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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 Stabilty 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 third quarter of 2009 the global economy showed signs of recovery from the sharp downturn triggered by the international financial crisis. Output in the major industrial economies contracted at a slower annual rate, while in emerging market economies the recovery seemed to be more advanced. At the same time, inflationary pressures worldwide remained moderate.

In the euro area, too, there were growing signs that the significant contraction in economic activity had come to an end. With price developments expected to be subdued over the policy relevant horizon, the ECB left the interest rate on the MROs unchanged at 1.00% during both the third and the fourth quarters of the year. Other key interest rates were similarly left unchanged over the entire period.

The Eurosystem continued to implement non-standard enhanced credit support measures to ease conditions in the financial system. In particular, this entailed the provision of liquidity at fixed interest rates with full allotment across a range of maturities. In December, the Governing Council decided to continue conducting its MROs as fixed rate tender procedures with full allotment for as long as needed, and at least until 13 April 2010. In addition, however, the ECB also 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. In this way, the ECB signalled the beginning of a gradual withdrawal of emergency liquidity support.

Real GDP in the euro area continued to contract on an annual basis during the quarter, albeit at a slower rate. Although demand conditions in the area remained sluggish, the year-on-year growth rate picked up to -4.0%, from -4.8% in the June quarter, mainly on account of a smaller negative contribution from net exports. Annual HICP inflation was negative throughout the quarter, reaching a low of -0.7% in July. It picked up gradually thereafter, turning positive in November before rising further to 0.9% by the end of the year. On the basis of the Eurosystem staff projections published in December, average annual real GDP growth in the euro area is projected to rise to between 0.1% and 1.5% in 2010 and to between 0.2% and 2.2% in 2011. Price pressures are expected to remain moderate, with the average annual rate of overall HICP inflation falling within a range between 0.9% and 1.7% in 2010 and between 0.8% and 2.0% in 2011.

The Maltese economy also showed signs that the contraction in economic activity was bottoming out. Although on an annual basis real GDP continued to decline during the September quarter, falling by 2.1%, this was a smaller fall than that recorded in the previous quarter. Domestic demand, which had dropped sharply in the year to June, made a smaller negative contribution to real GDP growth. Indeed, both private and public consumption recovered, as did investment, but the inventory component declined. At the same time, the international economic downturn continued to have an adverse impact on established export sectors, such as manufacturing and tourism. As a result, exports fell faster than imports, so that net exports acted as a drag on growth. Responses to business surveys showed further signs of stabilisation during the fourth quarter of the year, with an improvement in business sentiment among firms in the manufacturing and services sectors offsetting a moderate deterioration in the construction industry.

Labour market conditions remained weak during the third quarter. According to survey data, employment declined moderately on a year earlier, after having slowed down during the June quarter. Unemployment was generally stable, with the seasonally-adjusted jobless rate hovering above 7% throughout the quarter, but it tended to rise thereafter.

Weaker demand pressures helped to dampen inflation. The annual HICP inflation rate declined considerably during the quarter, falling from 2.8% in June to 0.8% in September. The drop in inflation mainly reflected a much slower rate of increase in food prices – particularly of unprocessed food – and in the prices of services. The annual rate of HICP inflation fell further in the December quarter, turning negative in October and ending the year at -0.4%.

On the basis of the measures available, Malta's external competitiveness remained under pressure during the third quarter, as the appreciation of the euro offset the favourable impact of a narrowing inflation differential. Towards the end of the year, however, Malta's competitive position benefited from a combination of a weaker euro and a decline in domestic inflation. Unit labour costs also continued to rise during the quarter, albeit at a slower pace, since compensation of employees continued to increase whereas productivity dropped. From a longer-term perspective, since the end of 2000 Malta's unit labour costs have tended to rise at a faster rate than the euro area average.

Although official interest rates remained unchanged during the third and fourth quarters of 2009, domestic money market rates, as well as government bond yields, extended their downward trend, mirroring developments elsewhere in the euro area. Deposit rates also fell, perhaps reflecting the lagged effects of earlier reductions in official interest rates, while bank lending rates were broadly stable. Historically low interest rates, the positive response by the domestic banking system to the demand for loans and the relatively contained impact of the economic downturn on credit demand supported growth in credit to residents, which continued to expand at a moderate rate.

During the first nine months of 2009 the general government deficit widened slightly compared with the same period of 2008, as revenue fell faster than expenditure. Weak consumer spending and the slowdown in the property market, in particular, had an adverse impact on indirect tax receipts. The general government debt continued to rise.

According to the Bank's latest projections, the Maltese economy is thought to have contracted by 2.2% in 2009, mainly driven by a drop in domestic demand.[1] With imports set to have fallen faster than exports, however, net exports are expected to have contributed positively to growth. The Bank expects the economy to recover during 2010, with real GDP forecast to expand by 1.1%. Domestic demand should return to growth, with private consumption and investment picking up. Increased external demand should have a positive impact on exports, but imports are expected to rise even more rapidly, leading to a deterioration in the external position and a negative contribution of net exports to growth. After a significant drop in 2009, the Bank foresees a further easing in HICP inflation, to 1.7% in 2010. As the global economic situation continues to be volatile, the Bank's GDP forecast is subject to a high degree of uncertainty, with risks to the projections being tilted mainly to the downside.

Looking ahead, as the economic recovery gathers pace, policy attention should turn to re-orienting the fiscal policy stance towards consolidation to bring the deficit below the 3% of GDP threshold in line with the EU's fiscal rules. This would help to contain the rise in the public debt and to

[1] The Bank's projections are based on information available until 13 November 2009 and are conditional upon a number of technical assumptions regarding exchange rates, interest rates and oil prices.

cushion public finances from the adverse impact of population ageing. While the Government still has an important role to play in ensuring that the physical infrastructure supporting the economy is adequate and in improving the quality of the domestic labour force, the focus of consolidation should lie on a reduction of recurrent expenditure.

At the same time, broader structural reforms remain necessary to ensure that the Maltese economy strengthens its competitive position, both within the euro area and more widely. The thrust of reforms should aim at opening up key economic sectors to greater competition, which would also keep price pressures in check. Given the weight of labour in the economy's cost structure and the recent decline in productivity, increasing labour market flexibility and wage moderation are also important.

## ECONOMIC SURVEY

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

During the third quarter of 2009 the global economy showed signs of recovery, with output in the major industrial countries contracting at a slower annual rate, and some even returning to positive growth on a quarter-on-quarter basis. In the emerging economies, the recovery, driven mainly by Asian countries, seemed to be more advanced. At the same time, inflationary pressures worldwide remained subdued, mainly on account of lower energy prices. In certain countries, in fact, there were still concerns about deflation.

In the euro area real GDP continued to contract on an annual basis during the quarter, albeit at a slower rate. This was mainly on account of a smaller negative contribution from net exports, as domestic demand conditions remained sluggish. Annual HICP inflation remained negative, with the lowest rate being reached in July. On the basis of the Eurosystem staff projections published in December, real GDP is expected to show positive growth in 2010, but inflation will remain moderate up to 2011. Hence, although there are increasing signs that the significant contraction in economic activity in the euro area has come to an end, the ensuing recovery is expected to be uneven and characterised by a considerable degree of uncertainty. Against this background, price developments are expected to remain subdued over the medium term.

### International economic developments

*US recession bottoming out, inflation remains negative*

In the United States economic activity declined at a slower pace during the third quarter. Real GDP contracted by 2.6% on a year earlier, as against 3.8% in the previous quarter (see Table 1.1). On a quarter-on-quarter basis, growth turned positive for the first time after four consecutive contractions, with output expanding by 0.6% compared with the June quarter. The pick-up in economic activity reflected a smaller decline in consumer expenditure, which fell by 0.2% on an annual basis, compared with the 1.7% drop recorded in the previous quarter. Private fixed investment also fell at a slower annual rate, both in the residential and in the non-residential categories, with the latter including other buildings, equipment and software. Government expenditure, however, grew at a slower rate. The decline in exports and imports moderated, and net exports contributed positively to growth. But labour market conditions continued to deteriorate, with unemployment rising to 9.8% in September from 9.5% in June. Going forward, the jobless rate continued to rise, reaching 10.2% in October, before falling slightly to 10.0% in November.

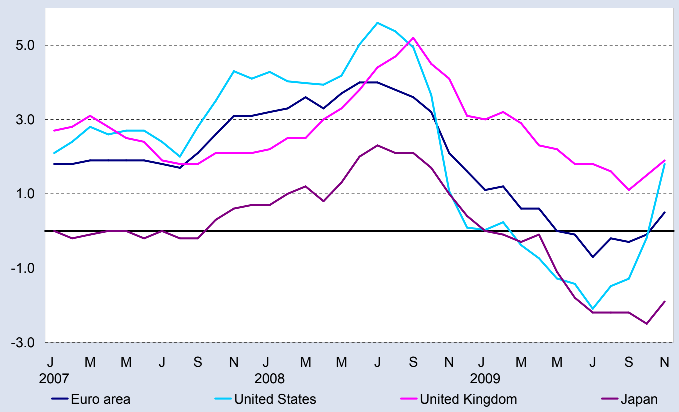
**Table 1.1**
**REAL GDP GROWTH**
*Annual percentage changes, seasonally adjusted*

| | 2008 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| United States | 1.6 | 0.0 | -1.9 | -3.3 | -3.8 | -2.6 |
| Euro area | 1.4 | 0.4 | -1.8 | -5.0 | -4.8 | -4.0 |
| United Kingdom | 1.7 | 0.2 | -2.1 | -5.2 | -5.8 | -5.1 |
| Japan | -0.3 | -1.4 | -4.4 | -8.6 | -6.0 | -4.7 |

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

The annual rate of consumer price inflation remained negative throughout the third quarter, mainly reflecting lower energy prices (see Chart 1.1). After having fallen to -1.4% in June, the inflation rate fell further to -2.1% in the following month before rebounding to end the quarter at -1.3%. Going into the fourth quarter, however, downward price pressures abated, and the annual inflation rate climbed to 1.8% in November.

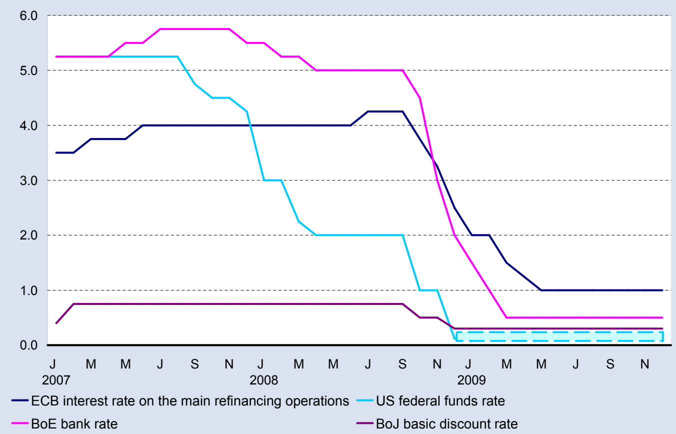
**Chart 1.1**
**CONSUMER PRICE INFLATION**
*(annual percentage changes)*




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

During the third and fourth quarters of the year, the Federal Reserve kept the federal funds rate target unchanged in a range from zero to 0.25%, as it had done throughout the first half of the year (see Chart 1.2). Additionally, it continued to purchase agency mortgage-backed securities, agency debt and Treasury securities, to ensure a sufficient supply of liquidity in the credit market.

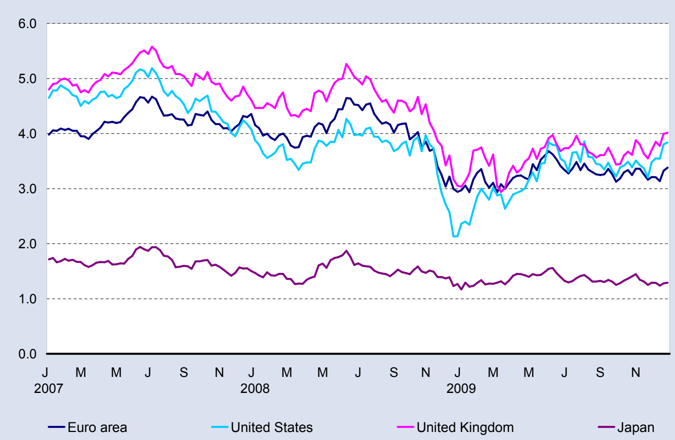
**Chart 1.2**
**OFFICIAL INTEREST RATES**
*(percentages per annum, end of month)*




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

US long-term government bond yields generally fell during the third quarter of 2009, dropping by 23 basis points to end the quarter at 3.31% (see Chart 1.3). During the first half of July, yields extended the downward trend that had begun in the previous quarter. They then rebounded, reaching a quarterly high of 3.86% in early August. Towards the end of the quarter, however, they fell again on concerns about the sustainability of the recovery. During the fourth quarter bond yields rebounded, ending December at 3.84%.

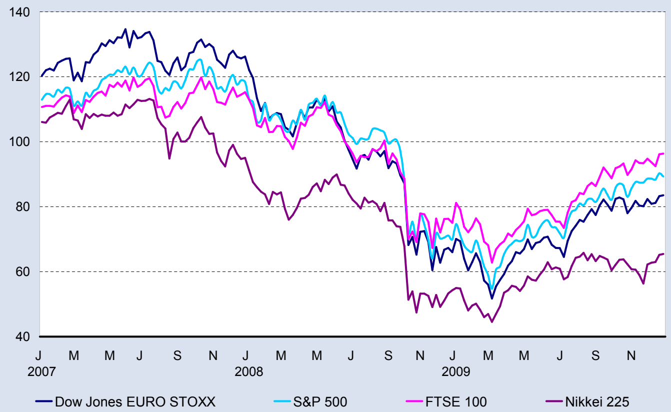
**Chart 1.3**
**TEN-YEAR GOVERNMENT BOND YIELDS**
*(percentages per annum, end of week)*




Source: Reuters.

US equity prices as measured by the S&P 500 index rose by around 15% during the September quarter driven by increased risk appetite (see Chart 1.4). They continued to rise in the following quarter, adding 5.5% by end-December.

Chart 1.4
**STOCK PRICE INDICES**
*(end of week index, 1 Jan. 2006=100)*




Source: Reuters.

### *The drop in UK economic activity moderates, inflation falls further*

The UK economy contracted in the third quarter of 2009, with real GDP falling by 0.2% on a quarter-on-quarter basis. In annual terms, GDP dropped by 5.1%. Private consumption and investment continued to decline, but net exports contributed positively to growth, as imports contracted more rapidly than exports. The situation in the labour market appears to be stabilising, as the unemployment rate – which had risen rapidly earlier in the year – edged up to 7.9% during the three months to September from 7.8% at the end of the previous quarter.

Meanwhile, HICP inflation continued to decline, falling to 1.1% in September – its lowest level since September 2004 – from 1.8% in June. This drop was mainly due to lower energy prices and slower food price inflation. Going into the final quarter of 2009, UK inflation rebounded, reaching 1.9% in November, as transport costs rose.

Amid signs that the economic downturn was bottoming out, the Bank of England held the official Bank Rate unchanged at 0.5% during the third and fourth quarters. The UK central bank, however, continued to expand the use of extraordinary monetary policy measures to provide support to the financial system and the economy as a whole.

UK long-term bond yields declined moderately during the third quarter, ending September at 3.59%, or 10 basis points below the end-June value. They recuperated in the fourth quarter, however, ending the year at 4.01%. Equity prices, as measured by the FTSE 100, rose by around 21% between end-June and end-September, following a pattern similar to that in the United States. Going forward, equity prices continued to trend upwards, ending December around 5% higher than the end-September level.

### *The Japanese economy contracts at a slower pace, inflation remains negative*

The Japanese economy contracted at a slower pace during the September quarter. Real GDP fell by 4.7% on a year earlier, as against a 6.0% drop in the year to June. On a quarterly basis, output expanded by 0.3%, for a second consecutive quarter of positive growth. Exports fell at a slower annual rate, while private consumption remained at a standstill with no growth. Whereas the positive contribution of government consumption to growth remained practically unchanged from the previous quarter, the decline in investment spending persisted. The unemployment rate peaked at 5.7% in July, before falling to 5.3% in September. It then decreased slightly, reaching 5.2% in November.

Inflation extended its negative trend during the third quarter, due to the base effects related to high oil prices a year earlier combined with the ongoing slack in the Japanese economy. After having ended the previous quarter at -1.8%, the annual rate of inflation fell to -2.2% by the end of the quarter. Japan's inflation rate declined further in October, before increasing to -1.9% in November.

The Bank of Japan kept its official interest rates on hold during the third quarter and going into the fourth, leaving the basic discount rate unchanged from the 0.3% rate set in December 2008. The Japanese central bank also introduced a new funds-supplying operation to encourage a further decline in long-term interest rates.

Japanese government long-term bond yields fell marginally during the September quarter, dropping from 1.35% at the end of June to 1.29% three months later. In the following quarter, long-term Japanese bond yields initially edged up, before falling to 1.29% at end-December. During the third quarter, Japanese equity prices, as measured by the Nikkei 225, rose by almost 2%. Going into the fourth quarter they generally fell, before rallying in December to end the quarter 4.1% higher than at end-September.

*Emerging Asian economies strengthen*

In both China and India, the largest emerging Asian economies, economic growth accelerated during the third quarter. In China annual GDP growth rose to 8.9%, from 7.9% in the previous three-month period, largely driven by investment, which itself was heavily dependent on the fiscal stimulus measures adopted by the Chinese authorities. Consumption also continued to expand robustly, but China's large external trade surplus continued to decline due to weak exports. In India real GDP growth rose to 7.9%, compared with 6.1% in the previous quarter.

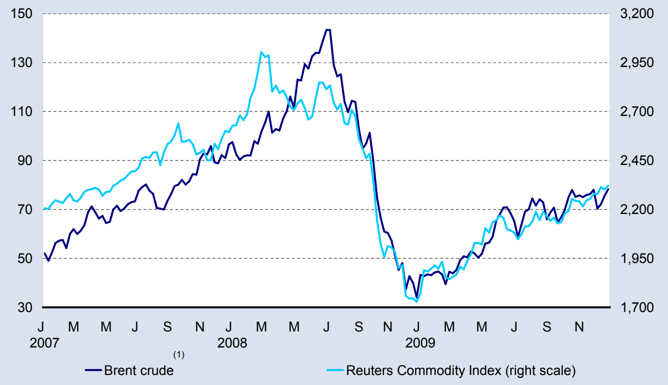
Consumer price inflation also edged up in both economies. In China inflation became less negative, rising to -0.8% in September, from -1.7% in June. In India, wholesale price inflation, which stood at -1.5% in August, turned positive by October due to rising food prices.

## Commodities

*Oil loses some of its previous gains*

During the September quarter, oil prices fell by nearly 4%. After having risen steadily during the previous quarter, to end June at USD68.37 per barrel, the price of Brent crude dipped in early July, due to buoyant stocks and weaker-than-expected demand from emerging economies. Pric-

**Chart 1.5**
**COMMODITY PRICES**
*(end of week)*




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

es then recovered somewhat, driven by expectations of strong demand from China. They ended the quarter at USD65.88 per barrel (see Chart 1.5). Going into the fourth quarter, the price of Brent crude continued to increase, before stabilising between USD70 and USD80 per barrel. It ended December at USD78.26 per barrel.

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


Source: Reuters.

### *Other commodity prices trend upwards*

Prices of non-energy commodities, as measured by the Reuters Commodity Index, rose by around 3% during the third quarter (see Chart 1.5).[1] Metal prices rose during the quarter, supported by improved economic prospects and, in particular, by expectations that stocks in OECD countries would be rebuilt. Nevertheless, in September, metal prices moderated due to the view that restocking in China may have ended. In contrast food prices fell during July and August before recovering in September due to adverse weather conditions in the United States. Sugar prices posted especially sharp gains on concerns about the harvest in India, a major producer. The Reuters Commodity Index continued to rise thereafter to close the year 8% above the end-September level.

### *Gold prices rise sharply*

Gold prices rose by around 9% during the September quarter, reaching a high of USD1,016.7 per ounce on 16 September (see Chart 1.6). Fears about higher inflation and dollar weakness resulted in a strong demand for the metal as a safe haven. Prices continued to rise in the following quarter, reaching a new record high of USD1,214.55 on 2 December, before ending the year at USD1,095.70 per ounce.

## Economic and monetary developments in the euro area

### *Euro area economy shows signs of recovery*

In the September quarter the euro area economy began to show the first signs of recovery. On a quarter-on-quarter basis, real GDP growth turned positive after five consecutive falls. GDP expanded by 0.4%, in contrast with a decline of 0.1% in the previous quarter. On an annual basis, however, euro area GDP contracted for the fourth consecutive quarter, although the rate of contraction, at 4.0%, was lower than the 4.8% fall registered in the previous quarter (see Table 1.2). This reflected a smaller negative contribution from net exports, as the impact of domestic demand was practically unchanged from the previous quarter.

[1] The Reuters Commodity Index is a weighted index of the prices of seventeen commodities that includes food, beverages, vegetable oils, agricultural raw materials, but excludes oil and gold.

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

| | 2008 | | 2009 | | |
|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 |
| | *Annual percentage changes* | | | | |
| Private consumption | 0.0 | -0.7 | -1.3 | -0.9 | -1.0 |
| Government consumption | 2.1 | 2.4 | 2.5 | 2.5 | 2.5 |
| Gross fixed capital formation | -0.6 | -5.8 | -11.5 | -11.7 | -11.4 |
| **Domestic demand** | **0.3** | **-0.6** | **-3.2** | **-3.4** | **-3.2** |
| Exports | 1.0 | -6.9 | -16.6 | -17.2 | -13.5 |
| Imports | 0.8 | -4.0 | -12.8 | -14.3 | -11.8 |
| **GDP** | **0.6** | **-1.8** | **-5.0** | **-4.8** | **-4.0** |
| | *Percentage point contributions* | | | | |
| Private consumption | 0.0 | -0.4 | -0.7 | -0.5 | -0.6 |
| Government consumption | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Gross fixed capital formation | -0.1 | -1.3 | -2.5 | -2.5 | -2.5 |
| Changes in inventories | 0.0 | 0.6 | -0.5 | -0.8 | -0.6 |
| **Domestic demand** | **0.3** | **-0.6** | **-3.2** | **-3.4** | **-3.2** |
| Exports | 0.4 | -2.9 | -7.1 | -7.3 | -5.7 |
| Imports | -0.3 | 1.6 | 5.3 | 5.8 | 4.8 |
| **Net exports** | **0.1** | **-1.3** | **-1.8** | **-1.5** | **-0.9** |
| **GDP** | **0.6** | **-1.8** | **-5.0** | **-4.8** | **-4.0** |

Source: Eurostat.

During the quarter domestic demand continued to contract, mainly on account of lower investment, which was down by 11.4% on a year earlier. Similarly, private consumption dropped by 1.0%, while inventory changes also had a negative effect on growth. On the other hand, government consumption continued to expand steadily, and was the only component of domestic demand contributing positively to GDP growth.

Both exports and imports continued to decline in the third quarter when compared to the same quarter of 2008, falling by 13.5% and 11.8%, respectively. Compared to the previous quarter, the moderation in the decline in exports was more pronounced than that of imports, however. As a result, the negative contribution of net exports to growth, at 0.9 percentage points, was smaller than that of the second quarter.

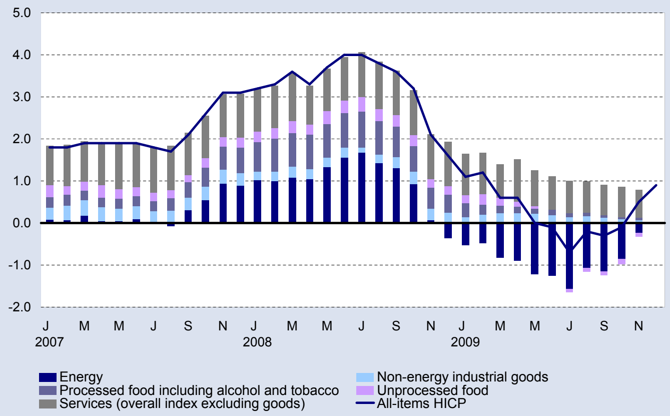
### *Annual HICP inflation remains negative*

After turning negative in June for the first time since the introduction of the euro, inflation in the euro area remained negative throughout the third quarter of 2009. Annual area-wide HICP inflation, which fell to -0.1% in June, reached a trough of -0.7% in July, before edging up to -0.2% and -0.3% in the following two months, respectively. The pick-up in inflation in August was the first since July 2008, and mostly reflected a smaller negative contribution from the energy component of the HICP (see Chart 1.7).

All the major components of the index except energy grew at a slower rate in September than in June. Most notably, the annual rate of change of unprocessed food prices fell to -1.3% from zero. In contrast, annual energy price inflation was less negative, picking up by 0.7 percentage points to -11.0% in September. As a result, the annual rate of core inflation, measured by excluding energy and unprocessed food from the HICP, decreased to 1.1% in September from 1.3% in June.

Going into the fourth quarter, annual HICP inflation edged up further, going to -0.1% in October, while in November it turned positive for the first time in six months, rising to 0.5%. It increased further to 0.9% in December.

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

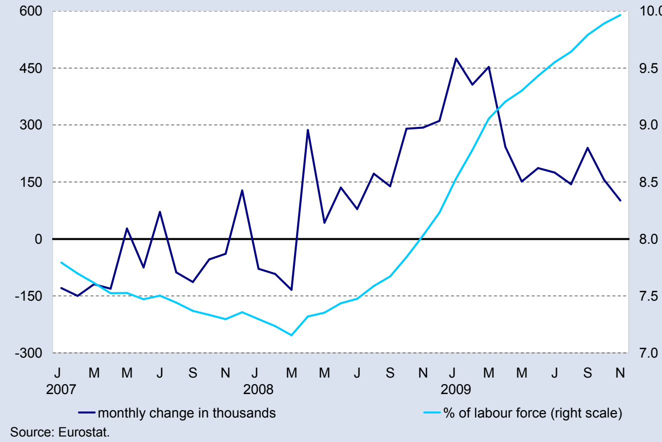



Source: Eurostat.

### *Labour market conditions deteriorate further*

Labour market conditions in the euro area continued to deteriorate during the third quarter of 2009. Employment contracted by 2.1% on a year earlier, following a 1.8% contraction in the previous quarter. Job losses pushed up the area-wide unemployment rate to 9.8% in September from 9.4% in June (see Chart 1.8). The rise continued well into the fourth quarter, with the jobless rate rising by 0.1 of a percentage point in each of the following two months.

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




Source: Eurostat.

### *Euro area real GDP forecasts revised upwards*

The latest Eurosystem staff macroeconomic projections, published in December, incorporate upward revisions to the September forecasts of euro area economic activity. After growing at 0.5% in 2008, average annual real GDP growth is projected to range between -4.1% and -3.9% in 2009, rising to between 0.1% and 1.5% in 2010 and to between 0.2% and 2.2% in 2011 (see Table 1.3). Thus, the recovery over the full projection horizon is expected to be gradual, supported by exports and stronger domestic demand. In addition, the lagged effects of monetary policy and of the significant stimulus initiatives to restore the functioning of the financial system should also provide support. However, since consumption is likely to be dampened by weak labour market prospects, growth is expected to remain on a lower path than that prior to the recession.

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

| | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Private consumption | 0.4 | -1.2 — -1.0 | -0.2 — 0.8 | 0.2 — 1.8 |
| Government consumption | 2.0 | 2.2 — 3.0 | 0.5 — 1.7 | 0.4 — 1.8 |
| Gross fixed capital formation | -0.6 | -11.3 — -10.5 | -3.1 — -0.1 | -1.7 — 2.3 |
| Exports | 0.8 | -14.5 — -12.5 | 0.6 — 5.6 | 0.7 — 6.5 |
| Imports | 0.9 | -12.6 — -11.0 | 0.4 — 4.6 | 0.8 — 5.4 |
| **Real GDP** | **0.5** | **-4.1 — -3.9** | **0.1 — 1.5** | **0.2 — 2.2** |
| **HICP** | **3.3** | **0.3 — 0.3** | **0.9 — 1.7** | **0.8 — 2.0** |

(1) Eurosystem staff macroeconomic projections (December 2009).
Source: ECB.

Meanwhile, inflation is expected to remain moderate over the forecast horizon, with price pressures being dampened by the slack in the euro area. According to the Eurosystem staff macroeconomic projections, the average annual rate of overall HICP inflation is expected to stand at around 0.3% in 2009, rising to between 0.9% and 1.7% in 2010 and between 0.8% and 2.0% in 2011.

### *ECB keeps monetary policy stance unchanged*

The ECB left its main interest rates unchanged during the third and fourth quarters of 2009. The Bank's Governing Council considered that current rates remained appropriate as price developments were expected to remain subdued over the policy relevant horizon, with available indicators of inflation expectations over the medium to longer term remaining firmly anchored. At the same time, there were increasing signs that the significant contraction in economic activity in the euro area had come to an end.

During the third quarter the ECB continued to implement non-standard enhanced credit support measures. These arrangements were aimed at supporting further improvements in the financial system. More recently, in November, the ECB amended the rating requirements for asset-backed securities to be eligible for use in Eurosystem credit operations. Furthermore, in its December monetary policy meeting, the Governing Council decided to continue conducting its MROs as fixed rate tender procedures with full allotment for as long as is needed, and at least until 13 April 2010. In addition, however, the ECB also 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. Thus, the ECB signalled the beginning of a gradual withdrawal of emergency liquidity support.

### *Monetary growth falls further*

Broad money growth extended the downward trend seen in the second quarter to the third quarter. Thus, the annual growth rate of the broad money aggregate M3 continued to decline, falling to an average of 2.5% from 4.1% in the June quarter (see Table 1.4).

Although the broad monetary aggregate slowed down, the annual growth rate of M1 continued to rise, reaching an average of 12.9%, from 8.6% in the second quarter. The persistent growth in M1 is attributed to the current low interest rate environment, which reduces the opportunity cost of

**Table 1.4**
**MONETARY AGGREGATES FOR THE EURO AREA**
*Annual percentage changes, seasonally adjusted; Quarterly data are averages.*

| | 2008 | | 2009 | | | 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Jul. | Aug. | Sep. | Oct. | Nov. |
| **M1** | **0.6** | **3.1** | **5.8** | **8.6** | **12.9** | **12.2** | **13.6** | **12.8** | **11.8** | **12.6** |
| Currency in circulation | 7.6 | 13.3 | 13.7 | 13.0 | 12.7 | 12.5 | 13.2 | 12.5 | 6.5 | 6.8 |
| Overnight deposits | -0.7 | 1.1 | 4.2 | 7.7 | 12.9 | 12.1 | 13.7 | 12.8 | 12.9 | 13.8 |
| M2-M1 (Other short-term deposits) | 18.8 | 15.1 | 8.1 | 2.0 | -4.0 | -2.7 | -4.1 | -5.3 | -7.2 | -8.6 |
| Deposits with an agreed maturity of up to two years | 36.9 | 27.3 | 10.3 | -2.7 | -15.0 | -12.1 | -15.2 | -17.8 | -21.6 | -23.8 |
| Deposits redeemable at notice of up to three months | -1.7 | 0.0 | 5.4 | 9.2 | 13.6 | 12.2 | 13.6 | 14.9 | 16.2 | 16.3 |
| **M2** | **9.1** | **8.8** | **6.9** | **5.3** | **4.3** | **4.7** | **4.6** | **3.6** | **2.3** | **1.9** |
| **M3** | **9.0** | **8.0** | **5.6** | **4.1** | **2.5** | **3.0** | **2.6** | **1.8** | **0.3** | **-0.2** |

Source: ECB.

holding overnight deposits as opposed to short-term time deposits and marketable instruments. In fact, the annual growth rate of overnight deposits increased markedly during the quarter, while that of other short-term deposits decreased and turned negative. The annual growth rate of M1 peaked in August, at 13.6%, before ending the quarter at 12.8%.

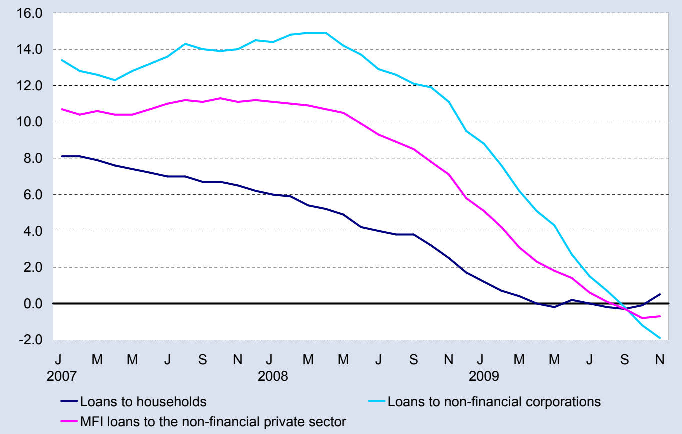
Going into the fourth quarter, the annual growth rate of M3 decelerated further and turned negative for the first time since the introduction of the euro, to stand at just -0.2% in November. The annual growth rate of M1 remained broadly unchanged, albeit from very high levels, owing to subdued flows into currency overnight deposits, which were extremely large a year earlier when the situation in financial markets was deteriorating rapidly.

### *Credit growth slows down*

The credit aggregates also continued to expand at a slower pace during the quarter under review. Thus, the annual growth of credit to euro area residents went down by a full percentage point from the previous quarter, to 3.3%.

In particular, the annual growth rate of MFI loans to the non-financial private sector extended its downward trend. In fact it turned negative, falling from 1.4% in June to -0.3% in September. Furthermore, in October and November it was down by 0.8% and 0.7%, respectively, on a year earlier (see Chart 1.9). This deceleration is mainly attributable to a rapid decline in loans to non-financial corporations. In fact, the annual rate of change of the latter fell from 2.7% in June to -0.2% in September, before falling further to -1.9% in November. Apart from cyclical factors, which depressed the demand for bank loans, the

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




Source: ECB.

reduction might reflect a shift to longer-term sources of financing. This would be consistent with the substantial issuance of corporate debt securities observed during the period.

The annual rate of change of loans to households also continued to fall during the third quarter, swinging to -0.3% in September from 0.2% in June. This shift was largely driven by lower levels of loans for house purchase, reflecting the poor performance of housing markets in some euro area member states. Nonetheless, the downward momentum of loans to households seems to be levelling off, as shown by the fact that the monthly flow of such loans has been positive in recent months. Indeed, the annual rate of change of loans to households increased to 0.5% in November.

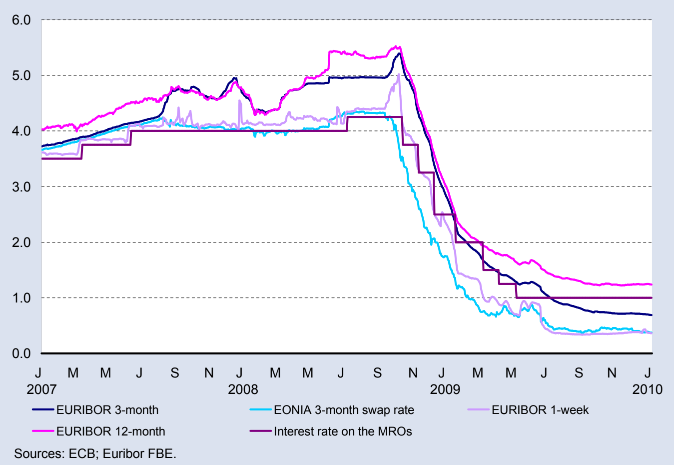
### *Spreads in the money market continue to narrow*

Unsecured money market interest rates, as measured by EURIBOR, continued to decline across all maturities in the September quarter (see Chart 1.10).[2] This mainly reflected the easing of tensions in money markets and the further stabilisation of market conditions assisted by the ECB's enhanced credit support measures. Over the quarter, the three-month EURIBOR fell by 35 basis points to 0.75%, while the 12-month EURIBOR fell by 27 basis points to 1.24%. As the former rate dropped faster than the latter, the money market yield curve steepened. During the fourth quarter, the downward trend came to a halt, with the three-month EURIBOR decreasing by just 5 basis points, while the 12-month EURIBOR increased by 1 basis point till end-December.

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, generally continued to narrow during the quarter under review. However, it did so at a more moderate pace than in the preceding quarter.[3] At the three-month maturity, the spread stood at 36 basis points at the end of September, as opposed to 46 basis points at the end of June.

As the interest rate on the ECB's MRO remained constant while the one-week EURIBOR declined in July, the difference between the two widened during the month. This reflected the high level of liquidity in the money markets, especially following the one-year longer-term refinancing operation conducted on 24 June. In August and September, however, the one-week EURIBOR stabilised, and fluctuated between 65 and 66 basis points below the MRO. In effect, the interest rate offered on the

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




Sources: ECB; Euribor FBE.

[2] EURIBOR refers to the rates at which a prime bank is willing to lend funds to another prime bank in euro on an unsecured basis.
[3] EONIA is a measure of the effective interest rate prevailing in the euro interbank overnight market. The EONIA swap rate is the fixed rate that banks are willing to pay in exchange for receiving the average EONIA rate over the lifetime of a swap contract.

ECB's overnight deposit facility, which remained unchanged at 0.25% throughout the quarter, is acting as a floor for short-term interbank rates. Going into the fourth quarter, the spread narrowed further, although only slightly, to 62 basis points at the end of December.

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

During the third quarter of 2009, long-term government bond yields, as measured by those on ten-year bonds, dropped by 15 basis points to 3.23%.[4] This drop, which was in line with developments in all the major industrialised countries, took place despite the release of more positive economic data, which would normally push yields up. This suggests that market players were assessing the growth outlook cautiously. The resultant strong demand for relatively safe government securities supported bond prices and depressed yields, despite a high level of issuance. In the fourth quarter, euro area bond yields fluctuated, ending the year 15 basis points higher, at 3.38%.

### *Euro area stock prices extend their upward trend*

In line with global trends, euro area equity prices extended their upward trend in the September quarter, as growth prospects for the euro area economy were revised upwards and risk appetite increased. In fact, euro area stock prices, as measured by the Dow Jones EURO STOXX index, rose by 20.7% during the quarter. This positive development also reflected a more favourable assessment of the resilience of the euro area banking sector. Nevertheless, stock prices remained below their pre-crisis levels and the third quarter rally eased in the following quarter, with equity prices rising by a more modest 2.1% by the end of December.

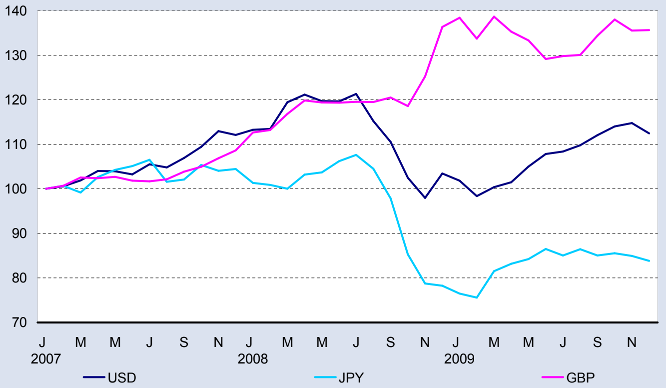
### *Euro generally appreciates against other major currencies*

The strengthening of the euro against the US dollar continued into the third quarter with the euro appreciating by 3.9% against the US currency (see Chart 1.11). This appreciation was mainly the result of concerns relating to the US fiscal outlook, although better-than-expected data releases for the euro area also contributed to the positive sentiment. The euro's appreciation continued during October and November, though it came to a halt in December.

On the other hand, the euro weakened against the Japanese yen, falling by a cumulative 1.7% over the third quarter. This is in marked contrast with developments earlier in the year, when the EUR/JPY exchange rate tended to mirror developments in the EUR/USD rate. The deprecation of the euro against the Japanese yen gathered pace in the final quarter of 2009.

Reflecting its firm trend against the US dollar, the euro appreciated by 4.0% against the pound sterling over the third quarter.

**Chart 1.11**
**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)*




Source: Eurostat.

[4] Data refer to German ten-year government bond yields, which are taken as the benchmark for the euro area.

Movements in the EUR/GBP exchange rate during the quarter were influenced by weaker-than-expected data for the UK and greater uncertainty concerning the British economic outlook. The euro extended its upward trend against the pound in October, before losing some ground in the subsequent two months.

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


Source: ECB.

The nominal effective exchange rate (NEER) of the euro, as measured against the currencies of 21 of the euro area's main trading partners, remained relatively stable throughout July and August (see Chart 1.12). This stability stemmed from counterbalancing movements in bilateral rates as well as lower volatility in the foreign exchange markets. In September, however, the NEER appreciated, driven by developments in the bilateral euro rates against the US dollar and the pound sterling, which were only partly offset by the euro's depreciation against the Japanese yen and the currencies of some non-euro area EU Member States. Over the whole quarter, the euro's NEER went up by 1.1%. However, this appreciation of the NEER was entirely reversed in the following quarter, when it decreased by 1.2%.

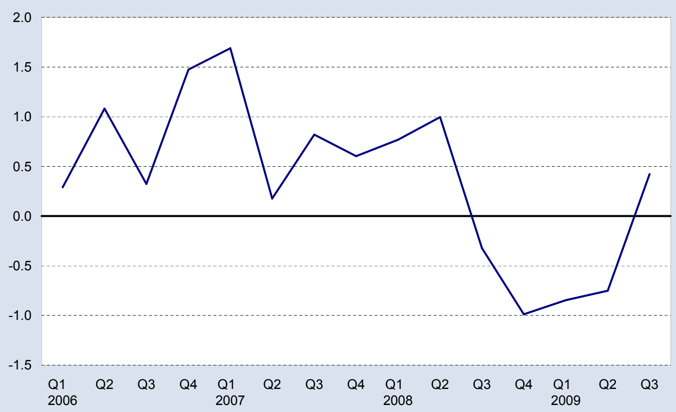
## 2. THE MALTESE ECONOMY

### Output

*Malta's seasonally-adjusted GDP rises slightly during 2009 Q3…*

In the September quarter the Maltese economy grew by 0.4% on a seasonally-adjusted and quarter-on-quarter basis, following a contraction of 0.7% in the June quarter (see Chart 2.1).[1]

**Chart 2.1**
**SEASONALLY ADJUSTED REAL GDP GROWTH**
*(quarter-on-quarter percentage changes)*




Source: Eurostat.

Unadjusted GDP contracted by an annual 2.1% in real terms during the quarter, the third successive decline. However, this latest drop was on a smaller scale than that of the June quarter (see Chart 2.2). Indeed, evidence of a bottoming out in the rate of change in the unadjusted GDP emerged from several indicators during the September quarter, including higher capacity utilisation, a rebound in profits, a more moderate rise in unemployment and a small improvement in confidence levels in manufacturing and services, even though consumer sentiment remained negative (see Box 1).

The contribution of domestic demand to unadjusted GDP growth was marginally negative during the quarter, as a rebound in consumption and investment was more than offset by a sharp decline in inventories. Net exports also contributed negatively, as exports declined at a faster pace than imports (see Table 2.1).

**Chart 2.2**
**REAL GDP GROWTH**
*(annual percentage changes)*


Source: NSO.

