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**Address**

Pjazza Kastilja  
Valletta VLT 1060  
Malta

**Telephone**

(+356) 2550 0000

**Fax**

(+356) 2550 2500

**Website**

<http://www.centralbankmalta.org>

**E-mail**

[info@centralbankmalta.org](mailto:info@centralbankmalta.org)

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## ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ecu	european currency unit
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
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
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 Operations
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

## FOREWORD

The turmoil in international financial markets had major repercussions on economic activity worldwide during the first few months of 2009, and this, together with the fall in global commodity prices, supported expectations that inflationary pressures in the euro area would remain subdued. Consequently, the ECB cut the interest rate on its main refinancing operations (MRO) twice during the first quarter of 2009, bringing it down to 1.50% by the end of March. The rate on the MRO was reduced by a further twenty-five basis points in April and, again, in May, but was left unchanged at 1.00% in June and July.

In May, too, the corridor between the interest rate on the ECB's deposit facility and that on the marginal lending facility was narrowed, so that by the end of July these rates stood at 0.25% and 1.75%, respectively. With official interest rates moving closer to zero, the Eurosystem also stepped up its use of non-standard monetary policy measures designed to enhance liquidity and support the extension of credit by banks throughout the euro area.

During the first quarter of 2009 the global recession deepened, with output contracting in major industrial economies and growth slowing down in the emerging economies. Indeed, year-on-year declines in real GDP in the United States, the euro area and Japan became even more pronounced during the period, while growth in China and India slowed down. Meanwhile, the economic slack and declining energy prices led to an easing of global inflationary pressures, with annual inflation rates even turning negative in some countries.

In the euro area real GDP contracted sharply during the quarter, falling by 4.9% on a year earlier following a 1.7% drop in the previous quarter. Both domestic demand and net exports contributed to the decline, with area-wide exports and investment falling significantly. Inflationary pressures continued to ease as energy prices continued to decline and food prices to rise more slowly. As a result, the annual rate of HICP inflation in the euro area declined to 0.6% in March, before falling further, to -0.1%, in June.

The economic outlook for the euro area was revised downwards again. The June 2009 Eurosystem staff projections point to annual real GDP growth ranging between -5.1% and -4.1% this year followed by a gradual recovery in 2010. In addition, these projections show euro area inflation averaging between 0.1% and 0.5% in 2009, rising to a range of 0.6% – 1.4% next year. Forecasts prepared by other international institutions display a similar profile.

The Maltese economy was also hit by the adverse international economic developments. During the first three months of 2009, following a marginal drop in the previous quarter, real GDP decreased by 3.3% on a year earlier. Exports fell sharply, while investment also contracted, largely because the private sector continued to adjust to slack external demand and weak conditions in the property market. At the same time, both private and government consumption declined moderately on a year earlier. Imports also dropped substantially, however, to the extent that net exports made a positive contribution to GDP growth. Whereas sentiment indicators confirm the scale of the downturn in the first quarter, business confidence recovered slightly thereafter, suggesting that activity may improve going forward.

Economic developments normally affect the labour market with a lag. Thus, although employment continued to expand during the quarter, increasing by 2.2% on a year earlier, unemployment also rose steadily, with Eurostat data pointing to a seasonally-adjusted jobless rate of 7.1% in May.

Inflation in Malta eased during the quarter reviewed, yet it remained high compared to the euro area as a whole. The annual HICP inflation rate fell to 3.9% in March from 5.0% three months earlier. Price increases in non-energy industrial goods, energy and services moderated, offsetting the impact of a further acceleration in food prices. The annual rate of HICP inflation extended its downward trend during the second quarter, reaching 2.8% in June.

Favourable exchange rate movements, notably the general weakness of the euro against the US dollar, led to some gains in external competitiveness during the first quarter of 2009. But unit labour costs in Malta rose sharply, outpacing the rise for the euro area as a whole, as compensation per employee increased while falling output translated into a drop in labour productivity. On this measure, therefore, risks to Malta's external competitiveness have intensified.

Bank deposit and lending rates continued to fall during the first quarter of 2009, in response to reductions in official interest rates. Going into the second quarter, however, retail interest rates and official interest rates diverged, with banks raising rates on new business in an effort to maintain an adequate interest rate margin and retain their deposit base. Indeed – together with issues of debt securities on the primary market – falling interest rates on bank deposits may have been a factor behind the contraction in residents' deposits observed during the March quarter. At the same time, credit to residents rose at a slower quarterly rate, with banks reporting a slight decrease in loan demand and some tightening of credit standards. Meanwhile, in the domestic capital market, yields on long-term government securities generally rose and equity prices fell. Equity prices interrupted their downward trend going into the following quarter.

