191.7
<b>2009<sup>2</sup></b>											
Q1	-8.1	260.4	309.9	1.7	-79.9	-48.5	1,555.1	-1,565.6	-14.9	410.0	-225.8
Q2	-24.8	-38.0	-352.0	-3.6	76.3	-8.7	491.2	-450.4	-57.7	-367.6	139.5
Q3	-19.9	240.3	-992.9	-28.8	-29.5	13.0	615.9	110.1	94.2	2.4	37.6
Q4	-27.2	181.9	-842.9	2.6	26.5	-19.6	984.9	-199.8	-24.0	82.2	73.0

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets <sup>2</sup>	
2003	1.4	35.4	47.8	1,587.7	524.2	3.7	2,200.3
2004	1.4	35.5	46.5	930.9	1,014.3	0.1	2,028.8
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009 <sup>3</sup>	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
<b>2009<sup>3</sup></b>							
Jan.	4.2	13.6	46.9	114.7	99.3	-12.4	266.3
Feb.	4.4	13.7	46.7	37.3	117.3	-12.4	206.9
Mar.	10.6	13.2	45.2	56.5	161.3	11.2	297.9
Apr.	10.3	13.3	45.4	41.4	175.8	7.8	293.9
May	14.7	13.0	44.2	200.9	167.2	20.3	460.3
June	10.2	13.0	44.2	107.5	180.6	6.3	361.8
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

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

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

<sup>3</sup> Provisional.

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

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
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 <sup>1</sup>	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 <sup>1</sup>	840.5	3,645.5	10,053.9	413.0	42.3	44.2	9,595.9	16,839.5	2,188.9	1,779.4
2006 <sup>1</sup>	873.5	4,994.2	11,371.0	408.1	34.4	49.3	12,350.8	19,999.3	2,240.6	1,419.4
2007 <sup>1</sup>	830.4	5,612.0	10,695.8	406.9	106.8	79.1	19,393.1	26,332.1	2,561.4	1,157.5
2008 <sup>1</sup>	760.7	5,756.9	10,189.6	556.5	276.8	281.7	25,759.1	30,315.0	268.3	344.5
<b>2008</b>										
June	832.5	5,506.8	12,200.6	469.7	126.7	57.9	23,510.2	30,274.8	385.6	746.5
Dec.	760.7	5,756.9	10,189.6	556.5	276.8	281.7	25,759.1	30,315.0	268.3	344.5
<b>2009</b>										
June	1,006.2	6,153.8	10,349.3	534.1	113.7	199.6	23,690.3	27,869.6	361.8	764.4