*…thanks to a pick-up in consumption and investment…*

Following the previous quarter's contraction, private consumption rebounded during the third quarter, rising by 0.5% on an annual basis and contributing 0.3 per-

[1] So far, in the analysis of GDP developments the Bank has focused on annual percentage changes to cater for seasonal influences on quarterly data. Eurostat also provides seasonally-adjusted quarterly GDP data for Malta. The seasonal adjustment of economic variables is aimed at eliminating seasonal regularities within time series data to be able to assess economic developments during successive periods more accurately.

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

| | 2008 | | 2009 | | |
|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 |
| | *Annual percentage changes* | | | | |
| Household final consumption expenditure | 8.2 | 2.4 | 1.6 | -0.6 | 0.5 |
| Government final consumption expenditure | 17.3 | 5.1 | 4.5 | -0.4 | 0.8 |
| Gross fixed capital formation | -22.9 | -38.3 | -29.7 | -29.3 | 2.2 |
| Inventories as a % of GDP | -4.1 | 5.1 | 1.2 | 0.6 | -5.2 |
| **Domestic demand** | **-0.9** | **-2.9** | **-5.2** | **-12.6** | **-0.2** |
| Exports of goods & services | -2.4 | -9.1 | -14.2 | -4.1 | -3.9 |
| Imports of goods & services | -5.9 | -12.0 | -17.2 | -14.7 | -1.9 |
| **Gross domestic product** | **2.5** | **0.8** | **-1.7** | **-3.2** | **-2.1** |
| | *Percentage point contributions* | | | | |
| Household final consumption expenditure | 5.2 | 1.6 | 1.1 | -0.4 | 0.3 |
| Government final consumption expenditure | 3.1 | 1.0 | 0.9 | -0.1 | 0.2 |
| Gross fixed capital formation | -3.9 | -8.9 | -5.2 | -4.9 | 0.3 |
| Changes in inventories | -5.2 | 3.1 | -2.3 | -8.7 | -1.0 |
| **Domestic demand** | **-0.9** | **-3.2** | **-5.5** | **-14.1** | **-0.2** |
| Exports of goods & services | -2.3 | -8.7 | -12.5 | -3.5 | -3.6 |
| Imports of goods & services | 5.7 | 12.8 | 16.3 | 14.4 | 1.7 |
| **Net exports** | **3.3** | **4.0** | **3.8** | **10.8** | **-1.9** |
| **Gross domestic product** | **2.5** | **0.8** | **-1.7** | **-3.2** | **-2.1** |

Source: NSO.

centage points to growth (see Table 2.1). The available data suggest that the moderate recovery in consumption was due to higher spending on items related to recreation & culture, housing, water & electricity and other services. The pick-up in expenditure by households appeared to be inconsistent with a recorded fall in employee compensation during the same quarter (see Chart 2.3). However, this development was supported by evidence of continuing growth in consumer credit.

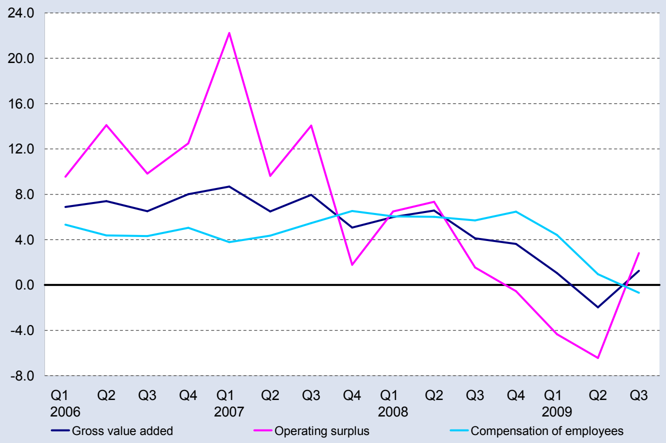
Government consumption also rose moderately following the previous quarter's decline, mainly reflecting higher intermediate consumption in the health sector.

After having declined for six consecutive quarters, investment recovered in the third quarter of 2009, with an increase of 2.2% that was entirely driven by the private sector, as public investment continued to decline. An analysis of investment in nominal terms shows that capital expenditure on metal products and machinery rose by more than a quarter from the previous year's level, with the importation of quayside cranes being a major factor behind the rise. Higher spending on transport equipment, reflecting the acquisition of sea vessels, also contributed. In contrast, investment in construction declined by 18.2%, reflecting the continued weakness in the property market. The slowdown in construction activity is also substantiated by the decline in the number of development permits issued by the MEPA, which fell by around 27% in the first nine months of the year. Investment in inventories, which includes a statistical adjustment, also contributed negatively to growth after falling by 5.2% of GDP.

### *… while net exports register a further drop*

The slowdown in the key export sectors, namely manufacturing and tourism, was reflected in a lower volume of exports of goods and services, which declined by just under 4% during the September quarter. Imports fell at a more moderate pace, of around 2%. Customs data indicate that in nominal terms the drop in exports reflected lower foreign sales of electronic goods. Meanwhile, imports of semi-finished industrial supplies and fuels were down sharply from year-ago levels, while imports of consumer goods, particularly of food & beverages and of durable goods, were also lower during the quarter.

Chart 2.3
GROSS VALUE ADDED AND ITS MAIN COMPONENTS
*(annual percentage changes)*




Source: NSO.

### *The income side reports higher profits …*

When measured on the basis of income, that is in terms of gross value added (GVA), output grew by 1.2% in nominal terms during the September quarter, after having declined by just under 2% in the previous quarter. Growth was driven by a recovery in profits, or operating surplus, which was up by 2.8%, the first such increase since the second quarter of 2008. On the other hand, employee compensation, the other major component of GVA, contracted by 0.7% (see Chart 2.3).

### *… while the production side reveals divergent sectoral performances*

Various service-oriented sectors continued to report positive results. Of particular note is financial intermediation, whose GVA rose by 30%, contributing 1.2 percentage points to nominal GDP growth during the quarter (see Table 2.2). Similarly, the other community, social & personal ser-

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

| | 2008 | | 2009 | | |
|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 |
| Agriculture, hunting & forestry | -0.1 | -0.1 | 0.1 | 0.1 | 0.1 |
| Fishing | 0.0 | -1.9 | 0.0 | 0.0 | 0.0 |
| Manufacturing | 1.1 | 2.0 | -1.5 | -3.0 | -3.2 |
| Electricity, gas & water supply | -1.9 | -0.1 | 1.2 | 0.9 | 2.1 |
| Construction | 0.1 | 0.1 | 0.0 | -0.1 | 0.0 |
| Wholesale & retail trade | 0.2 | -0.4 | -1.1 | -1.4 | -0.4 |
| Hotels & restaurants | 0.0 | -0.2 | -0.6 | -0.5 | -0.7 |
| Transport, storage & communication | 0.6 | 0.7 | 0.2 | -0.4 | -0.6 |
| Financial intermediation | 1.4 | 1.1 | 0.1 | 0.7 | 1.2 |
| Real estate, renting & business activities | 1.1 | 0.7 | 0.8 | 0.5 | 0.9 |
| Public administration | 0.2 | 0.4 | 0.0 | 0.4 | 0.4 |
| Education | 0.0 | 0.1 | 0.3 | 0.2 | 0.2 |
| Health & social work | 0.4 | 0.6 | 0.5 | 0.4 | 0.5 |
| Other community, social & personal services | 0.5 | 0.2 | 1.2 | 0.5 | 0.7 |
| **Gross value added** | **3.6** | **3.1** | **0.9** | **-1.7** | **1.1** |
| **Net taxation on products** | **0.5** | **0.9** | **0.4** | **0.5** | **-0.8** |
| **Annual nominal GDP growth (%)** | **4.1** | **4.0** | **1.3** | **-1.2** | **0.3** |

Source: NSO.

vices sector, which includes such sub-sectors as online gaming and other recreational activities, reported a growth rate of 7.8% and a contribution to nominal growth of 0.7 percentage points.

The real estate, renting & business activities sector added almost a full percentage point to growth, attributable mainly to the business activities segment, which includes such sub-sectors as accountancy, legal and call-center services. Other service sectors that made a positive contribution included public administration, health & social work and education, which together added 1.1 percentage points to nominal GDP growth.

The contribution of the wholesale & retail trade sector, though still negative, was less so than in earlier quarters, reflecting the modest recovery in consumption during the quarter. The sector's GVA contracted by 4% during the September quarter, following double-digit declines in the previous six months.

The contribution of the electricity, gas & water supply sector stood at 2.1 percentage points, notwithstanding a contraction in output. The latter was outweighed by the decline in intermediate consumption, which in turn reflected the decline in international energy prices compared with those prevailing in the previous year. Hence, the sector's GVA registered positive growth during the quarter, while its operating losses were significantly lower than a year earlier.

The deterioration in the international environment continued to exert negative pressure on the performance of Malta's traditional export sectors although some signs of stabilisation continued to emerge. In the tourism sector, a decline in both the number of arrivals and the average length of stay contributed to a drop in expenditure of 14% year-on-year during the quarter. Accordingly, this sector's GVA contracted and reduced overall growth in the third quarter by 0.7 percentage points (see Box 3).

Manufacturing activity remained depressed, with its contribution to aggregate growth a negative 3.2 percentage points. According to the NSO's survey of manufacturing firms, total sales were down by 11.6% on a year earlier. The decline was due to lower sales of semiconductors, pharmaceuticals and, to a lesser extent, food & beverages. On the other hand, sales of electrical machinery were higher (see Table 2.3). In terms of capital investment manufacturing firms registered a fall of

**Table 2.3**
**MANUFACTURING SALES**
*Annual changes, EUR millions*

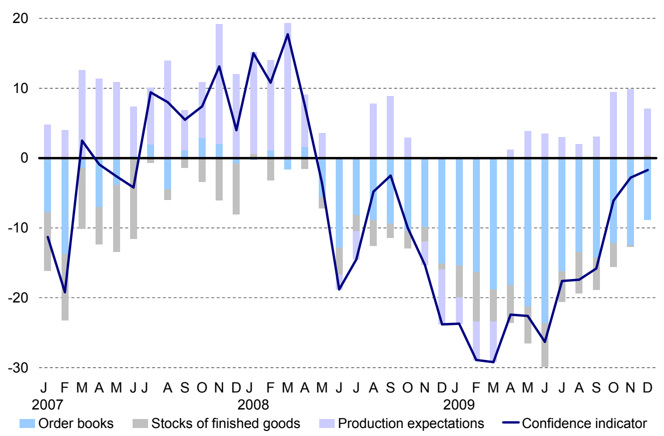
| | 2008 | | 2009 | | |
|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 |
| **Total sales** | **-33.7** | **-72.4** | **-117.3** | **-111.1** | **-66.1** |
| Radio, TV & communication equipment | -39.0 | -56.0 | -81.8 | -65.5 | -60.8 |
| Pharmaceuticals | -7.7 | -9.3 | -12.5 | -11.4 | -13.7 |
| Food & beverages | 10.4 | -0.1 | -3.3 | 4.7 | -8.8 |
| Plastic & rubber products | -1.3 | -3.1 | -10.5 | -11.1 | -5.4 |
| Fabricated metal products | 1.1 | -1.4 | -2.5 | -5.2 | -4.1 |
| Medical & precision equipment | 0.5 | -1.4 | -4.4 | -4.3 | -4.0 |
| Electrical machinery | -4.6 | 5.8 | 1.9 | -3.4 | 25.6 |
| Printing & publishing | 5.9 | -6.0 | -2.7 | -1.7 | 3.4 |
| Other | 0.9 | -0.9 | -1.5 | -13.2 | 1.8 |

Source: NSO.

## BOX 1: BUSINESS AND CONSUMER SURVEYS

During the fourth quarter of 2009 operators in the manufacturing sector and service providers reported improved business prospects, but firms in the construction industry were more pessimistic. Meanwhile, the consumer confidence index remained in negative territory but was generally stable.

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



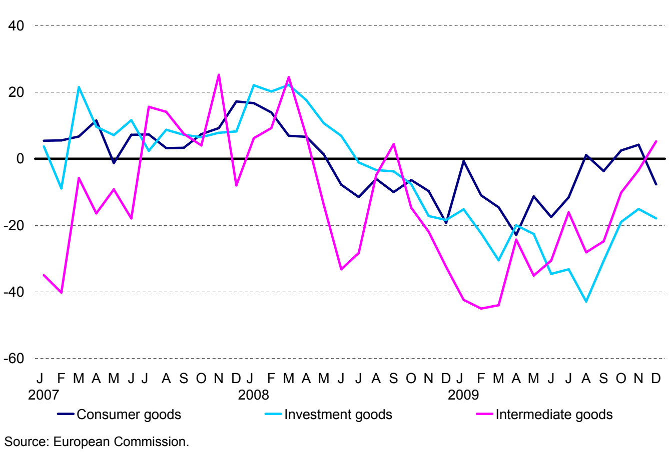

Source: European Commission.

### Industrial confidence continues to improve …[1]

The monthly industrial confidence surveys of Maltese manufacturing firms undertaken during the fourth quarter of 2009 indicated a further broad-based improvement in business sentiment. In fact, the seasonally-adjusted confidence indicator added 14 percentage points over the quarter, climbing to -2 in December (see Chart 1). On balance, respondents reported higher order books while stocks of finished goods were described as adequate. In addition, expectations about production levels for the following months remained positive and above those recorded in the previous quarter. This notwithstanding, opinions with respect to employment opportunities remained pessimistic.

A closer look at the major industrial groupings shows that confidence improved most strongly in the intermediate goods category, with the index for the latter turning positive in December for the first time since September 2008. Sentiment among manufacturers of investment goods also improved compared with the previous quarter as production expectations turned positive. Meanwhile, confidence among producers of consumer goods worsened in December, mainly as a result of a deterioration in expected production levels (see Chart 2).

Chart 2
CONFIDENCE INDICATORS BY MAIN INDUSTRIAL GROUPINGS
*(seasonally adjusted, percentage points)*



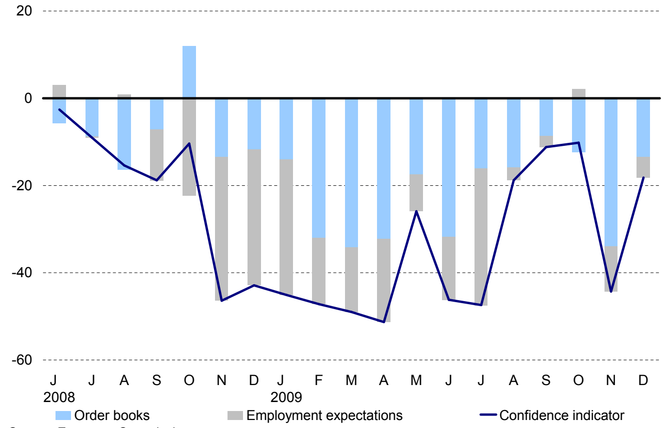

Source: European Commission.

1 The industrial confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to the subset of survey questions, namely those relating to expectations about production over the subsequent 3 months, current order book levels, and stocks of finished goods.

### … while sentiment worsens among construction firms.[2]

As in previous quarters, sentiment among construction firms was quite volatile in the December quarter, which may reflect a relatively small sample size. In fact, after a sharp deterioration in November, the construction industry's confidence level rebounded in December to close the quarter 7 percentage points below the September level (see Chart 3). Similarly, the sector's order book levels and employment expectations worsened in November but recovered in December, though both components remained in negative territory. Operators' views on the causes of the volatility tended to diverge, with a large number reporting that there were no current factors limiting their activity, while others pointed to weak demand as the major limiting factor.

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

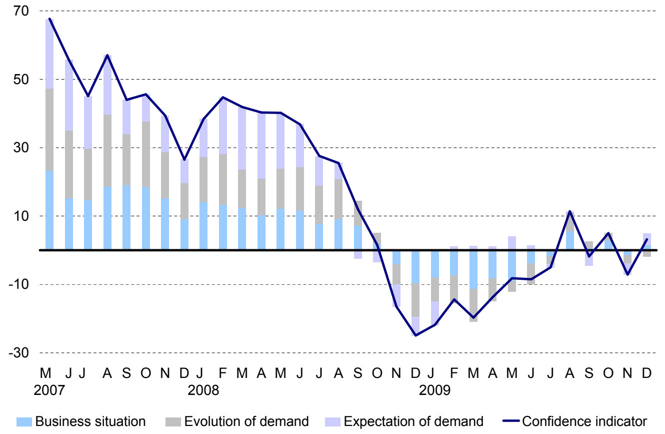



Source: European Commission.

### Sentiment among service providers ends the quarter in positive territory …

Over the last three months of 2009, sentiment among service providers moved erratically before ending the year on a positive note (see Chart 4).[3] A balance of respondents referred to an improvement in the current business situation and in expected demand for the following quarter. Nevertheless, supplementary information provided by respondents showed that there was a reduced level of pessimism among service providers concerning employment expectations, while financial considerations were indicated as the main factor limiting their business activity. Respondents in the tourism sector reported a deterioration in their business situation in the recent past while they expected their business conditions to improve in 2010.

Chart 4
SERVICES CONFIDENCE INDICATOR
*(non-seasonally adjusted, percentage points)*




Source: European Commission.

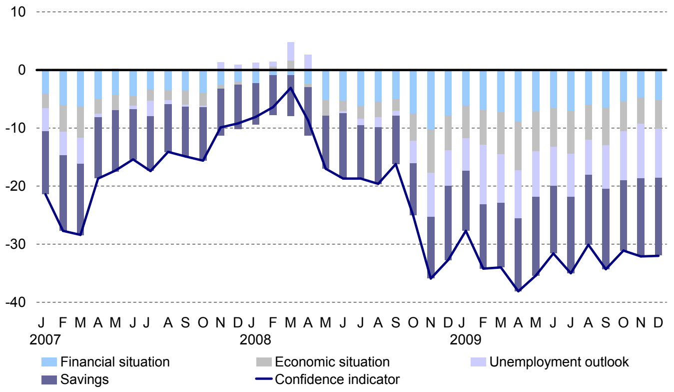
[2] The construction confidence indicator is the arithmetic average of the balances (in percentage points) of the replies to the subset of survey questions, namely those relating to order books and employment expectations over the subsequent 3 months. The overall indicator is not seasonally adjusted.

[3] 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. The indicator is non-seasonally adjusted.

**… while consumer confidence remains in negative territory[4]**

Consumer sentiment remained negative during the December quarter, and largely unchanged relative to the third quarter, with respondents continuing to express particular concern about their ability to increase their savings. When compared to the September quarter, however, on balance respondents were more optimistic about their own financial situation and the general economic outlook in 2010. Nevertheless, they were less optimistic with respect to labour market prospects and price developments, anticipating a slight increase in inflation during 2010. In addition, consumers reported a reduction in planned spending on major items, including consumer durables.

**Chart 5**
**CONSUMER CONFIDENCE INDICATOR**
*(seasonally adjusted, percentage points)*

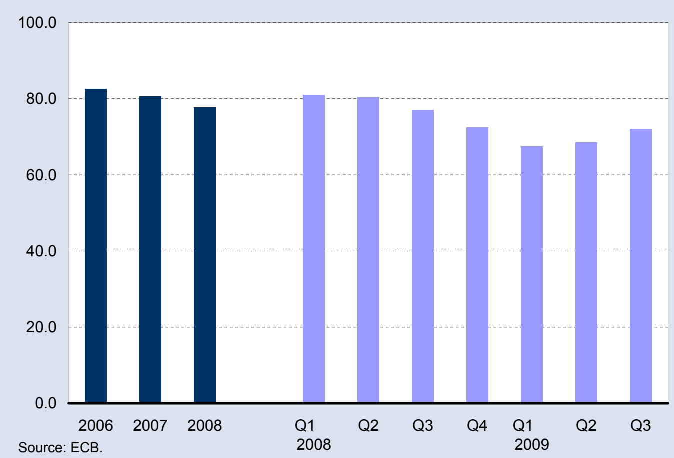



Source: European Commission.

[4] The consumer confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of the replies to the subset of survey questions, namely those relating to households' financial situation, including saving, the general economic situation, and unemployment expectations for the subsequent 12 months.

more than half. Indeed, as can be seen in Chart 2.4, although capacity utilisation in the manufacturing sector increased for the second consecutive quarter, rising from a low of 67.5% in the March quarter to 72.0% in the quarter under review, sentiment indicators suggest continuing reluctance by manufacturers to venture into new investment projects.

Chart 2.4
CAPACITY UTILISATION RATES
*(per cent)*



Source: ECB.

## The labour market[2]

Labour market statistics point to a moderate contraction in employment in the third quarter of 2009 compared with a year earlier. After having risen during the first half of the year, unemployment remained generally stable during the quarter reviewed.

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

| | 2008 | | 2009 | | | Annual change |
|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 | % |
| **Labour supply** | **173,061** | **171,316** | **172,575** | **173,388** | **174,553** | **0.9** |
| Unemployed | 10,170 | 10,790 | 11,265 | 12,109 | 11,986 | 17.9 |
| Employed | 162,891 | 160,526 | 161,310 | 161,279 | 162,567 | -0.2 |
| *By type of employment:* | | | | | | |
| Full-time | 143,497 | 142,325 | 143,893 | 142,881 | 143,714 | 0.2 |
| Full-time with reduced hours | 3,276 | 3,034 | 2,725 | 3,140 | 2,796 | -14.7 |
| Part-time | 16,118 | 15,167 | 14,692 | 15,258 | 16,057 | -0.4 |
| *By economic sector:* | | | | | | |
| Private | 115,397 | 113,467 | 114,545 | 117,518 | 117,249 | 1.6 |
| Public | 47,494 | 47,059 | 46,765 | 43,761 | 45,318 | -4.6 |
| **Activity rate (%)** | **59.6** | **58.6** | **58.7** | **59.0** | **59.2** | |
| Male | 77.4 | 76.9 | 76.8 | 76.9 | 76.9 | |
| Female | 41.2 | 39.6 | 39.9 | 40.4 | 40.7 | |
| **Employment rate (%)** | **56.1** | **54.9** | **54.9** | **54.9** | **55.1** | |
| Male | 73.0 | 72.7 | 72.0 | 71.5 | 71.6 | |
| Female | 38.6 | 36.4 | 36.9 | 37.6 | 37.8 | |
| **Unemployment rate (%)** | **5.9** | **6.3** | **6.5** | **7.0** | **6.9** | |
| Male | 5.7 | 5.4 | 6.1 | 7.0 | 6.7 | |
| Female | 6.1 | 8.1 | 7.4 | 6.9 | 7.1 | |
| **Average annual gross salary (annual growth rate, %)** | **7.3** | **4.2** | **3.6** | **3.7** | **-0.6** | |

Source: NSO.

[2] The cut-off date for labour market statistics was extended to 27 January 2010.

*Employment figures suggest divergence between the various categories …*

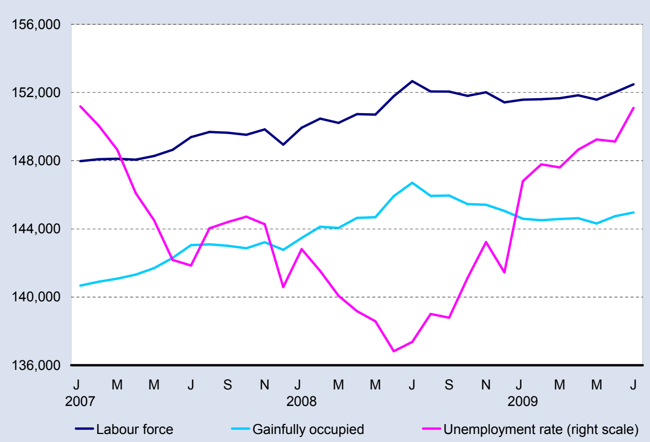
Following the deceleration of the previous quarter, year-on-year employment growth, based on LFS data, turned marginally negative in the September quarter (see Table 2.4).[3] This contraction occurred entirely in the public sector, where employment declined by 4.6% on an annual basis. On the other hand, the private sector reported an increase of 1.6%. The number of full-time employees increased marginally during the quarter, reflecting the relative stability of such employment despite the negative impact of the economic downturn. The results of the LFS also show an increase in male employment, which partly compensated for a reduction in the number of female employees. The latter declined for the second consecutive quarter after moving on an uninterrupted upward trend throughout the previous twelve quarters. The contraction in female employment occurred in the part-time and reduced-hour categories.

The ETC's administrative records, available on a monthly basis, show that from a peak of 152,665 in July 2008, full-time employment followed a moderately declining path until May 2009, but then edged up in the subsequent two months (see Chart 2.5).[4] On a year-on-year basis, however, employment contracted for the third consecutive month in July 2009. In fact, the number of full-time employees in that month was down by 1,747 persons, or 1.2%, from the previous year's level (see Table 2.5). The labour supply was also marginally down, by 0.1%, from the previous year.

On the other hand, the number of part-timers was up by 3.6% on a year earlier in July. Of these, persons holding a part-time job as their main employment rose by 3.3%.

The ETC's records also reveal that, in line with the Government's efforts to reduce the size of the public sector, the number of employees continued to contract on a year-on-year basis right through July.[5] However, job losses were also registered in the private sector, where the July figures show that employment declined by 0.2% on a year earlier. This was mainly observed in direct production and more specifically in the manufacturing sector, where job losses amounted to 1,151. Within this sector, the radio, TV & communications equipment and rubber & plastic products categories recorded the largest falls. In contrast, employment in the market services category continued to grow, though not sufficiently to

**Chart 2.5**
**LABOUR MARKET TRENDS BASED ON ADMINISTRATIVE RECORDS**
*(persons, percentage of the labour force)*




Source: NSO.

[3] Meanwhile, Eurostat data on total employment compiled for national accounts purposes show a 0.5% drop on the previous quarter in seasonally-adjusted terms.

[4] As at the Review's statistical cut-off date, the most recent ETC data on employment levels and unemployment rates were those for July 2009, while latest ETC statistics on the number of unemployed persons were for November 2009.

[5] The reduction in the public sector workforce mainly reflected the termination of employment of the majority of workers at the government-owned Malta Shipyards Limited in the second half of 2008, following their acceptance of early retirement schemes. In fact, this factor accounted for more than 90% of the year-on-year drop in public sector employment.

**Table 2.5**
**LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS** [1]
*Persons; annual percentage changes*

| | 2008 | | 2009 | | | Annual change |
|---|---|---|---|---|---|---|
| | July | Dec. | Mar. | June | July | % |
| **Labour supply** | **152,665** | **151,423** | **151,663** | **152,016** | **152,481** | **-0.1** |
| Gainfully occupied [2] | 146,707 | 145,050 | 144,580 | 144,743 | 144,960 | -1.2 |
| Registered unemployed | 5,958 | 6,373 | 7,083 | 7,273 | 7,521 | 26.2 |
| **Unemployment rate (%)** | **3.9** | **4.2** | **4.7** | **4.8** | **4.9** | |
| | | | | | | |
| **Private sector** | **104,073** | **103,559** | **103,138** | **103,527** | **103,822** | **-0.2** |
| Direct production | 32,845 | 32,471 | 32,064 | 31,698 | 31,694 | -3.5 |
| Market services | 71,228 | 71,088 | 71,074 | 71,829 | 72,128 | 1.3 |
| **Public sector** | **41,888** | **40,780** | **40,727** | **40,519** | **40,453** | **-3.4** |
| **Temporary employment** | **746** | **711** | **715** | **697** | **685** | **-8.2** |
| | | | | | | |
| **Part-time jobs** | **48,858** | **48,277** | **48,339** | **49,873** | **50,632** | **3.6** |
| Primary | 27,869 | 27,105 | 26,947 | 28,171 | 28,787 | 3.3 |
| Secondary [3] | 20,989 | 21,172 | 21,392 | 21,702 | 21,845 | 4.1 |

[1] Figures for August and September 2009 were not available at the time of writing.
[2] This category measures full-time employment.
[3] This category includes employees holding both a full-time and a part-time job.
Source: NSO.

outweigh the drop in employment in direct production. Thus, despite redundancies in the hotels & restaurants sector, the services category as a whole added 900 employees, with the largest gains being recorded in 'other business activities', which include services related to accountancy and the provision of call-centre facilities.

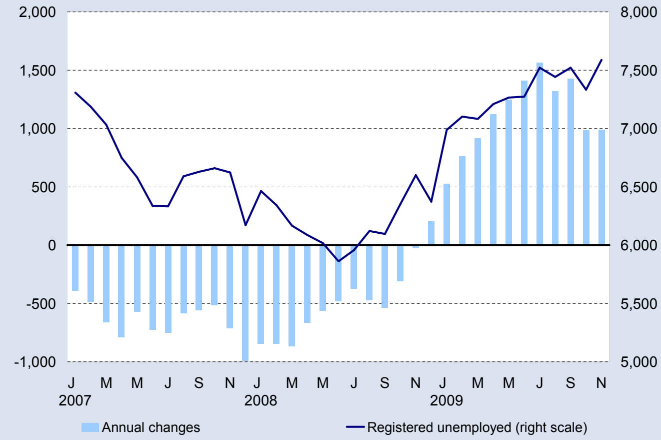
### *….while the rise in unemployment levels off in the third quarter*

After having increased sharply during the first half of the year, the various measures of unemployment were broadly stable in the third quarter of 2009, but tended to rise moderately thereafter.

The LFS showed that the persistent upward trend in the unemployment rate registered in the first half of the year was followed by a slight drop in the third quarter. At 6.9%, it was 0.1 percentage points down from the second quarter's level, as labour demand rose in the construction sector and various services activities. However, it was still a full percentage point up from its year-ago level.

According to Eurostat, the seasonally-adjusted rate of unem-

**Chart 2.6**
**REGISTERED UNEMPLOYED**
*(annual changes, persons)*




Source: NSO.

ployment decreased by 0.1 percentage points over the quarter to stand at 7.1% in September. It fell by a further 0.2 percentage points in October, before edging up by 0.1 points to 7.0% in November.

Similarly, ETC data show that, after having stabilised in the third quarter, the number of the registered unemployed declined by 188 in October before rising again by 255 in November to 7,588. This was equivalent to a year-on-year increase of 988 (see Chart 2.6).

## Prices

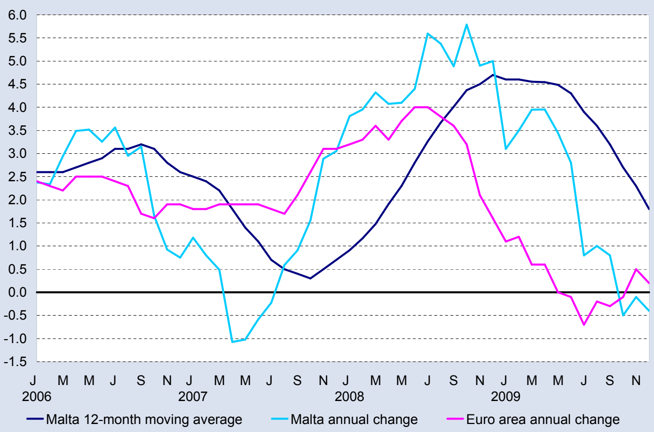
### *Malta's HICP inflation rate declines sharply…*

Malta's annual HICP inflation rate declined sharply during the third quarter of 2009, falling to 0.8% in September from 2.8% in June. As a result, the twelve month moving average rate of inflation continued on its downward path, going from 4.3% in June to 3.2% in September. The annual inflation rate subsequently turned negative for the first time since mid-2007, reaching -0.5% in October and remaining negative in the last two months of 2009 (see Chart 2.7).

By comparison, the inflation rate in the euro area remained in negative territory throughout the third quarter, falling from -0.1% in June to -0.3% in September, before turning positive in November. While inflation in Malta has consistently exceeded the euro area average since the start of 2008, the difference narrowed to 1.1 points in September before the inflation rate fell below the euro area average by 0.4 points in October.

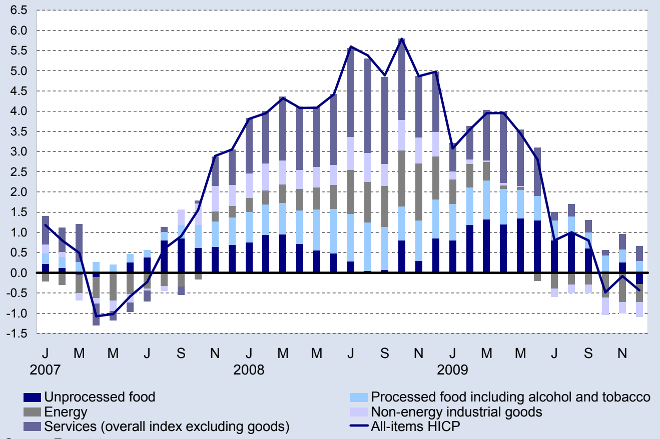
The main factor behind the deceleration in Malta's inflation rate during the September quarter was a substantial slowdown in the rise in prices of food and services. Indeed, while the former remained the largest source of inflation, with unprocessed food contributing 0.6 points and processed food 0.4 points to the overall rate in September, the deceleration was largely attributable to fruit and vegetable prices. Meanwhile, services, another major source of inflation, contributed 0.3 points to the

**Chart 2.7**
**HICP INFLATION RATES**
*(annual percentage changes; annual average percentage changes)*




Source: Eurostat.

**Chart 2.8**
**CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION**
*(percentage points)*




Source: Eurostat.

overall rate, down from 1.2 points in June (see Chart 2.8). The latter reflected lower accommodation prices as hotels reacted to the weak conditions in the tourism industry. On the other hand, energy contributed -0.3 points to inflation, reflecting lower prices of electricity and fuel. Also in September, non-energy industrial goods contributed -0.2 points on account of a drop in prices of footwear and garments. Going into the fourth quarter, food prices continued to contribute positively to inflation in October and November, while the prices of both energy and non-energy industrial goods declined further. In December, however, the unprocessed food contribution turned negative for the first time since mid-2007.

### *… as does RPI inflation*

The annual rate of change in the RPI moved in parallel with that of the HICP, dropping from 2.7% in June to 1.2% in September (see Table 2.6).[6] As with HICP inflation, the deceleration in RPI inflation was mainly due to substantially reduced upward pressure from food and energy prices, though, as with the HICP, the former remained the largest driver of overall inflation. On the other hand, the prices of transport & communications and of clothing & footwear made negative contributions. Meanwhile, in spite of these developments, the RPI core inflation rate edged up from 1.3% in June to 1.5% in September. While prices of personal care & health products remained the main driver of RPI core inflation, the increase over the quarter occurred mainly in the household equipment & maintenance category, whose contribution increased from nil to 0.2 points between June and September.[7]

More recent data for October and November show the RPI inflation rate at -0.2% and -0.3% respectively, the first negative readings since mid-2007. The drop came from a further easing in the rate of increase of food prices and a negative contribution from energy prices. In addition, the negative contribution from transport & communications prices became more pronounced. In October the core inflation measure remained unchanged at 1.5%, but it edged up to 1.7% in November. This was due to an increase in the contributions of both the household equipment & maintenance and the recreation & culture categories.

**Table 2.6**
**CONTRIBUTION TO YEAR-ON-YEAR RPI INFLATION**
*Percentage points*

| | 2009 | | | | | |
|---|---|---|---|---|---|---|
| | June | July | Aug. | Sep. | Oct. | Nov. |
| Food | 2.1 | 1.4 | 1.5 | 1.1 | 0.4 | 0.6 |
| Beverages & tobacco | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Clothing & footwear | 0.1 | -0.1 | -0.1 | -0.2 | -0.1 | 0.0 |
| Housing | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Water, electricity, gas & fuels | 0.9 | 0.1 | 0.2 | 0.3 | -0.3 | -0.3 |
| Household equipment & house maintenance costs | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Transport & communications | -1.2 | -0.9 | -0.9 | -0.9 | -1.0 | -1.3 |
| Personal care & health | 0.2 | 0.2 | 0.2 | 0.2 | -0.7 | 0.2 |
| Recreation & culture | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 | 0.0 |
| Other goods & services | 0.1 | 0.1 | 0.1 | 0.1 | -0.1 | 0.1 |
| **RPI (annual percentage change)** | **2.7** | **1.5** | **1.6** | **1.2** | **-0.2** | **-0.3** |

Sources: Central Bank of Malta; NSO.

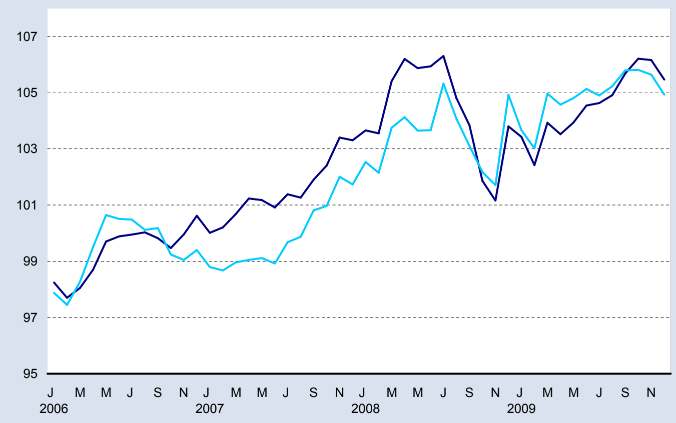
[6] Developments in the RPI are similar to those in the HICP, except for differences resulting from the composition of the two indices. Unlike the HICP, the RPI excludes hotel accommodation prices and allocates a larger weight to the food component.
[7] The RPI core inflation rate is the Central Bank of Malta's measure of underlying inflation.

## Costs and competitiveness

*Malta's HCI remains on an upward path in the third quarter…*

Between June and September, Malta's real Harmonised Competitiveness Indicator (HCI) rose by 0.6%, while the nominal HCI increased by 1.1% (see Chart 2.9).[8] The rise in the nominal index indicates a rise in the weighted exchange rate, whereas the smaller rate of growth in the real HCI reflects the offsetting effect of the decline in Malta's relative inflation rate.

**Chart 2.9**
**HARMONISED COMPETITIVENESS INDICATORS**
*(May 2005 = 100)*



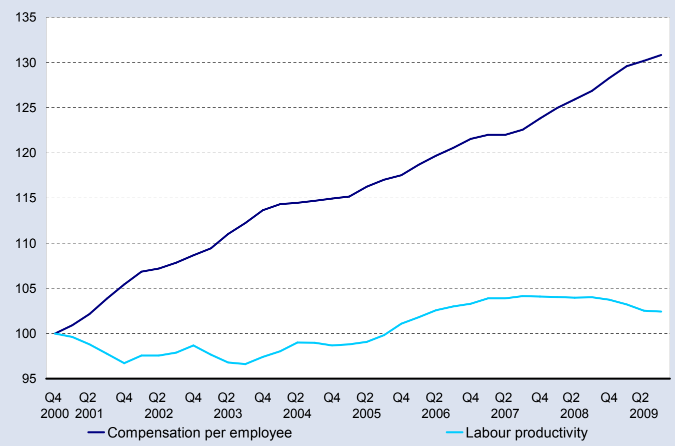

Source: ECB.

More recent data show a further rise in both the nominal and the real HCI in October. In the last two months of the year, however, Malta's competitiveness benefited from a combination of exchange rate depreciation and a favourable inflation differential. These developments have to be interpreted with caution, however, as the HCI is subject to considerable month-to-month fluctuations, as can be seen from the Chart.

*…whilst compensation growth continues despite a decline in productivity*

Malta's ULC rose by 4.8%, year-on-year, during the September quarter, slightly less than the 4.9% rise reported in the June quarter.[9] Employee compensation grew by 3.1%, slightly less than the 3.4% growth registered in the previous quarter, but productivity dropped by 1.5%, in line with the slowdown in economic activity. As a result, the gap between the growth in employee compensation and that of productivity widened further during the quarter, as Chart 2.10 shows.

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




Source: ECB.

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

9 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. Here ULC are computed on the basis of a four-quarter moving average.

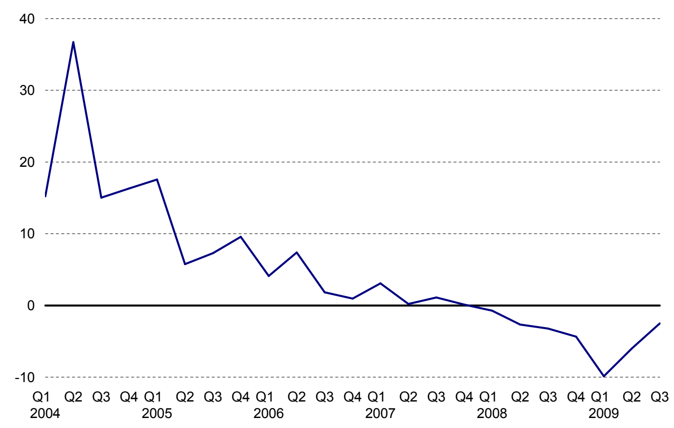
## BOX 2: RESIDENTIAL PROPERTY PRICES

### Slower rate of decline in residential property prices[1]

The Central Bank of Malta's index of advertised residential property prices declined by 2.5%, year-on-year, during the September quarter. Following a drop of 6.0% in the second quarter and 9.9% in the first, the third quarter's relatively modest fall in the index appeared to indicate that the recent negative trend in property prices was reversing its course. Concurrently, the number of advertised properties -- a further indicator of supply conditions in the housing market -- dropped by 24.1%, following a 28.0% decline in the June quarter. Meanwhile, the number of building permits issued by the MEPA was down by 38.9%, year-on-year, in the third quarter.

Lower asking prices were reported in half of the eight categories covered in the Bank's survey. The largest contributors to the overall decline were flats in shell form and finished flats, with a fall in asking prices of 7.0% and 2.9%, respectively. These categories together make up more than half of the monitored properties. Reductions of 4.2% and 8.9% were also registered in asking prices of finished maisonettes and townhouses, respectively. On the other hand, demand for terraced houses appears to have remained buoyant as asking prices increased by 3.4%. This was also the case with houses of character, villas and maisonettes in shell form, whose prices rose by 5.6%, 4.0% and 5.6%, respectively.

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

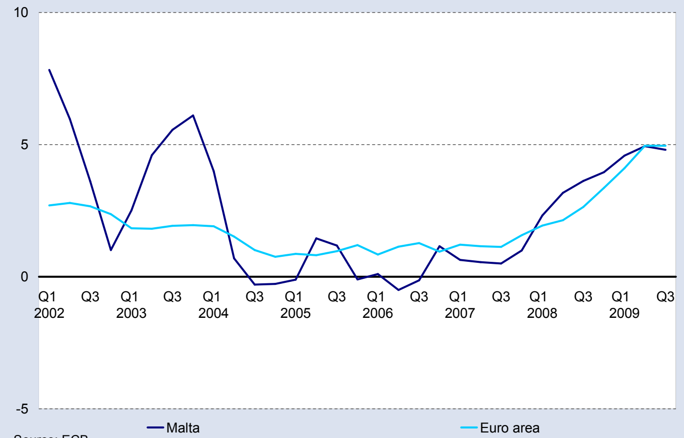



Source: Central Bank of Malta.