The general government deficit narrowed during the first three months of 2009, as expenditure shrank considerably and revenue rose marginally. Nevertheless, partial information from the Consolidated Fund, which is compiled on a cash basis, shows a worsening fiscal position. Meanwhile, the general government debt continued to rise, while its composition shifted towards short-term instruments.

The Bank's latest projections show that the economy is set to contract by 0.6% in real terms in 2009.<sup>1</sup> Growth is expected to turn positive again in 2010, when the economy is projected to expand by 0.6%. The negative forecast for 2009 is based on an expected deterioration in net exports as a result of weak external demand. By contrast, domestic demand is expected to be more buoyant, despite slower growth in consumption, as public investment is expected to accelerate. Against this background, price pressures are forecast to ease. The Bank expects the HICP inflation rate to slow down to 2.2% this year, mainly as last year's steep rise in energy prices is not expected to be repeated, and to fall further in 2010. It should be pointed out, however, that on account of the persisting uncertainty about the depth and duration of the global economic crisis, the Bank's growth projections are subject to change, with risks remaining on the downside.

In this environment, as has already been pointed out, the monetary policy response has been robust, with official interest rates in the euro area brought down to historically low levels and the

<sup>1</sup> The Bank's projections are based on information available until 13 May 2009 and are conditional on a number of technical assumptions regarding exchange rates, interest rates and oil prices.

Eurosystem providing considerable liquidity support to the banking system. On the fiscal front as well, many countries have stimulated their economies through expansionary budgetary policies. In this regard, room for manoeuvre in Malta is limited by the relatively high deficit and debt levels and the need to comply with EU fiscal rules. It is important, therefore, that short-term measures aimed at supporting specific areas of the economy do not become entrenched, and that further fiscal deterioration is avoided through effective expenditure control. This need is accentuated by the growing impact that population ageing is likely to have on public finances in the medium and long term. At the same time, the quality of the resource endowment of the Maltese economy can be improved through the reallocation of spending towards the upgrading of human capital and the physical infrastructure.

Looking beyond the current downturn, the pursuit of structural reforms will be the key to determining the strength of the eventual recovery. Malta is already facing intense competition for export markets and investment inflows. Hence, it will be crucial to ensure that competitiveness is enhanced, including through wage moderation, particularly in the public sector. In addition, the existing inflation differentials with the euro area point to the need to address rigidities in product markets by increasing competition.

## ECONOMIC SURVEY

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

During the first quarter of 2009, as the global recession deepened, the economies of the major industrial countries contracted while the emerging economies experienced a substantial slow-down in growth. At the same time, on account of the economic slack and declining energy prices, inflationary pressures worldwide abated, leading to deflation concerns in some countries.

In the euro area, economic output contracted further during the quarter, while annual HICP inflation continued to decline steadily. This led the ECB to lower the interest rate on its main refinancing operations (MRO) twice during the quarter, for a cumulative drop of 100 basis points, bringing the rate down to 1.50%. These cuts took into account the fact that inflationary pressures had receded further as the economic outlook continued to weaken and as commodity prices fell. The ECB eased the monetary policy stance again in the second quarter of the year, bringing the main refinancing rate down to 1.00% following two 25-basis-point cuts in April and in May. Furthermore, in the latter month, the Governing Council decided on further measures to enhance liquidity and support the extension of credit by banks throughout the euro area.

#### International economic developments

##### *Real GDP in the US contracts further, inflation turns negative*

In the United States, real GDP contracted at an annual rate of 2.5% during the first quarter of 2009, after having fallen by 0.8% in the final quarter of 2008 (see Table 1.1). On a quarter-on-quarter basis, however, real GDP declined by 1.4% during the March quarter, 0.2 percentage points less than in the December quarter. The year-on-year drop in real GDP was driven by a significant decline in gross private domestic investment, both residential and non-residential. Personal consumption also registered negative growth, though, at -1.4% year-on-year, the contraction was slightly smaller than in the previous quarter. Exports fell considerably during the quarter, as foreign demand weakened. However, with imports falling even faster, net exports contributed positively to growth, as did government expenditure. Labour market conditions continued to deteriorate, with the unemployment rate rising to 8.5% in March from 7.2% in December. Going into the second quarter, the jobless rate continued to increase, reaching 9.5% in June.