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

EUR millions

	2007 <sup>2</sup>	2008 <sup>2</sup>	2009 <sup>2</sup>	2009 <sup>2</sup>			
				Mar.	June	Sep.	Dec.
<b>General Government</b>	141.4	292.6	237.2	281.5	268.1	232.0	237.2
<i>Short-term</i>	4.8	83.7	36.8	76.0	66.3	28.7	36.8
Money market instruments	0.0	76.6	31.4	71.1	64.6	26.3	31.4
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	4.8	7.1	5.3	4.9	1.7	2.5	5.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	136.6	208.9	200.4	205.5	201.8	203.2	200.4
Bonds and notes	5.7	89.9	98.1	88.4	93.7	97.0	98.1
Loans	131.0	119.0	102.3	117.1	108.2	106.2	102.3
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Monetary Authorities</b>	31.4	677.8	826.3	66.9	11.2	323.5	826.3
<i>Short-term</i>	31.4	677.8	826.3	66.9	11.2	323.5	826.3
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	31.4	677.8	826.3	66.9	10.9	323.5	826.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.3	0.0	0.0
<i>Long-term</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>OMFIs<sup>3</sup></b>	25,248.7	28,503.4	25,835.3	27,952.8	27,049.3	26,417.8	25,835.3
<i>Short-term</i>	17,127.9	23,271.7	20,616.8	23,279.9	21,492.4	21,273.0	20,616.8
Money market instruments	0.7	0.0	3.4	0.0	0.0	3.4	3.4
Loans	5,578.3	9,291.0	7,299.9	9,632.4	8,216.6	7,848.2	7,299.9
Currency and deposits	11,098.8	13,116.8	13,181.4	12,581.9	13,156.6	13,320.3	13,181.4
Other debt liabilities	450.1	863.9	132.1	1,065.6	119.3	101.2	132.1
<i>Long-term</i>	8,120.8	5,231.7	5,218.5	4,672.9	5,556.9	5,144.8	5,218.5
Bonds and notes	13.2	13.7	13.9	13.6	14.1	14.2	13.9
Loans	7,915.8	4,986.1	5,111.1	4,581.2	5,446.5	5,036.0	5,111.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	191.7	231.9	93.4	78.2	96.2	94.6	93.4
<b>Other Sectors<sup>4</sup></b>	1,294.8	1,329.2	1,326.9	1,284.1	1,296.5	1,365.1	1,326.9
<i>Short-term</i>	625.9	680.7	732.9	625.8	638.6	695.8	732.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	23.3	61.7	32.1	25.5	22.8	20.6	32.1
Currency and deposits	90.5	119.8	119.8	119.8	119.8	119.8	119.8
Trade credits	512.1	499.3	581.0	480.5	496.0	555.3	581.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	668.9	648.4	594.0	658.3	657.9	669.4	594.0
Bonds and notes	209.0	212.7	210.6	217.0	211.8	214.9	210.6
Loans	450.2	421.0	377.1	425.6	439.6	448.0	377.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	9.7	14.7	6.2	15.7	6.5	6.5	6.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Direct Investment: Intercompany lending</b>	1,065.5	1,265.5	1,205.1	1,259.3	1,252.5	1,267.7	1,205.1
Debt liabilities to affiliated enterprises	63.6	73.8	98.9	71.4	72.7	74.0	98.9
Debt liabilities to direct investors	1,001.9	1,191.7	1,106.3	1,187.9	1,179.8	1,193.7	1,106.3
<b>Gross External Debt</b>	<b>27,781.9</b>	<b>32,068.5</b>	<b>29,430.8</b>	<b>30,844.6</b>	<b>29,877.6</b>	<b>29,606.1</b>	<b>29,430.8</b>
<b>of which: OMFIs</b>	<b>25,248.7</b>	<b>28,503.4</b>	<b>25,835.3</b>	<b>27,952.8</b>	<b>27,049.3</b>	<b>26,417.8</b>	<b>25,835.3</b>
<b>Gross External Debt excluding OMFIs' debt liabilities</b>	<b>2,533.2</b>	<b>3,565.1</b>	<b>3,595.5</b>	<b>2,891.8</b>	<b>2,828.3</b>	<b>3,188.3</b>	<b>3,595.5</b>

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

<sup>2</sup> Provisional.

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

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

## Exchange Rates, External Transactions and Positions

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

*EUR millions*

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2003	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 <sup>2</sup>	2287.5	3580.4	-1292.9
2008 <sup>2</sup>	2061.5	3377.5	-1316.0
2009 <sup>2</sup>	1631.3	2783.2	-1151.9
<b>2008<sup>2</sup></b>			
Jan.	180.2	282.2	-102.0
Feb.	167.5	269.7	-102.2
Mar.	181.6	279.3	-97.7
Apr.	165.9	330.6	-164.7
May	162.1	277.3	-115.2
June	172.9	284.7	-111.8
July	173.8	336.4	-162.6
Aug.	149.2	256.0	-106.8
Sep.	182.0	316.2	-134.2
Oct.	188.6	283.0	-94.4
Nov.	163.5	249.8	-86.3
Dec.	174.2	212.3	-38.1
<b>2009<sup>2</sup></b>			
Jan.	115.9	240.8	-124.9
Feb.	111.4	202.4	-91.0
Mar.	144.2	220.7	-76.5
Apr.	132.2	253.7	-121.5
May	132.3	228.1	-95.8
June	138.4	212.5	-74.1
July	152.1	286.1	-134.0
Aug.	127.5	260.8	-133.3
Sep.	146.4	206.7	-60.3
Oct.	149.3	239.1	-89.8
Nov.	143.9	221.8	-77.9
Dec.	137.7	210.5	-72.8