[1] 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 change in Malta's ULC was broadly in line with the euro area's, where the annual increase was unchanged from the second quarter's 5.0% (see Chart 2.11). Compensation growth in the euro area eased to 1.9% from the previous quarter's 2.4%, whilst productivity growth declined further, by 2.9%.

Chart 2.11
ANNUAL GROWTH IN UNIT LABOUR COSTS IN MALTA AND THE EURO AREA
*(year-on-year percentage change in four-quarter moving sum indices; 2000 Q4 =100)*




Source: ECB.

## The balance of payments

In the third quarter of 2009 the current account of the balance of payments swung into deficit. This was mainly attributable to net outward current transfers and higher net outflows on the income account, although a sharp decline in the surplus on services also contributed. Together, these movements outweighed a reduction in the deficit on merchandise trade.

Meanwhile, net outflows on the capital and financial account fell significantly, reflecting sharply lower net outflows on the financial account. At the same time, official reserve assets, which are recorded in the financial account, declined.

### *The current account swings into deficit*

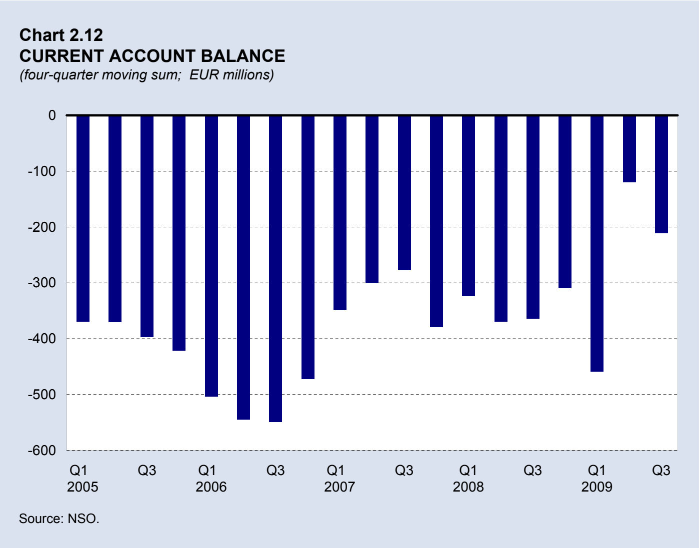
Between July and September 2009, the current account registered a deficit of EUR36.0 million, as against a surplus of EUR54.7 million a year earlier (see Table 2.7). Consequently, over the four quarters to September, the cumulative negative balance on the current account widened to EUR210.3 million (see Chart 2.12), equivalent to 3.7% of GDP.

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

| | | | four-quarter moving sum | | | | |
|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2008 | | 2009 | | |
| | Q3 | | Q3 | Q4 | Q1 | Q2 | Q3 |
| **Current account** | **54.7** | **-36.0** | **-363.6** | **-309.1** | **-458.2** | **-119.5** | **-210.3** |
| Goods | -329.0 | -266.2 | -1,194.7 | -1,139.2 | -1,065.8 | -933.0 | -870.2 |
| Services | 412.4 | 376.1 | 949.7 | 965.1 | 947.5 | 948.1 | 911.8 |
| Income | -39.2 | -84.1 | -147.8 | -168.3 | -320.7 | -238.4 | -283.4 |
| Current transfers | 10.5 | -61.8 | 29.3 | 33.3 | -19.3 | 103.8 | 31.4 |
| **Capital and financial account** | **-233.7** | **-3.3** | **116.8** | **309.4** | **663.9** | **60.7** | **291.1** |
| Capital account | 6.1 | 1.9 | 35.5 | 27.6 | 25.4 | 27.3 | 23.1 |
| Financial account | -239.8 | -5.3 | 81.3 | 281.9 | 638.5 | 33.5 | 268.0 |
| Errors and omissions | 179.0 | 39.4 | 246.8 | -0.4 | -205.7 | 58.8 | -80.8 |

Source: NSO.

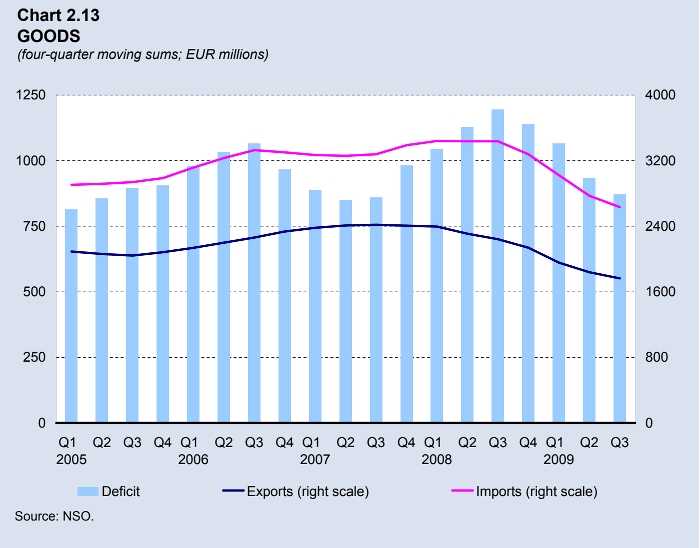
*The merchandise trade gap narrows …*




As the global economic downturn continued to have a negative impact on international trade, both imports and exports of goods contracted significantly on a year-on-year basis during the September quarter. Both, however, declined at a slower annual rate than in the previous two quarters. Moreover, since the fall in imports outweighed the drop in exports on the basis of balance of payments data, the merchandise trade deficit narrowed to EUR266.2 million, a drop of EUR62.8 million, or 19.1%, from a year earlier.

The value of merchandise imports during the quarter was down by EUR138.1 million, or 16.5%, from a year earlier. As indicated by Customs data, this decline largely stemmed from lower purchases of semi-finished industrial supplies, which were down by nearly a third and was linked to the weak export performance of the electronics industry.[10] In addition, a 32.4% decline in the fuel import bill, which mainly reflected lower oil prices, also contributed. Imports of primary industrial supplies and consumer durable goods were also down, though to a lesser extent. In contrast, imports of capital goods increased considerably, mostly on account of the purchase of machinery and equipment by the maritime transport sector.

Concomitantly, exports of goods fell by EUR75.3 million, or 14.8%, predominantly under the impact of lower sales of electronic goods, although a decline in re-exports of fuels and exports of food and other manufactured items also contributed.



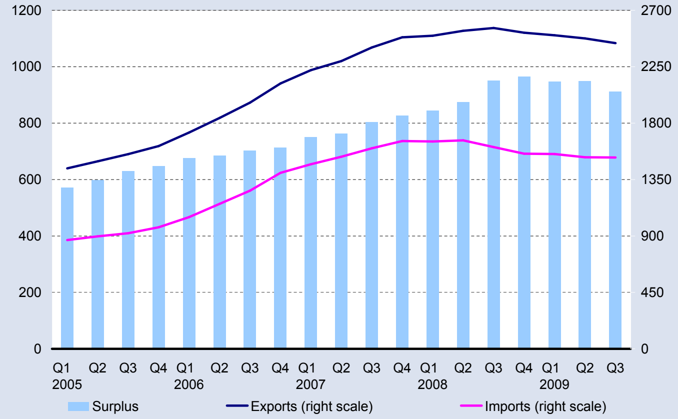

The visible trade deficit measured on a four-quarter cumulative basis contracted for the fourth consecutive quarter, falling by 27.2% compared to a year earlier (see Chart 2.13). Imports fell more than exports, with the former shrinking by EUR802.5 million as against a drop of EUR478.0 million in exports. Despite a notable decline across

[10] International trade data compiled on the basis of Customs returns may differ from balance of payments data because of differences in coverage, valuation and timing.

all major trade components, the overall contraction in gross merchandise trade transactions mainly reflected negative developments in global demand for semi-conductors.

More recent Customs data indicate that during October and November the trade gap narrowed substantially on a year earlier. As a result, the merchandise trade deficit for the first eleven months of the year was estimated at 16.4% below the level of the corresponding period of 2008.

**Chart 2.14**
**SERVICES**
*(four-quarter moving sums; EUR millions)*




Source: NSO.

### *… but the surplus on services decreases …*

During the September quarter of 2009, the surplus on the services account stood at EUR376.1 million, down by EUR36.3 million, or 8.8%, compared to the same quarter a year earlier. This was mainly attributable to a EUR30.5 million contraction in the surplus on travel-related services, reflecting a reduction in spending by inbound tourists combined with a small increase in expenditure by residents travelling abroad. In addition, a EUR10.2 million fall in net receipts from the 'other services' component also contributed. The latter reflected both lower net inflows from merchanting and operational leasing, and net payments on telecommunication services as against net receipts in the corresponding quarter of 2008. By contrast, the surplus on transportation increased by EUR4.4 million from the year-ago level, spurred by a notable decline in expenditure on freight, which outweighed a marginal drop in receipts from passenger air transport.

As a result of these developments, the trend improvement in the services balance estimated on a four-quarter moving sum basis was interrupted. Thus, the surplus on this account was lower than in June and compared with the September 2008 position it was down by EUR37.9 million (see Chart 2.14). This resulted from a EUR120.3 million contraction in receipts, which exceeded a EUR82.4 million drop in payments.

### *… while higher net outflows are posted on the income account ...*

In the three-month period to September 2009, net outflows on the income component of the current account stood at EUR84.1 million, up by EUR44.9 million on a year earlier. This reflected higher profits registered by foreign-owned corporations – mainly in the form of reinvested earnings – and lower interest earnings on residents' portfolio investments abroad as a result of lower international interest rates. Together, these offset a substantial drop in interest payments on foreign borrowings. These income flows were heavily influenced by the activities of those banks operating in Malta that deal predominantly with non-residents.

### *…and the balance on transfers turns negative*

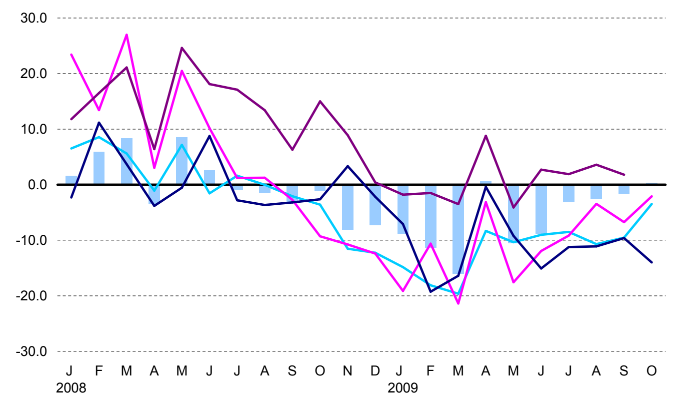
Meanwhile, the balance on the current transfers account, which registered a modest surplus in the third quarter of 2008, swung to a deficit of EUR61.8 million in the quarter surveyed. This shift

## BOX 3: TOURISM ACTIVITY

### Continued annual declines in the tourism industry for Malta…..

During the third quarter the tourism industry continued to be affected by weak external demand, although the degree of contraction from year-ago levels was generally more moderate than in the previous two quarters. Weak demand also had a negative impact on the tourism sectors of other competing Mediterranean destinations. Indeed, according to the United Nations World Tourism Organisation, tourist arrivals in the southern Mediterranean region were down by an average of 2.4%, year-on-year, during the September quarter (see Chart 1).[1]

Chart 1
TOURIST ARRIVALS IN SELECTED COUNTRIES
*(annual percentage changes)*

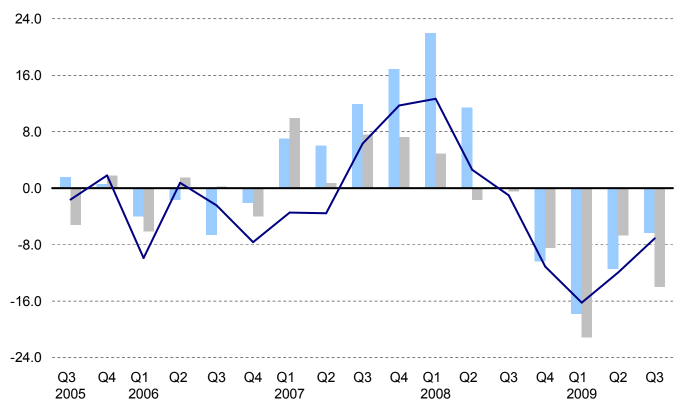



Sources: NSO, UNWTO, TurkStat, INE, CYSTAT.

The 6.3% drop in the number of visitors to Malta in the third quarter was entirely due to a reduction in the number of holiday-makers, as the number of business travellers was virtually unchanged from year-ago levels. Total nights stayed declined by 7.1%, with the average length of stay easing marginally, by 0.1 of a percentage point, to 9.6 nights. Total expenditure was down more sharply, by 14.0%, as spending on package holidays contracted while that on non-package holidays was almost unchanged from the previous year's level (see Chart 2).

The sharpest declines in the number of visitors were registered in the Scandinavian and German markets, with arrivals down by 23.6% and 16.3%, respectively. Arrivals from the United Kingdom also registered a drop, falling by 8.1%. Meanwhile, there were more Italian and French visitors, with increases of 9.8% and 5.9%, respectively.

Chart 2
TOURIST NUMBERS, EXPENDITURE AND NIGHTS STAYED
*(annual percentage changes)*



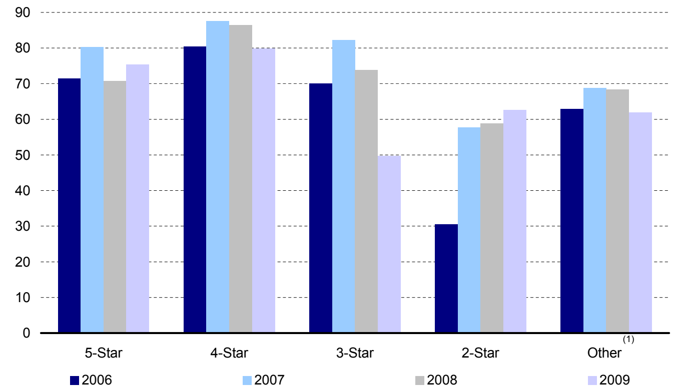

Source: NSO.

Other travel indicators, such as those published by Malta International Airport, show that air passenger arrivals (including

[1] The Chart also shows patterns in tourist numbers in selected Mediterranean countries for which data were available covering the period reviewed.

residents and transfer passengers) dropped by 4.5% during the September quarter, even though the number of aircraft landing at the airport was marginally higher than a year ago. On a cumulative basis, arrivals were down by 8.2% during the first nine months of 2009, while aircraft traffic through Malta was down by 4.2%.

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




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

With regard to hotel occupancy rates during the quarter reviewed, official statistics indicate that the largest annual decline was recorded in 3-star hotels, which shed around 25 percentage points, while occupancy in 4-star hotels was down by 6.6 points. On the other hand, occupancy in the 5-star category increased by 4.6 points, while that in the 2-star category rose by 3.8 points (see Chart 3).

These findings were broadly in line with those of an industry survey of 5-, 4- and 3-star hotels, according to which occupancy in 5-star hotels during the summer months was up by 2.0%, while in 4- and 3-star hotels it was down by 6.0% and 7.0%, respectively. The survey also reported a considerable adjustment in prices, with average achieved room rates, defined as accommodation revenue per room-night sold net of VAT, declining marginally in 3-star hotels but much more sharply in the 5- and 4-star categories. The latter reported a contraction of 16.0% and 13.0%, respectively. These price cuts, coupled with generally lower occupancy rates, resulted in lower gross operating profits being registered by all hotel categories.

With regard to the cruise liner sector, the decline in traffic reported in the second quarter continued into the third, albeit to a lesser extent. Cruise liner calls were down by almost a half, but passenger numbers dropped less significantly, by 23.6%. In spite of the overall decline, there was a considerable increase in the number of visitors from Germany, France and Italy.

Going into the fourth quarter, tourist arrivals in October and November were below year-ago levels, but the declines, of 2.1% and 1.5% respectively, were less pronounced than in the third quarter as a whole. Tourist expenditure, however, remained weak, dropping by 9.5% and 11.2% in the two months, respectively. The number of nights stayed was down by 5.7% in October, but it increased by 3.1% in November. In addition, the number of cruise liner passengers was down by around a quarter in October, but registered an increase of 14.8% in November.

On a cumulative basis, the number of tourist arrivals during the eleven months to November 2009 was down by 9.0% from the previous year's level, while the number of nights stayed and tourist expenditure were down by 9.2% and 12.5%, respectively.

was predominantly due to timing differences between the payment of tax refunds to, and the collection of tax receipts from, companies engaged in international business operations.

*The capital and financial account posts lower net outflows*

Net outflows on the capital and financial account were sharply down during the third quarter of 2009, falling to EUR3.3 million from EUR233.7 million a year earlier. The deceleration was wholly attributable to developments in the financial account, as the surplus on the capital account fell by EUR4.1 million to EUR1.9 million.

Net outflows on the financial account during the July-September period totalled EUR5.3 million, as against EUR239.8 million in the corresponding period of 2008. This contraction was mainly spurred by developments on the 'other investment' component and higher net inward direct investment. Net inflows on the 'other investment' component were up by EUR166.0 million on a year earlier. This was mainly on account of repayments of loans granted to non-residents by resident banks, which were only partly offset by an increase in residents' deposits abroad. At the same time, net direct investment inflows went up by EUR165.7 million. This mainly reflected increases of EUR103.4 million in reinvested earnings by the banking sector and, to a lesser extent, the non-financial sector, as well as additions to the share capital of internationally-oriented banks. Meanwhile, outward direct investment flows fell sharply compared with the September 2008 quarter. Net outflows stemming from transactions in financial derivatives declined only marginally from the year-ago level.

In contrast, net portfolio outflows reached EUR1,016.8 million during the three months to September 2009, up by EUR149.3 million from the corresponding quarter of 2008. This reflected an increase in residents' holdings of foreign debt securities – partly financed by the loan repayments referred to earlier – combined with a reduction of non-residents' holdings of money-market instruments issued by residents. These flows were largely influenced by transactions involving internationally-oriented banks.

Reserve assets decreased by EUR94.2 million during the quarter, compared with a drop of EUR42.3 million in the corresponding quarter of 2008. At the same time, errors and omissions were positive and amounted to EUR39.4 million.[11]

## Government finance

During the first nine months of 2009 the general government deficit widened slightly compared with the same period a year earlier, as revenue dropped by more than expenditure. Over the same period the deficit on the Consolidated Fund also increased, and it continued to widen up to November. The rising deficit led to a further expansion in the general government debt.[12]

*The general government deficit rises in third quarter ...*

Between July and September 2009, the general government deficit widened by EUR43.2 million compared to the same period in 2008, reaching EUR90.9 million. As a result, the deficit for the

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

[12] 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, capture both central government, including extra-budgetary units, and local councils on an accrual basis. Differences in the time of recording of income tax and VAT revenues explain a significant part of the variance between government revenue as recorded under the two approaches.

**Table 2.8**
**GENERAL GOVERNMENT BALANCE**
*EUR millions*

| | 2008 Q3 | 2009 Q3 | 2008 Q1-Q3 | 2009 Q1-Q3 | Change Q1-Q3 Amount | % |
|---|---|---|---|---|---|---|
| **Revenue** | **571.2** | **517.6** | **1,670.4** | **1,624.7** | **-45.7** | **-2.7** |
| Taxes on production and imports | 221.9 | 200.6 | 611.1 | 564.5 | -46.6 | -7.6 |
| Current taxes on income and wealth | 190.8 | 165.4 | 527.8 | 564.2 | 36.4 | 6.9 |
| Social contributions | 97.3 | 103.6 | 311.4 | 313.9 | 2.5 | 0.8 |
| Capital and current transfers | 18.0 | 10.1 | 42.6 | 35.5 | -7.2 | -16.8 |
| Other | 43.2 | 37.9 | 177.4 | 146.6 | -30.8 | -17.3 |
| **Expenditure** | **618.9** | **608.5** | **1,889.5** | **1,847.2** | **-42.3** | **-2.2** |
| Intermediate consumption | 95.8 | 104.5 | 281.1 | 268.7 | -12.5 | -4.4 |
| Gross fixed capital formation | 30.8 | 24.8 | 109.1 | 70.8 | -38.2 | -35.0 |
| Compensation of employees | 212.5 | 204.9 | 611.3 | 627.6 | 16.3 | 2.7 |
| Subsidies | 23.2 | 8.0 | 107.1 | 50.6 | -56.5 | -52.8 |
| Interest | 44.7 | 43.7 | 133.5 | 134.3 | 0.9 | 0.7 |
| Social benefits | 178.4 | 186.5 | 545.3 | 580.4 | 35.1 | 6.4 |
| Other | 33.5 | 36.1 | 102.1 | 114.7 | 12.6 | 12.4 |
| **Primary balance** | **-3.1** | **-47.2** | **-85.7** | **-88.2** | **-2.5** | - |
| **General government balance** | **-47.7** | **-90.9** | **-219.2** | **-222.5** | **-3.4** | - |

Source: NSO.

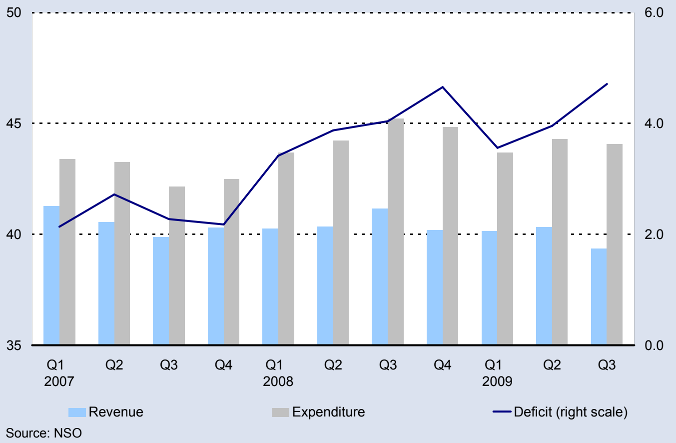
first nine months of the year increased by EUR3.4 million on a year earlier, to EUR222.5 million (see Table 2.8). The primary deficit, which excludes interest payments from expenditure, also rose slightly, to EUR88.2 million.

Consequently, the cumulative deficit-to-GDP ratio, computed on the basis of four-quarter sums, was estimated at 4.7% in the year to September 2009, up from 4.0% in the twelve months to June (see Chart 2.15) and on a par with the level seen in the fourth quarter of 2008. As a proportion of GDP, revenue dropped by nearly one percentage point compared to the twelve months to June. In contrast, the expenditure-to-GDP ratio decreased by a modest 0.2 percentage points.

*… as a fall in revenue…*

Following two quarters of marginal growth, general government revenue was down by 9.4% from a year earlier between July and September 2009. The drop was mainly due to lower tax revenues, with receipts from direct and indirect taxes falling by 13.3% and 9.6%, respectively. Revenue from transfers also declined, whereas the take from social contributions rose.

**Chart 2.15**
**GENERAL GOVERNMENT REVENUE AND EXPENDITURE TRENDS**
*(four-quarter moving sums, percentage of GDP)*




Source: NSO

As a result, over the first nine months of the year revenue was down by EUR45.7 million, or 2.7%, compared to the same period in 2008. As Table 2.8 indicates, lower receipts from taxes on production and imports contributed significantly to the overall decline. During the first three quarters of 2009 these were down by EUR46.6 million on a year earlier. Weak consumer spending and the slowdown in the property market appeared to be the main factors exerting an adverse impact on indirect tax receipts. Indeed, Consolidated Fund data suggest that, despite increased proceeds from the motor vehicle registration tax and taxes on gaming, there were marked declines in takings from VAT, Customs and Excise duties and duty on documents.

Receipts from capital and current transfers also declined during the first nine months of 2009, shedding EUR7.2 million on a year earlier. This was mainly due to a drop in investment grants from overseas. 'Other' revenue also decreased, falling by EUR30.8 million, mostly as a result of lower market output and a drop in income receivable from investments, which includes dividends, rent and interest.[13]

In contrast, despite having contracted during the September quarter, the yield from current taxes on income and wealth increased by EUR36.4 million during the first nine months of 2009 compared to the same period in 2008. Overall income tax receipts, especially from the corporate sector, rose, offsetting lower yields from taxation on capital gains. In addition, even though employment levels fell during this period, employment income continued to grow moderately, which had a favourable effect on revenues. Inflows from motor vehicle licences, which are included in current taxes on income and wealth, also increased, reflecting the changes in the licence fee structure introduced at the beginning of the year and higher vehicle registrations.

Rising levels of employee compensation also pushed up revenues from social contributions, which put on EUR2.5 million in the first three quarters on a year-to-year basis.

*… outweighs a cut in expenditure*

General government expenditure fell by 1.7% between July and September 2009 compared to the same period of 2008. Expenditure on subsidies fell sharply on a year earlier as the Government terminated the system of direct subsidies to the energy sector while providing financial assistance to eligible households instead. Moreover, in line with the winding down of the shipyards, compensation to employees in the general government sector declined. Investment spending was also down. The fall in expenditure on these items offset increased outlays on intermediate consumption – particularly in the health sector – as well as on social benefits.

Thus, in the first nine months of 2009 expenditure went down by EUR42.3 million, or 2.2%, on a year earlier. The main source of the drop was spending on subsidies, which contracted by EUR56.5 million, mainly due to the cessation of direct financial support to the energy utility. Moreover, gross fixed capital formation declined by EUR38.2 million in the first nine months of the year, reflecting lower outlays in the health sector and on the environment. In addition, the drop in activity at the shipyards brought about a reduction in intermediate consumption, which was EUR12.5 million below the year-ago level during the nine months to September.

In contrast, spending on social benefits continued to expand, rising by EUR35.1 million in the first three quarters of 2009 compared to the same period of 2008. This was largely due to higher

[13] The reclassification of Malta Shipyards Ltd into the general government sector in 2008 had boosted market output, which mainly consists of revenue from sales of goods and services. During 2009, the operations of the shipyards were being wound down, lowering government revenue.

**Table 2.9**
**GOVERNMENT BUDGETARY OPERATIONS**
*EUR millions*

| | 2008 Q3 | 2009 Q3 | 2008 Q1 - Q3 | 2009 Q1 - Q3 | Change Amount | Change % |
|---|---|---|---|---|---|---|
| **Revenue** | **553.8** | **545.4** | **1,481.9** | **1,445.3** | **-36.6** | **-2.5** |
| Direct tax(1) | 307.9 | 319.1 | 713.1 | 749.6 | 36.5 | 5.1 |
| Indirect tax | 216.3 | 194.5 | 620.7 | 557.1 | -63.6 | -10.3 |
| Non-tax(2) | 29.6 | 31.8 | 148.2 | 138.7 | -9.5 | -6.4 |
| **Expenditure** | **555.8** | **541.8** | **1,740.1** | **1,779.2** | **39.1** | **2.2** |
| Recurrent(1) | 511.5 | 492.9 | 1,576.2 | 1,610.2 | 33.9 | 2.2 |
| Capital | 44.3 | 48.9 | 163.9 | 169.0 | 5.1 | 3.1 |
| **Primary balance(3)** | **60.5** | **65.6** | **-102.1** | **-175.2** | **-73.2** | - |
| **Consolidated Fund balance** | **-2.0** | **3.6** | **-258.2** | **-333.9** | **-75.7** | - |

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

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

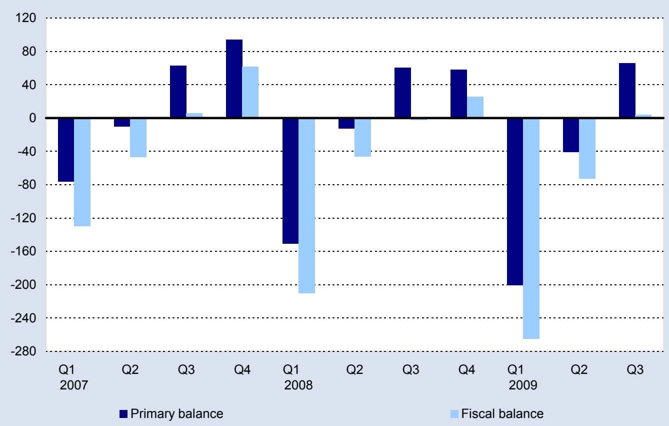
(3) Revenue less expenditure excluding interest payments.
Source: NSO.

outlays on pensions. Moreover, compensation of employees rose by EUR16.3 million, largely reflecting the final payment to shipyard workers under early retirement schemes, which was effected during the first quarter. 'Other' expenditure also went up, increasing by EUR12.6 million, due to higher contributions to Church schools and to the EU budget as well as capital transfers related to sewage treatment. Interest payments were slightly higher overall when compared to the first three quarters of 2008, reflecting the increase in general government debt. The rise in debt service costs was cushioned, however, by the prevailing low level of interest rates.

### *Consolidated Fund balance improves in third quarter*

Between July and September 2009 the balance on the Consolidated Fund shifted from a EUR 2.0 million deficit in the same period of the previous year to a surplus of EUR3.6 million (see Table 2.9 and Chart 2.16). This was because a 2.5% decline in expenditure exceeded a 1.5% drop in revenue. Nevertheless, over the first three quarters of the year the Consolidated Fund balance deteriorated by EUR75.7 million from its 2008 level. More recent data show that the shortfall widened further in October and November, reaching EUR410.5 million for the first eleven months of the year.

**Chart 2.16**
**CONSOLIDATED FUND DEVELOPMENTS**
*(EUR millions)*




Source: NSO.

### *General government debt increases*

In the September quarter, general government debt rose by EUR58.8 million from the end-

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

| | 2008 | | 2009 | | |
|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 |
| **General government debt**[1] | **3,614.1** | **3,626.2** | **3,706.5** | **3,873.1** | **3,931.9** |
| **Currency & deposits**[2] | **29.6** | **31.2** | **32.7** | **34.9** | **36.8** |
| **Securities** | **3,309.8** | **3,320.2** | **3,442.6** | **3,620.8** | **3,676.2** |
| Short-term | 408.6 | 365.8 | 542.6 | 644.3 | 559.8 |
| Long-term | 2,901.2 | 2,954.4 | 2,900.0 | 2,976.6 | 3,116.5 |
| **Loans** | **274.7** | **274.8** | **231.2** | **217.3** | **218.8** |
| Short-term | 60.0 | 64.0 | 20.2 | 15.3 | 13.1 |
| Long-term | 214.7 | 210.8 | 211.0 | 202.1 | 205.8 |

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

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

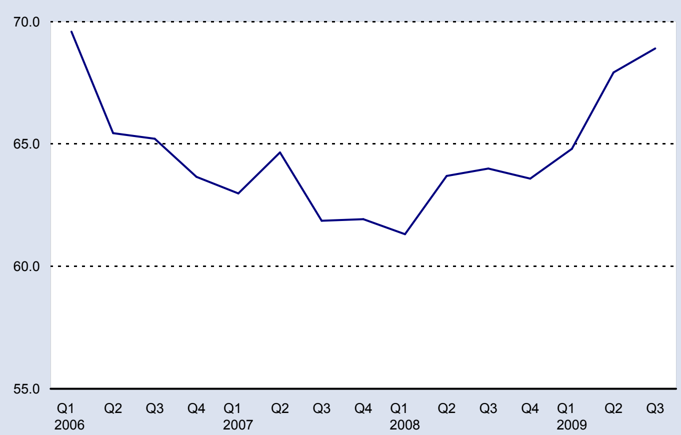
Source: NSO.

June level, reaching EUR3,931.9 million (see Table 2.10). This entailed an increase of EUR305.7 million, or 8.4%, over December 2008. As a result, the debt-to-GDP ratio was estimated to have risen to 68.9% in September 2009 from 63.6% at the end of 2008 (see Chart 2.17). The composition of general government debt changed over the first three quarters of the year, with short- and long-term debt rising, whereas loans outstanding declined.

Short-term debt, in the form of Treasury bills outstanding, stood at EUR559.8 million at the end of September 2009, an increase of 53.0% from the end-2008 level, so that their share of the total rose to 14.2%. At the same time, long-term government debt rose by EUR162.1, or 5.5%, following new issues of Malta Government Stocks. At end-September long-term debt accounted for 79.3% of the total, down from 81.5% at the end of December 2008.

Meanwhile, loans fell by EUR56.0 million as the Government repaid bank loans taken out by Malta Shipyards and some foreign loans. Consequently, the share of loans in the total debt fell to 5.6%, with both short-term and long-term loans decreasing. Foreign debt accounted for around half the amount of outstanding loans, with borrowings by extra-budgetary units taking up most of the remainder. At the same time, government liabilities in the form of Maltese euro coins in issue increased by EUR5.7 million from the end-2008 level, though their share in the total remained unchanged at 0.9%.

**Chart 2.17**
**GENERAL GOVERNMENT DEBT**
*(percentage of GDP, GDP data are four-quarter moving sums)*

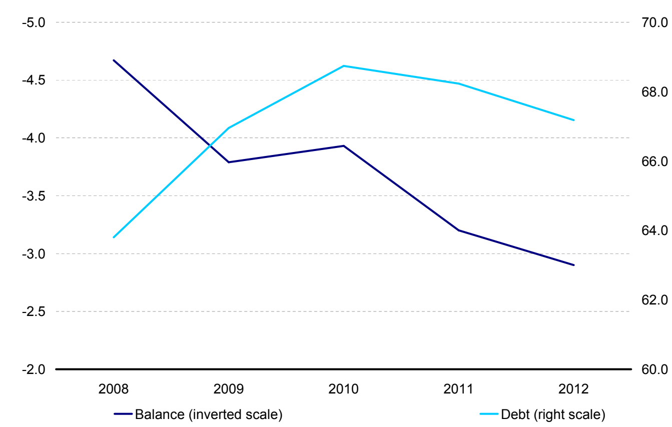



Source: NSO.

## BOX 4: GOVERNMENT'S FISCAL POLICY OUTLOOK

According to the projections contained in the Budget Speech 2010, the general government deficit is expected to have narrowed from 4.7% of GDP in 2008 to 3.8% in 2009. In contrast, the deficit in the Consolidated Fund for 2009 is projected to have widened when compared to 2008, as expenditure is estimated to have increased by more than revenue.[1]

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



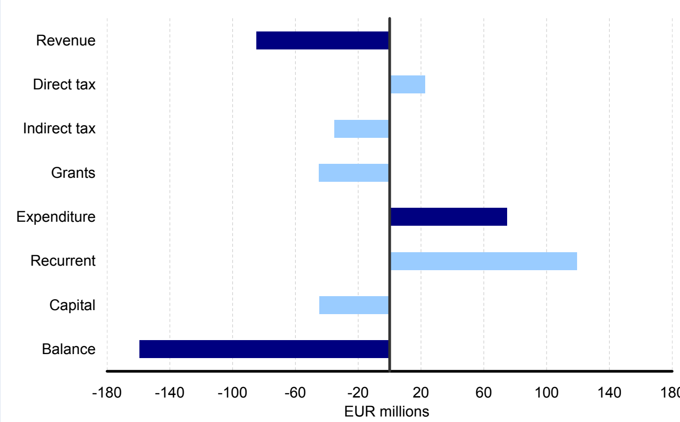

Source: Ministry of Finance, the Economy and Investment

The Budget foresees a marginal increase in the general government deficit, to 3.9% of GDP in 2010, though this is expected to be reversed in the following two years. As a result, the general government debt ratio should peak at 68.7% in 2010, before declining gradually to 67.2% by 2012 (see Chart 1).

### Consolidated Fund performance in 2009

The revised data published in the Financial Estimates 2010 show that the projected deficit on the Consolidated Fund widened from EUR 233.1 million in 2008 to EUR 258.0 million in 2009. This is EUR 159.2 million more than the balance approved in the 2009 budget, and is due to a combination of higher-than-expected current spending and lower-than-anticipated levels of revenue. Revenue shortfalls stemmed from lower receipts of indirect taxes and grants, which outweighed stronger-than-expected inflows from direct taxes (see Chart 2). As the Chart indicates, the downward revision to revenue from grants was broadly matched by lower-than-expected capital spending. Recurrent expenditure, however, overshot the approved estimate by a considerable amount, mainly as a result of higher outlays related to the winding down of Malta Ship-

**Chart 2**
**CONSOLIDATED FUND PERFORMANCE IN 2009**
*(difference between actual and revised estimates)*




Source: Ministry of Finance, the Economy and Investment

[1] The Consolidated Fund captures most of the transactions of general government on a cash basis. To arrive at general government data, adjustments have to be made to cover the entire government sector and to correct for the cash-based nature of the Consolidated Fund reporting. During 2009, these adjustments are expected to have contributed positively to the general government balance.

yards Ltd., including payments in connection with employees' early retirement schemes, and in the health sector.

On the basis of the revised estimates, revenue expanded by EUR 155.8 million, or 7.3%, during 2009, with both tax and non-tax revenue exceeding the previous year's yields. Close to half this gain, or EUR 77.1 million, resulted from increased income tax receipts, despite tax relief measures that came into effect in January 2009 and the contraction in nominal GDP (see Table 1). Part of this increase may reflect the fact that compensation to employees continued to grow during the first three quarters of the year. In addition, income tax receipts were boosted by a scheme, announced in September, to reduce penalties on outstanding tax balances, provided that arrears are settled by February 2010. Social security contributions were also projected to have risen by 5.0%. Receipts from indirect taxes were estimated to have added around 3%, as the implementation of a new car registration scheme boosted intakes from licences, taxes and fines. In contrast, according to the revised estimates, receipts from VAT fell by EUR 1.3 million, partly due to the removal of VAT charged on motor vehicle registration tax, and partly on account of a drop in overall consumer spending. In addition, non-tax revenue was expected to have increased by more than 18%, as a projected surge in receipts by way of grants offset declines in dividends and intakes from public corporations.

**Table 1**
**BALANCE ON THE CONSOLIDATED FUND 2008-2010**
*EUR millions*

| | 2008 | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|---|
| | Actual | Revised estimate | Change Amount | Change % | Approved estimate | Change Amount | Change % |
| **Revenue** | **2,132.2** | **2,288.0** | **155.8** | **7.3** | **2,491.7** | **203.7** | **8.9** |
| **Direct Tax** | **1,076.1** | **1,170.3** | **94.2** | **8.8** | **1,216.7** | **46.4** | **4.0** |
| Income tax | 735.9 | 813.0 | 77.1 | 10.5 | 850.0 | 37.0 | 4.6 |
| Social security contributions (1) | 340.2 | 357.3 | 17.1 | 5.0 | 366.7 | 9.4 | 2.6 |
| **Indirect tax** | **852.3** | **876.7** | **24.4** | **2.9** | **931.3** | **54.6** | **6.2** |
| Value Added Tax | 455.3 | 454.0 | -1.3 | -0.3 | 478.0 | 24.0 | 5.3 |
| Customs and excise duties | 177.8 | 181.6 | 3.8 | 2.1 | 198.7 | 17.1 | 9.4 |
| Licences, taxes and fines | 219.1 | 241.1 | 22.0 | 10.0 | 254.6 | 13.5 | 5.6 |
| **Non-tax** | **203.8** | **241.0** | **37.2** | **18.3** | **343.7** | **102.7** | **42.6** |
| *of which* Grants | 30.2 | 80.3 | 50.1 | 165.9 | 184.4 | 104.1 | 129.6 |
| **Expenditure** | **2,365.3** | **2,546.0** | **180.7** | **7.6** | **2,730.4** | **184.4** | **7.2** |
| **Recurrent (1)** | **2,143.1** | **2,242.8** | **99.7** | **4.7** | **2,300.8** | **58.0** | **2.6** |
| Personal emoluments | 519.3 | 541.9 | 22.6 | 4.4 | 550.8 | 8.9 | 1.6 |
| Operational and maintenance | 96.6 | 110.2 | 13.6 | 14.1 | 111.3 | 1.1 | 1.0 |
| Contributions to entities | 163.3 | 174.3 | 11.0 | 6.7 | 204.6 | 30.3 | 17.4 |
| Social security benefits | 624.8 | 663.8 | 39.0 | 6.2 | 722.5 | 58.7 | 8.8 |
| Interest payments | 189.0 | 195.3 | 6.3 | 3.3 | 195.6 | 0.3 | 0.2 |
| Other expenditure | 550.1 | 557.3 | 7.2 | 1.3 | 516.0 | -41.3 | -7.4 |
| **Capital (2)** | **222.2** | **303.2** | **81.0** | **36.5** | **429.6** | **126.4** | **41.7** |
| **Consolidated Fund balance** | **-233.1** | **-258.0** | **-24.9** | **10.7** | **-238.8** | **19.2** | **-7.4** |

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

(2) Capital expenditure data are obtained from Budget Speech 2010. Figures do not correspond with those in the Financial Estimates due to the treatment of equity acquisitions.

Source: Ministry of Finance, the Economy and Investment.

According to the Financial Estimates, expenditure in 2009 rose by EUR 180.7 million, or 7.6%, on the previous year, with recurrent spending growing by EUR 99.7 million, or 4.7%. In this category, outlays on social security benefits were expected to have increased the most in absolute terms, putting on 6.2%. This is mainly due to higher expenditure on retirement pensions. Personal emoluments were also expected to have posted a strong increase, rising by 4.4%, while operational and maintenance expenditure was projected to have increased significantly in absolute terms. The revised estimates also point to a sharp acceleration in capital expenditure, which was expected to have risen by 36.5% by the end of the year as EU-funded projects got under way.

## Budget Estimates for 2010

In 2010 the deficit on the Consolidated Fund is expected to decline to EUR 238.8 million, as revenue is projected to rise faster than expenditure. In turn, indirect tax receipts are expected to grow faster than receipts from direct taxes, mainly due to the resumption of growth in the yield from VAT. Although recurrent expenditure is set to rise, the capital spending component is expected to grow even more rapidly, reflecting a faster absorption of EU funds.

Revenue is forecast to increase by 8.9%, driven mainly by grants. Income tax receipts are expected to slow down compared to 2009, as the negative impact of the economic downturn affects private income, particularly corporate profits, with a lag. The deterioration in labour market conditions during 2009 is also likely to affect intakes from social security contributions, which are expected to rise at a slower rate than before. On the other hand, indirect tax receipts are expected to accelerate, as inflows from VAT and from Customs and excise duties exceed the previous year's levels. Receipts foregone as a result of the removal of credit card levies are expected to be offset by a budgetary measure to raise the rate of duty on cigarettes. However, proceeds from licences, taxes and fines are expected to rise more modestly after the growth registered in the previous year. Despite lower Central Bank of Malta profits and dividends receivable, non-tax revenue is expected to surge by over 40%, as grants from overseas are set to more than double in 2010.

Total expenditure in nominal terms is set to rise by roughly the same amount as in 2009, with the annual growth rate slowing down to 7.2%. Recurrent expenditure is projected to expand by 2.6%, driven mainly by spending on social security benefits, which is expected to rise by 8.8%. Contributions to government entities are also projected to rise significantly, despite the Government's decision to terminate its contribution to the MEPA. A large part of this increase is due to a higher allocation to the Malta Tourism Authority. Otherwise, growth in other current spending items is expected to be contained. Partly reflecting a fall in government employment, outlays on personal emoluments and on operational and maintenance expenses are set to rise by 1.6% and 1.0%, respectively, that is, by less than the projected growth rate of nominal GDP. Meanwhile, 'other' expenditure is expected to fall by 7.4%, partly as a result of lower outlays related to the ship repair sector. In contrast, capital expenditure is set to increase strongly for the second year in a row, rising by 41.7%.