Meanwhile, inflationary pressures continued to recede. In fact, annual inflation fell to an average of zero percent during the March quarter, reflecting the decline in energy prices and weaker economic activity (see Chart 1.1). Indeed, in March, annual inflation turned negative for the first time

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

*Annual percentage changes; seasonally adjusted*

	2007		2008			2009
	Q4	Q1	Q2	Q3	Q4	Q1
United States	2.3	2.5	2.1	0.7	-0.8	-2.5
Euro area	2.2	2.2	1.5	0.5	-1.7	-4.9
United Kingdom	2.4	2.5	1.8	0.5	-1.8	-4.9
Japan	1.9	1.2	0.6	-0.3	-4.4	-8.4

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

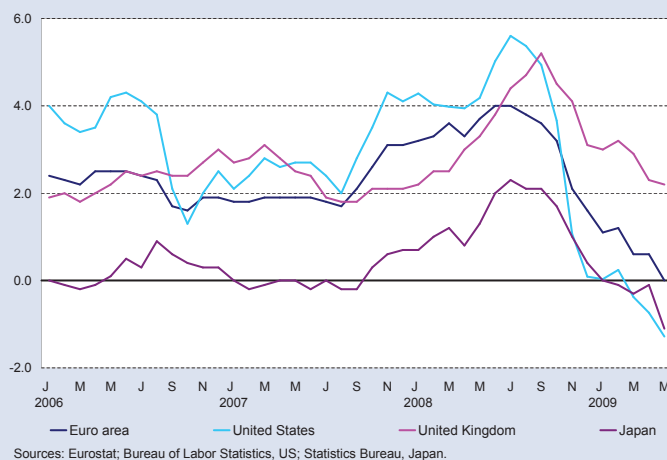


since 1955, dropping to -0.4%. The downward trend continued into the second quarter, with the year-on-year inflation rate reaching -1.4% in June.

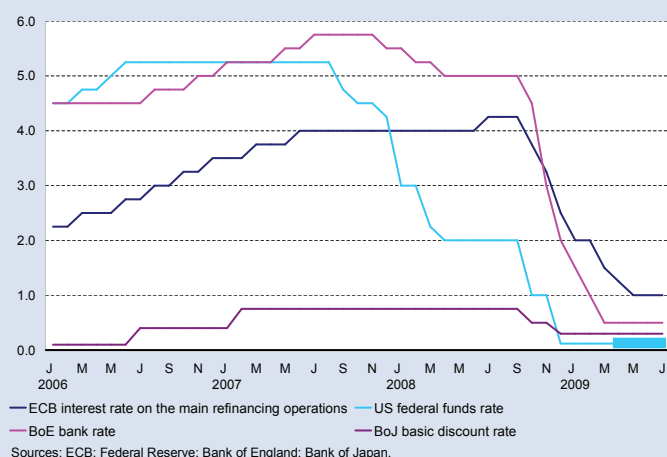
After reducing the federal funds rate target from 1.00% to a range from zero to 0.25% in the last quarter of 2008, the Federal Reserve kept the latter unchanged throughout the first quarter of 2009 (see Chart 1.2). This was due to the further weakening of economic activity and the expectation that inflationary pressures would remain subdued. Additionally, the Federal Reserve continued to purchase agency debt and mortgage-backed securities to support financial markets. In March, together with the Treasury, it launched the Term Asset-Backed Securities Loan Facility to assist the markets by facilitating the issuance of asset-backed securities collateralised by a variety of consumer and business loans. In the following quarter, the Fed left the federal funds rate target range unchanged and continued to provide liquidity to the financial system through purchases of securities.