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	280.5	221.5	72.9	113.4	688.3	253.9	15.8	958.1	576.3	312.8	315.3	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 <sup>2</sup>	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 <sup>2</sup>	234.8	267.1	103.1	88.2	693.2	167.1	61.8	922.1	713.9	182.8	242.7	2061.5
2009 <sup>2</sup>	184.7	216.8	79.0	84.1	564.6	97.1	59.4	721.1	528.1	152.4	229.7	1631.3
<b>2008<sup>2</sup></b>												
Jan.	21.4	28.0	12.6	8.3	70.3	16.9	5.1	92.3	47.7	16.6	23.6	180.2
Feb.	19.9	23.2	11.3	9.8	64.2	17.7	5.6	87.5	47.5	15.6	16.9	167.5
Mar.	19.8	22.7	8.6	7.5	58.6	14.9	4.9	78.4	54.6	26.8	21.8	181.6
Apr.	21.8	21.0	11.9	7.6	62.3	19.1	2.9	84.3	44.3	15.0	22.3	165.9
May	20.7	20.7	8.9	9.2	59.5	14.1	4.9	78.5	53.7	13.8	16.1	162.1
June	18.9	27.0	10.2	5.9	62.0	12.6	8.1	82.7	53.6	11.5	25.1	172.9
July	15.2	24.6	9.9	7.6	57.3	13.0	4.9	75.2	62.8	11.6	24.2	173.8
Aug.	18.2	24.5	5.2	6.4	54.3	8.9	4.8	68.0	50.3	11.7	19.2	149.2
Sep.	17.9	22.3	7.3	6.9	54.4	11.6	5.0	71.0	71.0	13.6	26.4	182.0
Oct.	20.7	24.6	8.7	6.7	60.7	14.6	5.1	80.4	80.3	12.8	15.1	188.6
Nov.	19.7	16.9	5.0	5.9	47.5	13.8	7.2	68.5	67.8	13.0	14.2	163.5
Dec.	20.6	11.6	3.5	6.4	42.1	9.9	3.3	55.3	80.3	20.8	17.8	174.2
<b>2009<sup>2</sup></b>												
Jan.	16.6	19.5	5.4	5.8	47.3	7.6	4.3	59.2	33.1	9.1	14.5	115.9
Feb.	12.9	14.4	6.4	6.4	40.1	9.0	2.8	51.9	35.2	8.8	15.5	111.4
Mar.	16.5	15.5	7.2	7.0	46.2	8.7	3.4	58.3	56.7	12.1	17.1	144.2
Apr.	12.3	18.1	6.5	7.4	44.3	7.1	5.6	57.0	45.9	10.8	18.5	132.2
May	16.1	16.6	8.1	6.2	47.0	7.9	5.0	59.9	44.8	12.1	15.5	132.3
June	14.0	17.3	6.2	7.5	45.0	9.9	5.0	59.9	48.4	10.4	19.7	138.4
July	15.2	21.4	9.1	7.4	53.1	6.6	4.5	64.2	43.1	16.8	28.0	152.1
Aug.	11.9	19.1	5.3	6.6	42.9	8.5	5.8	57.2	42.1	10.7	17.5	127.5
Sep.	15.9	18.5	5.9	7	47.3	6.5	7.1	60.9	44.7	15.7	25.1	146.4
Oct.	18.1	21.2	6.6	7.5	53.4	9.5	5.6	68.5	41.0	16.4	23.4	149.3
Nov.	18.1	21.1	7.1	6.8	53.1	6.7	4.2	64.0	48.5	12.5	18.9	143.9
Dec.	17.1	14.1	5.2	8.5	44.9	9.1	6.1	60.1	44.6	17	16	137.7