## Monetary and financial developments

The contribution of Maltese MFIs to the euro area broad money stock declined during the September quarter as residents' deposits contracted.[14] At the same time, credit to residents continued to expand, albeit at a slower pace, while net claims on non-residents of the euro area rose. Although official interest rates remained unchanged during the quarter, domestic money market yields persisted on their downward trend. Similarly, yields on long-term government securities declined while equity prices continued to recover. This pattern continued into the fourth quarter, when long-term government bond yields fell further whereas equity prices extended their recovery.

### *Growth in residents' deposits turns negative*

Maltese MFIs' contribution to the euro area broad money stock (M3) contracted by EUR68.8 million, or 0.8%, during the third quarter of 2009 (see Table 2.11). Hence, at the end of September, the Maltese contribution to euro area M3 stood at EUR8,535.6 million.

Overnight deposits belonging to residents of Malta grew at a slower pace during the quarter, expanding by 2.4% as against 5.0% in the preceding three months (see Table 2.12). Nevertheless, demand for such deposits during the first three quarters of 2009 was generally buoyant, possibly due to the lower opportunity cost of holding such liquid monetary assets in an environment of low interest rates. The increase in overnight deposits during the September quarter, which was mainly driven by balances belonging to households and private non-financial companies, was restrained by a substantial drop in balances belonging to insurance companies, which acquired

**Table 2.11**
**CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES[(1)]**
*EUR millions; percentage changes on the previous quarter*

| | 2009 | 2008 | | 2009 | |
|---|---|---|---|---|---|
| | Sep. | Q4 | Q1 | Q2 | Q3 |
| Currency issued[(2)] | 618.9 | 6.3 | -10.1 | 2.1 | 0.7 |
| Overnight deposits[(3)] | 3,551.5 | -1.6 | 4.2 | 5.0 | 2.1 |
| **Narrow money (M1)** | **4,170.4** | **-0.3** | **1.7** | **4.5** | **1.9** |
| Deposits redeemable at notice up to 3 months[(3)] | 109.8 | -1.5 | -2.1 | -1.2 | -0.6 |
| Deposits with agreed maturity up to 2 years[(3)] | 4,380.0 | -1.4 | -3.2 | -4.2 | -2.8 |
| **Intermediate money (M2)** | **8,660.2** | **-1.0** | **-1.1** | **-0.3** | **-0.6** |
| Repurchase agreements | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt securities issued up to 2 years initial maturity[(4)] | -124.5 | -14.7 | 0.7 | -28.2 | 19.4 |
| **Broad money (M3)** | **8,535.6** | **-0.7** | **-1.1** | **0.2** | **-0.8** |

[(1)] Figures show the contribution of Maltese MFIs to the euro area totals. Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.
[(2)] This is not a measure of currency in cirulation 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.
[(3)] Deposits with MFIs exclude interbank deposits and deposits held by central government.
[(4)] 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.

[14] 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 2.12**
**RESIDENTS' DEPOSITS** [1]

*EUR millions; percentage changes on the previous quarter*

| | 2009 | 2008 | | 2009 | | |
|---|---|---|---|---|---|---|
| | Sep. | Q3 | Q4 | Q1 | Q2 | Q3 |
| Overnight deposits | 3,470.9 | 2.1 | -0.3 | 3.5 | 5.0 | 2.4 |
| Deposits redeemable at notice up to 3 months | 109.8 | 0.6 | -1.5 | -2.1 | -1.2 | -0.6 |
| Deposits with agreed maturity up to 2 years | 4,142.9 | 3.2 | -1.2 | -4.1 | -3.4 | -4.1 |
| **Total residents' deposits** | **7,723.6** | **2.8** | **-0.9** | **-1.1** | **0.1** | **-1.3** |

[1] Data only include deposits belonging to residents of Malta.
Source: Central Bank of Malta.

government securities in the primary market. Meanwhile, overnight deposits belonging to other euro area residents contracted, as private non-financial companies' holdings fell.

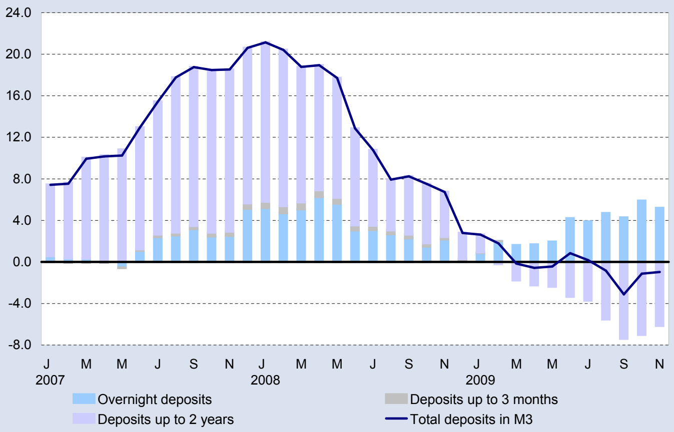
In contrast, and in line with the pattern seen since the end of 2008, deposits redeemable at up to 3 months' notice and those with an agreed maturity of up to 2 years both declined during the quarter. The former shed just EUR0.7 million, or 0.6%. The latter, however, contracted by EUR179.0 million, or 4.1%. This decline stemmed mainly from a reduction in balances belonging to households and to non-bank financial intermediaries. Apart from the above-mentioned shift into more liquid monetary assets, the steep decline in short-term deposits may have been accentuated by issues of securities by both the Government and the corporate sector, the latter offering relatively attractive returns.

Overall, therefore, residents' deposits, which were broadly stable in the previous quarter, resumed their downward trend, contracting by 1.3% during the quarter reviewed. As a result, their annual rate of growth turned negative, falling from 0.8% in June to -3.1% in September (see Chart 2.18). This decline stemmed entirely from the drop in deposits with an agreed maturity of up to two years, which account for just over half of residents' deposits.

Going into the fourth quarter of 2009, the year-on-year rate of growth of deposits belonging to residents remained negative, but the rate of decline slowed down to -1.0% in November, mainly reflecting a further pick-up in overnight deposits.

Although the ECB kept official interest rates unchanged throughout the third quarter, the weighted average interest rate on residents' deposits declined by 26 basis points during the period, reaching 1.62% by the end of September. Average interest rates on demand and savings deposits fell by 2 and 4 basis points, respectively, to 0.27% and 0.33%, but the aver-

**Chart 2.18**
**CONTRIBUTIONS TO ANNUAL GROWTH IN RESIDENTS' DEPOSITS**
*(percentage points; annual percentage changes)*




Source: Central Bank of Malta.

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

| | 2008 | | 2009 | | |
|---|---|---|---|---|---|
| | Sep. | Dec. | Mar. | June | Sep. |
| **New business** | | | | | |
| **Households and NPISH** | | | | | |
| Overnight deposits[2,3] | 1.38 | 0.57 | 0.34 | 0.32 | 0.29 |
| Savings deposits redeemable at notice up to 3 months[2,4] | 3.30 | 2.09 | 1.74 | 1.71 | 1.70 |
| Time deposits with agreed maturity | | | | | |
| Up to 1 year | 4.09 | 3.06 | 2.01 | 1.86 | 1.79 |
| Over 1 and up to 2 years | 4.33 | 4.60 | 3.70 | 3.29 | 3.04 |
| Over 2 years | 4.64 | 5.54 | 3.32 | 3.36 | 3.13 |
| **Non-financial corporations** | | | | | |
| Overnight deposits[2,3] | 1.26 | 0.64 | 0.33 | 0.22 | 0.23 |
| Time deposits with agreed maturity | 4.46 | 2.60 | 1.58 | 1.64 | 1.33 |

(1) Annualised agreed rates on euro-denominated deposits belonging to households and non-financial corporations that are residents of Malta.
(2) For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.
(3) Overnight deposits include current accounts and savings deposits withdrawable on demand.
(4) Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.
Source: Central Bank of Malta.

age rate on time deposits fell much more sharply, shedding 39 basis points to 2.55%.[15] MFI interest rates on newly opened accounts also declined significantly during the period. In particular, those on time deposits belonging to households with an agreed maturity of over 1 and up to 2 years and over 2 years fell by 25 and 23 basis points, respectively (see Table 2.13).[16] This sharp fall in deposit rates during the quarter reviewed may reflect the lagged effect of the earlier cuts in official interest rates. Furthermore, given that declines in overnight deposit rates were smaller, these drops offer an additional explanation for the observed shifts into more liquid deposits mentioned earlier.

Although official rates remained unchanged during October and November, the weighted average deposit rate dropped by a further 13 basis points, ending November at 1.49%. Though most deposit rates were broadly stable, those on new time deposits belonging to households declined, whereas rates on time deposits placed by non-financial corporations rose.

### *Credit continues to expand*

During the third quarter of 2009 credit to residents continued to expand, albeit at a slower pace, growing by 1.8% as opposed to 3.4% in the June quarter (see Table 2.14). In absolute terms, growth was driven by a rise in credit to 'other residents' though credit to general government also contributed. On a year-on-year basis, the rate of growth of credit decelerated to 11.1% in September, from 11.8% in June (see Chart 2.19).

15 In this context, savings deposits include those that are withdrawable on demand. The latter are included with overnight deposits in MIR statistics.
16 MFI interest rates (MIR) 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.

**Table 2.14**
**CREDIT TO MALTESE RESIDENTS**
*EUR millions; percentage changes on the previous quarter*

| | 2009 | 2008 | | 2009 | | |
|---|---|---|---|---|---|---|
| | Sep. | Q3 | Q4 | Q1 | Q2 | Q3 |
| **Total credit** | **9,478.0** | **2.4** | **3.9** | **1.6** | **3.4** | **1.8** |
| Credit to general government | 1,918.7 | 0.0 | 5.8 | 3.6 | 11.9 | 3.4 |
| Credit to other residents | 7,559.3 | 3.0 | 3.5 | 1.1 | 1.5 | 1.4 |

Source: Central Bank of Malta.

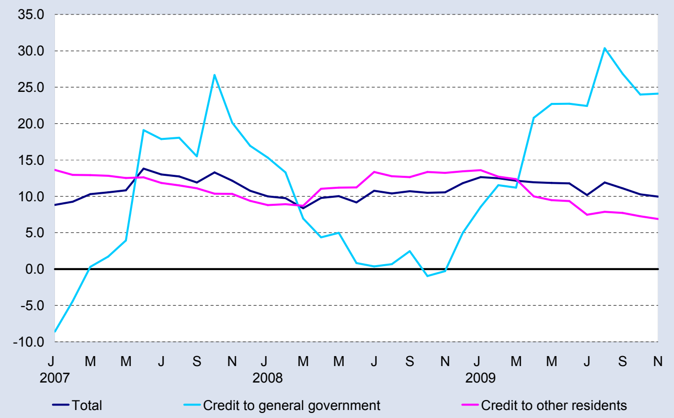
After having surged by 11.9% during the June quarter, credit to general government expanded by a further 3.4% during the quarter reviewed, as an increase in credit institutions' holdings of Malta Government Stocks outweighed a drop in their holdings of Treasury bills. On an annual basis, growth in credit to general government continued to accelerate, rising from 22.7% in June to 26.9% in September.

Credit to other residents rose by 1.4% during the September quarter, slightly less than the 1.5% increase of the preceding quarter (see Table 2.14). The slowdown took place despite the addition of half-yearly accrued interest to borrowers' loan accounts in September. Loans, which account for almost all such credit, put on 1.5% (see Table 2.15). Growth stemmed mainly from credit to the non-bank private sector, which expanded by 1.2%, driven largely by lending to households, mostly for house purchases, and to the real estate, renting & business activities sector. In contrast, loans to the construction sector, to hotels & restaurants and to the wholesale & retail trade sector declined, reflecting the subdued activity in these sectors during the quarter. In addition, with the banks tightening credit conditions earlier in the year, some firms tapped the domestic capital market for funding rather than resorting to bank credit.

Meanwhile, credit to the non-bank public sector also rose significantly, boosted by increased lending to the electricity, gas & water supply sector and the transport, storage & communications sector.

The slowdown in credit growth during the quarter reviewed also resulted in a lowering of the annual rate of growth of credit to other residents. Although still strong, this fell to 7.7% in September from 9.3% in June (see Chart 2.19) and mainly reflected a drop in the annual growth rate of credit to the non-bank private sector. Credit growth to the latter in fact declined to 7.3% in September from 9.1% three months earlier and was broad-based across the sub-sectors. Notwithstanding the deceleration in credit growth to the private sector the persistence of a relatively high rate of growth reflects, so far, a positive response by the

**Chart 2.19**
**CREDIT TO RESIDENTS**
*(annual percentage changes)*




Source: Central Bank of Malta.

**Table 2.15**
**CREDIT TO OTHER RESIDENTS[(1)]**
*EUR millions*

| | 2009 June | 2009 Sep. | Change Amount | Change % |
|---|---|---|---|---|
| **Total credit** | **7,451.7** | **7,559.3** | **107.6** | **1.4** |
| Credit to the non-bank private sector | 6,900.9 | 6,986.3 | 85.4 | 1.2 |
| Credit to the non-bank public sector | 550.8 | 573.0 | 22.2 | 4.0 |
| **Total loans** | **7,240.5** | **7,347.9** | **107.4** | **1.5** |
| Electricity, gas & water supply | 340.8 | 359.9 | 19.1 | 5.6 |
| Transport, storage & communication | 434.7 | 440.1 | 5.4 | 1.2 |
| Agriculture & fishing | 28.8 | 34.8 | 6.0 | 21.0 |
| Manufacturing | 286.4 | 297.0 | 10.7 | 3.7 |
| Construction | 739.5 | 736.0 | -3.5 | -0.5 |
| Hotels & restaurants | 469.5 | 466.1 | -3.4 | -0.7 |
| Wholesale & retail trade; repairs | 768.6 | 765.2 | -3.4 | -0.4 |
| Real estate, renting & business activities | 983.9 | 1,013.2 | 29.4 | 3.0 |
| Households & individuals | 3,004.9 | 3,072.6 | 67.6 | 2.3 |
| Other[(2)] | 183.5 | 163.0 | -20.4 | -11.1 |

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

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

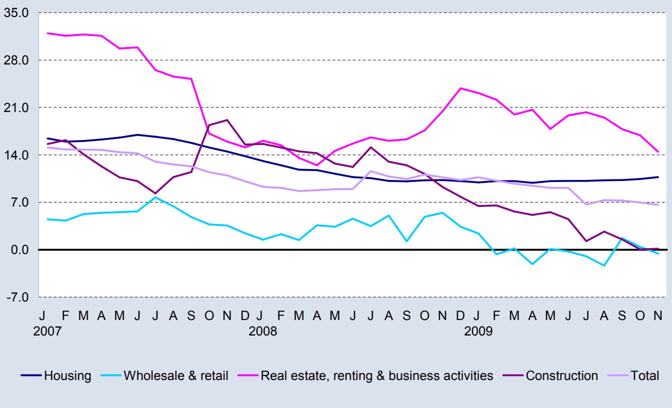
Source: Central Bank of Malta.

domestic banking system to the demand for loans from their customers and the relatively muted impact of the economic downturn on loan demand, particularly from the household sector. This contrasts significantly with developments in the euro area as a whole, where credit growth to the private sector turned negative in September.

Over the year to September, growth in lending to the private sector was again mainly driven by mortgages, which continued to expand steadily and accounted for nearly half of the annual expansion in private sector borrowing (see Chart 2.20). In contrast, the annual rate of growth of credit to other major borrowing sectors, notably construction, declined. In absolute terms, bank lending to the private sector continues to be dominated by loans to households, which alone accounted for around two-fifths of total private sector borrowing.

Meanwhile, credit granted by resident MFIs to other residents of the euro area contracted for the second consecutive quarter, dropping by EUR48.1 million to

**Chart 2.20**
**ANNUAL PRIVATE SECTOR LOAN GROWTH**
*(annual percentage changes)*




Source: Central Bank of Malta.

EUR2,218.6 million. This mainly reflected a further decline in lending to non-bank financial intermediaries.

Going into the fourth quarter of 2009 credit to residents of Malta decelerated further, with the year-on-year growth rate falling to 10.0% in November, as growth in credit to both the general government and to other residents slowed down, reaching 24.1% and 6.9%, respectively.

Credit growth continued to be supported by favourable bank lending rates, which stood at their lowest levels in ten years. Indeed, the weighted average interest rate on residents' loans remained unchanged at 4.48% during the September quarter, although movements in MFI rates on new loans were mixed. For instance, while rates on consumer credit to households and overdrafts increased by 3 and 8 basis points, respectively, to 5.74% and 6.49%, those on lending for house purchases dropped by 18 basis points to 3.40% (see Table 2.16). Interest rates on new corporate loans also rose.

In the following quarter, the weighted average lending rate on residents' loans dipped by 2 basis points, reaching 4.46% in November. On the other hand, while MFI interest rates on overdrafts and loans to non-financial corporations declined, those on lending to households rose.

The Bank Lending Survey conducted in October 2009 indicated that credit standards in respect of lending to enterprises and households remained unchanged during the third quarter.[17] At the same time, while the demand for loans by enterprises remained stable, some banks reported a decrease in the demand by households. Although credit conditions and the demand for credit are expected to remain generally unchanged during the fourth quarter, some banks anticipated a degree of tightening as well as a drop in loan demand.

**Table 2.16**
**MFI INTEREST RATES ON LOANS TO RESIDENTS OF MALTA**[(1)]
*Percentages per annum; weighted average rates for the period*

| | 2008 | | 2009 | | |
|---|---|---|---|---|---|
| | Sep. | Dec. | Mar. | June | Sep. |
| **New business** | | | | | |
| **Households and NPISH** | | | | | |
| Overdrafts[(2)] | 7.99 | 7.16 | 6.19 | 6.41 | 6.49 |
| Loans | | | | | |
| Lending for house purchases | 5.44 | 3.84 | 3.46 | 3.58 | 3.40 |
| Consumer credit[(3)] | 7.30 | 6.12 | 5.50 | 5.71 | 5.74 |
| Other lending | 7.31 | 6.44 | 5.58 | 5.81 | 5.72 |
| **Non-financial corporations** | | | | | |
| Overdrafts[(2)] | 6.69 | 5.30 | 4.91 | 5.03 | 5.09 |
| Loans[(3)] | 6.66 | 5.50 | 5.64 | 5.43 | 5.53 |

(1) Annualised agreed rates on euro-denominated deposits belonging to households and non-financial corporations that are residents of Malta.
(2) For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.
(3) Excludes bank overdrafts.
Source: Central Bank of Malta.

17 The Bank Lending Survey 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 Bank Lending Survey is being carried out as part of a quarterly exercise by the Eurosystem across the entire euro area.

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

| | 2009 | 2009 | Change | |
|---|---|---|---|---|
| | June | Sep. | Amount | % |
| **External counterpart** | **6,751.3** | **6,919.2** | **167.8** | **2.5** |
| Claims on non-residents of the euro area | 25,252.0 | 25,268.7 | 16.8 | 0.1 |
| Liabilities to non-residents of the euro area | 18,500.6 | 18,349.5 | -151.1 | -0.8 |
| **Other counterparts (net)(2)** | **10,365.7** | **10,890.6** | **524.9** | **5.1** |

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

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

During the third quarter of 2009, the external counterpart of broad money, which consists of net claims on non-residents of the euro area, increased by EUR167.8 million, or 2.5% (see Table 2.17). This was mainly because liabilities to non-residents of the euro area contracted significantly, mainly due to a drop in loans taken up by resident banks. Furthermore, claims on non-residents of the euro area rose moderately, as increased holdings of government securities and bank deposits belonging to resident credit institutions offset a drop in loans.

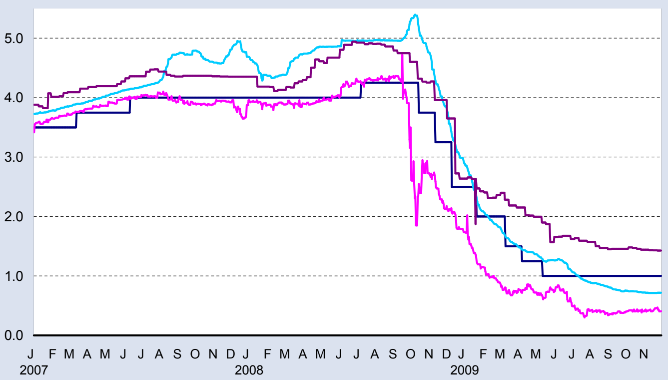
Other counterparts (net) increased by EUR524.9 million, or 5.1%, during the quarter. A rise in longer-term financial liabilities, mostly in the form of retained earnings and unrealised fair value reserves, was the main factor behind this development. Long-term deposits excluded from M3 also increased, boosting other net counterparts.

### *Money market rates decline further*

The ECB kept official interest rates unchanged during the third quarter of 2009, leaving the MRO rate at 1.00%. But money market rates in the euro area declined during the period, with the three-month EURIBOR falling from 1.10% at end-June to 0.75% at the end of September (see Chart 2.21)

At the same time, primary market yields on domestic three-month Treasury bills also fell, though to a lesser extent, from 1.68% at end-June to 1.46% at end-September. Besides developments in euro area money markets, the fall in yields may have reflected the fact that the Treasury issued fewer bills in the light of the August issue of longer-term securities in the primary market. In fact, the value of bills issued during the September quarter stood at EUR403.4 million, down by EUR133.8 million compared to the preceding quarter. Three-month bills accounted for more than half of the amount

**Chart 2.21**
**MONEY MARKET INTEREST RATES**
*(percentages per annum, daily rates)*



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

issued, with the remainder being more-or-less evenly split between six-month and nine-month bills. Banks bought more than three-fourths of the bills issued, while another 15% was taken up by money market funds.

Turnover in the secondary market for Treasury bills also declined, falling to EUR58.6 million, from EUR69.9 million in the second quarter. Almost all transactions involved the Central Bank of Malta, which bought and sold EUR50.0 million and EUR5.4 million worth of bills, respectively, in its role as market-maker. Over the quarter secondary market yields moved in tandem with those in the primary market, with the yield on the three-month bill falling by 17 basis points to 1.46% by end-September.

Meanwhile, in the broader euro area money market, yields on benchmark three-month government securities shed 19 basis points, as tensions in the area continued to unwind and market conditions stabilised further in response to the ECB's credit support measures. As the corresponding domestic yields fell less markedly, the differential between Maltese and euro area short-term yields widened slightly, ending September at 107 basis points (see Chart 2.21).[18,19]

Going into the fourth quarter, domestic money market yields extended their downward trend, ending November at 1.43%, while rates on three-month euro area government securities rose to 0.41%. Consequently, by end-November the differential between Maltese and euro area short-term yields narrowed to 102 basis points.

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

The Government continued to raise funds through bond issues during the third quarter of 2009, offering two fungible stocks with a total value of EUR89.8 million in August. The stocks had terms to maturity of four and twelve years, and offered coupon rates of 3.6% and 5.0%, respectively. Three-fourths of the amount issued was sold by auction, mostly to credit institutions, while the remainder was purchased at fixed prices, predominantly by households.

As in the previous two quarters, the third quarter was also characterised by substantial issues of corporate securities on the primary market. Indeed three corporate bond issues, with a total value of EUR85 million, took place during the period, with firms in the tourism industry being particularly active. International Hotels Investments plc issued EUR35 million worth of bonds carrying a coupon rate of 6.25% and redeemable between 2015 and 2019, while Tumas Investments plc issued EUR25 million worth of bonds carrying a coupon rate of 6.25% and redeemable between 2014 and 2016. Additionally, Corinthia Finance plc issued EUR25 million worth of bonds carrying a coupon rate of 6.25% and redeemable between 2016 and 2019. The latter issue was partly earmarked for the redemption of the 6.7% Corinthia Finance plc bond, which matured in October 2009. All three issues were oversubscribed and in each case the over-allotment option was exercised in full.

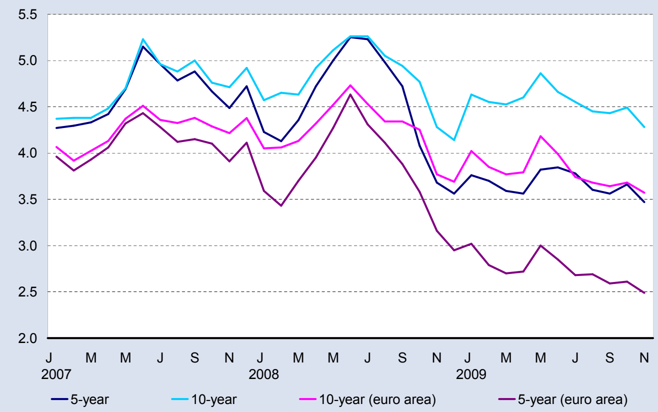
Turnover in the secondary market for government bonds during the September quarter increased by EUR16.9 million to EUR76.6 million. The Central Bank of Malta, acting as market-maker, accounted for more than two-thirds of the value traded, which focused mainly on short-term bonds. In tandem with euro area yields, 5-year and 10-year domestic government bond yields

[18] 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.

[19] 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.

declined during the third quarter, falling by 28 and 23 basis points, respectively, to end September at 3.56% and 4.43% (see Chart 2.22).[20] The differential between domestic and euro area yields on 10-year government securities widened by 12 basis points to 79 points during the quarter, while that on 5-year bonds was broadly unchanged.

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




Sources: Central Bank of Malta; ECB.

Activity in the secondary market for corporate bonds increased considerably during the September quarter, with turnover more than doubling, from EUR 6.1 million to EUR12.9 million. Trading was concentrated on five securities, with yields generally declining.

Meanwhile, turnover in the equity market almost halved when compared to the preceding three months, falling from EUR8.3 million to EUR4.2 million. Bank shares accounted for more than two-thirds of the total turnover. Nevertheless share prices recovered, in line with equity markets worldwide, resulting in an 8.9% rise in the MSE share index, which ended September at 3,201.52 (see Chart 2.23).

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


Source: MSE.

Going into the fourth quarter of 2009, yields on 5-year and 10-year government bonds declined further, falling to 3.47% and 4.28%, respectively, in November. Concurrently, equity prices continued to rise, pushing up the MSE share index by an additional 4.1% from its end-September level, to 3,331.25.

[20] Euro area yields are computed on the basis of AAA-rated euro area central government bonds.

## BOX 5: ECONOMIC PROJECTIONS FOR 2009 AND 2010

### Outlook for the Maltese economy[1]

Reflecting the impact of the global recession on external demand, the Maltese economy contracted by an estimated 2.2% in 2009. The Central Bank of Malta's forecast for 2010 points to a recovery, with GDP projected to grow by 1.1%, although this remains below the average for recent years. The forecast takes into account the latest economic data and revisions to technical assumptions that mainly relate to external factors.[2]

The contraction in 2009 appears to have affected all expenditure components of GDP. Private consumption is expected to decline by 1.1%, on the back of softer conditions in the labour market and the consequent decline in real disposable incomes. Gross fixed capital formation is also projected to fall, by 6.4%, on account of a weaker housing market and lower private investment in machinery and equipment. The latter, in turn, reflects an ongoing cautious approach adopted by the business sector in the face of reduced global demand and excess capacity, especially in the manufacturing sector. The expected contraction in private sector investment will, however, be partly offset by a strong rise in public investment. Meanwhile, public consumption is projected to fall in 2009, though this largely reflects a base effect due to the sharp increase in 2008 that was mostly due to a one-off factor, the inclusion of the Malta Shipyards company in the General Government sector. As a result of these trends in the investment and consumption components, domestic demand is projected to have contributed significantly to the decline in economic activity in 2009.

By contrast, net exports are projected to contribute positively to GDP growth in 2009, partly offsetting the negative impact of domestic demand. Although exports are expected to contract by 7.5% in response to depressed foreign demand, imports are expected to fall even more steeply. In the case of exports, the manufacturing and tourism sectors are the most negatively affected while growth in other services, mostly related to business activities, is expected to slow down. The decline in imports largely mirrors the fall in exports and the weakness of private consumption and investment, both of which have a high import content. Furthermore, import volumes were also affected by a depletion of inventories as industrial sentiment continued to be undermined by the deterioration in external demand. In fact, inventories are projected to contribute negatively to growth in 2009.

The Bank's forecast of a low but positive rate of growth in 2010 is based on a recovery in domestic demand. Private consumption is expected to expand modestly, driven by an improvement in real disposable incomes. Public sector consumption, on the other hand, is projected to contract further, partly as a result of base effects but also due to the Government's efforts to rein in recurrent expenditure.

This notwithstanding, domestic demand is expected to be boosted by a rise of over 10% in gross fixed capital formation, the latter underpinned by a further sharp rise in public sector expenditure on the infrastructure. In addition, investment in machinery and equipment and in commercial construction is expected to return to positive growth, although investment in dwellings is expected to decline further.

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[1] The Bank's forecast for the Maltese economy in 2009 and 2010 is based on information available up to 13 November 2009 and is conditioned by the technical assumptions indicated in Table 1.

[2] The previous projections were published in the *Quarterly Review* 2009:2, pages 53-55.

**Table 1**
**PROJECTIONS OF THE MAIN MACROECONOMIC AGGREGATES FOR MALTA**

| | 2008[1] | 2009[2] | 2010[2] |
|---|---|---|---|
| **Real economic activity (% change)** | | | |
| GDP | 2.1 | -2.2 | 1.1 |
| Private consumption expenditure | 4.9 | -1.1 | 0.9 |
| Government consumption expenditure | 12.6 | -1.6 | -1.8 |
| Gross fixed capital formation | -21.8 | -6.4 | 10.4 |
| Inventories (% of GDP) | 3.4 | -1.6 | -0.6 |
| Exports of goods & services | -5.4 | -7.5 | 1.5 |
| Imports of goods & services | -5.8 | -10.7 | 3.0 |
| **Contribution to real GDP growth (in percentage pts)** | | | |
| Domestic demand | 1.2 | -2.1 | 1.7 |
| Net exports | 0.7 | 3.0 | -1.0 |
| Inventories | 0.2 | -3.1 | 0.4 |
| **Balance of payments (% of GDP)** | | | |
| Goods and services balance | -3.2 | 0.5 | -0.8 |
| Current account balance | -5.4 | -4.9 | -5.9 |
| **Labour market** | | | |
| Total employment (% change) | 2.5 | -0.5 | 0.4 |
| Unemployment rate (% of labour supply) | 5.9 | 7.1 | 7.5 |
| **Prices and costs (% change)** | | | |
| Overall HICP | 4.7 | 1.8 | 1.7 |
| HICP excluding energy | 4.1 | 2.1 | 1.0 |
| Retail price index | 4.3 | 2.2 | 2.2 |
| Compensation per employee | 3.5 | 1.8 | 2.2 |
| Unit labour cost | 4.0 | 3.8 | 1.3 |
| **Public finances (% of GDP)** | | | |
| General government balance | -4.7 | -4.1 | -4.3 |
| Government debt | 63.6 | 68.0 | 70.3 |
| **Technical assumptions** | | | |
| Eur/US$ exchange rate | 1.471 | 1.395 | 1.486 |
| Oil price (US$ per barrel) | 97.7 | 62.2 | 81.4 |
| 10-year euro area bond yield (%) | 4.36 | 4.04 | 4.13 |

[1] NSO News Release 156/2009 published on 9 December 2009.

[2] Central Bank of Malta projections.

Meanwhile, the recovery in external demand should have a positive impact on domestic exports, although growth will still be relatively modest, at 1.5%. Imports are expected to recover more strongly, boosted by the expected rise in domestic demand. At the same time, a build-up of inventories should contribute positively to growth in 2010.

With regard to the labour market, by the end of 2009 employment is expected to have fallen by 0.5%, largely on account of job losses in manufacturing and a further decline in public sector employment, especially at the shipyards. The unemployment rate is thus projected to rise to 7.1% by the end of the year.

In 2010, employment growth is projected to turn positive again. However, as the labour force is expected to increase at a faster pace, the unemployment rate is forecast to rise further to 7.5%.

The weakness in the labour market is expected to result in an easing of wage pressures, so that average growth in wages is not seen to exceed 1.8% in 2009. In 2010, wage growth is forecast to pick up to 2.2%, mainly in response to a cost of living adjustment (COLA) as a result of the relatively high rate of inflation experienced between October 2008 and September 2009. Despite this pick-up in wages, growth in ULC during 2010 is expected to decelerate to 1.3% as higher levels of productivity are recorded.

During the forecast horizon, the Bank expects HICP inflation to retreat significantly from the relatively high rate of 4.7% registered in 2008. In 2009 it is projected to ease to 1.8%, partly reflecting the base effect related to the spike in energy prices in the second half of 2008. Other factors contributing to the fall in inflation during 2009 were the drop in prices of other industrial goods following the reform in the method of taxation of motor vehicles, and weaker demand. More modest increases in the prices of services, in part reflecting a drop in hotel accommodation rates, are also expected to have contributed to lower inflation.

In 2010 inflation is projected to ease further, to 1.7%, although lower inflation in food and services prices will be offset almost completely by a strong rise in energy prices and an expected return to positive rates of inflation in non-energy industrial goods.

As for the external account, in nominal terms the Bank is forecasting a surplus of 0.5% of GDP in the goods and services balance in 2009. Thus a decline in exports is projected to be exceeded by a drop in imports, partly for the reasons explained above and partly because of a decline in the fuel import bill as a result of the sharp fall in international oil prices in the first half of 2009. In 2010 the recovery in domestic demand, coupled with the rise in oil prices, is expected to boost imports, outpacing the projected recovery in exports. As a result, the external goods and services balance is forecast to record a deficit of 0.8% of GDP.

### Risks to the projections

Although some signs of recovery have emerged in the global economy, the situation continues to be characterised by uncertainty and volatility. The Maltese economy has been and continues to be adversely affected by these external conditions. Consequently, in the prevailing situation, the Bank's economic projections for 2010 are similarly characterised by a high degree of uncertainty.

Risks to the projections hinge mainly on the outlook for trading partner countries, where, on balance, risks still appear to be slightly tilted towards the downside. Malta's net export growth, and thus its GDP growth, could also be negatively affected by a further appreciation of the euro given its high level of export trade with countries outside the euro area.

Downside risks to growth may also emerge from lower demand from euro area countries, while possible increases in food and energy prices may have an adverse impact on consumer confidence, thus dampening private consumption. A further, downside risk may also stem from the situation in the domestic property market, where the downward trend in prices could be extended by a further contraction in demand.

Risks to inflation projections appear to be slightly tilted towards the upside for 2010 on account of risks from commodity prices and possible second-round effects. Furthermore, despite the down-side risks to growth, an easing of inflationary pressures may fail to materialise in certain sectors on account of market imperfections. On the other hand, hotel accommodation prices, which have a significant weight in the HICP, may be subject to further downward pressure due to the high degree of competition in the tourism sector and because prospects for a recovery in the market remain uncertain.

## ACHIEVING SUSTAINABLE GROWTH AFTER THE RECESSION[1]

**Michael C Bonello**
*Governor of the Central Bank of Malta*

### An improving external environment …

At this time last year the global economy was entering a severe recession as a result of the shock waves transmitted from the financial markets after the collapse of Lehman Brothers in September. It was only the resolute and timely interventions by governments and central banks that prevented a repeat of the catastrophic consequences of a 1930s-style depression.

The worst of the recession now thankfully appears to be behind us. Financial conditions worldwide have improved. Risk premia in money and credit markets have dropped to pre-crisis levels and equity markets have registered strong gains. Although at a slow pace, growth has resumed, boosted by the strong performance of Asian economies and a degree of stabilization in industrialized countries.

The euro area economy, too, has been improving, and finally emerged from recession in the third quarter on the back of stronger external demand. A word of caution is warranted, however, because the experience of recessions that followed financial crises suggests that the recovery will only be gradual. Both the IMF and the European Commission expect the world economy to expand by only about 3 per cent next year, compared with an average of 5 per cent in 2004 - 2007.[2] This expansion, moreover, is expected to be led by emerging economies, especially in Asia, because growth in the industrialised economies is forecast to average below 2 per cent.

The recovery in the euro area is similarly expected to be modest. The Commission forecasts growth rates of 0.7 per cent in 2010 and 1.5 per cent in 2011. Foreign demand is seen as the main engine of growth, while the required de-leveraging of balance sheets in the financial sector, along with excess capacity and unemployment heading for double digit levels will continue to weigh on domestic demand.

In short, a recovery that will be both weak and protracted by historical standards, and characterised by credit constraints and reduced levels of consumption and investment, as both consumers and firms seek to repair balance sheets. In the process, export markets will become more competitive.

### … could benefit the Maltese economy

Although euro area membership cushioned the domestic impact of the global crisis, the economy's resilience has come under strain. As expected in an open economy, the shock was transmitted primarily through the trade channel as external demand shrank. Following average annual growth of almost 4 per cent in 2005-2007, the pace slowed to 2.1 per cent last year. The contraction was particularly pronounced in the manufacturing and tourism sectors, though ongoing expansion in the services sector mitigated the overall decline. The government measures targeted to support affected companies, moreover, served to contain job losses, such that the unemployment rate

[1] Speech given at the Annual Dinner of the Malta Institute of Financial Services on 27 November 2009.
[2] The IMF's forecasts, published in the World Economic Outlook (October 2009), cover 2009 and 2010. The forecasts in the European Commission's Autumn 2009 Economic Forecasts extend to 2011.

has remained below that of the euro area. Until very recently, inflation, however, has failed to drop as fast as in the euro area, acting as a drag on purchasing power. These trends produced a sharp drop in output in the first half of the year and the Bank expects annual real GDP to shrink by about 2.2 per cent.

Looking ahead, we expect economic activity to pick up over the next two years, but growth, while positive, will likely remain below trend. Exports will be conditioned by weak growth prospects abroad and by unfavourable cost trends in the price-sensitive electronics and tourism sectors. Private consumption should remain relatively subdued on account of continuing high unemployment and slow income growth.

In this scenario, the risks to the domestic macroeconomic outlook could tilt to the downside if the expected revival abroad fails to materialize and if investment falters. So while the impact of the recession has not been severe and seemingly effective counter measures have been, and continue to be, taken, there is clearly no room for complacency. Today more than ever, Malta's heavy reliance on external demand underscores the importance of strengthening competitiveness. Sustainable growth will not be possible unless we consistently produce goods and services that meet the test of competitive and increasingly sophisticated markets.

This represents a major challenge, particularly for an economy that is burdened by both internal and external imbalances. I shall return to the former, and specifically to the fiscal imbalance, later on. On the external front, the current account has, with the exception of 2002, been in deficit since the mid-1990s. This could be a sign of structural weaknesses that limit the economy's ability to expand its productive capacity and exports. In other words, the external deficit may reflect an insufficient degree of international competitiveness.

A medium-term analysis of the relationship between productivity, wages and unit labour costs suggests that this is indeed the case. Between 2000 and 2008, productivity grew by 3.6 per cent but nominal wages increased seven times faster, by almost 28 per cent. As a result, unit labour costs rose by more than 23 per cent during this period, compared with 15 per cent in the euro area. Thus, despite the more moderate pace of relative cost growth during the last few years, Malta must still recover the ground lost in the early years of this decade. In the absence of relevant data, a sectoral diagnosis is not possible, but given that the export sector is a price taker and continues to attract investment, it is likely that the greatest effort must be made by other, mainly non-traded, sectors, including the public sector.

To a large extent, Malta's weak productivity record explains why per capita GDP in relation to the euro area average has stagnated at around 70 per cent since 2003. It is true that this subdued productivity performance was partly offset by higher labour utilisation in the past two years, but the latter is still some 88 per cent of the euro area level. This analysis suggests that the economy's growth potential can indeed be raised. This should be a key objective. As things stand, for example, should the Commission's growth projections prove accurate, in 2011 Malta's real GDP would only have recovered to its 2008 level.

It would appear, therefore, that as the economy responds to a gradual improvement in external demand, it may still be constrained by its own rigidities. Removing these obstacles and correcting the resultant imbalances is, therefore, a precondition for achieving more rapid growth, which in turn is the key to accelerating convergence with euro area income levels.

### Faster growth is achievable but depends on …

The Roman writer Ovid said that times change and we change with them. That may be so, but what really matters in today's circumstances is how rapidly we read the signs of the times and adapt to them. I will focus on three directions of necessary change. The first is towards greater competitiveness. The second, and related thrust, would be to promote higher productivity. The third focuses on fiscal consolidation and the pursuit of sound public finances. Before proceeding, however, I should stress that none of these objectives is attainable without further structural reforms, debunking the popular notion that the State has an unlimited capacity to satisfy demands for free goods and services and an end to inefficient practices that involve subsidies.

### … greater cost competitiveness …

First of all, in Malta's case sustained economic growth depends largely on our ability to attract export-oriented foreign direct investment. Given the past increases in unit labour costs, the only way of maintaining a competitive edge is by ensuring that these costs rise by less than those of our competitors. The magnitude of the task is compounded by the fact that a high proportion of Malta's exports go to non-euro area countries whose currencies have tended to depreciate against the euro.

In this regard, the example of Germany is significant. Despite the appreciation of the euro, the real effective exchange rate based on unit labour costs actually declined by almost 2 per cent in 2000-2008, primarily because wage growth was moderate and was, in any case, accompanied by productivity gains. The resulting strong competitive position enabled Germany to take full advantage of the global rebound, becoming one of the first, and few, countries to register positive growth in the second quarter of this year.

There is a clear message implied here, that wage adjustments not accompanied by more efficient production methods result in a gradual erosion of a country's competitiveness, especially when inflation is driven by internal cost pressures as in Malta today. A priority task, therefore, should be to change market structures and practices that tend to distort prices. A parallel endeavour should be to foster a culture where wage increases reflect higher productivity.

The first challenge then is inflation. We cannot compete successfully in export markets if prices rise faster here than abroad. For instance, despite the downward correction in global food commodity prices since mid-2008, prices in Malta have continued to rise. Last year, a similar movement in restaurant prices reinforced the upward inflation trend. This suggests that some markets do not function efficiently. In this regard, the recent decision to scrutinise the operations of the wholesale fruit and vegetable market is most welcome. The relevant authority should also ensure, however, that the lower cost of imports from outside the euro area resulting from the appreciation of the euro is passed on to the consumer.

Another factor contributing to domestic cost pressures is the mechanism for the partial indexation of wages, or COLA. It is estimated that the COLA accounted for one-half of the increase in the average wage in 2004 - 2008. While its impact on public sector pay is limited up to 2010 by the terms of the collective agreement, this is not necessarily the case in the private sector. Any benefit that this mechanism may be perceived to have in terms of stable industrial relations must be weighed against its potential to ratchet price levels upwards, so that the initial improvement in earnings may prove to be short lived. This is because the higher wage costs that employers incur tend to be passed on in higher end prices, with the resulting inflationary impact feeding into the following year's indexed wage adjustment. Thus, an attempt to restore consumers' purchasing power feeds a wage-price spiral in which there are no winners, only a possible loss of competitiveness.