During the first quarter, US long-term government bond yields rose by around 20%, ending March at 2.67% (see Chart 1.3). The rise was related to the higher risk compensation required by bond investors. Towards the end of the quarter, however, bond yields fell, as the market reacted to the Federal Reserve's announcement that

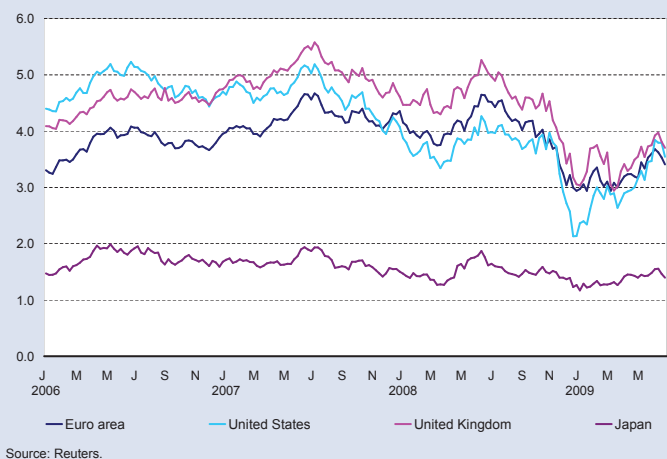
**Chart 1.1**  
**CONSUMER PRICE INFLATION**  
(annual percentage changes)



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

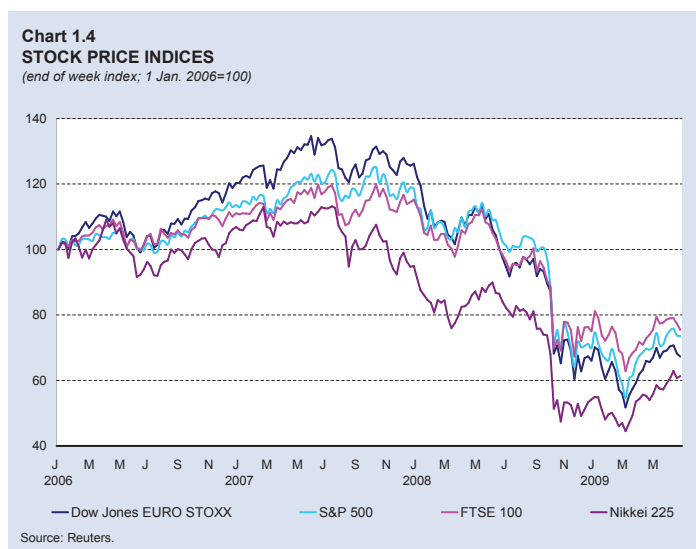


**Chart 1.3**  
**TEN-YEAR GOVERNMENT BOND YIELDS**  
(percentages per annum; end of week)



it would purchase longer-term Treasury securities and keep the federal funds rate at a low level of between zero and 0.25% for an extended period of time. In the following quarter bond yields started to rise again, possibly reflecting portfolio flows back into risky assets. Hence, the ten-year bond yield reached 3.54% by the end of June.

Similarly, US equity prices, as measured by the S&P 500 index, extended their downward trend during the first quarter of 2009, losing around 12% of their value by end-March (see Chart 1.4). The decline mainly reflected the poor performance of the financial sector, anxiety about the recession and concern about the results of planned stress-tests for banks, which drove equity prices down to 1997 levels. However, equities recovered slightly in mid-March and continued to rise throughout the second quarter, ending June around 15% higher than at the end of the previous quarter.



Similarly, US equity prices, as measured by the S&P 500 index, extended their downward trend during the first quarter of 2009, losing around 12% of their value by end-March (see Chart 1.4). The decline mainly reflected the poor performance of the financial sector, anxiety about the recession and concern about the results of planned stress-tests for banks, which drove equity prices down to 1997 levels. However, equities recovered slightly in mid-March and continued to rise throughout the second quarter, ending June around 15% higher than at the end of the previous quarter.

### *UK economy continues to deteriorate, inflation eases*

In the United Kingdom real GDP declined by 4.9% on a year earlier during the first quarter of 2009, following a contraction of 1.8% in the previous quarter. Domestic demand decreased further, as a result of a fall in both household consumption and investment. Exports also fell sharply, though this was offset by an even larger fall in imports, so that net exports contributed positively to growth. Against this background the unemployment rate continued to rise, reaching 7.5% in April.

At the same time, annual HICP inflation dropped marginally, ending March at 2.9%, down by 0.2 percentage points from the December level. This was spurred by falling energy prices and easing pay pressures, which offset the inflationary impact from the weakness of the pound sterling in the foreign exchange markets. UK inflation fell further going into the second quarter, dropping to 1.8% in June.