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	509.9	235.0	685.8	276.0	1,706.7	276.5	37.3	2,020.5	489.6	252.3	222.2	2,984.6
2004	566.3	392.0	772.3	327.8	2,058.4	367.4	71.3	2,497.1	458.0	162.8	210.6	3,328.5
2005	291.4	280.0	956.9	334.6	1,862.9	325.8	77.0	2,265.7	417.7	162.5	271.3	3,117.2
2006	406.0	263.2	966.3	373.4	2,008.9	344.0	69.3	2,422.2	635.1	179.5	251.1	3,487.9
2007 <sup>2</sup>	420.2	290.3	876.8	375.3	1,962.6	498.8	103.0	2,564.4	598.6	206.6	210.8	3,580.4
2008 <sup>2</sup>	274.2	261.3	906.6	415.5	1,857.6	434.7	118.1	2,410.4	597.0	74.7	295.4	3,377.5
2009 <sup>2</sup>	209.3	260.4	685.7	359.7	1,515.1	326.5	66.9	1,908.5	437.9	83.5	353.3	2,783.2
<b>2008<sup>2</sup></b>												
Jan.	25.6	23.3	68.4	29.6	146.9	37.8	4.5	189.2	59.4	6.5	27.1	282.2
Feb.	21.5	27.7	62.0	43.4	154.6	40.5	7.3	202.4	48.9	5.6	12.8	269.7
Mar.	21.7	27.8	89.4	32.0	170.9	34.9	5.0	210.8	50.1	6.3	12.1	279.3
Apr.	20.5	21.4	89.6	46.8	178.3	39.7	14.7	232.7	52.5	7.3	38.1	330.6
May	29.8	21.0	66.3	48.5	165.6	26.2	6.0	197.8	50.1	7.5	21.9	277.3
June	19.6	23.6	84.4	30.6	158.2	43.0	6.4	207.6	52.9	3.8	20.4	284.7
July	33.3	19.7	88.5	33.6	175.1	50.1	22.2	247.4	56.1	5.2	27.7	336.4
Aug.	30.2	17.5	77.0	31.8	156.5	26.8	7.6	190.9	42.9	3.6	18.6	256.0
Sep.	23.0	20.5	67.6	27.2	138.3	39.0	14.2	191.5	50.1	6.8	67.8	316.2
Oct.	15.3	22.5	85.0	36.7	159.5	37.9	12.1	209.5	47.5	10.8	15.2	283.0
Nov.	20.2	19.4	73.8	27.5	140.9	32.3	8.8	182.0	45.5	5.7	16.6	249.8
Dec.	13.5	16.9	54.6	27.8	112.8	26.5	9.3	148.6	41.0	5.6	17.1	212.3
<b>2009<sup>2</sup></b>												
Jan.	11.2	51.8	35.1	20.6	118.7	22.7	4.6	146.0	36.4	3.1	55.3	240.8
Feb.	18.7	20.1	52.1	25.9	116.8	23.6	4.8	145.2	36.0	12.5	8.7	202.4
Mar.	11.6	19.1	48.2	34.2	113.1	33.1	5.8	152.0	32.9	5.5	30.3	220.7
Apr.	10.4	18.6	70.2	22.8	122.0	23.7	9.7	155.4	37.7	9.8	50.8	253.7
May	14.7	14.1	60.2	25.6	114.6	23.8	5.3	143.7	33.8	12.3	38.3	228.1
June	21.0	16.8	63.4	32.6	133.8	25.9	7.1	166.8	26.7	6.9	12.1	212.5
July	23.0	16.2	54.1	44.5	137.8	31.8	5.1	174.7	37.0	5.4	69.0	286.1
Aug.	27.1	21.5	58.2	33.1	139.9	32.7	5.7	178.3	59.7	4.9	17.9	260.8
Sep.	24.3	15.1	55.8	35.4	130.6	24.0	4.5	159.1	31.4	6.6	9.6	206.7
Oct.	17.1	25.2	71.9	28.4	142.6	25.1	4.8	172.5	36.8	5.5	24.3	239.1
Nov.	14.9	22.4	61.2	29.7	128.2	33.8	4.7	166.7	35.3	4.4	15.4	221.8
Dec.	15.3	19.5	55.3	26.9	117.0	26.3	4.8	148.1	34.2	6.6	21.6	210.5

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

<sup>2</sup> Provisional.

Source: NSO.



## Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net		
2004 <sup>1</sup>	2,974.6	933.9	861.8	-100.1	4,670.1	3,552.8	3,727.9	-175.1	4,495.2	4,439.3
2005 <sup>1</sup>	3,119.1	941.8	964.3	16.2	5,041.3	3,700.3	3,957.0	-256.7	4,784.6	4,566.7
2006 <sup>1</sup>	3,211.3	1,014.6	1,060.8	76.9	5,363.6	4,452.4	4,705.4	-253.1	5,110.6	4,885.4
2007 <sup>1</sup>	3,333.7	1,039.4	1,108.4	84.4	5,565.9	4,896.2	5,003.4	-107.2	5,458.7	5,268.3
2008 <sup>1</sup>	3,609.7	1,220.3	926.5	108.9	5,865.4	4,608.9	4,777.5	-168.7	5,696.8	5,511.9
2009 <sup>1</sup>	3,668.5	1,232.6	800.8	-137.0	5,564.8	4,143.9	3,997.1	146.8	5,711.6	5,358.8
<b>2008<sup>1</sup></b>										
Q1	819.4	289.2	252.9	44.6	1,406.1	1,068.1	1,161.3	-93.2	1,312.9	1,309.1
Q2	886.1	298.5	249.1	116.9	1,550.6	1,163.2	1,280.9	-117.7	1,433.5	1,330.6
Q3	940.6	315.5	206.0	-26.8	1,435.3	1,275.7	1,208.9	66.8	1,502.1	1,464.8
Q4	963.7	317.2	218.5	-25.9	1,473.5	1,101.8	1,127.0	-25.2	1,448.3	1,407.4
<b>2009<sup>1</sup></b>										
Q1	847.6	305.7	182.7	7.8	1,343.8	877.7	893.6	-16.0	1,327.9	1,163.8
Q2	900.4	309.0	183.6	-33.4	1,359.7	1,028.8	984.3	44.5	1,404.2	1,384.6
Q3	948.1	315.3	237.4	-108.1	1,392.7	1,177.4	1,073.1	104.3	1,496.9	1,400.5
Q4	972.4	302.5	197.1	-3.3	1,468.7	1,060.0	1,046.1	13.9	1,482.6	1,409.8

<sup>1</sup> Provisional.

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

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

Source: NSO.

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net	
2004 <sup>1</sup>	2,763.7	796.4	789.2	-90.6	4,258.7	3,746.6	3,976.4	-229.8	4,028.9
2005 <sup>1</sup>	2,826.2	790.0	887.7	14.8	4,518.7	3,769.0	4,103.5	-334.5	4,184.1
2006 <sup>1</sup>	2,843.1	836.4	915.9	68.1	4,663.5	4,164.7	4,495.2	-330.5	4,333.0
2007 <sup>1</sup>	2,904.7	836.0	919.9	74.8	4,735.4	4,275.8	4,512.0	-236.2	4,499.3
2008 <sup>1</sup>	3,050.4	943.5	718.9	95.1	4,807.9	3,967.2	4,179.7	-212.5	4,595.4
2009 <sup>1</sup>	3,085.8	925.3	579.9	-111.0	4,480.0	3,843.0	3,816.4	26.6	4,506.6
<b>2008<sup>1</sup></b>									
Q1	704.5	225.4	193.7	39.0	1,162.5	925.4	1,014.6	-89.2	1,073.4
Q2	756.1	232.0	196.2	101.7	1,285.9	966.1	1,104.6	-138.4	1,147.5
Q3	792.6	243.0	155.6	-23.2	1,167.9	1,067.6	1,037.2	30.4	1,198.2
Q4	797.3	243.3	173.4	-22.3	1,191.7	1,008.1	1,023.4	-15.3	1,176.4
<b>2009</b>									
Q1	712.2	228.6	137.1	6.3	1,084.2	803.8	836.4	-32.6	1,051.6
Q2	752.0	232.0	137.6	-26.9	1,094.7	949.0	940.6	8.4	1,103.1
Q3	800.2	237.1	167.4	-87.7	1,116.9	1,081.3	1,028.2	53.1	1,170.0
Q4	821.4	227.6	137.8	-2.6	1,184.2	1,009.0	1,011.2	-2.2	1,182.0

<sup>1</sup> Provisional.

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

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

Source: NSO.