Experience shows that in a currency union it is only if accompanied by productivity gains that wages can increase without being harmful in the long run. Furthermore, recent studies indicate that wage indexation is a major factor amplifying the transmission of oil shocks to the prices of non-energy products.[3] Considerable welfare gains could be achieved, therefore, if agreement were reached by the social partners to gradually phase out COLA and replace it with a productivity-linked wage mechanism negotiated at enterprise level.

### … higher productivity …

Competitiveness is not only about keeping costs down. It is also about higher productive efficiency and increasing the value added content of exports. Encouraging progress in this direction has been made, especially since Malta joined the EU. One need only mention the expanding pharmaceuticals and aircraft maintenance sectors, as well as the steadily increasing surplus in the services component of the current account, which has remained quite resilient during the recent turmoil.

We cannot, however, rest on our laurels for the record shows that overall labour productivity has declined from more than 90 per cent of the euro area average in 2000 to 79 per cent last year. A key consideration here is the extent to which resources are allocated to capital formation rather than consumed. Between 2000 and 2008 the share of gross fixed capital formation averaged 19 per cent of GDP in Malta, compared with 21 per cent in the euro area. In 2008 the share fell to 15 per cent for Malta. There is clearly scope for improvement. In this regard, the Budget for 2010 provides several incentives that are conducive to a stronger productivity performance, particularly concerning SMEs and research and development.

Beyond capital deepening, improved prospects for productivity growth also require a heightened awareness that inefficient work practices, including over manning, slow down output growth and threaten the sustainability of employment and income levels. The concept of value for money that is increasingly determining consumer behaviour should be given equal importance in the workplace.

There also exists potential for creating a more congenial business climate to reinforce Malta Enterprise's investment promotion strategy. In a recent survey of corporations, a reduction in bureaucracy topped the list of measures that were considered necessary to further enhance Malta's attractiveness as a location for foreign direct investment.[4] Education policies, too, can play a role by strengthening the country's human capital, particularly by promoting greater synergies between educational institutions and industry.

In assessing the role of productivity, it is well to reflect on the words of the Nobel laureate Paul Krugman, who said "productivity is not everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker".[5]

[3] Structural Issues Report 2010, which focuses on the impact of the energy markets on the macroeconomy. A detailed report is to be published next year in the form of an ECB Occasional Paper.
[4] Weathering the challenges, in Ernst & Young's 2009 Malta Attractiveness Survey.
[5] Paul Krugman, The Age of Diminished Expectations: US Economic Policy in the 1980s, MIT Press, 1992.

### …and sound public finances

The third policy priority is to achieve sustainable public finances. The process of fiscal consolidation must resume in earnest once the recovery materialises. For a start, each year's deficit translates into higher debt and debt-servicing burdens, which already stand at 67 per cent and 3.4 per cent of GDP, respectively.[6] Put differently, the 196 million euro in interest due on the debt next year is equivalent to what the Government would spend on medicines in three years at today's prices. To complete this perspective, despite the reduction planned from 2011, the general government deficit in that year is still expected to remain just above the 3 per cent benchmark, and the forecast reduction to 2.9 per cent in 2012 is contingent on seemingly optimistic nominal growth assumptions.

What are the options for reducing the deficit? Since any increase in the tax burden, already high at around 40 per cent of GDP, would have a negative impact on competitiveness, expenditure restraint seems to be the only possibility. This option is more complex than it might seem, however, because of the structure of recurrent government spending. Fixed commitments in the form of wages, social transfers and interest on the public debt absorb more than two-thirds of the total. Furthermore, these expenditures are destined to grow autonomously. This is because, while the ongoing reduction in the public service headcount may restrain growth in wage costs, the impact of the slow pace of planned fiscal consolidation on the debt servicing burden and, in the longer term, of population ageing on the health and pensions budgets, cannot be easily avoided. In these circumstances, cutting the deficit while at the same time rebalancing the thrust of fiscal policy towards investment in growth-enhancing projects will be difficult. A determined effort must nevertheless be made.

Areas which offer scope for rationalisation include health care and education, which have both been identified as producing relatively less efficient outcomes in terms of output compared with the EU average. Further savings could also be realised in the areas of social transfers to households and subsidies to enterprises. The latter are still equivalent to about 3 per cent of recurrent expenditure even after substantial recent cutbacks. Subsidies not only aggravate the fiscal burden, they also distort the price-signalling mechanism.

The implications of this fiscal scenario are far reaching. Two recent reports, one by the Today Public Policy Institute and another by the European Commission, conclude that in the long run Malta's welfare system is unsustainable.[7] The projected reduction in the working-age population will translate into slower economic growth and will, therefore, negatively impact tax revenues, at the same time as the fiscal burden of a larger population of elderly people increases. The Commission calculates that by 2015 the share of age-related spending in GDP is expected to reach 20.1 per cent, two percentage points up from 2007, mainly due to the increased cost of pensions and healthcare, and will continue to rise thereafter.

The fiscal correction required to bridge the implied sustainability gap clearly cannot be achieved without a culture change regarding the welfare state. Put simply, it needs to be understood that you cannot give away what you do not have. We must, therefore, adopt a more cost-efficient approach to the provision of public goods and services, whereby only those demonstrably in need would benefit. Access to social benefits, healthcare and subsidies should be streamlined through

[6] Estimates taken from the Budget speech 2010.

[7] *The Sustainability of Malta's Social Security System: A Glimpse at Malta's Welfare State and Suggestions for a Radical Change of Policy*, Today Public Policy Institute, July 2009 and *Sustainability Report 2009*, European Commission.

a combination of means testing and market-based mechanisms. In addition, the benefits structure could be further refined beyond the recent Budget measures with a view to making work pay and reducing the disincentives to enter the labour market.

## Conclusion

The Maltese economy is experiencing its first major test since it adopted the euro. While membership of the euro area has provided a degree of protection during the crisis, in particular exchange rate stability, the road ahead is still fraught with challenges. Rigidities, whether in institutions, markets or work practices, that impede progress towards cost competitiveness and higher productivity are incompatible with enduring membership of the currency union. They also render the common objective of raising living standards less likely to be achieved.

Needed structural reforms are being implemented, but given the uncertain growth prospects in export markets, the change process needs to be accelerated and given greater focus. The directions for change I have suggested are by no means original because they emerge spontaneously from an analysis of the current state of the economy. They do, however, imply difficult policy choices, not least because they often entail a departure from established practices and the loss of acquired rights. This is undoubtedly a major challenge, but it is also one that cannot be avoided if we want Malta’s boat to be lifted by the rising tide, when it comes, along with those of other countries.

## NEWS NOTES

### LOCAL NEWS

#### Transposition of Payment Services Directive

On 30 October the Central Bank of Malta issued Directive No. 1 to transpose related EU legislation on payment services in the internal market. The Directive lays down rules governing transparency of conditions and information requirements of payment services and sets out the respective rights and obligations of payment service users and providers in relation to the provision of such services.

#### Malta subscribes to the IMF's Special Data Dissemination Standard (SDDS)

On 1 December Malta subscribed to the IMF's SDDS. This standard was established by the IMF in March 1996 and is intended to guide members in the publication of economic and financial data. Subscription to the SDDS is expected to enhance the availability of timely and comprehensive statistics, thereby contributing to the pursuit of sound macroeconomic policies and the improved functioning of financial markets in the subscribing country.

A member country's participation in the SDDS is voluntary. However, it obliges that country to observe the Standard's conditions on the publication of the specified statistics and to provide certain information to the IMF about its practices in disseminating economic and financial data. The preparations for Malta's participation in the SDDS continued over a number of years and culminated in the first half of November when all outstanding issues were resolved. This opened the way for Malta to subscribe to the SDDS on the first day of December 2009.

#### Moody's withdraws Bank of Valletta's ratings

On 2 November Moody's Investors Service announced that it had withdrawn its credit ratings for Bank of Valletta. According to the agency the decision was taken with the consent of both parties and did not reflect on the bank's creditworthiness. The rating agency had also lowered the bank's senior unsecured debt to Baa1 from A3. The bank's financial strength rating (BFSR) had been affirmed at D+.

#### The European Commission's Sustainability Report 2009 on Malta

On 1 October the European Commission published its Sustainability Report for 2009. The Report showed that, on the basis of the current budgetary position, the 2009 Commission's spring forecast and the projected increases in age-related expenditure, Malta had a sustainability gap of 7.0% of GDP, which is above the EU average of 6.5% of GDP. To put public finances on a sustainable path, the Report said, Malta should improve its structural primary balance in a durable manner.

#### The Budget Estimates for 2010

On 9 November 2009, the Minister of Finance, the Economy and Investment presented the Budget for 2010 to Parliament.

The main measures included:

*Fiscal*

- The removal of the EUR16.31 levy on credit cards.
- A EUR5.82 weekly cost-of-living increase; pensioners will receive this increase in full.

*Financial assistance to companies*

- Selective grants to enterprises.
- Credit of up to EUR25,000 to micro firms at advantageous rates of interest and with easier terms to encourage investment.

*Social welfare assistance*

- Child-in-care benefit to rise to EUR70 a week and the age to qualify for assistance to rise to 21 years.
- Families that consume less than 10,000 units of electricity to receive compensation and low income families to receive an energy benefit.

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*Economy / labour market*

- The setting up of a new entity to educate and protect consumers against unjustified price levels and to strengthen the price watch mechanism.
- Job seekers to be given full-time training in basic skills and the establishment of new schemes to give unemployed persons work experience.
- Incentives aimed at attracting more women to the labour market.

*Infrastructure measures*

- The maintenance and reconstruction of many residential roads and the construction of arterial roads.
- New bus terminals to be established as part of the reform of public transport.

### Deadline for the exchange of Maltese coins into euro currency

On 9 December the Central Bank of Malta reminded the public that Maltese lira, cent and mil coins, which had ceased to be legal tender after 31 January 2008, will no longer be exchangeable at the Bank after 1 February 2010. The Bank will continue to exchange Maltese lira banknotes until 31 January 2018.

### Declaration of Bank Holiday

Legal Notice 340 of 2009, issued on 17 November under the Banking Act (Cap. 371) and entitled Declaration of Bank Holiday, established 5 April 2010 as a bank holiday.

### Double Taxation Relief

Legal Notice 343 of 2009, issued on 24 November under the Income Tax Act (Cap. 123) and entitled Double Taxation Relief (Taxes on Income) (Montenegro) Order, 2009, affords relief from double taxation in respect of taxes on profit and income specified in the attached Convention. The latter relates to a double taxation agreement signed by the governments of Malta and Montenegro on 4 November 2008.

### Capital market developments

*(i) Issue of Government Stocks*

On 30 October the Government, through Legal Notice 316, launched EUR80,000,000 Malta Government Stock comprising a 3.6% Malta Government Stock 2013(IV) Fungibility Issue, a 4.6% Malta Government Stock 2020(II) and a Floating Rate Euribor Malta Government Stock 2015(V) linked to the 6-month Euribor. The issue was oversubscribed and an over-allotment option for an additional sum of EUR20,000,000 was exercised.

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

On 30 October Mizzi Organisation Finance plc launched a public bond offering of EUR25 million 2016-2019 with a nominal value of EUR100 and bearing an interest rate of 6.2% per annum. The bonds are to be redeemed on 30 November 2019 unless otherwise previously redeemed or cancelled on any day between 30 November 2016 and 30 November 2019. The bonds were oversubscribed and an over-allotment option to issue an additional EUR5 million was exercised. The bonds were listed on the MSE.

On 23 November Middlesea Insurance plc said that it would be launching a rights issue to make up for losses suffered by its Italian subsidiary, Progress Assicurazioni Spa, and to bring its share capital up to EUR60 million. On 16 December the company announced that the issue had been fully subscribed. Of the three largest shareholders in the company, Bank of Valletta plc and Mapfre Internacional SA both increased their shareholding to 30.8%, while Munich Re's share remained unchanged at 19.9%.

## Legislation related to banking and finance

*Legal Notice 259 of 2009*

This legal notice, issued on 9 October under the Insurance Business Act (Cap. 403) and entitled the Insurance Business (Fees) (Amendment) Regulations, 2009 amends the schedule to the principal regulations regarding the submission of business statement fees.

*Legal Notice 260 of 2009*

This legal notice, issued on 9 October under the Insurance Business Act (Cap. 403) and entitled the Insurance Business (Assets and Liabilities) (Amendment) Regulations, 2009 amends certain schedules to the principal regulations related to monetary amounts.

*Legal Notice 264 of 2009*

This legal notice, issued on 9 October under the Trusts and Trustees Act (Cap. 331) and entitled Trusts and Trustees Act (Exemption) Regulations, 2009 exempts certain persons, when receiving property upon trust, from the requirement for authorisation to act as a trustee by the MFSA and that of appointing a qualified person.

*Legal Notice 328 of 2009*

This legal notice, issued on 6 November under the Prevention of Money Laundering Act (Cap. 373) and entitled Prevention of Money Laundering and Funding of Terrorism (Amendment) Regulations, 2009 amends the definition of "relevant financial business" in the principal regulations and makes other amendments to the said regulations.

*Legal Notice 355 of 2009*

This legal notice, issued on 11 December under the Banking Act (Cap. 371) and entitled the European Passport Rights for Credit Institutions (Amendment) Regulations, 2009 adds a new regulation regarding "tied agents" to the principal regulations.

*Legal Notice 356 of 2009*

This legal notice, issued on 11 December under the Investment Services Act (Cap. 370) and entitled the Investments Services Act (Tied Agents) (Amendment) Regulations, 2009 amends several of the principal regulations and adds a new regulation, regulation 12, to the list.

*Legal Notice 368 of 2009*

This legal notice, issued on 24 December under the Income Tax Act (Cap. 123) and entitled the Finance Leasing (Amendment) Rules, 2009, amends rule 5 of the Finance Leasing Rules, 2005.

### MFSA Notices

In October the MFSA issued the following notices with regard to particular licences:

- On 5 October, notice no.17, informing the public that, as from 3 September 2009 the licence of the International Banking Corporation (Malta) p.l.c. had been restricted due to developments at the parent bank.
- On 5 October, notice no.18, informing the public that the licence of Saadgroup Bank Europe Limited had been suspended with effect from 17 August 2009 due to developments within the wider Saadgroup.
- On 26 October, notice no. 19, informing the public that on 10 September 2009 it had cancelled the recognition certificate of Modern Malta Investment SICAV Ltd on regulatory grounds.

### Surrender/downgrades of financial services licences

During the three months to December, the MFSA announced that a number of institutions in the financial services sector had surrendered their licences on an entirely voluntary basis. These included:

- Altma Fund SICAV plc, which surrendered its collective investment scheme licences with respect to a number of sub-funds.
- NBCG Fund SICAV plc, which surrendered its collective investment scheme licences with respect to a number of sub-funds.
- Altedge Capital Management Ltd, which surrendered its category 2 investment services licence.
- Celsius Global Funds SICAV plc, which surrendered its collective investment scheme license with respect to a number of sub-funds.
- Volksbank Malta Limited, which surrendered its category 2 investment services licence.
- Barclays International Investments (Malta) Ltd, which surrendered its category 2 investment services licence.
- Liability Solutions International Ltd, which surrendered its category 1B investment services license.
- Artis FX Fund SICAV plc, which surrendered its collective investment scheme license.

## INTERNATIONAL NEWS

### Meetings of international groups/institutions

*The IMF-World Bank Annual Meetings*

On 4 October the International Monetary and Financial Committee (IMFC) of the IMF met in Istanbul and declared its commitment to:

- Maintain supportive fiscal, monetary and financial sector policies until a durable recovery is secured and to stand ready to act further as needed to revive credit, recover lost jobs and reverse setbacks in poverty reduction.
- Work together in articulating and implementing credible and coordinated exit strategies.
- Recognise that quota shares should reflect the relative weights of the IMF's members in the world economy which had changed substantially in view of the strong growth in emerging market and developing countries.
- The rapid implementation of the IMF's new flexible framework for the Financial Sector Assessment Programme and to ensure that it can deliver sharper macro-financial surveillance.

The IMFC also thanked members that had committed temporary resources to the IMF, and welcomed the expected agreement on a renewed and more flexible NAB expanded by over US$500 million. It considered that the overhaul of the IMF's concessional lending framework and its commitment to more than double concessional lending were welcome and significant steps.

On 5 October the Development Committee (DC) of the IMF and the World Bank met and issued a communiqué which noted:

- The continued progress by developing countries in improving their policy frameworks and recognition of the importance of addressing financing constraints and investing in developing countries in order to achieve sustainable growth.
- The World Bank's vigorous response to the crisis, with the IBRD's commitments almost tripling to US$33 billion in 2009 and IDA's reaching an historic level of US$14 billion. In addition, the IFC had combined strong innovation with effective resource mobilization, providing US$10.5 billion in investments from its own account and mobilising an additional US$4 billion through new initiatives in global trade, infrastructure, microfinance and bank capitalization.
- The DC also encouraged the World Bank to make full use of its existing resources by providing over US$100 billion in IBRD financing over three years. Finally it declared its commitment to pursue governance and operational effectiveness reform in conjunction with voting reform and stressed the importance of moving towards equitable voting power in the World Bank.

### Commonwealth Finance Ministers Meeting 2009

Between 30 September and 2 October the Commonwealth Finance Ministers met at Limassol, Cyprus. During the meeting the Ministers:

- Welcomed the policy measures undertaken to maintain global demand and stabilise capital markets.
- Stressed the need for greater international support for the poorest and smallest developing countries.
- Recognised the opportunities as well as the risks posed by the effects of climate change and resource shortages.
- Called for continued global macroeconomic coordination and continued global commitment to an open trading system.
- Reaffirmed their commitment to achieving the Millennium Development Goals.

- Agreed on the need for enhanced transparency of international financial centres and cooperation between countries in the sharing of tax information in accordance with the internationally agreed standard on the exchange of information.
- Welcomed the reforms undertaken to strengthen the system of governance of global financial regulation.
- Noted the proposals to reform governance of the World Bank.

**ECOFIN Council meetings - main topics discussed and decisions taken**

*1-2 October (informal meeting held in Goteborg, Sweden)*
Finance Ministers noted that:

- While there were signs of a tentative recovery sustained by expansionary policies, it was too early to withdraw stimulus measures.
- Fiscal exit strategies should be designed and implemented within the framework of the Stability and Growth Pact. These should be comprehensive and encompass a timely withdrawal of the extraordinary measures and further structural fiscal consolidation.
- There was broad support for reaching a general approach regarding the European Systemic Risk Board and the European System of Financial Supervision.

*20 October meeting*

- Finance Ministers adopted conclusions on the establishment of an exit strategy with regard to measures taken to tackle the economic and financial crisis.
- They reached broad agreement on the substance of proposals to create a European Systemic Risk Board that would provide oversight of the EU financial system.
- They also adopted conclusions on the strengthening of EU arrangements for financial stability and crisis management.

*10 November meeting*

- Finance Ministers adopted the Solvency II directive, setting new solvency rules for insurance companies so as to increase integration and enhance the competitiveness of the EU insurance industry. They also agreed on stricter capital requirements and remuneration policies in the banking sector.
- They approved new rules for excise duties on cigarettes and other tobacco products.
- They also adopted conclusions on the sustainability of public finances in the context of the current reflection on exit strategies, on statistics, and on the reduction of administrative burdens on companies.

*18 November meeting*
Finance Ministers unanimously agreed on the EU's draft general budget for 2010, including the funding of the second part of the European Economic Recovery Plan (EERP) at EUR2.4 billion.

*2 December meeting*

- Finance Ministers reached agreement on proposals to create three European authorities for the supervision of banking, insurance and securities markets as part of a reform of the EU's supervisory framework in the wake of the global financial crisis.
- They opened excessive deficit procedures for a number of countries, besides issuing recommendations on corrective measures to be taken. They also adopted new recommendations on measures to be taken by other countries, including Ireland, Spain,

France and the United Kingdom, to correct their excessive deficits, and a decision regarding non-compliance in the case of Greece.

- They also adopted conclusions on:
  - An exit strategy.
  - Financial stability arrangements and crisis management.
  - The EU's post-2010 strategy on jobs and growth.
  - A code of conduct aimed at eliminating harmful tax competition.
  - Future policy action with regard to derivatives markets, a code of conduct for the clearing and settlement of securities transactions, and the single euro payments area.

### G20 Finance Ministers and Central Bank Governors Meeting

On 7 November the G20 Finance Ministers and Central Bank Governors met in the United Kingdom. Their statement included the following remarks:

- They had launched a Framework for Strong, Sustainable and Balanced Growth.
- Their first challenge in using the Framework would be the transition from crisis response to stronger, more sustainable and balanced growth.
- They would continue to provide support to the economy until recovery was secured.
- They reaffirmed their commitment to deliver the representation and governance reforms at the IMF and World Bank agreed in Pittsburgh.
- They agreed to work with the FSB to maintain the momentum of their programme of reforms and ensure their full, timely and consistent implementation and a level playing field.

# STATISTICAL TABLES

**The Maltese Islands - Key information, social and economic statistics**
*(as at end-September 2009, unless otherwise indicated)*

| | | | |
|---|---|---|---|
| CAPITAL CITY | Valletta | | |
| AREA | 316 $km^2$ | | |
| CURRENCY UNIT | Euro exchange rates[1]: | EUR 1 = USD 1.4643 | |
| | | EUR 1 = GBP 0.9093 | |
| CLIMATE | Average temperature (1990-2008): | Dec. - Feb. | 13.3$^{o}$ C |
| | | June - Aug. | 26.1$^{o}$ C |
| | Average annual rainfall (1990-2008) | | 478.6 mm |
| SELECTED GENERAL | GDP growth at constant 2000 prices [2] | | -2.1% |
| ECONOMIC STATISTICS | GDP per capita at current market prices (2008) [2] | | EUR 13,800 |
| | GDP per capita in PPS relative to the EU-27 average (2008) | | 76.3% |
| | Ratio of gross general government debt to GDP (2008) [2] | | 63.6% |
| | Ratio of general government deficit to GDP (2008) [2] | | 4.7% |
| | RPI inflation rate | | 3.5% |
| | HICP inflation rate | | 3.2% |
| | Ratio of exports of goods and services to GDP [2] | | 78.2% |
| | Ratio of current account deficit to GDP [2] | | -2.4% |
| | Employment rate | | 55.1% |
| | Unemployment rate | | 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% |
| | Average annual growth rate (1990-2008) | | 0.8% |
| | Density per $km^2$ (2008) | | 1,309 |
| HEALTH | Life expectancy at birth (2008) | | |
| | Males | | 77 |
| | Females | | 82 |
| | Crude birth rate, per 1,000 Maltese inhabitants (2008) | | 10.0 |
| | Crude mortality rate, per 1,000 Maltese inhabitants (2008) | | 7.9 |
| | Doctors (2008) | | 1,358 |
| EDUCATION | Gross enrolment ratio (2006/2007) | | 72.7% |
| | Number of educational institutions (2006/2007) | | 323 |
| | Teachers per 1,000 students (2006/2007) | | 106 |
| | 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 | | 100.6 |
| | Private motor vehicle licences per 1,000 population | | 551 |
| | Internet subscribers per 100 population | | 26.2 |

[1] End of month ECB reference rates.

[2] Provisional.

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

*EUR millions*

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

*EUR millions*

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

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

[2] Includes IMF reserve position and holdings of SDRs.

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

[4] Including items in course of settlement.

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

*EUR millions*

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

*EUR millions*

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

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

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

[3] Includes items in course of settlement.

[4] Includes provisions and revaluation accounts.

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

*EUR millions*

| End of period | Holdings of euro-denominated cash[2] | Claims on residents of Malta | | | External assets | | | | Other assets[4] | Total assets/ liabilities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Loans | Securities other than shares | Total | Claims on other euro area residents | Claims on non-residents of the euro area | Other external assets[3] | Total | | |
| **2009** | | | | | | | | | | |
| 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 |

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

*EUR millions*

| End of period | Currency issued[5] | Deposits from residents of Malta | | | External liabilities | | | | Capital & reserves | Other liabilities[4] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Withdrawable on demand[6] | With agreed maturity | Total | Deposits from other euro area residents | Deposits from non-residents of the euro area | Other external liabilities[3] | Total | | |
| **2009** | | | | | | | | | | |
| 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 |

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

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

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

[4] Includes resident interbank transactions.

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

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

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

*EUR millions*

| End of period | Balances held with Central Bank of Malta[2] | Claims on residents of Malta | | | External assets | | | | Other assets[3] | Total assets/ liabilities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Loans | Securities other than shares | Shares & other equity | Claims on other euro area residents | Claims on non-residents of the euro area | Other external assets | Total | | |
| 2003 | 607.7 | 4,449.2 | 1,449.1 | 83.1 | 2,831.3 | 7,484.8 | 177.2 | 10,493.3 | 818.3 | 17,900.8 |
| 2004 | 448.6 | 4,734.9 | 1,531.2 | 77.9 | 3,626.4 | 8,794.1 | 787.5 | 13,208.0 | 837.6 | 20,838.2 |
| 2005 | 487.5 | 5,058.0 | 1,440.4 | 62.2 | 4,472.3 | 13,040.6 | 1,827.7 | 19,340.5 | 806.0 | 27,194.5 |
| 2006 | 707.0 | 5,788.8 | 1,210.8 | 83.2 | 5,212.1 | 15,976.6 | 412.3 | 21,601.1 | 643.1 | 30,033.9 |
| 2007 | 1,518.0 | 6,334.9 | 1,287.2 | 93.0 | 5,376.8 | 21,961.2 | 609.4 | 27,947.3 | 627.3 | 37,807.7 |
| **2008** | | | | | | | | | | |
| Jan. | 573.1 | 6,321.5 | 1,265.1 | 92.7 | 5,522.8 | 22,983.8 | 601.1 | 29,107.7 | 634.4 | 37,994.5 |
| Feb. | 527.2 | 6,352.2 | 1,281.7 | 93.0 | 5,704.5 | 22,973.0 | 548.2 | 29,225.7 | 652.1 | 38,131.8 |
| Mar. | 519.7 | 6,449.1 | 1,260.7 | 92.8 | 5,687.3 | 22,261.1 | 597.1 | 28,545.5 | 705.8 | 37,573.6 |
| Apr. | 520.3 | 6,607.7 | 1,218.0 | 102.6 | 5,676.1 | 22,503.3 | 547.5 | 28,727.0 | 693.8 | 37,869.4 |
| May | 522.9 | 6,654.6 | 1,221.6 | 102.3 | 5,877.1 | 23,634.0 | 603.3 | 30,114.5 | 702.4 | 39,318.2 |
| June | 521.3 | 6,727.3 | 1,268.2 | 103.9 | 5,952.6 | 25,188.2 | 554.8 | 31,695.6 | 648.7 | 40,965.0 |
| July | 516.8 | 6,858.5 | 1,291.7 | 104.8 | 6,745.4 | 25,775.2 | 653.8 | 33,174.4 | 680.6 | 42,626.8 |
| Aug. | 509.3 | 6,832.6 | 1,281.1 | 105.0 | 7,095.5 | 26,695.2 | 674.3 | 34,465.0 | 717.2 | 43,910.2 |
| Sep. | 641.9 | 6,924.5 | 1,258.4 | 112.0 | 7,346.4 | 27,394.6 | 768.1 | 35,509.1 | 669.7 | 45,115.6 |
| Oct. | 578.4 | 6,981.0 | 1,292.8 | 111.7 | 7,110.4 | 27,606.5 | 1,026.4 | 35,743.3 | 694.2 | 45,401.5 |
| Nov. | 563.3 | 7,039.4 | 1,286.8 | 115.8 | 6,989.4 | 26,197.4 | 1,045.2 | 34,232.0 | 716.0 | 43,953.2 |
| Dec. | 600.7 | 7,150.4 | 1,325.3 | 115.3 | 6,089.2 | 25,468.6 | 846.4 | 32,404.1 | 687.4 | 42,283.3 |
| **2009** | | | | | | | | | | |
| Jan. | 1,564.5 | 7,149.5 | 1,373.6 | 114.8 | 6,196.3 | 25,851.9 | 940.8 | 32,988.9 | 732.8 | 43,924.1 |
| Feb. | 1,534.3 | 7,130.1 | 1,426.9 | 116.6 | 6,160.2 | 25,267.1 | 861.7 | 32,289.0 | 697.9 | 43,194.8 |
| Mar. | 680.2 | 7,229.4 | 1,386.8 | 116.3 | 5,935.2 | 24,519.7 | 866.2 | 31,321.2 | 625.1 | 41,359.0 |
| Apr. | 728.6 | 7,256.9 | 1,495.1 | 116.3 | 6,130.8 | 24,253.2 | 855.8 | 31,239.8 | 641.3 | 41,478.1 |
| May | 523.5 | 7,275.1 | 1,522.8 | 116.3 | 5,613.7 | 24,164.0 | 780.4 | 30,558.0 | 658.5 | 40,654.3 |
| June | 1,072.3 | 7,344.6 | 1,553.7 | 118.9 | 5,544.5 | 24,019.5 | 572.1 | 30,136.1 | 646.9 | 40,872.6 |
| July | 1,212.9 | 7,369.2 | 1,592.9 | 118.9 | 5,419.5 | 24,089.4 | 625.6 | 30,134.5 | 606.3 | 41,034.7 |
| Aug. | 856.6 | 7,365.2 | 1,656.4 | 113.2 | 5,423.9 | 24,447.8 | 603.7 | 30,475.4 | 646.5 | 41,113.3 |
| Sep. | 567.9 | 7,454.9 | 1,620.9 | 114.3 | 5,796.9 | 24,107.6 | 597.4 | 30,502.0 | 599.7 | 40,859.6 |

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast).
[2] Include holdings of Maltese lira banknotes and coins up to 2008.
[3] Includes resident interbank claims.

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

*EUR millions*

| End of period | Deposits from residents of Malta [2] | | | | External liabilities | | | | Debt securites issued[3] | Capital & reserves | Other liabilities[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Withdraw-able on demand | Redeem able at notice | With agreed maturity | Total | Deposits from other residents of the euro area | Deposits from non-residents of the euro area | Other external liabilities[3] | Total | | | |
| 2003 | 2,441.8 | 67.0 | 3,727.6 | 6,236.5 | 2,426.4 | 4,862.9 | 1,597.6 | 8,886.9 | 220.9 | 1,822.4 | 734.1 |
| 2004 | 2,589.8 | 70.0 | 3,700.8 | 6,360.5 | 3,203.2 | 6,640.3 | 1,583.0 | 11,426.5 | 214.7 | 2,086.4 | 750.0 |
| 2005 | 2,800.2 | 73.3 | 3,834.6 | 6,708.1 | 5,329.3 | 9,294.9 | 2,653.5 | 17,277.7 | 170.5 | 2,359.4 | 678.8 |
| 2006 | 2,834.9 | 71.8 | 4,300.2 | 7,206.9 | 6,385.9 | 11,167.7 | 1,447.7 | 19,001.3 | 87.9 | 3,083.0 | 654.9 |
| 2007 | 3,139.6 | 105.3 | 5,102.7 | 8,347.6 | 7,916.4 | 15,275.8 | 2,124.2 | 25,316.4 | 144.9 | 3,360.6 | 638.1 |
| **2008** | | | | | | | | | | | |
| Jan. | 3,150.6 | 108.8 | 5,172.5 | 8,431.9 | 8,073.8 | 15,339.0 | 2,031.3 | 25,444.1 | 140.7 | 3,304.3 | 673.5 |
| Feb. | 3,152.9 | 111.2 | 5,234.7 | 8,498.9 | 8,722.9 | 14,868.9 | 1,918.1 | 25,510.0 | 140.1 | 3,269.3 | 713.5 |
| Mar. | 3,160.1 | 112.8 | 5,227.6 | 8,500.5 | 8,646.9 | 14,598.5 | 1,740.8 | 24,986.2 | 139.2 | 3,197.9 | 749.8 |
| Apr. | 3,222.8 | 113.8 | 5,146.9 | 8,483.5 | 8,591.7 | 15,136.9 | 1,586.1 | 25,314.6 | 139.6 | 3,252.6 | 679.0 |
| May | 3,206.9 | 114.3 | 5,147.6 | 8,468.8 | 8,724.8 | 16,003.6 | 1,919.4 | 26,647.8 | 139.7 | 3,295.9 | 765.9 |
| June | 3,129.3 | 115.3 | 5,137.6 | 8,382.1 | 9,861.1 | 16,348.0 | 2,110.5 | 28,319.7 | 139.2 | 3,195.2 | 928.8 |
| July | 3,208.1 | 116.6 | 5,119.4 | 8,444.1 | 10,483.0 | 16,916.5 | 2,278.5 | 29,677.9 | 139.5 | 3,387.0 | 978.3 |
| Aug. | 3,188.9 | 115.5 | 5,200.8 | 8,505.2 | 10,972.9 | 17,581.8 | 2,231.7 | 30,786.4 | 140.9 | 3,391.2 | 1,086.4 |
| Sep. | 3,189.0 | 116.0 | 5,281.9 | 8,586.8 | 11,259.0 | 18,191.2 | 2,438.3 | 31,888.5 | 171.6 | 3,260.2 | 1,208.5 |
| Oct. | 3,091.3 | 114.5 | 5,356.8 | 8,562.7 | 10,649.7 | 18,909.1 | 2,492.1 | 32,050.9 | 174.7 | 3,227.4 | 1,385.7 |
| Nov. | 3,195.8 | 114.6 | 5,305.3 | 8,615.7 | 10,225.8 | 17,888.9 | 2,354.5 | 30,469.2 | 174.7 | 3,291.0 | 1,402.6 |
| Dec. | 3,170.0 | 114.5 | 5,222.2 | 8,506.7 | 9,240.4 | 17,301.9 | 2,262.1 | 28,804.4 | 172.2 | 3,340.6 | 1,459.4 |
| **2009** | | | | | | | | | | | |
| Jan. | 3,235.0 | 113.5 | 5,235.3 | 8,583.7 | 9,283.6 | 18,793.1 | 2,414.7 | 30,491.3 | 174.6 | 3,522.6 | 1,151.9 |
| Feb. | 3,295.3 | 112.0 | 5,155.2 | 8,562.6 | 8,710.7 | 18,640.5 | 2,590.8 | 29,942.0 | 174.9 | 3,525.5 | 989.8 |
| Mar. | 3,296.7 | 112.0 | 5,072.9 | 8,481.6 | 8,537.8 | 17,065.0 | 2,614.3 | 28,217.0 | 173.8 | 3,502.4 | 984.1 |
| Apr. | 3,379.7 | 110.8 | 5,036.9 | 8,527.5 | 7,514.3 | 18,035.5 | 2,674.8 | 28,224.7 | 173.6 | 3,592.9 | 959.4 |
| May | 3,373.5 | 110.7 | 5,031.8 | 8,516.0 | 8,564.8 | 17,316.6 | 1,420.6 | 27,302.0 | 200.8 | 3,552.0 | 1,083.5 |
| June | 3,460.8 | 110.8 | 4,985.4 | 8,556.9 | 8,744.7 | 17,290.7 | 1,201.9 | 27,237.3 | 250.5 | 3,641.5 | 1,186.4 |
| July | 3,530.0 | 110.9 | 4,974.0 | 8,614.8 | 8,386.2 | 17,521.9 | 1,327.7 | 27,235.7 | 250.5 | 3,773.4 | 1,160.2 |
| Aug. | 3,576.3 | 111.3 | 4,912.2 | 8,599.7 | 8,429.6 | 17,488.3 | 1,321.6 | 27,239.5 | 253.6 | 3,843.3 | 1,177.2 |
| Sep. | 3,537.1 | 110.0 | 4,846.7 | 8,493.8 | 8,287.4 | 17,067.9 | 1,274.1 | 26,629.4 | 252.8 | 3,986.1 | 1,497.6 |

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

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

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

## Table 1.4a Monetary base and monetary aggregates

*EUR millions*

| End of period | Monetary base (M0) | | | Broad money (M3) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Intermediate money (M2) | | | | | | | |
| | | | | Narrow money (M1) | | | | | | | |
| | Currency issued | OMFI balances with Central Bank of Malta | Total (M0) | Currency in circulation | Deposits withdrawable on demand: Demand | Deposits withdrawable on demand: Savings | Total (M1) | Deposits redeemable at notice up to 3 months | Deposits with agreed maturity up to 2 years | Total (M2) | Total (M3)[1] |
| 2003 | 1,130.6 | 321.2 | 1,451.8 | 1,072.5 | 637.5 | 1,763.0 | 3,473.0 | 67.0 | 3,096.9 | 6,636.9 | 6,637.0 |
| 2004 | 1,179.6 | 338.5 | 1,518.1 | 1,132.1 | 700.8 | 1,849.8 | 3,682.6 | 70.0 | 3,045.3 | 6,797.9 | 6,797.9 |
| 2005 | 1,211.4 | 315.7 | 1,527.1 | 1,162.2 | 727.0 | 2,001.0 | 3,890.2 | 73.3 | 3,121.5 | 7,085.0 | 7,085.0 |
| 2006 | 1,173.9 | 412.2 | 1,586.1 | 1,112.9 | 726.5 | 2,020.0 | 3,859.4 | 71.8 | 3,520.6 | 7,451.7 | 7,451.7 |
| 2007 | 677.8 | 1,110.0 | 1,787.8 | 610.2 | 806.3 | 2,278.9 | 3,695.4 | 105.3 | 4,474.6 | 8,275.3 | 8,275.3 |

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

*EUR millions*

| End of period | Broad money (M3) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Intermediate money (M2) | | | | | | | Repurchase agreements | | Issues less holdings of MFI debt securities up to 2 years[4] | Total (M3)[5] |
| | Narrow money (M1) | | | Deposits redeemable at notice up to 3 months[3] | | Deposits with agreed maturity up to 2 years[3] | | | | | |
| | Currency issued[2] | Overnight deposits[3]: From residents of Malta | Overnight deposits[3]: From other euro area residents | From residents of Malta | From other euro area residents | From residents of Malta | From other euro area residents | With residents of Malta | With other euro area residents | | |
| **2008** | | | | | | | | | | | |
| 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 |
| **2009** | | | | | | | | | | | |
| Jan. | 599.9 | 3,174.6 | 70.0 | 113.4 | 0.0 | 4,676.9 | 220.2 | - | - | -146.4 | 8,708.5 |
| Feb. | 599.4 | 3,240.5 | 77.6 | 111.8 | 0.0 | 4,596.4 | 220.3 | - | - | -145.5 | 8,700.5 |
| Mar. | 601.8 | 3,228.8 | 84.4 | 111.8 | 0.0 | 4,475.3 | 228.9 | - | - | -145.3 | 8,585.7 |
| Apr. | 605.2 | 3,307.6 | 77.0 | 110.4 | 0.0 | 4,395.8 | 186.3 | - | - | -145.1 | 8,537.3 |
| May | 617.7 | 3,306.8 | 83.9 | 110.3 | 0.0 | 4,396.1 | 203.3 | - | - | -117.9 | 8,600.2 |
| June | 614.5 | 3,391.1 | 87.1 | 110.5 | 0.0 | 4,321.9 | 183.7 | - | - | -104.4 | 8,604.4 |
| July | 618.9 | 3,452.1 | 90.2 | 110.7 | 0.0 | 4,290.3 | 139.5 | - | - | -94.4 | 8,607.3 |
| Aug. | 622.0 | 3,497.4 | 84.7 | 110.8 | 0.0 | 4,218.4 | 180.0 | - | - | -90.9 | 8,622.4 |
| Sep. | 618.9 | 3,470.9 | 80.6 | 109.8 | 0.0 | 4,142.9 | 237.1 | - | - | -124.6 | 8,535.6 |

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

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

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

[4] Debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. The column shows net amounts (issues less holdings by MFIs in Malta) and may be negative. Figures also include MMF shares/units.