## Real Economy Indicators

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

Thousands

Period	EU (of which):								All others	Total
	Euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	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	122.9	159.1	193.5	548.1	415.3	85.8	1049.1	134.0	1,183.0
<b>2008</b>										
Jan.	4.4	7.5	8.2	7.8	28.0	22.1	5.5	55.6	8.3	63.9
Feb.	2.8	8.5	5.0	7.7	23.9	22.9	2.6	49.4	8.0	57.3
Mar.	3.9	16.3	11.3	13.3	44.8	31.1	5.1	81.1	9.4	90.5
Apr.	9.1	12.6	12.9	17.1	51.6	36.3	6.8	94.7	10.2	104.9
May	9.9	16.3	11.3	24.4	61.9	47.5	7.9	117.3	14.0	131.4
June	11.3	11.9	11.6	20.6	55.4	48.2	10.5	114.1	15.2	129.4
July	10.2	13.4	16.8	25.8	66.3	48.6	14.5	129.4	20.0	149.5
Aug.	11.2	17.1	32.2	30.6	91.1	49.9	14.8	155.8	22.7	178.6
Sep.	6.3	15.6	12.6	24.0	58.6	52.4	11.6	122.6	17.2	139.8
Oct.	7.3	17.2	8.3	18.5	51.3	48.4	10.4	110.1	16.9	126.9
Nov.	2.9	10.2	7.8	7.8	28.6	29.4	6.0	64.1	9.5	73.6
Dec.	1.9	4.3	6.4	6.5	19.0	17.3	2.9	39.3	5.8	45.1
<b>2009</b>										
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.	2.0	3.1	7.6	7.5	20.2	18.6	3.2	42.1	7.8	49.8

<sup>1</sup> 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 <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	104.1	41.6	145.7	97.9	40.1	137.9	6.2	6.0	1.5	3.6	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 <sup>3</sup>	103.6	45.2	148.9	98.5	43.7	142.2	5.1	4.9	1.6	3.5	6.7	4.5
2008	104.1	47.2	151.2	99.3	45.8	145.0	4.8	4.6	1.4	3.0	6.2	4.1
<b>2008<sup>3</sup></b>												
Jan.	103.7	46.2	149.9	98.8	44.6	143.5	4.9	4.7	1.6	3.4	6.5	4.3
Feb.	104.0	46.5	150.5	99.2	44.9	144.1	4.8	4.6	1.5	3.3	6.3	4.2
Mar.	103.8	46.4	150.2	99.1	45.0	144.1	4.7	4.6	1.4	3.1	6.2	4.1
Apr.	104.0	46.7	150.7	99.4	45.3	144.6	4.7	4.5	1.4	3.0	6.1	4.0
May	103.9	46.8	150.7	99.3	45.4	144.7	4.7	4.5	1.4	2.9	6.0	4.0
June	104.5	47.3	151.8	99.9	46.0	145.9	4.5	4.3	1.3	2.8	5.9	3.9
July	104.9	47.8	152.7	100.3	46.4	146.7	4.6	4.4	1.4	2.9	6.0	3.9
Aug.	104.3	47.7	152.1	99.7	46.3	145.9	4.7	4.5	1.4	3.0	6.1	4.0
Sep.	104.4	47.7	152.1	99.6	46.4	146.0	4.8	4.6	1.3	2.8	6.1	4.0
Oct.	104.1	47.7	151.8	99.1	46.3	145.5	5.0	4.8	1.3	2.8	6.4	4.2
Nov.	104.3	47.7	152.0	99.1	46.3	145.4	5.2	4.9	1.4	3.0	6.6	4.3
Dec.	103.7	47.7	151.4	98.7	46.3	145.1	5.0	4.8	1.4	2.9	6.4	4.2
<b>2009<sup>3</sup></b>												
Jan.	103.8	47.8	151.6	98.4	46.2	144.6	5.4	5.2	1.6	3.3	7.0	4.6
Feb.	103.9	47.8	151.6	98.4	46.1	144.5	5.4	5.2	1.7	3.5	7.1	4.7
Mar.	103.8	47.9	151.7	98.4	46.2	144.6	5.4	5.2	1.7	3.5	7.1	4.7
Apr.	103.8	48.0	151.8	98.3	46.3	144.6	5.5	5.3	1.7	3.5	7.2	4.7
May	103.6	47.9	151.6	98.0	46.3	144.3	5.6	5.4	1.7	3.5	7.3	4.8
June	103.8	48.2	152.0	98.2	46.6	144.7	5.6	5.4	1.7	3.5	7.3	4.8
July	104.0	48.5	152.5	98.2	46.8	145.0	5.8	5.6	1.7	3.6	7.5	4.9
Aug.	103.6	48.4	152.0	97.9	46.6	144.5	5.7	5.5	1.7	3.5	7.4	4.9
Sep.	103.6	48.5	152.1	97.8	46.7	144.5	5.8	5.6	1.7	3.5	7.5	4.9
Oct.	103.1	48.4	151.5	97.4	46.7	144.1	5.7	5.5	1.6	3.3	7.3	4.8

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

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

<sup>3</sup> Provisional.

Source: ETC.

## Real Economy Indicators

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

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	110.1	49.9	159.9	102.3	45.5	147.8	7.8	7.1	4.3	8.7	12.1	7.6
2004	110.4	48.9	159.3	103.3	44.5	147.9	7.1	6.4	4.4	9.0	11.5	7.2
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	113.0	54.2	167.2	106.3	50.0	156.4	6.7	5.9	4.1	7.6	10.8	6.5
2008	113.6	57.1	170.7	107.1	53.2	160.3	6.4	5.6	3.9	6.9	10.4	6.1
<b>2008</b>												
Q1	112.9	55.2	168.1	106.8	51.1	157.9	6.1	5.4	4.1	7.4	10.2	6.1
Q2	112.1	58.2	170.3	105.4	54.6	160.0	6.7	6.0	3.5	6.1	10.3	6.0
Q3	114.5	58.5	173.1	107.9	54.9	162.9	6.5	5.7	3.6	6.1	10.2	5.9
Q4	114.7	56.6	171.3	108.5	52.0	160.5	6.2	5.4	4.6	8.1	10.8	6.3
<b>2009</b>												
Q1	115.5	57.0	172.6	108.5	52.8	161.3	7.1	6.1	4.2	7.4	11.3	6.5
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

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

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

Source: NSO.

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

Period	Total	Apartments	Maisonettes	Terraced houses	Others <sup>1</sup>
2004	155.6	157.0	155.4	151.1	153.8
2005	170.9	173.7	176.7	188.9	160.3
2006	177.0	178.3	187.0	196.2	175.0
2007	178.9	183.3	181.4	205.3	171.9
2008	174.1	172.7	181.4	201.5	173.7
2009	165.3	162.2	173.7	207.8	169.6
<b>2008</b>					
Q1	178.8	179.8	181.2	202.1	173.0
Q2	177.0	175.7	186.1	194.1	182.2
Q3	171.6	168.9	181.4	201.4	172.5
Q4	168.7	166.4	177.1	208.4	167.0
<b>2009</b>					
Q1	161.2	158.3	173.5	210.4	150.7
Q2	166.4	163.0	175.4	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

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

Source: Central Bank of Malta estimates.

## Real Economy Indicators

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

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

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

<sup>2</sup> Includes quarrying.

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

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

<sup>5</sup> Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works and others.

Source: Malta Environment & Planning Authority.

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

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

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

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

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

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

Source: Malta Environment & Planning Authority.

## Real Economy Indicators

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

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
1946	100.00	-	<i>(continued)</i>		
1947	104.90	4.90	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 <sup>2</sup>	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