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

## Table 1.5a Counterparts to the monetary aggregates

*EUR millions*

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

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

*EUR millions*

| End of period | Broad money (M3)[4] | Credit counterpart[3] | | | | | External counterpart | | | Other counterparts (net)[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Residents of Malta | | Other euro area residents | | Total credit | Claims on non-residents of the euro area | Liabilities to non-residents of the euro area | Net claims on non-residents of the euro area | |
| | | Credit to general government | Credit to other residents | Credit to general government | Credit to other residents | | | | | |
| **2008** | | | | | | | | | | |
| 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 |
| **2009** | | | | | | | | | | |
| Jan. | 8,708.5 | 1,633.3 | 7,264.6 | 494.0 | 2,945.1 | 12,337.1 | 27,416.2 | 21,314.9 | 6,101.3 | 9,729.9 |
| Feb. | 8,700.5 | 1,697.0 | 7,244.8 | 515.8 | 2,982.5 | 12,440.0 | 26,671.1 | 21,282.3 | 5,388.7 | 9,128.3 |
| Mar. | 8,585.7 | 1,658.5 | 7,341.9 | 539.4 | 2,916.5 | 12,456.3 | 25,994.4 | 19,513.2 | 6,481.2 | 10,351.8 |
| Apr. | 8,537.3 | 1,767.9 | 7,365.7 | 604.7 | 2,379.9 | 12,118.2 | 25,713.0 | 20,546.5 | 5,166.6 | 8,747.5 |
| May | 8,600.2 | 1,798.4 | 7,378.2 | 618.0 | 2,324.9 | 12,119.6 | 25,710.4 | 18,740.5 | 6,969.9 | 10,489.3 |
| June | 8,604.4 | 1,855.9 | 7,448.6 | 647.4 | 2,266.7 | 12,218.7 | 25,252.0 | 18,500.6 | 6,751.3 | 10,365.7 |
| July | 8,607.3 | 1,883.0 | 7,471.6 | 669.8 | 2,075.4 | 12,099.8 | 25,354.3 | 18,823.3 | 6,531.0 | 10,023.5 |
| Aug. | 8,622.4 | 1,962.9 | 7,461.3 | 742.9 | 2,063.2 | 12,230.3 | 25,756.2 | 18,780.6 | 6,975.6 | 10,583.6 |
| Sep. | 8,535.6 | 1,918.7 | 7,552.7 | 817.0 | 2,218.6 | 12,507.0 | 25,268.7 | 18,349.5 | 6,919.2 | 10,890.6 |

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

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

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

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

## Table 1.6a Currency in circulation

*EUR millions*

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

## Table 1.6b Currency issued

*EUR millions*

| End of period | Currency issued excluding holdings of MFIs | | | | | Memo item:Excess / shortfall (-) on the banknote allocation key[3] |
|---|---|---|---|---|---|---|
| | Notional amount of banknotes issued by the Central Bank of Malta[1] | Euro coins issued by the Central Bank of Malta on behalf of the Treasury | Outstanding Maltese lira banknotes and coins[2] | Less euro banknotes and coins held by MFIs in Malta | Total | |
| **2008** | | | | | | |
| 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 |
| **2009** | | | | | | |
| Jan. | 617.7 | 32.3 | - | 50.1 | 599.9 | 57.2 |
| Feb. | 619.5 | 32.4 | - | 52.6 | 599.4 | 74.2 |
| Mar. | 623.8 | 32.7 | - | 54.6 | 601.8 | 85.4 |
| Apr. | 633.8 | 33.4 | - | 61.9 | 605.2 | 87.2 |
| May | 639.7 | 34.4 | - | 56.4 | 617.7 | 84.6 |
| June | 637.7 | 34.9 | - | 58.1 | 614.5 | 97.9 |
| July | 645.2 | 35.7 | - | 62.0 | 618.9 | 88.0 |
| Aug. | 640.9 | 36.5 | - | 55.4 | 622.0 | 77.2 |
| Sep. | 640.6 | 36.8 | - | 58.5 | 618.9 | 76.4 |

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

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

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

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

*EUR millions*

| End of period | Total notes & coins[1] | Currency notes | | | | |
|---|---|---|---|---|---|---|
| | | Lm20 | Lm10 | Lm5 | Lm2 | Total |
| 2003 | 1,130.6 | 255.5 | 744.0 | 71.8 | 16.7 | 1,088.0 |
| 2004 | 1,179.6 | 257.0 | 786.3 | 74.3 | 17.2 | 1,134.8 |
| 2005 | 1,211.4 | 257.5 | 812.1 | 76.8 | 18.1 | 1,164.5 |
| 2006 | 1,173.9 | 240.5 | 785.0 | 80.9 | 18.9 | 1,125.4 |
| 2007 | 677.8 | 120.2 | 439.8 | 57.5 | 16.7 | 634.2 |
| **2008** | | | | | | |
| 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 |
| **2009** | | | | | | |
| Mar. | 87.8 | 10.8 | 33.6 | 9.3 | 7.5 | 61.2 |
| June | 85.7 | 10.4 | 32.2 | 9.2 | 7.4 | 59.2 |
| Sep. | 84.1 | 10.0 | 31.1 | 9.1 | 7.4 | 57.6 |

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

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

*EUR millions*

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

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

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

*EUR millions*

| End of period | Euro coins | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | 1 € cent | 2 € cent | 5 € cent | 10 € cent | 20 € cent | 50 € cent | € 1 | € 2 | |
| **2008** | | | | | | | | | |
| 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 |
| **2009** | | | | | | | | | |
| Mar. | 0.1 | 0.4 | 0.9 | 1.6 | 2.7 | 4.3 | 7.6 | 15.2 | 32.7 |
| June | 0.0 | 0.4 | 0.9 | 1.7 | 2.8 | 4.6 | 8.2 | 16.2 | 34.9 |
| Sep. | 0.3 | 0.5 | 1.0 | 1.8 | 3.0 | 4.9 | 8.6 | 17.0 | 37.1 |

## Table 1.8 Deposits held with other monetary financial institutions by sector[1]

*EUR millions*

| End of period | Resident deposits | | | | | | | Deposits held by non-residents of Malta | | Total deposits |
|---|---|---|---|---|---|---|---|---|---|---|
| | General government[2] | Monetary financial institutions | Insurance companies and pension funds | Other financial intermediaries & financial auxiliaries | Non-financial companies | Households & non-profit institutions | Total | Other euro area residents | Non-residents of the euro area | |
| 2003 | 60.7 | 193.9 | 60.0 | 61.0 | 976.1 | 5,078.8 | 6,430.5 | 3,164.5 | 5,524.1 | 15,119.0 |
| 2004 | 66.5 | 177.5 | 48.3 | 80.3 | 965.6 | 5,199.7 | 6,538.0 | 3,431.5 | 7,160.9 | 17,130.4 |
| 2005 | 118.3 | 149.3 | 49.6 | 136.0 | 1,042.9 | 5,361.3 | 6,857.3 | 5,575.2 | 9,976.4 | 22,409.0 |
| 2006 | 218.2 | 73.5 | 99.1 | 89.6 | 1,112.8 | 5,687.3 | 7,280.4 | 6,688.4 | 12,055.0 | 26,023.8 |
| 2007 | 126.8 | 106.1 | 198.6 | 137.8 | 1,342.5 | 6,541.8 | 8,453.7 | 8,090.1 | 16,239.9 | 32,783.8 |
| **2008** | | | | | | | | | | |
| Jan. | 140.5 | 132.2 | 214.7 | 131.2 | 1,365.9 | 6,579.6 | 8,564.2 | 8,176.0 | 16,237.8 | 32,978.0 |
| Feb. | 148.5 | 153.0 | 220.9 | 152.9 | 1,390.2 | 6,586.4 | 8,651.9 | 8,806.5 | 15,692.8 | 33,151.1 |
| Mar. | 138.3 | 201.1 | 214.1 | 132.4 | 1,397.9 | 6,617.9 | 8,701.6 | 8,712.0 | 15,333.4 | 32,747.0 |
| Apr. | 107.0 | 136.6 | 201.4 | 152.8 | 1,393.1 | 6,629.1 | 8,620.1 | 8,711.0 | 15,779.2 | 33,110.3 |
| May | 101.1 | 197.3 | 227.6 | 150.8 | 1,362.2 | 6,627.2 | 8,666.2 | 8,889.0 | 16,782.9 | 34,338.0 |
| June | 107.0 | 371.9 | 196.4 | 135.8 | 1,301.3 | 6,641.8 | 8,754.0 | 10,238.9 | 17,024.7 | 36,017.6 |
| July | 105.9 | 402.9 | 194.3 | 152.2 | 1,370.2 | 6,621.5 | 8,846.9 | 10,895.9 | 17,649.1 | 37,391.9 |
| Aug. | 113.0 | 480.3 | 186.6 | 144.4 | 1,416.0 | 6,645.2 | 8,985.5 | 11,357.9 | 18,224.5 | 38,567.8 |
| Sep. | 113.3 | 624.0 | 206.3 | 129.4 | 1,459.6 | 6,678.3 | 9,210.8 | 11,663.0 | 18,778.6 | 39,652.4 |
| Oct. | 107.3 | 804.7 | 214.8 | 144.1 | 1,401.3 | 6,695.3 | 9,367.4 | 10,875.8 | 19,408.3 | 39,651.5 |
| Nov. | 110.6 | 798.9 | 238.1 | 146.8 | 1,404.8 | 6,715.4 | 9,414.6 | 10,436.0 | 18,321.1 | 38,171.7 |
| Dec. | 101.5 | 878.8 | 249.2 | 146.1 | 1,282.9 | 6,727.0 | 9,385.6 | 9,276.9 | 17,640.5 | 36,303.0 |
| **2009** | | | | | | | | | | |
| Jan. | 106.1 | 569.9 | 239.4 | 134.1 | 1,352.6 | 6,751.6 | 9,153.7 | 9,283.6 | 19,173.3 | 37,610.5 |
| Feb. | 97.9 | 402.3 | 228.4 | 142.0 | 1,315.5 | 6,778.8 | 8,964.9 | 8,745.7 | 19,119.0 | 36,829.7 |
| Mar. | 105.8 | 414.1 | 220.8 | 156.5 | 1,265.2 | 6,733.3 | 8,895.7 | 8,775.7 | 17,539.2 | 35,210.6 |
| Apr. | 119.8 | 371.5 | 236.7 | 200.1 | 1,246.0 | 6,724.9 | 8,899.0 | 7,749.5 | 18,532.6 | 35,181.0 |
| May | 109.8 | 429.7 | 267.8 | 175.9 | 1,266.7 | 6,695.8 | 8,945.7 | 8,637.4 | 17,731.6 | 35,314.7 |
| June | 116.9 | 548.2 | 276.4 | 176.6 | 1,311.1 | 6,675.8 | 9,105.1 | 8,808.4 | 17,705.5 | 35,619.0 |
| July | 129.1 | 575.0 | 274.9 | 175.8 | 1,360.6 | 6,674.4 | 9,189.9 | 8,461.2 | 17,996.8 | 35,647.9 |
| Aug. | 136.6 | 581.9 | 250.8 | 206.7 | 1,392.1 | 6,613.6 | 9,181.6 | 8,504.6 | 18,011.8 | 35,698.0 |
| Sep. | 121.5 | 833.5 | 246.3 | 151.8 | 1,389.4 | 6,584.8 | 9,327.3 | 8,325.6 | 17,579.8 | 35,232.7 |

[1] For the purposes of this Table, deposits include loans and uncleared effects.
[2] Including extra-budgetary units.

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

*EUR millions*

| End of period | By residents of Malta | | | | | By non-residents of Malta | | | | Total deposits |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Other euro area residents | | | Non-residents of the euro area | |
| | MTL[2] | EUR | GBP | USD | Other | MTL[2] | EUR | Other | | |
| 2003 | 5,576.2 | 244.7 | 303.3 | 246.0 | 60.2 | 22.4 | 1,832.6 | 1,309.4 | 5,524.1 | 15,119.0 |
| 2004 | 5,614.5 | 259.7 | 353.1 | 240.7 | 70.1 | 20.4 | 2,400.7 | 1,010.4 | 7,160.9 | 17,130.4 |
| 2005 | 5,812.9 | 288.2 | 423.5 | 252.9 | 79.9 | 22.9 | 2,820.1 | 2,732.2 | 9,976.4 | 22,409.0 |
| 2006 | 6,052.9 | 434.8 | 446.3 | 252.6 | 93.7 | 49.4 | 3,856.3 | 2,782.8 | 12,055.0 | 26,023.8 |
| 2007 | 6,922.6 | 711.2 | 380.9 | 316.5 | 122.5 | 35.0 | 5,465.8 | 2,589.3 | 16,239.9 | 32,783.8 |
| **2008** | | | | | | | | | | |
| Jan. | | 7,730.5 | 386.0 | 321.3 | 126.4 | | 5,374.2 | 2,801.8 | 16,237.8 | 32,978.0 |
| Feb. | | 7,753.6 | 386.6 | 379.5 | 132.1 | | 5,631.3 | 3,175.1 | 15,692.8 | 33,151.1 |
| Mar. | | 7,786.9 | 371.7 | 423.3 | 119.8 | | 5,713.2 | 2,998.8 | 15,333.4 | 32,747.0 |
| Apr. | | 7,708.4 | 389.4 | 399.5 | 122.7 | | 5,800.3 | 2,910.7 | 15,779.2 | 33,110.3 |
| May | | 7,772.0 | 376.8 | 414.4 | 103.0 | | 6,105.0 | 2,783.9 | 16,782.9 | 34,338.0 |
| June | | 7,905.3 | 342.4 | 375.8 | 130.6 | | 7,092.3 | 3,146.6 | 17,024.7 | 36,017.6 |
| July | | 8,007.3 | 347.6 | 375.3 | 116.7 | | 7,717.1 | 3,178.7 | 17,649.1 | 37,391.9 |
| Aug. | | 8,074.9 | 379.4 | 417.9 | 113.4 | | 8,301.8 | 3,056.1 | 18,224.5 | 38,567.8 |
| Sep. | | 8,219.7 | 406.8 | 465.7 | 118.6 | | 8,324.0 | 3,339.0 | 18,778.6 | 39,652.4 |
| Oct. | | 8,148.7 | 377.8 | 728.7 | 112.2 | | 7,523.6 | 3,352.2 | 19,408.3 | 39,651.5 |
| Nov. | | 8,309.4 | 367.7 | 636.4 | 101.0 | | 7,112.9 | 3,323.2 | 18,321.1 | 38,171.7 |
| Dec. | | 8,325.4 | 317.4 | 629.2 | 113.6 | | 7,149.6 | 2,127.3 | 17,640.5 | 36,303.0 |
| **2009** | | | | | | | | | | |
| Jan. | | 8,226.4 | 331.0 | 492.7 | 103.6 | | 7,063.1 | 2,220.5 | 19,173.3 | 37,610.5 |
| Feb. | | 8,105.0 | 340.2 | 439.6 | 80.1 | | 6,579.5 | 2,166.2 | 19,119.0 | 36,829.7 |
| Mar. | | 8,051.3 | 292.6 | 471.9 | 80.0 | | 6,708.5 | 2,067.2 | 17,539.2 | 35,210.6 |
| Apr. | | 8,045.3 | 334.6 | 435.0 | 84.1 | | 6,010.4 | 1,739.1 | 18,532.6 | 35,181.0 |
| May | | 8,060.9 | 345.7 | 460.3 | 78.8 | | 6,416.9 | 2,220.6 | 17,731.6 | 35,314.7 |
| June | | 8,241.8 | 381.9 | 404.5 | 77.0 | | 6,133.1 | 2,675.3 | 17,705.5 | 35,619.0 |
| July | | 8,368.7 | 365.8 | 373.3 | 82.1 | | 5,986.4 | 2,474.8 | 17,996.8 | 35,647.9 |
| Aug. | | 8,377.1 | 350.8 | 367.2 | 86.4 | | 6,001.4 | 2,503.2 | 18,011.8 | 35,698.0 |
| Sep. | | 8,495.7 | 353.4 | 394.8 | 83.4 | | 6,164.6 | 2,161.0 | 17,579.8 | 35,232.7 |

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

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

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

*EUR millions*

| End of period | Size classes [2] | | | | |
|---|---|---|---|---|---|
| | Up to € 25,000 | Over € 25,000 to € 250,000 | Over € 250,000 to € 1 million | Over € 1 million | Total |
| 2003 | 714.7 | 1,553.3 | 876.5 | 2,437.6 | 5,582.0 |
| 2004 | 774.8 | 1,845.8 | 1,529.6 | 5,547.2 | 9,697.4 |
| 2005 | 811.9 | 2,173.4 | 2,247.7 | 6,898.6 | 12,131.6 |
| 2006 | 1,046.2 | 2,362.9 | 2,360.0 | 9,294.3 | 15,063.4 |
| 2007 | 1,138.2 | 3,143.8 | 2,865.2 | 14,036.2 | 21,183.3 |
| **2008** | | | | | |
| Jan. | 1,110.0 | 3,022.3 | 2,677.3 | 14,802.6 | 21,612.1 |
| Feb. | 1,150.5 | 3,056.5 | 3,031.8 | 14,942.1 | 22,180.9 |
| Mar. | 1,311.0 | 3,372.2 | 2,748.4 | 14,851.5 | 22,283.1 |
| Apr. | 1,375.2 | 3,404.9 | 2,760.0 | 15,121.5 | 22,661.6 |
| May | 635.9 | 2,502.0 | 2,126.1 | 17,932.2 | 23,196.2 |
| June | 638.9 | 2,527.9 | 2,148.7 | 18,629.8 | 23,945.4 |
| July | 641.3 | 2,546.3 | 2,148.8 | 19,159.3 | 24,495.7 |
| Aug. | 644.7 | 2,549.6 | 2,094.8 | 20,147.3 | 25,436.5 |
| Sep. | 649.8 | 2,582.8 | 2,137.8 | 20,854.5 | 26,224.9 |
| Oct. | 653.4 | 2,600.9 | 2,165.6 | 21,238.4 | 26,658.3 |
| Nov. | 655.6 | 2,622.7 | 2,165.3 | 20,887.7 | 26,331.4 |
| Dec. | 658.2 | 2,646.3 | 2,117.9 | 20,593.7 | 26,016.0 |
| **2009** | | | | | |
| Jan. | 654.7 | 2,655.3 | 2,122.9 | 21,472.5 | 26,905.5 |
| Feb. | 656.2 | 2,670.6 | 2,117.4 | 21,280.1 | 26,724.3 |
| Mar. | 659.2 | 2,731.8 | 2,065.9 | 20,671.4 | 26,128.2 |
| Apr. | 663.8 | 2,718.7 | 2,035.4 | 19,917.7 | 25,335.6 |
| May | 675.0 | 2,747.0 | 1,993.1 | 19,064.9 | 24,480.0 |
| June | 679.5 | 2,772.4 | 1,977.3 | 18,723.9 | 24,153.0 |
| July | 683.4 | 2,793.8 | 1,960.7 | 18,304.8 | 23,742.7 |
| Aug. | 686.0 | 2,803.7 | 1,918.8 | 17,940.3 | 23,348.7 |
| Sep. | 691.1 | 2,831.4 | 2,309.3 | 17,239.4 | 23,071.3 |

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

[2] The euro amounts are approximations.

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

*EUR millions*

| End of Period | Electricity, gas & water supply | Transport, storage & communication | Manufacturing | Construction | Hotels & restaurants | Wholesale & retail trade; repairs | Real estate, renting & business activities | Households & individuals[1] | | | | Other[2] | Total lending to residents | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Lending for house purchase | Consumer credit | Other lending | Total | | Public sector | Private sector |
| 2003 | 195.4 | 315.6 | 430.5 | 468.5 | 481.9 | 671.3 | 276.0 | 1,030.2 | 84.2 | 306.5 | 1,420.8 | 367.8 | 524.4 | 4,103.4 |
| 2004 | 222.1 | 295.7 | 358.1 | 505.5 | 478.8 | 676.2 | 321.4 | 1,255.7 | 188.4 | 229.3 | 1,673.5 | 362.0 | 500.3 | 4,393.0 |
| 2005 | 142.3 | 287.1 | 306.2 | 502.3 | 474.8 | 691.1 | 444.2 | 1,521.4 | 212.7 | 214.6 | 1,948.7 | 427.6 | 401.1 | 4,823.2 |
| 2006 | 188.9 | 340.7 | 266.7 | 586.4 | 492.9 | 715.0 | 612.8 | 1,769.9 | 250.4 | 230.7 | 2,251.1 | 380.7 | 421.3 | 5,414.0 |
| 2007 | 196.6 | 322.6 | 301.3 | 677.5 | 474.3 | 732.3 | 725.1 | 2,014.9 | 287.6 | 276.1 | 2,578.6 | 356.8 | 438.3 | 5,926.7 |
| **2008** | | | | | | | | | | | | | | |
| Jan. | 183.2 | 315.3 | 303.4 | 681.7 | 467.8 | 723.1 | 738.3 | 2,026.0 | 285.7 | 278.0 | 2,589.6 | 350.3 | 428.5 | 5,924.3 |
| Feb. | 179.3 | 317.0 | 306.3 | 680.4 | 461.5 | 721.9 | 759.4 | 2,036.8 | 290.9 | 283.2 | 2,610.9 | 347.2 | 437.6 | 5,946.4 |
| Mar. | 184.8 | 335.3 | 310.9 | 699.3 | 464.0 | 747.4 | 774.5 | 2,056.2 | 292.2 | 284.0 | 2,632.4 | 332.3 | 436.5 | 6,044.4 |
| Apr. | 289.8 | 340.0 | 311.1 | 694.3 | 472.9 | 759.1 | 781.5 | 2,076.6 | 297.3 | 280.3 | 2,654.1 | 344.4 | 547.9 | 6,099.3 |
| May | 283.0 | 349.4 | 322.0 | 697.3 | 464.1 | 755.6 | 793.5 | 2,091.6 | 302.4 | 286.9 | 2,681.0 | 343.1 | 547.9 | 6,141.1 |
| June | 283.1 | 358.5 | 326.0 | 702.0 | 457.6 | 770.7 | 809.2 | 2,114.0 | 305.7 | 291.7 | 2,711.4 | 360.8 | 550.3 | 6,229.0 |
| July | 270.9 | 463.0 | 327.1 | 713.1 | 453.6 | 760.2 | 829.9 | 2,132.8 | 308.2 | 296.0 | 2,737.0 | 362.9 | 540.4 | 6,377.3 |
| Aug. | 283.9 | 409.6 | 330.6 | 715.9 | 451.2 | 751.5 | 830.0 | 2,145.5 | 307.9 | 298.9 | 2,752.3 | 366.1 | 552.2 | 6,338.8 |
| Sep. | 283.3 | 429.6 | 335.4 | 725.2 | 448.4 | 752.3 | 853.6 | 2,166.5 | 315.8 | 304.9 | 2,787.2 | 369.8 | 561.1 | 6,423.7 |
| Oct. | 286.4 | 427.7 | 337.5 | 727.8 | 455.6 | 764.7 | 861.6 | 2,185.7 | 319.8 | 306.5 | 2,811.9 | 360.5 | 573.0 | 6,460.5 |
| Nov. | 302.4 | 423.7 | 341.4 | 728.5 | 452.6 | 761.1 | 891.2 | 2,199.9 | 322.3 | 309.7 | 2,831.9 | 348.1 | 593.6 | 6,487.4 |
| Dec. | 333.1 | 429.2 | 340.6 | 730.4 | 457.4 | 757.1 | 931.3 | 2,219.8 | 329.9 | 307.8 | 2,857.5 | 333.9 | 634.1 | 6,536.4 |
| **2009** | | | | | | | | | | | | | | |
| Jan. | 370.2 | 433.4 | 293.3 | 725.5 | 465.3 | 740.3 | 941.0 | 2,228.0 | 344.0 | 297.2 | 2,869.2 | 331.2 | 626.8 | 6,542.7 |
| Feb. | 361.2 | 429.3 | 294.0 | 724.8 | 467.4 | 717.1 | 939.1 | 2,243.6 | 345.6 | 295.1 | 2,884.3 | 332.9 | 612.7 | 6,537.4 |
| Mar. | 372.4 | 425.5 | 291.3 | 738.8 | 467.9 | 748.8 | 950.3 | 2,264.7 | 351.7 | 303.6 | 2,920.0 | 334.4 | 630.0 | 6,619.5 |
| Apr. | 367.1 | 429.7 | 287.5 | 729.8 | 479.7 | 742.8 | 960.4 | 2,282.1 | 353.7 | 303.8 | 2,939.6 | 344.8 | 625.1 | 6,656.3 |
| May | 344.8 | 431.6 | 284.6 | 742.4 | 471.5 | 756.3 | 952.1 | 2,304.1 | 360.4 | 304.9 | 2,969.4 | 346.7 | 610.3 | 6,689.1 |
| June | 340.8 | 434.7 | 286.4 | 739.6 | 469.5 | 768.6 | 983.9 | 2,329.0 | 364.2 | 306.5 | 2,999.7 | 341.4 | 603.2 | 6,761.4 |
| July | 355.7 | 444.4 | 293.0 | 722.0 | 470.0 | 752.8 | 1,009.3 | 2,350.1 | 367.4 | 303.7 | 3,021.2 | 300.7 | 629.6 | 6,739.6 |
| Aug. | 357.6 | 436.7 | 295.3 | 735.0 | 466.1 | 733.9 | 1,002.7 | 2,366.2 | 368.5 | 301.5 | 3,036.2 | 304.2 | 625.5 | 6,742.1 |
| Sep. | 359.9 | 440.1 | 297.0 | 736.2 | 466.1 | 765.2 | 1,013.3 | 2,389.2 | 371.2 | 306.8 | 3,067.2 | 315.1 | 629.2 | 6,830.7 |

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

[2] Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial intermediation (including interbank loans), community, recreational & personal service activities and extra-territorial bodies & organisations.

**Table 1.12 Other monetary financial institutions' loans by sector**

*EUR millions*

| End of Period | Lending to residents of Malta[1] | | | | | | | Lending to non-residents of Malta | | Total lending |
|---|---|---|---|---|---|---|---|---|---|---|
| | General government[2] | Monetary financial institutions | Insurance companies and pension funds | Other financial intermediaries & financial auxiliaries | Non-financial companies | Households & non-profit institutions | Total | Other euro area residents | Non-residents of the euro area | |
| 2003 | 208.4 | 774.6 | 5.7 | 8.1 | 2,579.1 | 1,647.9 | 5,223.8 | 1,118.2 | 3,904.7 | 10,246.7 |
| 2004 | 129.4 | 625.7 | 7.3 | 8.2 | 2,686.8 | 1,903.2 | 5,360.7 | 1,756.2 | 4,044.9 | 11,161.7 |
| 2005 | 123.5 | 648.6 | 16.7 | 13.3 | 2,738.2 | 2,166.4 | 5,706.7 | 1,955.8 | 6,379.0 | 14,041.5 |
| 2006 | 118.4 | 739.4 | 20.0 | 14.9 | 3,092.7 | 2,542.9 | 6,528.2 | 2,348.2 | 8,601.4 | 17,477.8 |
| 2007 | 126.8 | 1,557.8 | 23.0 | 21.0 | 3,265.6 | 2,898.4 | 7,892.6 | 2,439.4 | 15,373.9 | 25,706.0 |
| **2008** | | | | | | | | | | |
| Jan. | 127.2 | 527.6 | 19.3 | 15.8 | 3,259.6 | 2,899.7 | 6,849.1 | 2,587.7 | 16,378.8 | 25,815.6 |
| Feb. | 119.9 | 532.2 | 21.8 | 15.3 | 3,267.4 | 2,927.7 | 6,884.4 | 2,777.1 | 16,677.6 | 26,339.0 |
| Mar. | 107.9 | 577.1 | 21.5 | 11.2 | 3,348.2 | 2,960.3 | 7,026.2 | 2,871.0 | 16,178.8 | 26,075.9 |
| Apr. | 108.5 | 596.9 | 21.4 | 15.9 | 3,482.2 | 2,979.6 | 7,204.6 | 2,860.1 | 16,451.0 | 26,515.7 |
| May | 108.6 | 595.9 | 22.0 | 14.9 | 3,499.5 | 3,009.6 | 7,250.5 | 2,980.0 | 16,844.9 | 27,075.4 |
| June | 109.8 | 568.4 | 21.8 | 16.4 | 3,537.5 | 3,041.7 | 7,295.6 | 3,087.9 | 17,767.0 | 28,150.5 |
| July | 108.7 | 544.8 | 21.3 | 13.3 | 3,647.7 | 3,067.4 | 7,403.3 | 3,394.2 | 18,297.3 | 29,094.9 |
| Aug. | 110.0 | 559.4 | 20.7 | 14.8 | 3,601.3 | 3,085.7 | 7,392.0 | 3,720.4 | 18,960.3 | 30,072.7 |
| Sep. | 111.3 | 701.1 | 21.5 | 14.0 | 3,647.7 | 3,130.1 | 7,625.5 | 3,968.2 | 19,543.9 | 31,137.7 |
| Oct. | 110.0 | 653.6 | 20.6 | 14.6 | 3,681.4 | 3,154.4 | 7,634.6 | 4,182.8 | 20,664.0 | 32,481.5 |
| Nov. | 111.3 | 625.8 | 20.8 | 12.9 | 3,717.2 | 3,177.1 | 7,665.2 | 4,106.5 | 19,847.6 | 31,619.2 |
| Dec. | 111.4 | 613.0 | 21.6 | 14.3 | 3,801.0 | 3,202.2 | 7,763.4 | 3,454.6 | 20,129.5 | 31,347.5 |
| **2009** | | | | | | | | | | |
| Jan. | 111.0 | 1,594.7 | 21.1 | 14.5 | 3,788.0 | 3,214.8 | 8,744.3 | 3,463.2 | 20,495.3 | 32,702.7 |
| Feb. | 111.0 | 1,555.7 | 21.2 | 15.5 | 3,751.8 | 3,230.7 | 8,685.7 | 3,432.0 | 20,229.5 | 32,347.2 |
| Mar. | 112.3 | 691.0 | 20.0 | 14.7 | 3,810.6 | 3,271.7 | 7,920.4 | 3,295.2 | 19,472.3 | 30,688.0 |
| Apr. | 113.5 | 733.4 | 19.7 | 17.0 | 3,813.4 | 3,293.4 | 7,990.3 | 3,474.2 | 19,073.1 | 30,537.7 |
| May | 113.0 | 542.0 | 20.0 | 26.3 | 3,787.7 | 3,328.0 | 7,817.1 | 3,070.7 | 18,729.1 | 29,616.9 |
| June | 109.3 | 1,079.9 | 20.2 | 28.3 | 3,825.9 | 3,360.9 | 8,424.5 | 2,974.2 | 18,402.7 | 29,801.4 |
| July | 110.6 | 1,178.9 | 19.7 | 14.1 | 3,842.1 | 3,382.7 | 8,548.1 | 2,794.4 | 18,226.9 | 29,569.5 |
| Aug. | 111.2 | 846.4 | 21.3 | 10.6 | 3,837.4 | 3,384.6 | 8,211.5 | 2,785.3 | 18,245.8 | 29,242.7 |
| Sep. | 112.4 | 543.2 | 22.6 | 11.8 | 3,879.7 | 3,428.5 | 7,998.1 | 3,040.0 | 17,634.7 | 28,672.8 |

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

[2] Including extra-budgetary units.

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

*EUR millions*

| End of period | Lending to residents of Malta[1] | | | | | | | | | | | | | | | | Total lending |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-financial corporations | | | | | | Households & non-profit institutions | | | | | | Other sectors | | | | |
| | MTL[2] | | EUR | | Other | | MTL[2] | | EUR | | Other | | MTL[2] | EUR | Other | | |
| | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | | | | | |
| 2003 | 1,041.2 | 1,404.6 | 9.5 | 82.7 | 14.9 | 26.3 | 194.5 | 1,439.6 | 0.5 | 10.0 | 1.1 | 2.1 | 907.9 | 65.1 | 23.8 | | 5,223.8 |
| 2004 | 961.0 | 1,546.5 | 25.9 | 92.5 | 21.4 | 39.5 | 213.4 | 1,671.6 | 0.8 | 10.6 | 4.1 | 2.8 | 687.1 | 62.3 | 21.1 | | 5,360.7 |
| 2005 | 860.7 | 1,568.3 | 17.3 | 263.3 | 18.5 | 10.2 | 204.2 | 1,943.2 | 1.4 | 15.0 | 0.1 | 2.4 | 696.7 | 86.4 | 19.0 | | 5,706.7 |
| 2006 | 905.7 | 1,689.6 | 69.9 | 395.1 | 21.1 | 11.3 | 218.5 | 2,289.2 | 2.3 | 29.6 | 0.1 | 3.1 | 713.6 | 156.9 | 22.1 | | 6,528.2 |
| 2007 | 858.3 | 1,802.5 | 108.1 | 450.0 | 36.6 | 10.2 | 241.5 | 2,616.0 | 2.0 | 34.4 | 1.0 | 3.5 | 963.8 | 744.6 | 20.3 | | 7,892.6 |
| **2008** | | | | | | | | | | | | | | | | | |
| Jan. | | | 940.2 | 2,268.3 | 39.4 | 11.7 | | | 239.2 | 2,656.4 | 0.6 | 3.5 | | 663.5 | 26.3 | | 6,849.1 |
| Feb. | | | 927.1 | 2,290.7 | 36.7 | 13.0 | | | 243.4 | 2,680.2 | 0.8 | 3.4 | | 666.8 | 22.4 | | 6,884.4 |
| Mar. | | | 969.5 | 2,328.6 | 35.3 | 14.8 | | | 246.9 | 2,709.3 | 0.7 | 3.4 | | 647.5 | 70.2 | | 7,026.2 |
| Apr. | | | 978.5 | 2,450.1 | 39.2 | 14.3 | | | 249.8 | 2,725.9 | 0.6 | 3.3 | | 686.7 | 56.1 | | 7,204.6 |
| May | | | 979.2 | 2,463.4 | 42.0 | 14.9 | | | 255.4 | 2,750.1 | 0.8 | 3.3 | | 688.4 | 52.9 | | 7,250.5 |
| June | | | 983.2 | 2,482.3 | 49.7 | 22.3 | | | 259.9 | 2,777.8 | 0.9 | 3.2 | | 686.9 | 29.5 | | 7,295.6 |
| July | | | 953.2 | 2,624.5 | 46.4 | 23.7 | | | 261.8 | 2,801.5 | 0.9 | 3.2 | | 677.6 | 10.6 | | 7,403.3 |
| Aug. | | | 957.7 | 2,578.3 | 43.5 | 21.9 | | | 257.5 | 2,824.1 | 0.9 | 3.2 | | 682.6 | 22.4 | | 7,392.0 |
| Sep. | | | 986.9 | 2,592.5 | 45.8 | 22.4 | | | 269.6 | 2,856.1 | 1.0 | 3.4 | | 822.6 | 25.1 | | 7,625.5 |
| Oct. | | | 1,044.8 | 2,560.6 | 49.9 | 26.0 | | | 268.5 | 2,880.9 | 1.3 | 3.7 | | 746.9 | 51.9 | | 7,634.6 |
| Nov. | | | 1,071.6 | 2,579.6 | 44.9 | 21.1 | | | 270.9 | 2,901.0 | 1.6 | 3.6 | | 725.3 | 45.5 | | 7,665.2 |
| Dec. | | | 1,133.1 | 2,608.2 | 40.7 | 19.0 | | | 275.7 | 2,921.9 | 1.3 | 3.4 | | 725.2 | 35.0 | | 7,763.4 |
| **2009** | | | | | | | | | | | | | | | | | |
| Jan. | | | 1,119.3 | 2,607.5 | 40.7 | 20.5 | | | 273.6 | 2,936.0 | 1.8 | 3.4 | | 1,707.3 | 34.1 | | 8,744.3 |
| Feb. | | | 1,090.1 | 2,602.4 | 38.6 | 20.7 | | | 270.9 | 2,954.6 | 1.7 | 3.4 | | 1,677.7 | 25.7 | | 8,685.7 |
| Mar. | | | 1,141.5 | 2,612.2 | 37.3 | 19.6 | | | 278.1 | 2,988.8 | 1.5 | 3.3 | | 800.0 | 38.1 | | 7,920.4 |
| Apr. | | | 1,126.7 | 2,628.4 | 39.5 | 18.8 | | | 278.4 | 3,010.5 | 1.2 | 3.3 | | 845.9 | 37.6 | | 7,990.3 |
| May | | | 1,073.2 | 2,660.8 | 36.3 | 17.5 | | | 283.5 | 3,040.5 | 1.1 | 3.0 | | 660.8 | 40.6 | | 7,817.1 |
| June | | | 1,086.9 | 2,676.1 | 40.6 | 22.3 | | | 281.3 | 3,070.4 | 1.3 | 7.9 | | 1,202.7 | 35.0 | | 8,424.5 |
| July | | | 1,076.6 | 2,697.3 | 46.2 | 22.1 | | | 280.4 | 3,093.1 | 1.3 | 7.9 | | 1,287.5 | 35.8 | | 8,548.1 |
| Aug. | | | 1,044.9 | 2,732.5 | 38.4 | 21.7 | | | 275.6 | 3,100.0 | 1.1 | 7.9 | | 953.9 | 35.6 | | 8,211.5 |
| Sep. | | | 1,069.1 | 2,745.6 | 39.0 | 25.9 | | | 287.2 | 3,132.1 | 1.1 | 8.0 | | 654.0 | 36.0 | | 7,998.1 |

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

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

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

*EUR millions*

| End of period | Deposits | Holdings of securities other than shares | | Holdings of shares and other equity | | External assets[2] | Fixed and other assets[3] | Total assets |
|---|---|---|---|---|---|---|---|---|
| | | Up to 1 year | Over 1 year | Collective investment scheme shares/units | Other shares and equity | | | |
| 2003 | 17.4 | 54.4 | 419.5 | 3.4 | 114.1 | 221.7 | 22.9 | 853.5 |
| 2004 | 11.8 | 61.0 | 467.0 | 5.0 | 160.3 | 272.8 | 25.5 | 1,003.4 |
| 2005 | 52.2 | 34.5 | 624.0 | 7.9 | 232.4 | 350.4 | 32.7 | 1,334.1 |
| 2006 | 20.8 | 50.9 | 690.2 | 7.0 | 204.4 | 431.6 | 16.6 | 1,421.4 |
| 2007 | 32.6 | 3.4 | 498.8 | 6.4 | 195.3 | 410.4 | 12.0 | 1,159.0 |
| **2008** | | | | | | | | |
| 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. | 19.4 | 2.4 | 422.8 | 3.9 | 141.5 | 288.8 | 8.3 | 887.1 |
| **2009** | | | | | | | | |
| Mar. | 19.7 | 8.2 | 421.0 | 3.6 | 107.9 | 272.1 | 6.0 | 838.5 |
| June | 18.0 | 7.4 | 412.7 | 4.2 | 120.5 | 292.2 | 6.6 | 861.7 |
| Sep. | 34.7 | 18.9 | 396.6 | 4.5 | 121.6 | 305.5 | 5.9 | 887.6 |

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

*EUR millions*

| End of period | Loans | Shareholders' units/ funds[4] | External liabilities[5] | Other liabilities[6] | Total liabilities |
|---|---|---|---|---|---|
| 2003 | 0.7 | 843.9 | 7.1 | 1.7 | 853.5 |
| 2004 | 0.5 | 994.5 | 3.9 | 4.5 | 1,003.4 |
| 2005 | 0.2 | 1,322.5 | 4.1 | 7.4 | 1,334.1 |
| 2006 | 0.4 | 1,406.4 | 11.0 | 3.6 | 1,421.4 |
| 2007 | 0.3 | 1,147.6 | 7.8 | 3.3 | 1,159.0 |
| **2008** | | | | | |
| 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 | 876.4 | 5.8 | 3.0 | 887.1 |
| **2009** | | | | | |
| Mar. | 0.6 | 827.2 | 6.9 | 3.8 | 838.5 |
| June | 1.0 | 844.9 | 7.5 | 8.2 | 861.7 |
| Sep. | 0.3 | 871.8 | 8.2 | 7.3 | 887.6 |

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

[2] Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.

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

[4] Includes share capital and reserves.

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

[6] Includes creditors, accruals and other liabilities.

## Table 1.15 Monetary policy operations of the Central Bank of Malta[1]

*EUR thousands*

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

[1] The information shown in this Table represents the position till end-2007. As from January 2008, the Central Bank of Malta conducts monetary operations within the Eurosystem monetary policy operational framework.
[2] The Central Bank of Malta used to inject liquidity into the banking system through an auction of reverse repos in the event of a liquidity shortage. With effect from 15 September 2005, the maturity period of reverse repos used to be 7 days.
[3] The Central Bank of Malta used to provide a marginal lending facility to credit institutions in order to satisfy their liquidity needs arising from normal banking business.
[4] The Central Bank of Malta used to accept placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity from the banking system. Up to 14 September 2005 the maturity period of such deposits was 14 days. Thereafter the maturity period was reduced to 7 days.
[5] The Central Bank of Malta used to provide an overnight deposit facility to credit institutions to absorb temporary liquidity excesses that could not be taken up by the market.

**Table 1.16 Monetary financial institutions' interest rates on deposits and loans to residents of Malta[1]**

| | 2009 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sep. |
| **NEW BUSINESS[2]** | | | | | | | | | |
| **Deposits** | | | | | | | | | |
| Households and NPISH | | | | | | | | | |
| Overnight deposits[4,5] | 0.46 | 0.33 | 0.34 | 0.35 | 0.35 | 0.32 | 0.28 | 0.28 | 0.29 |
| Savings deposits redeemable at notice[4,6] | | | | | | | | | |
| up to 3 months | 1.85 | 1.75 | 1.74 | 1.74 | 2.18 | 1.71 | 1.71 | 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 |
| 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 |
| over 2 years | 4.13 | 4.57 | 3.32 | 3.23 | 4.83 | 3.36 | 3.52 | 3.44 | 3.13 |
| Non-financial corporations | | | | | | | | | |
| Overnight deposits[4,5] | 0.58 | 0.37 | 0.33 | 0.29 | 0.25 | 0.22 | 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 |
| **Loans** | | | | | | | | | |
| Households and NPISH | | | | | | | | | |
| Overdrafts[4] | 6.36 | 6.18 | 6.19 | 6.18 | 6.22 | 6.41 | 6.43 | 6.43 | 6.49 |
| Loans | | | | | | | | | |
| Lending for house purchase | 3.30 | 3.40 | 3.46 | 3.20 | 3.40 | 3.57 | 3.42 | 3.41 | 3.40 |
| Consumer credit[8] | 5.82 | 5.66 | 5.50 | 5.82 | 5.62 | 5.71 | 5.75 | 5.62 | 5.74 |
| Other lending | 6.04 | 5.51 | 5.58 | 5.49 | 5.95 | 5.81 | 5.66 | 5.80 | 5.72 |
| Non-financial corporations | | | | | | | | | |
| Overdrafts[4] | 5.03 | 4.87 | 4.91 | 4.93 | 4.98 | 5.04 | 5.04 | 5.05 | 5.09 |
| Loans[8] | 4.88 | 5.78 | 5.64 | 5.20 | 5.36 | 5.43 | 4.72 | 5.61 | 5.53 |
| APRC[7] 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 |
| Consumer credit[8] | 5.94 | 5.81 | 5.59 | 5.90 | 5.71 | 5.80 | 5.83 | 5.71 | 5.87 |
| **OUTSTANDING AMOUNTS[3]** | | | | | | | | | |
| **Deposits** | | | | | | | | | |
| 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 |
| over 2 years | 3.17 | 3.17 | 3.17 | 3.16 | 3.03 | 3.16 | 3.13 | 3.13 | 3.12 |
| 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 |
| over 2 years | 3.50 | 3.53 | 3.52 | 3.48 | 3.47 | 3.43 | 3.42 | 3.43 | 3.41 |
| **Loans** | | | | | | | | | |
| 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 |
| Consumer credit and other lending[9] | 5.39 | 5.57 | 5.56 | 5.58 | 5.61 | 5.64 | 5.65 | 5.66 | 5.68 |
| Non-financial corporations[9] | 5.39 | 5.03 | 5.00 | 4.96 | 4.92 | 4.91 | 4.91 | 4.92 | 4.93 |

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits to/from households and non-financial corporations resident in Malta and other Monetary Union Member States (data before 2008 also include rates on business denominated in Maltese lira). The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned.

[2] Weighted average rates for the period.

[3] End of period rates.

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

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

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

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

[8] Excludes bank overdrafts.

[9] Includes bank overdrafts.

**Table 1.17 Monetary financial institutions' interest rates on deposits and loans to euro area residents[1]**

| *% per annum* | 2009 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sep. |
| **NEW BUSINESS [2]** | | | | | | | | | |
| **Deposits** | | | | | | | | | |
| Households and NPISH | | | | | | | | | |
| Overnight deposits [4,5] | 0.46 | 0.33 | 0.33 | 0.34 | 0.35 | 0.32 | 0.28 | 0.28 | 0.29 |
| Savings deposits redeemable at notice[4,6] | | | | | | | | | |
| up to 3 months | 1.85 | 1.75 | 1.74 | 1.74 | 2.18 | 1.71 | 1.71 | 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 |
| 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 |
| over 2 years | 4.13 | 4.57 | 3.32 | 3.23 | 4.83 | 3.36 | 3.52 | 3.44 | 3.13 |
| Non-financial corporations | | | | | | | | | |
| Overnight deposits [4,5] | 0.59 | 0.38 | 0.34 | 0.30 | 0.26 | 0.23 | 0.25 | 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 |
| **Loans** | | | | | | | | | |
| Households and NPISH | | | | | | | | | |
| Overdrafts[4] | 6.36 | 6.18 | 6.19 | 6.18 | 6.22 | 6.41 | 6.43 | 6.43 | 6.49 |
| Loans | | | | | | | | | |
| Lending for house purchase | 3.30 | 3.40 | 3.46 | 3.21 | 3.40 | 3.57 | 3.42 | 3.41 | 3.40 |
| Consumer credit[8] | 5.82 | 5.66 | 5.50 | 5.82 | 5.62 | 5.71 | 5.75 | 5.62 | 5.74 |
| Other lending | 6.03 | 5.51 | 5.58 | 5.49 | 5.95 | 5.81 | 5.66 | 5.80 | 5.72 |
| Non-financial corporations | | | | | | | | | |
| Overdrafts[4] | 5.03 | 4.87 | 4.91 | 4.94 | 4.98 | 5.04 | 5.04 | 5.05 | 5.09 |
| Loans[8] | 4.65 | 4.81 | 4.48 | 4.60 | 4.60 | 4.79 | 4.32 | 5.19 | 5.87 |
| APRC[7] 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 |
| Consumer credit[8] | 5.94 | 5.81 | 5.59 | 5.90 | 5.71 | 5.80 | 5.83 | 5.71 | 5.87 |
| **OUTSTANDING AMOUNTS [3]** | | | | | | | | | |
| **Deposits** | | | | | | | | | |
| 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 |
| over 2 years | 3.22 | 3.22 | 3.22 | 3.20 | 3.08 | 3.21 | 3.17 | 3.17 | 3.16 |
| 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 |
| over 2 years | 3.44 | 3.46 | 3.20 | 3.19 | 3.18 | 3.16 | 3.16 | 3.17 | 3.17 |
| **Loans** | | | | | | | | | |
| 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 |
| Consumer credit and other lending[9] | 5.39 | 5.57 | 5.56 | 5.58 | 5.61 | 5.64 | 5.65 | 5.66 | 5.68 |
| Non-financial corporations[9] | 5.05 | 4.57 | 4.44 | 4.40 | 4.35 | 4.29 | 4.14 | 4.14 | 4.13 |

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits vis-à-vis households and non-financial corporations with residents of Malta and other Monetary Union Member States (data before 2008 also includes rates on business denominated in Maltese lira). The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned.

[2] Weighted average rates for the period.

[3] End of period rates.

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

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

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

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

[8] Excludes bank overdrafts.

[9] Includes bank overdrafts.

**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. |
| **INTEREST RATES (%)**[1] | | | | | | | | | | |
| **Key ECB interest rates**[2] | | | | | | | | | | |
| Marginal lending facility | 3.25 | 4.50 | 5.00 | 5.00 | 5.00 | 5.25 | 3.00 | 2.50 | 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 |
| Deposit facility | 1.25 | 2.50 | 3.00 | 3.00 | 3.00 | 3.25 | 2.00 | 0.50 | 0.25 | 0.25 |
| **Money market rates (average for the quarter)** | | | | | | | | | | |
| Overnight deposit (EONIA) | 2.09 | 2.83 | 3.95 | 4.05 | 4.00 | 4.25 | 3.15 | 1.38 | 0.77 | 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 |
| 3 months | 2.18 | 3.08 | 4.72 | 4.48 | 4.86 | 4.98 | 4.21 | 2.01 | 1.31 | 0.87 |
| 6 months | 2.23 | 3.23 | 4.70 | 4.48 | 4.93 | 5.18 | 4.28 | 2.11 | 1.51 | 1.12 |
| 1 year | 2.33 | 3.44 | 4.68 | 4.48 | 5.06 | 5.37 | 4.35 | 2.22 | 1.67 | 1.33 |
| **Central Bank of Malta**[2] | | | | | | | | | | |
| Central intervention rate | 3.25 | 3.75 | 4.00 | | | | | | | |
| Money market intervention rates: | | | | | | | | | | |
| Term deposit rate | 3.20 | 3.70 | 3.95 | | | | | | | |
| Reverse repo rate | 3.30# | 3.80# | 4.05# | | | | | | | |
| Rate on standby (collateralised) loans | 4.25 | 4.75 | 5.00 | | | | | | | |
| Rate on overnight deposits | 2.25 | 2.75 | 3.00 | | | | | | | |
| Remuneration on required reserves | 3.00 | 3.50 | 4.00 | | | | | | | |

[1] End of period rates unless otherwise indicated.

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

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

## Table 1.19 Other rates and indicators

| | 2005 | 2006 | 2007 | 2008 | | | | 2009 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | June | Sep. | Dec. | Mar. | June | Sep. |
| **INTEREST RATES (%)**[1] | | | | | | | | | | |
| **Other monetary financial institutions** [2] | | | | | | | | | | |
| Weighted average deposit rate | 2.13 | 2.37 | 3.00 | 2.96 | 2.95 | 3.05 | 2.57 | 2.13 | 1.88 | 1.62 |
| Current deposits | 0.45 | 0.57 | 0.78 | 0.83 | 0.77 | 0.84 | 0.51 | 0.28 | 0.29 | 0.27 |
| Savings deposits | 1.17 | 1.17 | 1.73 | 1.67 | 1.62 | 1.72 | 0.73 | 0.41 | 0.37 | 0.33 |
| Time deposits | 2.97 | 3.27 | 3.97 | 3.92 | 3.95 | 4.05 | 3.74 | 3.27 | 2.94 | 2.55 |
| Weighted average lending rate | 5.48 | 5.90 | 6.30 | 5.96 | 5.95 | 6.20 | 4.96 | 4.49 | 4.48 | 4.48 |
| Non-financial companies | 5.99 | 6.34 | 6.74 | 6.28 | 6.22 | 6.52 | 5.31 | 4.95 | 4.96 | 4.97 |
| Households and individuals | 4.93 | 5.38 | 5.80 | 5.57 | 5.57 | 5.80 | 4.51 | 3.92 | 3.93 | 3.93 |
| Consumer credit | 6.70 | 7.42 | 7.84 | 7.65 | 7.69 | 7.94 | 7.15 | 5.69 | 5.86 | 5.88 |
| House purchase | 4.52 | 4.95 | 5.39 | 5.15 | 5.13 | 5.34 | 3.98 | 3.51 | 3.50 | 3.49 |
| Other lending | 6.09 | 6.46 | 6.74 | 6.49 | 6.53 | 6.82 | 5.54 | 4.99 | 4.92 | 5.00 |
| **Government securities** | | | | | | | | | | |
| Treasury bills (primary market)[3] | | | | | | | | | | |
| 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 |
| 6 month | 3.23 | 4.00 | 4.54 | 4.33 | 5.04 | 4.81 | 2.75 | 2.31 | 1.80 | 1.57 |
| 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 |
| 3 month | 3.22 | 3.90 | 4.35 | 4.27 | 4.94 | 4.60 | 2.64 | 2.15 | 1.63 | 1.46 |
| 6 month | 3.27 | 4.00 | 4.54 | 4.33 | 5.04 | 4.55 | 2.65 | 2.34 | 1.69 | 1.58 |
| 1 year | 3.32 | 4.20 | 4.58 | 4.51 | 5.19 | 4.41 | 2.73 | 2.04 | 1.81 | 1.62 |
| **Government long-term debt securities (average for the quarter)** | | | | | | | | | | |
| 2 year | 3.41 | 3.73 | 4.58 | 4.06 | 4.80 | 4.93 | 3.43 | 2.62 | 2.47 | 2.27 |
| 5 year | 3.95 | 3.94 | 4.65 | 4.17 | 4.85 | 5.04 | 4.01 | 3.65 | 3.77 | 3.69 |
| 10 year | 4.55 | 4.32 | 4.82 | 4.57 | 4.98 | 5.15 | 4.53 | 4.49 | 4.71 | 4.54 |
| 15 year | 4.96 | 4.54 | 5.11 | 4.98 | 5.40 | 5.38 | 4.76 | 4.99 | 5.04 | 4.93 |
| **MALTA STOCK EXCHANGE SHARE INDEX** | 4,981 | 4,873 | 4,938 | 4,650 | 4,275 | 3,724 | 3,208 | 2,698 | 2,932 | 3202 |

[1] End of period rates unless otherwise indicated.

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

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

### Table 1.20 Debt securities, by sector of resident issuers[1]

*EUR millions*

| End of period | Outstanding amounts as at end of period | | | | | Net issues during period | | | | | Net valuation changes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General government | OMFI's | Financial corporations other than OMFI's | Non-financial companies | Total | General government | OMFI's | Financial corporations other than OMFI's | Non-financial companies | Total | |
| 2004 | 2,935.1 | 202.4 | 0.0 | 619.9 | 3,757.4 | 388.4 | -5.0 | 0.0 | 0.0 | 383.4 | -39.6 |
| 2005 | 3,064.4 | 160.3 | 0.0 | 649.6 | 3,874.4 | 129.3 | -45.8 | 0.0 | -17.1 | 66.4 | 50.6 |
| 2006 | 2,998.1 | 87.9 | 17.0 | 593.0 | 3,696.0 | -66.3 | -69.3 | 17.0 | -17.5 | -136.1 | -42.3 |
| 2007 | 3,116.3 | 145.0 | 17.0 | 625.0 | 3,903.2 | 118.2 | 60.0 | 0.0 | 68.1 | 246.3 | -39.1 |
| 2008 | 3,328.3 | 172.4 | 17.0 | 665.4 | 4,183.1 | 211.9 | 26.0 | 0.0 | 22.6 | 260.5 | 19.3 |
| **2008** | | | | | | | | | | | |
| 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 |
| **2009** [2] | | | | | | | | | | | |
| 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 |

[1] Amounts are at nominal prices. Outstanding amounts of debt securities denominated in foreign currency reflect exchange rate changes.
[2] Figures are provisional.
Sources: Central Bank of Malta; MSE.

### Table 1.21 Quoted shares, by sector of resident issuers[1]

*EUR millions*

| End of period | Outstanding amounts as at end of period | | | | Net issues during period | | | | Net valuation changes |
|---|---|---|---|---|---|---|---|---|---|
| | OMFI's | Financial corporations other than OMFI's | Non-financial companies | Total | OMFI's | Financial corporations other than OMFI's | Non-financial companies | Total | |
| 2004 | 1,347.6 | 115.8 | 651.2 | 2,114.5 | 0.0 | 0.0 | 0.0 | 0.0 | 640.9 |
| 2005 | 2,525.5 | 147.9 | 800.8 | 3,474.2 | 2.2 | 0.0 | 20.0 | 22.2 | 1,337.5 |
| 2006 | 2,474.5 | 183.0 | 758.2 | 3,415.7 | 0.8 | 0.0 | 53.3 | 54.1 | -112.7 |
| 2007 | 2,520.0 | 170.1 | 1,163.9 | 3,854.0 | 9.9 | 0.0 | 387.3 | 397.2 | 41.2 |
| 2008 | 1,495.2 | 90.0 | 981.4 | 2,566.7 | 2.1 | 0.0 | 38.2 | 40.3 | -1,327.6 |
| **2008** | | | | | | | | | |
| 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 |
| **2009** [2] | | | | | | | | | |
| 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 |

[1] Amounts are at market prices. Outstanding amounts of quoted shares reflect market and exchange rate changes.
[2] Figures are provisional.
Source: MSE.

## Government Finance

### Table 2.1 General government revenue and expenditure[1]

*EUR millions*

| Period | Revenue | | | Expenditure | | | Deficit (-)/ surplus (+) | Primary deficit (-)/ surplus (+)[2] |
|---|---|---|---|---|---|---|---|---|
| | Current | Capital | Total | Current | Capital | Total | | |
| 2003 | 1,640.2 | 23.6 | 1,663.8 | 1,746.3 | 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 | -48.5 |
| 2005 | 1,835.1 | 173.0 | 2,008.1 | 1,909.8 | 236.1 | 2,145.9 | -137.8 | 40.1 |
| 2006 | 1,936.7 | 168.0 | 2,104.7 | 2,004.2 | 231.2 | 2,235.3 | -130.6 | 49.2 |
| 2007 | 2,128.3 | 70.2 | 2,198.5 | 2,105.5 | 211.9 | 2,317.4 | -118.9 | 63.2 |
| 2008 | 2,255.2 | 36.2 | 2,291.5 | 2,375.5 | 181.4 | 2,556.8 | -265.4 | -77.6 |
| **2008** | | | | | | | | |
| Q1 | 538.0 | 3.8 | 541.8 | 573.2 | 72.0 | 645.2 | -103.3 | -61.3 |
| Q2 | 546.7 | 10.6 | 557.4 | 596.6 | 28.9 | 625.4 | -68.1 | -21.3 |
| Q3 | 558.5 | 12.6 | 571.2 | 576.7 | 42.2 | 618.9 | -47.7 | -3.1 |
| Q4 | 611.9 | 9.2 | 621.1 | 629.0 | 38.3 | 667.3 | -46.2 | 8.1 |
| **2009** | | | | | | | | |
| Q1 | 534.3 | 11.3 | 545.7 | 560.2 | 27.2 | 587.3 | -41.7 | 2.6 |
| Q2 | 555.3 | 6.1 | 561.4 | 600.1 | 51.2 | 651.3 | -89.9 | -43.6 |
| Q3 | 511.1 | 6.5 | 517.6 | 577.4 | 31.2 | 608.5 | -90.9 | -47.2 |

### Table 2.2 General government revenue by main components[1]

*EUR millions*

| Period | Current revenue | | | | | | | Capital revenue | | | Total | Memo: Fiscal burden[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Direct taxes | Indirect taxes | Social security contributions | Sales | Property income | Other | Total | Capital taxes | Capital transfers | Total | | |
| 2003 | 519.6 | 566.1 | 349.6 | 82.1 | 110.0 | 12.8 | 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 | 93.7 | 69.5 | 14.0 | 1835.1 | 17.5 | 155.5 | 173.0 | 2,008.1 | 1,675.3 |
| 2006 | 609.8 | 759.3 | 389.8 | 95.5 | 63.5 | 19.0 | 1936.7 | 14.7 | 153.4 | 168.0 | 2,104.7 | 1,773.4 |
| 2007 | 726.0 | 801.7 | 398.3 | 108.2 | 72.7 | 21.4 | 2128.3 | 15.7 | 54.6 | 70.2 | 2,198.5 | 1,941.7 |
| 2008 | 742.8 | 830.2 | 432.0 | 151.5 | 72.6 | 26.1 | 2255.2 | 15.1 | 21.2 | 36.2 | 2,291.5 | 2,020.0 |
| **2008** | | | | | | | | | | | | |
| Q1 | 146.3 | 190.4 | 109.8 | 41.6 | 45.7 | 4.2 | 538.0 | 2.7 | 1.1 | 3.8 | 541.8 | 449.2 |
| Q2 | 190.7 | 198.9 | 104.3 | 38.1 | 8.9 | 5.9 | 546.7 | 3.8 | 6.8 | 10.6 | 557.4 | 497.7 |
| Q3 | 190.8 | 221.9 | 97.3 | 34.3 | 8.9 | 5.4 | 558.5 | 3.6 | 9.0 | 12.6 | 571.2 | 513.6 |
| Q4 | 215.0 | 219.1 | 120.6 | 37.6 | 9.1 | 10.6 | 611.9 | 4.9 | 4.3 | 9.2 | 621.1 | 559.6 |
| **2009** | | | | | | | | | | | | |
| Q1 | 177.6 | 174.1 | 112.6 | 27.1 | 39.8 | 3.3 | 534.3 | 3.0 | 8.3 | 11.3 | 545.7 | 467.2 |
| Q2 | 221.2 | 189.9 | 97.7 | 29.9 | 12.0 | 4.7 | 555.3 | 3.4 | 2.7 | 6.1 | 561.4 | 512.2 |
| Q3 | 165.4 | 200.6 | 103.6 | 31.2 | 6.7 | 3.6 | 511.1 | 4.2 | 2.3 | 6.5 | 517.6 | 473.8 |

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

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

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

Sources: Eurostat; NSO.

## Table 2.3 General government expenditure by main components[1]

*EUR millions*

| Period | Current expenditure | | | | | | | Capital expenditure | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Compensation of employees | Social benefits | Interest | Intermediate consumption | Subsidies | Other | Total | Investment | Capital transfers | Total [2] | |
| 2003 | 647.2 | 580.3 | 149.6 | 220.8 | 95.6 | 52.8 | 1,746.3 | 206.8 | 139.4 | 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 | 668.3 | 642.7 | 177.8 | 238.6 | 101.2 | 81.2 | 1,909.8 | 226.1 | 48.7 | 236.1 | 2,145.9 |
| 2006 | 678.4 | 666.5 | 179.7 | 287.7 | 109.4 | 82.4 | 2,004.2 | 201.5 | 47.9 | 231.2 | 2,235.3 |
| 2007 | 707.9 | 718.6 | 182.0 | 291.3 | 112.1 | 93.6 | 2,105.5 | 202.7 | 43.2 | 211.9 | 2,317.4 |
| 2008 | 831.9 | 758.0 | 187.7 | 381.1 | 121.7 | 95.1 | 2,375.5 | 141.8 | 44.5 | 181.4 | 2,556.8 |
| **2008** | | | | | | | | | | | |
| Q1 | 199.3 | 170.2 | 42.0 | 91.4 | 42.8 | 27.5 | 573.2 | 48.7 | 18.0 | 72.0 | 645.2 |
| Q2 | 199.6 | 196.7 | 46.7 | 94.0 | 41.1 | 18.5 | 596.6 | 29.5 | 8.3 | 28.9 | 625.4 |
| Q3 | 212.5 | 178.4 | 44.7 | 95.8 | 23.2 | 22.1 | 576.7 | 30.8 | 8.3 | 42.2 | 618.9 |
| Q4 | 220.6 | 212.7 | 54.3 | 100.0 | 14.5 | 26.9 | 629.0 | 32.8 | 9.8 | 38.3 | 667.3 |
| **2009** | | | | | | | | | | | |
| Q1 | 219.9 | 179.5 | 44.3 | 68.8 | 21.3 | 26.5 | 560.2 | 21.4 | 7.1 | 27.2 | 587.3 |
| Q2 | 202.8 | 214.5 | 46.3 | 95.3 | 21.4 | 19.8 | 600.1 | 24.6 | 26.2 | 51.2 | 651.3 |
| Q3 | 204.9 | 186.5 | 43.7 | 104.5 | 8.0 | 29.7 | 577.4 | 24.8 | 7.6 | 31.2 | 608.5 |

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

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

Sources: Eurostat; NSO.

## Table 2.4 General government expenditure by function[1]

*EUR millions*

| Period | General public services | Defence | Public order & safety | Economic affairs | Environ. protection | Housing & community amenities | Health | Recreation, culture & religion | Education | Social protection | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2003 | 276.4 | 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 | 62.4 | 40.8 | 274.3 | 32.6 | 260.9 | 639.3 | 2,046.8 |
| 2005 | 323.4 | 44.9 | 76.3 | 301.3 | 70.3 | 40.5 | 309.2 | 31.3 | 272.2 | 676.5 | 2,145.8 |
| 2006 | 341.8 | 39.7 | 76.4 | 296.2 | 77.6 | 41.9 | 327.6 | 29.3 | 288.5 | 716.4 | 2,235.3 |
| 2007 | 348.1 | 38.7 | 81.0 | 323.8 | 82.5 | 38.9 | 318.2 | 31.6 | 298.5 | 755.9 | 2,317.4 |

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

Sources: Eurostat; NSO.

## Table 2.5 General government financial balance sheet[1]

*EUR millions*

| Period | Financial assets | | | | | | Financial liabilties | | | | | Net financial worth |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Currency and desposits | 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 | 277.1 | 0.0 | 43.0 | 1022.1 | 164.0 | 1,506.2 | 0.0 | 3,204.7 | 322.0 | 210.3 | 3,737.1 | -2,230.9 |
| 2005 | 350.8 | 0.0 | 29.1 | 1114.9 | 218.9 | 1,713.8 | 0.0 | 3,420.9 | 297.8 | 280.1 | 3,998.8 | -2,285.0 |
| 2006 | 388.6 | 0.0 | 26.3 | 840.3 | 208.7 | 1,464.0 | 0.0 | 3,297.4 | 263.0 | 306.1 | 3,866.5 | -2,402.5 |
| 2007 | 427.5 | 0.0 | 27.4 | 819.5 | 291.2 | 1,565.6 | 8.3 | 3,311.8 | 263.2 | 347.2 | 3,930.4 | -2,364.8 |
| 2008 | 348.9 | 0.0 | 32.8 | 723.2 | 329.6 | 1,434.4 | 31.2 | 3,665.6 | 275.3 | 377.4 | 4,349.5 | -2,915.0 |
| **2008** | | | | | | | | | | | | |
| Mar. | 176.3 | 0.0 | 29.7 | 795.8 | 413.6 | 1,415.4 | 23.3 | 3,325.8 | 263.8 | 380.4 | 3,993.4 | -2,578.0 |
| June | 281.4 | 0.0 | 31.2 | 767.2 | 427.5 | 1,507.3 | 26.7 | 3,389.1 | 269.3 | 394.6 | 4,079.7 | -2,572.3 |
| Sep. | 313.1 | 0.0 | 33.0 | 736.3 | 390.3 | 1,472.7 | 29.6 | 3,484.3 | 274.7 | 408.4 | 4,197.0 | -2,724.3 |
| Dec. | 348.9 | 0.0 | 32.8 | 723.2 | 329.6 | 1,434.4 | 31.2 | 3,665.6 | 275.3 | 377.4 | 4,349.5 | -2,915.0 |
| **2009** | | | | | | | | | | | | |
| Mar. | 178.5 | 0.0 | 31.4 | 695.1 | 491.2 | 1,396.2 | 32.7 | 3,723.3 | 231.3 | 344.4 | 4,331.6 | -2,935.4 |
| June | 299.5 | 0.0 | 30.5 | 711.5 | 500.9 | 1,542.5 | 34.9 | 3,894.6 | 217.6 | 402.3 | 4,549.3 | -3,006.8 |
| Sep. | 327.7 | 0.0 | 30.6 | 747.3 | 427.6 | 1,533.1 | 36.8 | 3,958.0 | 218.8 | 404.5 | 4,618.2 | -3,085.1 |

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

Sources: Eurostat; NSO.

### Table 2.6 General government deficit-debt adjustment[1]

*EUR millions*

| Period | Change in debt | Deficit (-)/ surplus (+) | Deficit-debt adjustment: Transactions in main financial assets: Currency and deposits | Loans | Debt securities | Shares and other equity | Valuation effects and other changes in volume | Other[2] | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2003 | 469.6 | -432.2 | 155.8 | -58.3 | 0.0 | 2.6 | -6.7 | -56.1 | 37.4 |
| 2004 | 210.1 | -212.5 | -1.9 | -5.5 | 0.0 | -1.4 | -13.2 | 19.6 | -2.4 |
| 2005 | 106.0 | -137.8 | 74.9 | -0.2 | 0.0 | -55.4 | -23.5 | -27.6 | -31.8 |
| 2006 | -101.7 | -130.6 | 38.3 | -2.8 | 0.0 | -219.4 | -1.0 | -47.4 | -232.3 |
| 2007 | 125.5 | -118.9 | 33.3 | 1.1 | 0.0 | -32.1 | -6.2 | 10.6 | 6.7 |
| 2008 | 247.0 | -265.4 | -85.1 | 5.3 | 0.0 | -5.1 | 21.0 | 45.5 | -18.4 |
| **2008** | | | | | | | | | |
| Q1 | 1.8 | -103.3 | -257.2 | 2.3 | 0.0 | -8.2 | 37.1 | 124.5 | -101.5 |
| Q2 | 177.9 | -68.1 | 104.8 | 1.5 | 0.0 | 1.5 | -12.5 | 14.4 | 109.8 |
| Q3 | 55.2 | -47.7 | 31.7 | 1.8 | 0.0 | 1.5 | 18.4 | -45.9 | 7.5 |
| Q4 | 12.1 | -46.2 | 35.6 | -0.2 | 0.0 | 0.1 | -22.0 | -47.5 | -34.1 |
| **2009** | | | | | | | | | |
| Q1 | 80.3 | -41.7 | -170.5 | -1.4 | 0.0 | 1.6 | 21.5 | 187.5 | 38.7 |
| Q2 | 166.5 | -89.9 | 121.2 | -0.9 | 0.0 | 0.0 | -16.3 | -27.5 | 76.6 |
| Q3 | 58.8 | -90.9 | 28.3 | 0.0 | 0.0 | 0.0 | 16.5 | -76.9 | -32.1 |

[1] Based on ESA95 methodology. Data are provisional.
[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Eurostat.

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

| Period | Coins issued | Debt securities: Short-term | Long-term | Total | Loans: Short-term | Long-term | Total | Total general government debt [1] | Government guaranteed debt [2] |
|---|---|---|---|---|---|---|---|---|---|
| 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 | 297.8 | 3,355.3 | 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 | 64.0 | 210.8 | 274.8 | 3,626.2 | 684.8 |
| **2008** | | | | | | | | | |
| 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 | 215.6 | 268.7 | 3,558.9 | 643.3 |
| Sep. | 29.6 | 408.6 | 2,901.2 | 3,309.8 | 60.0 | 214.7 | 274.7 | 3,614.1 | 646.7 |
| Dec. | 31.2 | 365.8 | 2,954.4 | 3,320.2 | 64.0 | 210.8 | 274.8 | 3,626.2 | 684.8 |
| **2009** | | | | | | | | | |
| Mar. | 32.7 | 542.6 | 2,900.0 | 3,442.6 | 20.2 | 211.0 | 231.2 | 3,706.5 | 743.9 |
| June | 34.9 | 644.3 | 2,976.6 | 3,620.8 | 15.3 | 202.1 | 217.3 | 3,873.1 | 736.2 |
| Sep. | 36.8 | 559.8 | 3,116.5 | 3,676.2 | 13.1 | 205.8 | 218.8 | 3,931.9 | 783.0 |

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

### Table 2.8 Treasury bills issued and outstanding[1]

*EUR millions*

| End of period | Amount maturing during period | Amount issued in primary market and taken up by | | | Amount outstanding[3] and held by | | |
|---|---|---|---|---|---|---|---|
| | | OMFIs | Others[2] | Total | MFIs | Others[2] | Total |
| 2003 | 1,660.0 | 1,415.5 | 289.8 | 1,705.3 | 461.8 | 79.2 | 541.1 |
| 2004 | 1,387.7 | 1,170.0 | 248.1 | 1,418.1 | 466.7 | 104.8 | 571.5 |
| 2005 | 1,204.7 | 831.0 | 245.3 | 1,076.3 | 351.5 | 91.5 | 443.0 |
| 2006 | 992.0 | 522.5 | 400.2 | 922.7 | 249.7 | 124.2 | 373.9 |
| 2007 | 1,129.5 | 823.7 | 287.0 | 1,110.7 | 278.6 | 76.3 | 354.9 |
| **2008** | | | | | | | |
| Jan. | 59.9 | 0.0 | 6.1 | 6.1 | 231.3 | 69.8 | 301.1 |
| Feb. | 57.4 | 45.0 | 39.8 | 84.8 | 247.9 | 80.6 | 328.5 |
| Mar. | 61.8 | 41.0 | 32.9 | 73.9 | 232.1 | 108.5 | 340.6 |
| Apr. | 95.9 | 45.0 | 62.0 | 107.0 | 211.6 | 140.0 | 351.6 |
| May | 94.3 | 53.5 | 51.1 | 104.6 | 212.3 | 146.8 | 359.1 |
| June | 48.4 | 46.0 | 63.0 | 109.0 | 226.5 | 193.2 | 419.7 |
| July | 65.9 | 27.7 | 54.9 | 82.6 | 236.0 | 200.4 | 436.4 |
| Aug. | 129.9 | 17.0 | 89.0 | 106.0 | 167.1 | 245.4 | 412.5 |
| Sep. | 96.1 | 2.0 | 90.2 | 92.2 | 141.5 | 267.1 | 408.6 |
| Oct. | 130.5 | 18.0 | 85.2 | 103.2 | 117.2 | 264.0 | 381.2 |
| Nov. | 99.2 | 15.0 | 61.5 | 76.5 | 94.8 | 263.7 | 358.5 |
| Dec. | 79.7 | 39.0 | 48.0 | 87.0 | 126.4 | 239.5 | 365.8 |
| **2009** | | | | | | | |
| Jan. | 63.5 | 68.0 | 51.1 | 119.1 | 172.8 | 248.5 | 421.4 |
| Feb. | 97.8 | 84.0 | 67.3 | 151.3 | 227.6 | 247.4 | 475.0 |
| Mar. | 88.0 | 66.0 | 89.7 | 155.7 | 286.2 | 256.4 | 542.6 |
| Apr. | 147.7 | 150.0 | 40.9 | 190.9 | 346.7 | 239.2 | 585.8 |
| May | 124.8 | 103.0 | 48.3 | 151.3 | 388.2 | 224.1 | 612.3 |
| June | 163.1 | 117.0 | 78.0 | 195.0 | 441.0 | 203.3 | 644.3 |
| July | 187.2 | 84.0 | 50.2 | 134.2 | 391.4 | 199.9 | 591.3 |
| Aug. | 115.8 | 102.5 | 24.0 | 126.5 | 422.8 | 179.3 | 602.1 |
| Sep. | 184.9 | 122.3 | 20.4 | 142.6 | 434.3 | 125.4 | 559.8 |

[1] Amounts are at nominal prices.

[2] Includes the Malta Government sinking fund.

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

Sources: Central Bank of Malta; The Treasury.

## Government Finance

### Table 2.9 Treasury bills issued and outstanding *(as at end-September 2009)*[1]

*EUR millions*

| Issue date | Maturity date | Primary market weighted average rate (%) | Secondary market offer rate (%) | Amount issued in the primary market taken up by | | Amount outstanding and held by | | Total amount issued / outstanding[3] |
|---|---|---|---|---|---|---|---|---|
| | | | | OMFIs | Others[2] | MFIs | Others[2] | |
| 03/Jul/2009 | 02/Oct/2009 | 1.625 | 1.450 | 10.0 | 0.6 | 10.5 | 0.1 | 10.6 |
| 03/Apr/2009 | 02/Oct/2009 | 2.343 | 1.450 | 4.0 | 4.3 | 6.0 | 2.3 | 8.3 |
| 10/Jul/2009 | 09/Oct/2009 | 1.640 | 1.400 | 5.0 | 19.4 | 7.7 | 16.7 | 24.4 |
| 09/Apr/2009 | 09/Oct/2009 | 2.045 | 1.400 | 25.1 | 4.3 | 25.1 | 4.3 | 29.4 |
| 17/Jul/2009 | 16/Oct/2009 | 1.593 | 1.400 | 31.0 | 3.1 | 31.1 | 3.0 | 34.1 |
| 31/Jul/2009 | 30/Oct/2009 | 1.575 | 1.402 | 21.0 | 19.3 | 21.0 | 19.3 | 40.3 |
| 08/May/2009 | 06/Nov/2009 | 2.024 | 1.408 | 12.5 | 15.0 | 12.5 | 15.0 | 27.5 |
| 14/Aug/2009 | 13/Nov/2009 | 1.501 | 1.414 | 30.0 | 2.5 | 30.0 | 2.5 | 32.5 |
| 21/Aug/2009 | 20/Nov/2009 | 1.473 | 1.421 | 10.0 | 7.5 | 10.0 | 7.5 | 17.5 |
| 29/May/2009 | 27/Nov/2009 | 1.819 | 1.427 | 36.0 | 2.2 | 36.0 | 2.2 | 38.2 |
| 04/Sep/2009 | 04/Dec/2009 | 1.450 | 1.433 | 16.0 | 7.3 | 16.0 | 7.3 | 23.3 |
| 05/Jun/2009 | 04/Dec/2009 | 1.799 | 1.433 | 21.0 | 5.3 | 21.0 | 5.4 | 26.4 |
| 11/Sep/2009 | 11/Dec/2009 | 1.457 | 1.440 | 28.0 | 3.5 | 28.0 | 3.5 | 31.5 |
| 07/Aug/2009 | 05/Feb/2010 | 1.651 | 1.508 | 44.5 | 7.2 | 44.5 | 7.2 | 51.7 |
| 04/Sep/2009 | 05/Mar/2010 | 1.590 | 1.546 | 15.0 | 0.8 | 15.0 | 0.8 | 15.8 |
| 18/Sep/2009 | 18/Mar/2010 | 1.567 | 1.564 | 33.3 | 3.1 | 33.3 | 3.1 | 36.4 |
| 26/Jun/2009 | 26/Mar/2010 | 1.756 | 1.575 | 22.0 | 4.6 | 22.0 | 4.6 | 26.6 |
| 03/Jul/2009 | 01/Apr/2010 | 1.748 | 1.582 | 5.0 | 0.0 | 5.0 | 0.0 | 5.0 |
| 24/Jul/2009 | 23/Apr/2010 | 1.730 | 1.584 | 12.0 | 7.9 | 11.7 | 8.2 | 19.9 |
| 24/Aug/2009 | 28/May/2010 | 1.639 | 1.587 | 18.0 | 6.9 | 18.0 | 6.9 | 24.9 |
| 25/Sep/2009 | 25/Jun/2010 | 1.600 | 1.590 | 30.0 | 5.6 | 30.0 | 5.6 | 35.6 |
| Total | | | | 429.4 | 130.4 | 434.3 | 125.5 | 559.8 |

[1] Amounts are at nominal prices.

[2] Includes the Malta Government sinking fund.

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

Sources: Central Bank of Malta; The Treasury.

**Table 2.10 Malta government long-term debt securities outstanding** ***(as at end-September 2009)***[1]

*EUR millions*

| Coupon rate (%) | Year of maturity | Year of issue | Issue price[4] | ISMA Yield (%) | Interest dates | Held by | | Amount |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Resident MFIs | Others | |
| 5.90 | 2010 (I) | 1999 | 100 | 1.74 | 19/05 - 19/11 | 29.9 | 5.0 | 34.9 |
| 5.75 | 2010 (II)[3] | 2000 | 100 | 1.65 | 10/06 - 10/12 | 39.3 | 3.8 | 43.1 |
| 7.00 | 2010 (III)[2] | 2000 | 100 | 1.65 | 30/06 - 30/12 | 0.0 | 1.3 | 1.3 |
| 5.40 | 2010 (IV)[3] | 2003/2004 | 100/104.5 | N/A[5] | 21/02 - 21/08 | 60.0 | 51.8 | 111.8 |
| 7.50 | 2011 (I) | 1996 | 100 | 2.29 | 28/03 - 28/09 | 19.5 | 15.5 | 34.9 |
| 6.25 | 2011 (II)[3] | 2001 | 100 | 1.87 | 01/02 - 01/08 | 50.8 | 42.4 | 93.2 |
| 7.00 | 2011 (III)[2] | 2002 | 100 | 2.44 | 30/06 - 30/12 | 0.0 | 0.3 | 0.3 |
| 7.80 | 2012 (I) | 1997 | 100 | 2.68 | 24/05 - 24/11 | 38.3 | 42.1 | 80.4 |
| 7.00 | 2012 (II)[2] | 2002 | 100 | 3.00 | 30/06 - 30/12 | 0.0 | 0.4 | 0.4 |
| 5.70 | 2012 (III)[3] | 2005/2007 | 100 /102.75 /103.85/105.95/ 108/108.5/109.7 | 2.90 | 30/03 - 30/09 | 277.8 | 151.0 | 428.9 |
| 7.80 | 2013 (I) | 1997 | 100 | 3.34 | 18/04 - 18/10 | 40.5 | 39.2 | 79.8 |
| 6.35 | 2013 (II)[3] | 2001 | 100 | 3.16 | 19/05 - 19/11 | 6.1 | 54.5 | 60.6 |
| 7.00 | 2013 (III)[2] | 2003 | 100 | 3.40 | 30/06 - 30/12 | 0.0 | 0.2 | 0.2 |
| 3.60 | 2013 (IV)[3] | 2009 | 100 | 3.34 | 18/04 - 18/10 | 40.2 | 18.8 | 59.0 |
| 3.60 | 2013 (IV)[3] | 2009 | 100 | 3.34 | 18/04 - 18/10 | 46.6 | 16.4 | 63.1 |
| 3.60 | 2013 (IV)[3] | 2009 | 100 | 3.34 | 18/04 - 18/10 | 55.1 | 27.8 | 82.8 |
| 3.60 | 2013 (IV)[3] | 2009 | 100 | 3.34 | 18/04 - 18/10 | 30.1 | 26.5 | 56.6 |
| 6.60 | 2014 (I)[3] | 2000 | 100 | 3.47 | 30/03 - 30/09 | 5.4 | 19.1 | 24.5 |
| 6.45 | 2014 (II)[3] | 2001 | 100 | 3.64 | 24/05 - 24/11 | 21.4 | 48.5 | 69.9 |
| 5.10 | 2014 (III)[3] | 03/04/06/07/08 | 100/103.25/ 103.64/105.5 | 3.56 | 06/01 - 06/07 | 140.7 | 248.2 | 388.9 |
| 7.00 | 2014 (IV)[2] | 2004 | 100 | 3.66 | 30/06 - 30/12 | 0.0 | 4.0 | 4.0 |
| 6.10 | 2015 (I)[3] | 2000 | 100 | 3.76 | 10/06 - 10/12 | 27.4 | 42.5 | 69.9 |
| 5.90 | 2015 (II)[3] | 02/03/07 | 100/102/105 | 3.84 | 09/04 - 09/10 | 30.0 | 86.5 | 116.5 |
| 7.00 | 2015 (III)[2] | 2005 | 100 | 3.88 | 30/06 - 30/12 | 0.0 | 0.7 | 0.7 |
| 7.00 | 2015 (IV)[2] | 2005 | 100 | 3.88 | 03/05 - 03/11 | 0.0 | 0.8 | 0.8 |
| 6.65 | 2016 (I) | 2001 | 100 | 3.93 | 28/03 - 28/09 | 10.1 | 59.8 | 69.9 |
| 4.80 | 2016 (II)[3] | 03/04/06 | 100/101/104 | 4.06 | 26/05 - 26/11 | 62.3 | 124.1 | 186.4 |
| 7.00 | 2016 (III)[2] | 2006 | 100 | 4.08 | 30/06 - 30/12 | 0.0 | 3.4 | 3.4 |
| 7.00 | 2017 (I)[2] | 2007 | 100 | 4.24 | 18/02 - 18/08 | 0.0 | 0.7 | 0.7 |
| 7.00 | 2017 (II)[2] | 2007 | 100 | 4.24 | 30/06 - 30/12 | 0.0 | 10.3 | 10.3 |
| 7.80 | 2018 (I) | 1998 | 100 | 4.31 | 15/01 - 15/07 | 79.6 | 83.5 | 163.1 |
| 7.00 | 2018 (II)[2] | 2008 | 100 | 4.35 | 18/04 - 18/10 | 0.0 | 0.3 | 0.3 |
| 7.00 | 2018 (III)[2] | 2008 | 100 | 4.35 | 30/06 - 30/12 | 0.0 | 6.5 | 6.5 |
| 6.60 | 2019 (I) | 1999 | 100 | 4.43 | 01/03 - 01/09 | 40.8 | 61.7 | 102.5 |
| 7.00 | 2019 (II) | 2009 | 100 | 4.47 | 30/06 - 30/12 | 0.0 | 13.7 | 13.7 |
| 5.20 | 2020 (I)[3] | 2007 | 100 | 4.51 | 10/06 - 10/12 | 3.1 | 23.7 | 26.9 |
| 5.20 | 2020 (I)[3] | 2009 | 100 | 4.51 | 10/06 - 10/12 | 3.7 | 21.9 | 25.6 |
| 5.00 | 2021 (I)[3] | 04/05/07/08 | 98.5/100 | 4.63 | 08/02 - 08/08 | 101.7 | 324.0 | 425.7 |
| 5.00 | 2021 (I)[3] | 2009 | 100 | 4.63 | 08/02 - 08/08 | 10.1 | 23.0 | 33.2 |
| 5.10 | 2022 (I)[3] | 2004 | 100 | 4.74 | 16/02 - 16/08 | 4.4 | 66.6 | 71.0 |
| 5.50 | 2023 (I)[3] | 2003 | 100 | 4.84 | 06/01 - 06/07 | 17.6 | 61.2 | 78.8 |
| Total | | | | | | 1,292.6 | 1,831.6 | 3,124.2 |

[1] Amounts are at nominal prices.
[2] 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.
[3] Fungible issue. That is, the Treasury reserves the right to issue, in future, additional amounts of the stock. In the event of such future issues, these would be amalgamated with the existing stock.
[4] The price for new issues prior to 2008 is denominated in Maltese lira.
[5] ISMA yields are not available as securities were not listed on the MSE by the end of the reference period.
Sources: Central Bank of Malta; MSE.

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

*EUR millions*

| End of period | Up to 1 year | Over 1 and up to 5 years | Over 5 and up to 10 years | Over 10 and up to 15 years | Over 15 years | Total |
|---|---|---|---|---|---|---|
| 2003 | 103.8 | 487.8 | 723.3 | 630.6 | 181.3 | 2,126.8 |
| 2004 | 128.1 | 567.9 | 797.5 | 627.1 | 243.0 | 2,363.6 |
| 2005 | 103.5 | 655.5 | 992.7 | 463.5 | 406.1 | 2,621.3 |
| 2006 | 163.1 | 971.8 | 817.8 | 592.8 | 78.8 | 2,624.3 |
| 2007 | 93.2 | 1,037.4 | 889.6 | 662.5 | 78.8 | 2,761.4 |
| **2008** | | | | | | |
| Mar. | 301.3 | 829.2 | 889.6 | 662.5 | 78.8 | 2,761.4 |
| June | 69.9 | 1,037.3 | 950.8 | 715.0 | 78.8 | 2,851.8 |
| Sep. | 208.2 | 829.1 | 1,219.5 | 652.5 | 0.0 | 2,909.3 |
| Dec. | 208.2 | 969.7 | 1,115.7 | 668.9 | 0.0 | 2,962.5 |
| **2009** | | | | | | |
| Mar. | 58.4 | 1,053.2 | 1,091.2 | 704.9 | 0.0 | 2,907.7 |
| June | 101.5 | 1,073.1 | 1,091.2 | 718.6 | 0.0 | 2,984.4 |
| Sep. | 156.2 | 1,558.3 | 734.9 | 674.8 | 0.0 | 3,124.2 |

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

Sources: Central Bank of Malta; MSE.

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

*EUR millions*

| End of Period | EUR | | USD | | Other foreign currency | | Total |
|---|---|---|---|---|---|---|---|
| | Short-term | Long-term | Short-term | Long-term | Short-term | Long-term | |
| 2003 | 2.0 | 177.8 | 1.1 | 16.4 | 0.0 | 3.1 | 200.3 |
| 2004 | 1.1 | 168.6 | 0.0 | 12.3 | 0.4 | 1.8 | 184.2 |
| 2005 | 17.0 | 142.1 | 0.0 | 10.7 | 0.0 | 1.6 | 171.3 |
| 2006 | 0.0 | 134.4 | 1.0 | 5.6 | 0.0 | 1.3 | 142.3 |
| 2007 | 0.1 | 126.6 | 0.0 | 3.2 | 0.0 | 1.0 | 131.0 |
| 2008 [3] | 1.5 | 115.2 | 0.4 | 1.1 | 0.0 | 0.9 | 119.1 |
| **2008** [3] | | | | | | | |
| 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 |
| **2009** [3] | | | | | | | |
| Mar. | 0.7 | 114.1 | 0.2 | 1.2 | 0.0 | 0.9 | 117.1 |
| June | 0.7 | 105.4 | 0.2 | 1.0 | 0.0 | 0.8 | 108.1 |
| Sep. | 1.7 | 102.6 | 0.0 | 1.0 | 0.0 | 0.8 | 106.1 |

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

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

[3] Provisional.