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

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

## Real Economy Indicators

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

Period	12-month moving average rates of change (%) <sup>1</sup>											
	All Items Index	All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2003	100.7	1.3	2.3	2.7	-6.4	2.2	0.0	-1.0	2.6	3.3	0.4	4.2
2004	103.6	2.8	0.2	9.2	-2.5	3.8	1.3	2.2	4.0	5.1	1.2	8.0
2005	106.7	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	109.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	111.0	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008	115.7	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
2009	118.1	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
<b>2008</b>												
Jan.	112.4	1.4	4.7	2.3	1.0	2.9	-7.0	0.6	-0.8	1.8	1.5	0.4
Feb.	112.9	1.6	5.3	2.3	1.9	2.9	-7.4	0.5	-0.6	1.8	1.4	0.4
Mar.	113.7	1.9	5.9	2.4	2.8	2.9	-6.2	0.5	-0.5	1.8	1.3	0.5
Apr.	114.1	2.3	6.5	2.4	3.4	3.1	-4.8	0.5	-0.2	1.9	1.2	0.7
May	114.6	2.6	7.1	2.5	4.1	3.2	-3.6	0.5	0.2	1.9	1.1	1.0
June	115.0	2.9	7.6	2.6	4.8	3.4	-2.3	0.5	0.7	1.9	1.1	1.2
July	116.0	3.3	7.9	2.7	5.5	3.5	1.0	0.4	1.1	1.9	1.0	1.4
Aug.	115.9	3.5	8.0	2.7	6.2	3.6	3.8	0.3	1.5	1.9	1.1	1.6
Sep.	116.8	3.7	7.9	2.7	6.2	3.6	6.8	0.1	2.0	1.9	1.0	1.8
Oct.	119.3	4.0	8.0	2.6	5.7	3.8	11.3	-0.1	2.4	1.9	1.0	2.0
Nov.	119.0	4.1	7.9	2.7	5.0	3.9	15.6	-0.1	2.6	1.9	1.1	2.2
Dec.	119.1	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
<b>2009</b>												
Jan.	116.4	4.3	8.1	2.8	4.0	3.9	23.9	-0.2	2.1	1.9	1.3	2.5
Feb.	117.6	4.3	8.2	3.0	3.4	4.0	28.0	-0.3	1.6	1.9	1.4	2.5
Mar.	118.5	4.3	8.4	3.3	3.0	4.0	31.4	-0.3	1.1	2.0	1.5	2.5
Apr.	118.7	4.4	8.5	3.6	2.8	3.9	33.7	-0.4	0.7	2.1	1.5	2.5
May	118.7	4.3	8.6	3.9	2.5	3.9	35.8	-0.4	0.3	2.2	1.5	2.4
June	118.1	4.2	8.6	4.1	2.3	3.7	37.9	-0.4	-0.5	2.3	1.5	2.4
July	117.7	4.0	8.5	4.3	1.7	3.6	34.9	-0.4	-1.1	2.4	1.4	2.3
Aug.	117.7	3.7	8.4	4.4	1.0	3.5	32.6	-0.2	-1.7	2.6	1.3	2.2
Sep.	118.2	3.5	8.2	4.5	0.5	3.4	30.5	-0.1	-2.2	2.7	1.3	2.1
Oct.	119.1	3.0	7.6	4.5	0.1	3.2	25.3	0.0	-2.9	2.9	1.1	2.0
Nov.	118.7	2.6	7.2	4.4	-0.1	3.1	20.5	0.2	-3.7	3.0	1.0	2.0
Dec.	118.4	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9

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

## Real Economy Indicators

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

Period	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
<b>2008</b>														
Jan.	103.3	0.9	4.4	0.8	1.0	-0.2	0.8	2.7	-1.0	0.5	0.3	4.5	-0.2	0.8
Feb.	103.7	1.2	4.9	0.9	1.9	-0.3	0.7	2.7	-0.6	0.7	-0.1	4.8	0.3	0.9
Mar.	104.8	1.5	5.6	1.0	2.8	0.1	0.8	2.8	-0.3	0.9	-0.4	5.2	0.7	0.9
Apr.	107.2	1.9	6.3	1.0	3.4	0.6	0.8	2.8	0.1	1.1	-0.5	5.3	1.7	0.9
May	108.0	2.3	6.9	1.1	4.1	1.1	0.8	2.7	0.7	1.3	-0.6	5.4	2.5	1.0
June	108.6	2.8	7.4	1.2	4.8	1.6	0.9	2.6	1.2	1.5	-0.7	5.6	3.4	1.1
July	110.6	3.3	7.8	1.2	5.5	2.7	0.9	2.5	1.8	1.7	-0.8	5.7	4.5	1.1
Aug.	110.9	3.7	7.9	1.3	6.2	3.6	0.8	2.4	2.4	1.9	-0.8	5.8	5.5	1.2
Sep.	111.0	4.0	7.8	1.3	6.2	4.5	0.7	2.4	3.0	2.2	-0.9	5.9	6.5	1.2
Oct.	112.0	4.4	8.0	1.3	5.7	5.9	0.7	2.3	3.6	2.4	-0.8	6.2	7.2	1.3
Nov.	108.7	4.5	7.9	1.6	5.0	7.3	0.6	2.3	3.8	2.7	-0.7	6.5	7.4	1.3
Dec.	108.9	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
<b>2009</b>														
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

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

The *Quarterly Review* Table 1.4b 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 area<sup>2</sup>. 'Other counterparts (net)' comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

### **Compilation and valuation principles**

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

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

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

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

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

### **Release of monetary statistics**

Monetary aggregates for the euro area are published by the ECB on the 19<sup>th</sup> working day of the month following the reference month. The ECB 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/2001/18 (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.