## Exchange Rates, External Transactions and Positions

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

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

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

### Table 3.1b Selected Maltese lira exchange rates *(averages for the period)*[1]

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

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

**Table 3.2a Euro exchange rates against the major currencies *(end of period)*[1]**

| 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 |
| **2008** | | | | | | |
| 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 |
| **2009** | | | | | | |
| Jan. | 1.2816 | 0.8979 | 114.98 | 1.4871 | 2.0115 | 1.5895 |
| Feb. | 1.2644 | 0.8931 | 123.23 | 1.4841 | 1.9891 | 1.5985 |
| Mar. | 1.3308 | 0.9308 | 131.17 | 1.5152 | 1.9216 | 1.6685 |
| Apr. | 1.3275 | 0.8934 | 130.34 | 1.5066 | 1.8146 | 1.5786 |
| May | 1.4098 | 0.8729 | 135.22 | 1.5128 | 1.7671 | 1.5501 |
| June | 1.4134 | 0.8521 | 135.51 | 1.5265 | 1.7359 | 1.6275 |
| July | 1.4138 | 0.8556 | 135.33 | 1.5317 | 1.7060 | 1.5234 |
| Aug. | 1.4272 | 0.8814 | 133.10 | 1.5168 | 1.7087 | 1.5793 |
| Sep. | 1.4643 | 0.9093 | 131.07 | 1.5078 | 1.6596 | 1.5709 |

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

Source: ECB.

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

| Period | USD | GBP | JPY | CHF | AUD | CAD |
|---|---|---|---|---|---|---|
| 2003 | 1.1312 | 0.6920 | 130.97 | 1.5212 | 1.7379 | 1.5817 |
| 2004 | 1.2439 | 0.6787 | 134.44 | 1.5438 | 1.6905 | 1.6167 |
| 2005 | 1.2441 | 0.6838 | 136.85 | 1.5483 | 1.6320 | 1.5087 |
| 2006 | 1.2556 | 0.6817 | 146.02 | 1.5729 | 1.6668 | 1.4237 |
| 2007 | 1.3705 | 0.6843 | 161.25 | 1.6427 | 1.6348 | 1.4678 |
| 2008 | 1.4708 | 0.7963 | 152.45 | 1.5874 | 1.7416 | 1.5594 |
| **2008** | | | | | | |
| 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 |
| **2009** | | | | | | |
| Jan. | 1.3239 | 0.9182 | 119.73 | 1.4935 | 1.9633 | 1.6233 |
| Feb. | 1.2785 | 0.8869 | 118.30 | 1.4904 | 1.9723 | 1.5940 |
| Mar. | 1.3050 | 0.9197 | 127.65 | 1.5083 | 1.9594 | 1.6470 |
| Apr. | 1.3190 | 0.8976 | 130.25 | 1.5147 | 1.8504 | 1.6188 |
| May | 1.3650 | 0.8844 | 131.85 | 1.5118 | 1.7831 | 1.5712 |
| June | 1.4016 | 0.8567 | 135.39 | 1.5148 | 1.7463 | 1.5761 |
| July | 1.4088 | 0.8609 | 133.09 | 1.5202 | 1.7504 | 1.5824 |
| Aug. | 1.4268 | 0.8627 | 135.31 | 1.5236 | 1.7081 | 1.5522 |
| Sep. | 1.4562 | 0.8913 | 133.14 | 1.5148 | 1.6903 | 1.5752 |

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

Source: ECB.

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

*EUR millions*

| Period | Current account | | | | | | | | | Capital account | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Goods | | Services | | Income | | Current transfers | | Total | | |
| | Credit | Debit | Credit | Debit | Credit | Debit | Credit | Debit | | Credit | Debit |
| 2003 | 2,271.2 | 2,836.3 | 1,275.1 | 785.4 | 793.9 | 816.3 | 178.2 | 217.0 | -136.5 | 16.6 | 1.2 |
| 2004[2] | 2,188.2 | 2,881.5 | 1,364.6 | 846.4 | 781.1 | 826.2 | 178.6 | 224.8 | -266.3 | 69.8 | 3.0 |
| 2005[2] | 2,083.2 | 2,987.5 | 1,617.2 | 969.5 | 973.9 | 1,173.5 | 277.5 | 241.6 | -420.4 | 165.9 | 10.2 |
| 2006[2] | 2,335.4 | 3,301.5 | 2,117.0 | 1,403.9 | 1,463.1 | 1,675.6 | 420.6 | 427.0 | -472.0 | 158.3 | 5.2 |
| 2007[2] | 2,406.8 | 3,388.2 | 2,484.6 | 1,657.6 | 1,953.5 | 2,122.4 | 535.5 | 591.3 | -379.2 | 55.8 | 4.4 |
| 2008[2] | 2,138.5 | 3,277.7 | 2,521.6 | 1,556.5 | 2,198.6 | 2,366.9 | 805.5 | 772.2 | -309.1 | 32.1 | 4.6 |
| **2008[2]** | | | | | | | | | | | |
| Q1 | 554.7 | 805.2 | 534.0 | 359.4 | 479.2 | 482.5 | 134.3 | 94.5 | -39.5 | 4.5 | 1.1 |
| Q2 | 522.7 | 859.2 | 646.0 | 416.6 | 519.9 | 620.8 | 459.4 | 398.4 | -147.0 | 8.9 | 0.8 |
| Q3 | 509.1 | 838.0 | 782.0 | 369.7 | 642.7 | 681.9 | 148.6 | 138.1 | 54.7 | 7.2 | 1.1 |
| Q4 | 552.1 | 775.3 | 559.6 | 410.8 | 556.8 | 581.7 | 63.2 | 141.1 | -177.3 | 11.6 | 1.6 |
| **2009[2]** | | | | | | | | | | | |
| Q1 | 372.8 | 549.9 | 513.3 | 356.3 | 478.8 | 634.5 | 134.0 | 146.9 | -188.6 | 2.2 | 0.9 |
| Q2 | 405.1 | 608.8 | 620.5 | 390.5 | 429.2 | 447.8 | 627.2 | 443.1 | 191.7 | 10.7 | 0.7 |
| Q3 | 433.8 | 699.9 | 744.7 | 368.6 | 402.0 | 486.1 | 163.5 | 225.3 | -36.0 | 3.1 | 1.2 |

*EUR millions*

| Period | Financial account [1] | | | | | | | | | | Errors & omissions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Direct investment | | Portfolio investment | | Financial derivatives | | Other investment | | Official reserve assets | Total | |
| | Abroad | In Malta | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities | | | |
| 2003 | -482.7 | 850.4 | -1,378.0 | -16.7 | -4.2 | 25.2 | -53.6 | 1,283.1 | -127.5 | 96.0 | 25.1 |
| 2004[2] | -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[2] | 16.6 | 543.5 | -2,166.2 | 28.8 | -14.6 | -3.8 | -2,261.6 | 4,344.9 | -187.8 | 299.8 | -35.1 |
| 2006[2] | -23.9 | 1,492.0 | -1,965.1 | -15.3 | 40.5 | -15.6 | -3,325.1 | 4,208.6 | -83.0 | 313.2 | 5.7 |
| 2007[2] | -22.6 | 695.3 | 367.0 | 1.1 | -134.6 | 254.8 | -7,592.8 | 6,910.0 | -326.5 | 151.6 | 176.2 |
| 2008[2] | -189.3 | 600.1 | 200.9 | 171.7 | 3.2 | -346.2 | -4,403.8 | 4,136.5 | 108.7 | 281.9 | -0.4 |
| **2008[2]** | | | | | | | | | | | |
| Q1 | -50.1 | 102.9 | -10.1 | 9.4 | -40.0 | -87.2 | -1,659.5 | 1,840.0 | -69.4 | 35.9 | 0.1 |
| Q2 | -38.7 | 125.4 | -1,478.1 | 62.6 | 88.6 | 20.1 | -1,737.7 | 3,162.7 | 46.1 | 251.0 | -112.1 |
| Q3 | -57.4 | 118.5 | -965.7 | 98.1 | -19.1 | 2.5 | -1,765.8 | 2,306.8 | 42.3 | -239.8 | 179.0 |
| Q4 | -43.1 | 253.4 | 2,654.9 | 1.7 | -26.3 | -281.6 | 759.2 | -3,173.0 | 89.7 | 234.8 | -67.5 |
| **2009[2]** | | | | | | | | | | | |
| Q1 | -0.4 | 263.8 | 284.3 | 1.8 | -79.9 | -48.5 | 1,554.8 | -1,574.0 | -9.4 | 392.6 | -205.2 |
| Q2 | -18.9 | -39.9 | -323.8 | -3.6 | 76.3 | -8.7 | 487.8 | -465.6 | -57.7 | -354.1 | 152.4 |
| Q3 | -6.1 | 233.0 | -988.0 | -28.8 | -29.5 | 13.0 | 613.2 | 93.8 | 94.2 | -5.3 | 39.4 |

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

[2] Provisional.

Source: NSO.

### Table 3.4 Official reserve assets[1]

*EUR millions*

| End of period | Monetary gold | Special Drawing Rights | Reserve position in the IMF | Foreign exchange: Currency and deposits | Foreign exchange: Securities other than shares | Foreign exchange: Other reserve assets [2] | Total |
|---|---|---|---|---|---|---|---|
| 2003 | 1.4 | 35.4 | 47.8 | 1,587.7 | 524.2 | 3.7 | 2,200.3 |
| 2004 | 1.4 | 35.5 | 46.5 | 930.9 | 1,014.3 | 0.1 | 2,028.8 |
| 2005 | 1.9 | 38.9 | 48.8 | 676.9 | 1,420.3 | 2.0 | 2,188.9 |
| 2006 | 3.1 | 39.0 | 46.2 | 827.6 | 1,325.3 | -0.6 | 2,240.6 |
| 2007 | 8.8 | 40.8 | 43.5 | 1,491.0 | 966.5 | 10.8 | 2,561.4 |
| 2008 | 3.7 | 12.9 | 44.6 | 107.5 | 88.7 | 10.9 | 268.3 |
| **2009** [3] | | | | | | | |
| 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 |

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

[2] Comprising net gains or losses on financial derivatives.

[3] Provisional.

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

*EUR millions*

| Period | Direct investment: Abroad | Direct investment: In Malta | Portfolio investment: Assets | Portfolio investment: Liabilities | Financial derivatives: Assets | Financial derivatives: Liabilities | Other investments: Assets | Other investments: Liabilities | Official reserve assets | IIP (net) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2003 | 736.8 | 2,617.6 | 5,600.6 | 329.2 | 4.2 | 25.2 | 5,803.4 | 9,589.5 | 2,200.3 | 1,783.7 |
| 2004[1] | 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[1] | 840.5 | 3,645.5 | 10,053.9 | 413.0 | 42.3 | 44.2 | 9,595.9 | 16,839.5 | 2,188.9 | 1,779.4 |
| 2006[1] | 873.5 | 4,994.2 | 11,371.0 | 408.1 | 34.4 | 49.3 | 12,350.8 | 19,999.3 | 2,240.6 | 1,419.4 |
| 2007[1] | 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[1] | 760.7 | 5,756.9 | 10,189.6 | 556.5 | 276.8 | 281.7 | 25,759.1 | 30,315.0 | 268.3 | 344.5 |
| **2008** | | | | | | | | | | |
| 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 |
| **2009** | | | | | | | | | | |
| 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 |

[1] Provisional.

Source: NSO.

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

*EUR millions*

| | 2007 [2] | 2008 [2] | 2008 [2] | | | | 2009 [2] | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Mar. | June | Sep. | Dec. | Mar. | June | Sep. |
| **General Government** | 141.4 | 292.6 | 148.7 | 199.5 | 278.6 | 292.6 | 281.5 | 268.1 | 232.0 |
| *Short-term* | 4.8 | 83.7 | 15.0 | 45.8 | 76.0 | 83.7 | 79.3 | 69.6 | 30.5 |
| Money market instruments | 0.0 | 76.6 | 11.4 | 41.0 | 73.0 | 76.6 | 71.1 | 64.6 | 26.3 |
| Loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.3 | 3.3 | 1.7 |
| Trade credits | 4.8 | 7.1 | 3.7 | 4.8 | 3.0 | 7.1 | 4.9 | 1.7 | 2.5 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Long-term* | 136.6 | 208.9 | 133.7 | 153.7 | 202.6 | 208.9 | 202.2 | 198.5 | 201.5 |
| Bonds and notes | 5.7 | 89.9 | 5.7 | 27.8 | 79.2 | 89.9 | 88.4 | 93.7 | 97.0 |
| Loans | 131.0 | 119.0 | 128.0 | 125.9 | 123.4 | 119.0 | 113.8 | 104.8 | 104.5 |
| Trade credits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Monetary Authorities** | 31.4 | 677.8 | 807.2 | 926.0 | 984.6 | 677.8 | 66.9 | 11.2 | 323.5 |
| *Short-term* | 31.4 | 677.8 | 807.2 | 926.0 | 984.6 | 677.8 | 66.9 | 11.2 | 323.5 |
| Money market instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency and deposits | 31.4 | 677.8 | 785.8 | 863.9 | 984.3 | 677.8 | 66.9 | 10.9 | 323.5 |
| Other debt liabilities | 0.0 | 0.0 | 21.4 | 62.1 | 0.3 | 0.0 | 0.0 | 0.3 | 0.0 |
| *Long-term* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **OMFIs[3]** | 25,248.7 | 28,503.4 | 24,789.9 | 28,274.6 | 31,755.7 | 28,503.4 | 27,952.8 | 27,049.3 | 26,417.8 |
| *Short-term* | 17,127.9 | 23,271.7 | 18,176.6 | 20,468.4 | 22,281.8 | 23,271.7 | 23,279.9 | 21,492.4 | 21,273.0 |
| Money market instruments | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.4 |
| Loans | 5,578.3 | 9,291.0 | 6,907.6 | 6,498.4 | 8,146.3 | 9,291.0 | 9,632.4 | 8,216.6 | 7,848.2 |
| Currency and deposits | 11,098.8 | 13,116.8 | 10,902.1 | 13,479.1 | 13,526.0 | 13,116.8 | 12,581.9 | 13,156.6 | 13,320.3 |
| Other debt liabilities | 450.1 | 863.9 | 366.9 | 490.9 | 609.5 | 863.9 | 1,065.6 | 119.3 | 101.2 |
| *Long-term* | 8,120.8 | 5,231.7 | 6,613.3 | 7,806.1 | 9,473.9 | 5,231.7 | 4,672.9 | 5,556.9 | 5,144.8 |
| Bonds and notes | 13.2 | 13.7 | 13.6 | 13.6 | 18.7 | 13.7 | 13.6 | 14.1 | 14.2 |
| Loans | 7,915.8 | 4,986.1 | 6,496.4 | 7,636.4 | 9,244.1 | 4,986.1 | 4,581.2 | 5,446.5 | 5,036.0 |
| Currency and deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other debt liabilities | 191.7 | 231.9 | 103.3 | 156.2 | 211.1 | 231.9 | 78.2 | 96.2 | 94.6 |
| **Other Sectors[4]** | 1,141.1 | 1,234.1 | 1,259.0 | 1,168.4 | 1,231.7 | 1,234.1 | 1,166.1 | 1,161.4 | 1,183.6 |
| *Short-term* | 567.9 | 705.7 | 637.1 | 654.2 | 720.7 | 705.7 | 668.0 | 681.0 | 705.5 |
| Money market instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans | 22.7 | 61.2 | 24.6 | 20.6 | 72.3 | 61.2 | 37.3 | 35.5 | 34.3 |
| Currency and deposits | 90.5 | 119.8 | 96.9 | 106.3 | 114.4 | 119.8 | 119.8 | 119.8 | 119.8 |
| Trade credits | 454.6 | 524.7 | 515.6 | 527.2 | 533.9 | 524.7 | 510.8 | 525.6 | 551.3 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Long-term* | 573.2 | 528.4 | 622.0 | 514.2 | 511.0 | 528.4 | 498.2 | 480.4 | 478.2 |
| Bonds and notes | 208.8 | 212.7 | 212.3 | 211.3 | 215.1 | 212.7 | 217.1 | 211.8 | 214.9 |
| Loans | 354.7 | 294.6 | 397.8 | 287.5 | 277.3 | 294.6 | 265.4 | 262.2 | 256.8 |
| Currency and deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade credits | 9.7 | 21.1 | 11.8 | 15.4 | 18.6 | 21.1 | 15.7 | 6.5 | 6.5 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Direct Investment: Intercompany lending** | 1,002.2 | 1,178.8 | 1,042.0 | 1,096.5 | 1,164.1 | 1,178.8 | 1,207.9 | 1,184.9 | 1,206.4 |
| Debt liabilities to affiliated enterprises | 55.1 | 79.7 | 62.3 | 65.5 | 65.0 | 79.7 | 87.2 | 89.4 | 103.5 |
| Debt liabilities to direct investors | 947.1 | 1,099.2 | 979.7 | 1,031.0 | 1,099.1 | 1,099.2 | 1,120.7 | 1,095.4 | 1,102.8 |
| **Gross External Debt** | **27,564.8** | **31,886.7** | **28,046.8** | **31,665.0** | **35,414.7** | **31,886.7** | **30,675.2** | **29,674.9** | **29,363.3** |
| **of which: OMFIs** | **25,248.7** | **28,503.4** | **24,789.9** | **28,274.6** | **31,755.7** | **28,503.4** | **27,952.8** | **27,049.3** | **26,417.8** |
| **Gross External Debt excluding banks'** | **2,316.1** | **3,383.3** | **3,256.9** | **3,390.4** | **3,659.0** | **3,383.3** | **2,722.4** | **2,625.6** | **2,945.5** |

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

[2] Provisional

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

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

## Table 3.7 Malta's foreign trade[1]

*EUR millions*

| Period | Exports (f.o.b.) | Imports (c.i.f.) | Balance of trade |
|---|---|---|---|
| 2003 | 2162.5 | 2984.6 | -822.1 |
| 2004 | 2112.3 | 3328.5 | -1216.2 |
| 2005 | 1959.1 | 3117.2 | -1158.1 |
| 2006 | 2256.8 | 3487.9 | -1231.1 |
| 2007[2] | 2287.5 | 3580.4 | -1292.9 |
| 2008[2] | 2061.3 | 3430.5 | -1369.2 |
| **2008[2]** | | | |
| Jan. | 180.2 | 282.1 | -101.9 |
| Feb. | 167.5 | 269.7 | -102.2 |
| Mar. | 181.6 | 278.4 | -96.8 |
| Apr. | 165.9 | 330.1 | -164.2 |
| May | 162.1 | 277.2 | -115.1 |
| June | 172.9 | 284.6 | -111.7 |
| July | 173.8 | 336.4 | -162.6 |
| Aug. | 149.2 | 255.9 | -106.7 |
| Sep. | 181.7 | 315.9 | -134.2 |
| Oct. | 188.6 | 277.0 | -88.4 |
| Nov. | 163.5 | 249.6 | -86.1 |
| Dec. | 174.3 | 273.6 | -99.3 |
| **2009[2]** | | | |
| Jan. | 115.7 | 240.7 | -125.0 |
| Feb. | 111.2 | 201.6 | -90.4 |
| Mar. | 144.2 | 220.3 | -76.1 |
| Apr. | 132.2 | 253.3 | -121.1 |
| May | 132.3 | 227.7 | -95.4 |
| June | 137.3 | 211.4 | -74.1 |
| July | 152.0 | 285.3 | -133.3 |
| Aug. | 126.8 | 259.7 | -132.9 |
| Sep. | 145.9 | 205.1 | -59.2 |

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

[2] Provisional.

Source: NSO.

## Table 3.8 Direction of trade - exports[1]

*EUR millions*

| Period | EU (of which): | | | | | | | | All others (of which): | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Euro area (of which): | | | | | UK | Other EU | Total | | | | |
| | France | Germany | Italy | Other Euro area | Total | | | | Asia | USA | Others | |
| 2003 | 280.5 | 221.5 | 72.9 | 113.4 | 688.3 | 253.9 | 15.8 | 958.1 | 576.3 | 312.8 | 315.3 | 2162.5 |
| 2004 | 327.4 | 228.3 | 65.0 | 86.8 | 707.5 | 242.3 | 67.6 | 1017.4 | 544.3 | 330.5 | 220.1 | 2112.3 |
| 2005 | 283.7 | 236.2 | 100.6 | 93.0 | 713.5 | 216.0 | 75.3 | 1004.8 | 461.0 | 263.9 | 229.4 | 1959.1 |
| 2006 | 326.7 | 282.8 | 81.5 | 165.6 | 856.6 | 213.0 | 81.0 | 1150.6 | 631.3 | 275.4 | 199.5 | 2256.8 |
| 2007[2] | 271.2 | 305.3 | 90.7 | 131.6 | 798.8 | 222.0 | 86.1 | 1106.9 | 719.9 | 246.7 | 214.0 | 2287.5 |
| 2008[2] | 234.5 | 267.1 | 103.1 | 88.2 | 692.9 | 167.1 | 61.8 | 921.8 | 713.9 | 182.8 | 242.8 | 2061.3 |
| **2008[2]** | | | | | | | | | | | | |
| 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. | 17.6 | 22.3 | 7.3 | 6.9 | 54.1 | 11.6 | 5.0 | 70.7 | 71.0 | 13.6 | 26.4 | 181.7 |
| 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 | 17.9 | 174.3 |
| **2009[2]** | | | | | | | | | | | | |
| Jan. | 16.6 | 19.2 | 5.4 | 5.8 | 47.0 | 7.6 | 4.3 | 58.9 | 33.1 | 9.1 | 14.6 | 115.7 |
| Feb. | 12.9 | 14.1 | 6.3 | 6.5 | 39.8 | 9.0 | 2.8 | 51.6 | 35.2 | 8.8 | 15.6 | 111.2 |
| Mar. | 16.5 | 15.5 | 7.2 | 7.0 | 46.2 | 8.7 | 3.3 | 58.2 | 56.7 | 12.1 | 17.2 | 144.2 |
| Apr. | 12.3 | 18.1 | 6.5 | 7.3 | 44.2 | 7.1 | 5.7 | 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 | 16.7 | 6.2 | 7.5 | 44.4 | 9.5 | 4.9 | 58.8 | 48.4 | 10.4 | 19.7 | 137.3 |
| July | 15.2 | 21.4 | 9.1 | 7.4 | 53.1 | 6.6 | 4.4 | 64.1 | 43.1 | 16.8 | 28.0 | 152.0 |
| Aug. | 11.8 | 18.5 | 5.3 | 6.7 | 42.3 | 8.4 | 5.8 | 56.5 | 42.1 | 10.7 | 17.5 | 126.8 |
| Sep. | 15.9 | 18 | 5.8 | 6.9 | 46.6 | 6.4 | 7.1 | 60.1 | 44.7 | 15.7 | 25.4 | 145.9 |

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

[2] Provisional.

Source: NSO.

## Table 3.9 Direction of trade - imports[1]

*EUR millions*

| Period | EU (of which): | | | | | | | | All others (of which): | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Euro area (of which): | | | | | UK | Other EU | Total | Asia | USA | Others | |
| | France | Germany | Italy | Other Euro area | Total | | | | | | | |
| 2003 | 509.9 | 235.0 | 685.8 | 276.0 | 1,706.7 | 276.5 | 37.3 | 2,020.5 | 489.6 | 252.3 | 222.2 | 2,984.6 |
| 2004 | 566.3 | 392.0 | 772.3 | 327.8 | 2,058.4 | 367.4 | 71.3 | 2,497.1 | 458.0 | 162.8 | 210.6 | 3,328.5 |
| 2005 | 291.4 | 280.0 | 956.9 | 334.6 | 1,862.9 | 325.8 | 77.0 | 2,265.7 | 417.7 | 162.5 | 271.3 | 3,117.2 |
| 2006 | 406.0 | 263.2 | 966.3 | 373.4 | 2,008.9 | 344.0 | 69.3 | 2,422.2 | 635.1 | 179.5 | 251.1 | 3,487.9 |
| 2007[2] | 420.2 | 290.3 | 876.8 | 375.3 | 1,962.6 | 498.8 | 103.0 | 2,564.4 | 598.6 | 206.6 | 210.8 | 3,580.4 |
| 2008[2] | 273.9 | 261.2 | 905.5 | 409.2 | 1,849.8 | 434.6 | 117.9 | 2,402.3 | 597.0 | 74.7 | 356.5 | 3,430.5 |
| **2008[2]** | | | | | | | | | | | | |
| Jan. | 25.6 | 23.3 | 68.3 | 29.7 | 146.9 | 37.7 | 4.5 | 189.1 | 59.4 | 6.5 | 27.1 | 282.1 |
| 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 | 11.2 | 278.4 |
| Apr. | 20.5 | 21.4 | 89.6 | 46.4 | 177.9 | 39.7 | 14.6 | 232.2 | 52.5 | 7.3 | 38.1 | 330.1 |
| May | 29.8 | 21.0 | 66.3 | 48.3 | 165.4 | 26.2 | 6.0 | 197.6 | 50.1 | 7.5 | 22.0 | 277.2 |
| June | 19.6 | 23.6 | 84.3 | 30.6 | 158.1 | 43.0 | 6.5 | 207.6 | 52.9 | 3.8 | 20.3 | 284.6 |
| 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 | 18.5 | 255.9 |
| Sep. | 23.0 | 20.5 | 67.3 | 27.0 | 137.8 | 39.0 | 14.1 | 190.9 | 50.1 | 6.8 | 68.1 | 315.9 |
| Oct. | 15.2 | 22.4 | 84.7 | 31.3 | 153.6 | 37.9 | 12.0 | 203.5 | 47.5 | 10.8 | 15.2 | 277.0 |
| Nov. | 20.1 | 19.4 | 73.7 | 27.4 | 140.6 | 32.3 | 8.8 | 181.7 | 45.5 | 5.7 | 16.7 | 249.6 |
| Dec. | 13.4 | 16.9 | 54.4 | 27.7 | 112.4 | 26.5 | 9.3 | 148.2 | 41.0 | 5.6 | 78.8 | 273.6 |
| **2009[2]** | | | | | | | | | | | | |
| Jan. | 11.2 | 51.8 | 35.0 | 20.6 | 118.6 | 22.7 | 4.6 | 145.9 | 36.4 | 3.1 | 55.3 | 240.7 |
| Feb. | 18.7 | 20.0 | 51.8 | 25.6 | 116.1 | 23.5 | 4.7 | 144.3 | 36.0 | 12.5 | 8.8 | 201.6 |
| Mar. | 11.6 | 19.1 | 48.1 | 33.9 | 112.7 | 33.1 | 5.8 | 151.6 | 32.9 | 5.5 | 30.3 | 220.3 |
| Apr. | 10.4 | 18.4 | 70.1 | 22.8 | 121.7 | 23.7 | 9.6 | 155.0 | 37.7 | 9.8 | 50.8 | 253.3 |
| May | 14.7 | 14.1 | 60.1 | 25.3 | 114.2 | 23.7 | 5.4 | 143.3 | 33.8 | 12.3 | 38.3 | 227.7 |
| June | 21.0 | 16.6 | 62.9 | 32.5 | 133.0 | 25.8 | 7.0 | 165.8 | 26.7 | 6.9 | 12.0 | 211.4 |
| July | 23.0 | 16.0 | 53.8 | 44.5 | 137.3 | 31.6 | 5.0 | 173.9 | 37.0 | 5.4 | 69.0 | 285.3 |
| Aug. | 27.1 | 21.1 | 58.0 | 32.9 | 139.1 | 32.4 | 5.7 | 177.2 | 59.7 | 4.9 | 17.9 | 259.7 |
| Sep. | 24.2 | 14.7 | 54.8 | 35.6 | 129.3 | 23.7 | 4.5 | 157.5 | 31.4 | 6.6 | 9.6 | 205.1 |

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

[2] Provisional.

Source: NSO.

## Real Economy Indicators

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

*EUR millions*

| Period | Domestic demand | | | | | External balance | | | Gross Domestic Product | Gross National Income |
|---|---|---|---|---|---|---|---|---|---|---|
| | Private consumption[2] | General government consumption | Gross fixed capital formation | Changes in inventories[3] | Total | Exports of goods and services | Imports of goods and services | Net | | |
| 2004[1] | 2,974.1 | 933.9 | 861.8 | -103.1 | 4,666.7 | 3,552.8 | 3,727.9 | -175.1 | 4,491.6 | 4,435.7 |
| 2005[1] | 3,117.0 | 943.6 | 942.0 | 43.2 | 5,045.8 | 3,700.3 | 3,957.0 | -256.7 | 4,789.1 | 4,571.2 |
| 2006[1] | 3,211.4 | 1,014.3 | 1,025.5 | 112.7 | 5,364.0 | 4,452.4 | 4,705.4 | -253.1 | 5,110.9 | 4,885.8 |
| 2007[1] | 3,330.7 | 1,039.2 | 1,076.6 | 164.3 | 5,610.8 | 4,891.5 | 5,045.9 | -154.4 | 5,456.4 | 5,270.8 |
| 2008[1] | 3,594.6 | 1,216.1 | 895.7 | 178.5 | 5,885.0 | 4,650.2 | 4,832.6 | -182.3 | 5,702.7 | 5,512.9 |
| **2008[1]** | | | | | | | | | | |
| Q1 | 813.8 | 288.2 | 244.7 | 43.1 | 1,389.7 | 1,088.7 | 1,164.6 | -76.0 | 1,313.8 | 1,304.4 |
| Q2 | 880.0 | 297.5 | 241.4 | 122.2 | 1,541.2 | 1,168.8 | 1,275.8 | -107.1 | 1,434.1 | 1,328.6 |
| Q3 | 943.1 | 314.2 | 199.3 | -56.3 | 1,400.3 | 1,309.7 | 1,207.7 | 102.0 | 1,502.3 | 1,457.3 |
| Q4 | 957.8 | 316.1 | 210.4 | 69.5 | 1,553.9 | 1,083.1 | 1,184.3 | -101.3 | 1,452.6 | 1,422.6 |
| **2009[1]** | | | | | | | | | | |
| Q1 | 846.2 | 313.2 | 176.1 | 15.6 | 1,351.0 | 886.2 | 906.3 | -20.1 | 1,330.9 | 1,171.9 |
| Q2 | 895.8 | 307.4 | 178.0 | 8.6 | 1,389.8 | 1,021.0 | 994.1 | 26.9 | 1,416.6 | 1,399.0 |
| Q3 | 952.6 | 324.4 | 215.7 | -74.3 | 1,418.3 | 1,153.7 | 1,065.9 | 87.9 | 1,506.2 | 1,420.5 |

[1] Provisional.

[2] Consumption by households and NPISH.

[3] Including acquisitions less disposals of valuables.

Source: NSO.

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

*EUR millions*

| Period | Domestic demand | | | | | External balance | | | Gross Domestic Product |
|---|---|---|---|---|---|---|---|---|---|
| | Private consumption[2] | General government consumption | Gross fixed capital formation | Changes in inventories[3] | Total | Exports of goods and services | Imports of goods and services | Net | |
| 2004[1] | 2,763.1 | 796.4 | 789.1 | -93.4 | 4,255.3 | 3,746.6 | 3,976.4 | -229.8 | 4,025.5 |
| 2005[1] | 2,824.1 | 791.6 | 865.6 | 39.5 | 4,520.8 | 3,769.0 | 4,103.5 | -334.5 | 4,186.2 |
| 2006[1] | 2,842.9 | 836.1 | 885.5 | 100.0 | 4,664.4 | 4,164.7 | 4,495.2 | -330.5 | 4,333.9 |
| 2007[1] | 2,901.4 | 835.7 | 896.2 | 144.9 | 4,778.2 | 4,277.3 | 4,549.3 | -271.9 | 4,506.2 |
| 2008[1] | 3,043.7 | 940.6 | 701.1 | 155.1 | 4,840.5 | 4,650.2 | 4,285.7 | 364.5 | 4,601.2 |
| **2008[1]** | | | | | | | | | |
| Q1 | 700.1 | 224.6 | 189.4 | 37.6 | 1,151.8 | 948.5 | 1,021.6 | -73.2 | 1,078.6 |
| Q2 | 751.5 | 231.2 | 191.3 | 106.3 | 1,280.3 | 976.8 | 1,115.5 | -138.7 | 1,141.6 |
| Q3 | 798.5 | 242.2 | 152.4 | -48.8 | 1,144.3 | 1,101.0 | 1,047.9 | 53.0 | 1,197.4 |
| Q4 | 793.5 | 242.6 | 168.1 | 59.9 | 1,264.1 | 1,020.2 | 1,100.6 | -80.5 | 1,183.6 |
| **2009** | | | | | | | | | |
| Q1 | 711.6 | 234.7 | 133.2 | 12.7 | 1,092.1 | 813.8 | 846.2 | -32.3 | 1,059.8 |
| Q2 | 747.0 | 230.4 | 135.2 | 7.0 | 1,119.6 | 936.3 | 951.4 | -15.0 | 1,104.5 |
| Q3 | 802.5 | 244.1 | 155.8 | -60.7 | 1,141.7 | 1,058.4 | 1,027.8 | 30.6 | 1,172.3 |

[1] Provisional.

[2] Consumption by households and NPISH.

[3] Including acquisitions less disposals of valuables.

Source: NSO.

## Table 4.2 Tourist departures by nationality[1]

*Thousands*

| Period | EU (of which): | | | | | | | | All others | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Euro area (of which): | | | | | UK | Other EU | Total | | |
| | France | Germany | Italy | Other euro area | Total | | | | | |
| 2005 | 82.6 | 138.2 | 92.4 | 151.8 | 465.0 | 482.6 | 78.0 | 1025.6 | 145.0 | 1,170.6 |
| 2006 | 73.4 | 125.8 | 112.5 | 151.1 | 462.9 | 431.3 | 79.3 | 973.5 | 150.7 | 1,124.2 |
| 2007 | 75.1 | 130.0 | 113.7 | 177.8 | 496.6 | 482.4 | 103.5 | 1082.5 | 161.0 | 1,243.5 |
| 2008 | 81.2 | 150.8 | 144.5 | 204.1 | 580.5 | 454.4 | 98.7 | 1133.5 | 157.3 | 1,290.9 |
| **2008** | | | | | | | | | | |
| 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 |
| **2009** | | | | | | | | | | |
| Jan. | 2.5 | 6.2 | 8.5 | 5.7 | 22.9 | 17.5 | 3.8 | 44.2 | 7.5 | 51.6 |
| Feb. | 2.9 | 5.3 | 6.1 | 6.5 | 20.7 | 20.5 | 3.0 | 44.2 | 7.0 | 51.2 |
| Mar. | 2.8 | 9.3 | 11.4 | 9.3 | 32.7 | 27.4 | 4.1 | 64.2 | 6.9 | 71.2 |
| Apr. | 7.6 | 13.4 | 13.2 | 18.5 | 52.7 | 32.4 | 6.1 | 91.2 | 10.4 | 101.6 |
| May | 8.4 | 11.2 | 13.4 | 18.2 | 51.1 | 39.7 | 7.2 | 98.1 | 10.2 | 108.3 |
| June | 6.9 | 10.4 | 13.7 | 16.6 | 47.6 | 45.4 | 8.7 | 101.7 | 12.3 | 114.0 |
| July | 9.6 | 10.4 | 19.1 | 26.1 | 65.1 | 41.4 | 12.2 | 118.6 | 17.2 | 135.8 |
| Aug. | 13.2 | 14.0 | 35.3 | 32.7 | 95.2 | 48.0 | 11.8 | 115.0 | 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 |

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

Source: NSO.

**Table 4.3 Labour market indicators based on administrative records**

*Thousands*

| Period[1] | Labour supply | | | Gainfully occupied | | | Unemployment | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Males | | Females | | Total | |
| | Males | Females | Total | Males | Females | Total | Number | %[2] | Number | %[2] | Number | %[2] |
| 2003 | 104.1 | 41.6 | 145.7 | 97.9 | 40.1 | 137.9 | 6.2 | 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[3] | 103.6 | 45.2 | 148.9 | 98.5 | 43.7 | 142.2 | 5.1 | 4.9 | 1.6 | 3.5 | 6.7 | 4.5 |
| 2008 | 104.1 | 47.2 | 151.2 | 99.3 | 45.8 | 145.0 | 4.8 | 4.6 | 1.4 | 3.0 | 6.2 | 4.1 |
| **2008**[3] | | | | | | | | | | | | |
| 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 |
| **2009**[3] | | | | | | | | | | | | |
| 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 |

[1] Annual figures reflect the average for the year.

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

[3] Provisional.

Source: ETC.

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

*Thousands*

| Period[1] | Labour supply | | | Gainfully occupied | | | Unemployment | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Males | | Females | | Total | |
| | Males | Females | Total | Males | Females | Total | Number | %[2] | Number | %[2] | Number | %[2] |
| 2003 | 110.1 | 49.9 | 159.9 | 102.3 | 45.5 | 147.8 | 7.8 | 7.1 | 4.3 | 8.7 | 12.1 | 7.6 |
| 2004 | 110.4 | 48.9 | 159.3 | 103.3 | 44.5 | 147.9 | 7.1 | 6.4 | 4.4 | 9.0 | 11.5 | 7.2 |
| 2005 | 110.5 | 51.4 | 161.9 | 103.4 | 46.9 | 150.3 | 7.1 | 6.5 | 4.5 | 8.8 | 11.6 | 7.2 |
| 2006 | 111.5 | 52.7 | 164.3 | 104.3 | 48.0 | 152.4 | 7.2 | 6.5 | 4.7 | 8.9 | 11.9 | 7.3 |
| 2007 | 113.0 | 54.2 | 167.2 | 106.3 | 50.0 | 156.4 | 6.7 | 5.9 | 4.1 | 7.6 | 10.8 | 6.5 |
| 2008 | 113.6 | 57.1 | 170.7 | 107.1 | 53.2 | 160.3 | 6.4 | 5.6 | 3.9 | 6.9 | 10.4 | 6.1 |
| **2008** | | | | | | | | | | | | |
| 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 |
| **2009** | | | | | | | | | | | | |
| 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 |

[1] Annual figures reflect the average for the year.

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

Source: NSO.

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

| Period | Total | Apartments | Maisonettes | Terraced houses | Others[1] |
|---|---|---|---|---|---|
| 2004 | 155.6 | 157.0 | 155.4 | 151.1 | 153.8 |
| 2005 | 170.9 | 173.7 | 176.7 | 188.9 | 160.3 |
| 2006 | 177.0 | 178.3 | 187.0 | 196.2 | 175.0 |
| 2007 | 178.9 | 183.3 | 181.4 | 205.3 | 171.9 |
| 2008 | 174.1 | 172.7 | 181.4 | 201.5 | 173.7 |
| **2008** | | | | | |
| 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 |
| **2009** | | | | | |
| 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 |

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

Source: Central Bank of Malta estimates.

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

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

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

[2] Includes quarrying.

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

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

[5] Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works and others.

Source: Malta Environment & Planning Authority.

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

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

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

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

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

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

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

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

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

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

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

| Period | All Items Index | 12-month moving average rates of change (%)[1] | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | All Items | Food | Beverages & tobacco | Clothing & footwear | Housing | Water, electricity, gas & fuels | H/hold equip. & house maint. costs | Transp. & comm. | Personal care & health | Recreation & culture | Other goods & services |
| 2003 | 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 |
| **2008** | | | | | | | | | | | | |
| 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 |
| **2009** | | | | | | | | | | | | |
| 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 | 2.6 | 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 | -0.1 | 2.7 | 1.3 | 2.1 |

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

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

| Period | All Items Index | 12-month moving average rates of change (%) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | All Items | Food & non alcoholic beverages | Alcoholic beverages & tobacco | Clothing & footwear | Housing, water, electricity, gas & other fuels | Furnishings, household equipment & routine maintenance of the house | Health | Transport | Commu-nications | Recreation & culture | Education | Restaurants & hotels | Miscellaneous goods & services |
| 2003 | 94.9 | 1.9 | 2.0 | 1.2 | -6.8 | 1.9 | -0.3 | 5.6 | 2.1 | -0.2 | 1.3 | 3.2 | 7.4 | 2.3 |
| 2004 | 97.5 | 2.7 | -0.3 | 13.0 | -2.5 | 2.8 | 2.8 | 6.9 | 4.0 | 10.2 | 0.2 | 3.0 | 2.6 | 5.8 |
| 2005 | 100.0 | 2.5 | 1.8 | 1.8 | -0.5 | 9.3 | 2.4 | 5.5 | 3.5 | 10.0 | 1.9 | 1.6 | 0.0 | 3.0 |
| 2006 | 102.6 | 2.6 | 2.2 | 0.6 | -1.8 | 10.6 | 2.0 | 4.0 | 4.2 | 0.4 | 0.1 | 2.6 | 1.9 | 2.8 |
| 2007 | 103.3 | 0.7 | 3.9 | 0.8 | 0.4 | -0.1 | 0.8 | 2.7 | -1.4 | 0.2 | 0.7 | 4.2 | -0.6 | 0.9 |
| 2008 | 108.1 | 4.7 | 8.0 | 1.9 | 4.5 | 8.5 | 0.6 | 2.2 | 3.7 | 2.9 | -0.6 | 6.8 | 7.7 | 1.3 |
| **2008** | | | | | | | | | | | | | | |
| 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 |
| **2009** | | | | | | | | | | | | | | |
| Jan. | 106.5 | 4.6 | 8.0 | 2.1 | 4.0 | 9.7 | 0.6 | 2.1 | 3.2 | 2.7 | -0.5 | 7.0 | 7.3 | 1.3 |
| Feb. | 107.3 | 4.6 | 8.1 | 2.3 | 3.4 | 10.9 | 0.6 | 2.1 | 2.7 | 2.4 | -0.5 | 7.2 | 7.0 | 1.3 |
| Mar. | 109.0 | 4.6 | 8.3 | 2.5 | 3.0 | 11.9 | 0.5 | 2.1 | 2.1 | 2.2 | -0.6 | 7.3 | 6.7 | 1.4 |
| Apr. | 111.5 | 4.5 | 8.5 | 2.7 | 2.8 | 12.5 | 0.5 | 2.3 | 1.7 | 1.9 | -0.4 | 7.3 | 6.4 | 1.4 |
| May | 111.7 | 4.5 | 8.6 | 2.9 | 2.5 | 13.0 | 0.5 | 2.6 | 1.2 | 1.7 | -0.4 | 7.2 | 6.1 | 1.5 |
| June | 111.6 | 4.3 | 8.6 | 3.1 | 2.3 | 13.5 | 0.5 | 2.8 | 0.3 | 1.4 | -0.3 | 7.2 | 5.8 | 1.7 |
| July | 111.5 | 3.9 | 8.4 | 3.3 | 1.6 | 12.7 | 0.5 | 3.1 | -0.5 | 1.2 | -0.3 | 7.2 | 4.8 | 1.8 |
| Aug. | 112.1 | 3.6 | 8.4 | 3.5 | 1.0 | 12.1 | 0.6 | 3.4 | -1.3 | 0.9 | -0.3 | 7.1 | 3.8 | 1.8 |
| Sep. | 111.9 | 3.2 | 8.2 | 3.7 | 0.4 | 11.5 | 0.7 | 3.6 | -2.1 | 0.7 | -0.2 | 7.1 | 2.9 | 1.9 |

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. Diplomatic bodies, embassies, consulates and other entities of foreign governments are considered to be residents of the country they represent.

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

### Sector classification

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

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

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

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

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

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

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

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

### Compilation and valuation principles

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

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

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

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

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

### Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19$^{th}$ 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 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.