After reducing the official bank rate to 2.00% in December, the Bank of England cut the rate by a further 0.5 percentage points in each of the three months that followed, bringing it down to 0.50% by the end of the March quarter. The Bank based its decision on the substantial risk of undershooting the 2% CPI inflation target in the medium term. Additionally, in March, the Bank decided to undertake a programme of asset purchases to boost the money supply and credit.

Long-term bond yields in the United Kingdom rose overall during the first three months of 2009, ending March at 3.16%. Whereas the deteriorating economic outlook placed downward pressure on government bond yields, concerns about the rising public debt led to higher risk premiums and exerted upward pressure. During the second quarter, ten-year government bond yields increased further, rising by around 52 basis points during the three months to end-June.

UK equity prices as measured by the FTSE 100 fell by around 11% during the first quarter of 2009. However, they recovered some of their previous losses in the following quarter, when they rose by around 8%.

### *Japan's recession deepens, deflation ensues*

Japan fell deeper into recession in the first quarter of 2009. Output continued to contract drastically, with real GDP falling by 8.4% on a year earlier. A significant drop in investment combined with a less pronounced decline in private consumption led to a fall in domestic demand. Additionally, exports contracted sharply. Economic slack showed up in a rising unemployment rate, which continued to increase, reaching 5.2% in May. Meanwhile, consumer price inflation turned negative, reaching -0.3% in March. In April, however, the inflation rate rose slightly, before falling again, to -1.1% in May.

The Bank of Japan kept official interest rates on hold during the quarter, leaving the basic discount rate unchanged from the December level of 0.3%. Against the backdrop of severe financial and economic conditions, however, the Bank of Japan eased monetary policy through the provision of additional liquidity to the financial system and measures to facilitate corporate financing.

Long-term Japanese government bond yields rose during the first quarter. After declining slightly in January, yields recovered, ending March at 1.35%, up from 1.17% at end-December. They were unchanged at the end of the second quarter. At the same time, Japanese equity prices, as measured by the Nikkei 225, extended their downward trend, ending March around 8% below their end-December level. But they rallied during the second quarter, rising by around 22% by the end of June.

### *Economic growth in Asian countries decelerates, inflation falls*

The Chinese economy expanded at a slower pace during the first quarter of 2009. Annual real GDP growth dropped to 6.1%, down by 0.7 percentage points from the previous quarter. Increased domestic demand as a result of government stimulus policies to boost investment offset the impact of lower exports. At the same time, the slowdown in growth, together with steep falls in oil and other commodity prices, contributed to an easing of inflationary pressures, so that consumer price inflation fell sharply to -1.2% in March from 1.2% in December.

India's annual economic growth slowed down to 5.8% in the first three months of 2009, from 7.3% for 2008 as a whole. Wholesale price inflation, as measured by the Reserve Bank of India, fell throughout the March quarter, continuing the decline from a double-digit high in July. Inflation fell to 0.3% March 2009 from 5.9% three months earlier.

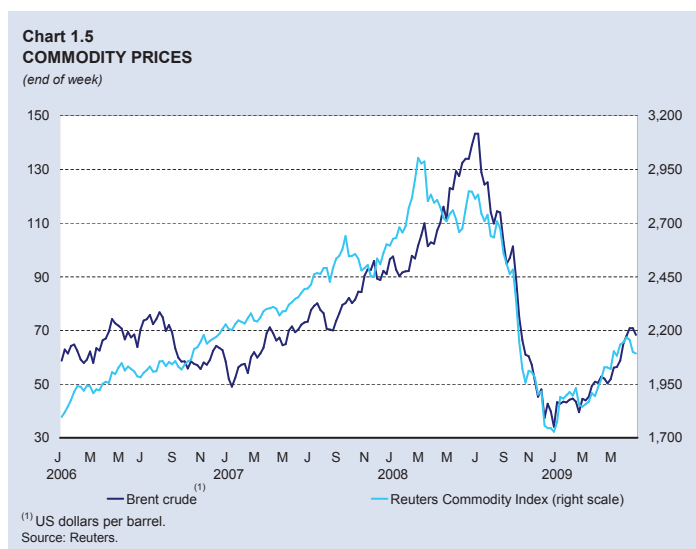
## **Commodities**

### *Oil prices recover*

After having fallen sharply during the second half of 2008, oil prices recovered during the first quarter of 2009. The price of Brent crude increased by 27.7%, reaching USD 46.19 per barrel by the end of March (see Chart 1.5). This recovery was mainly due to supply restrictions agreed upon by OPEC members in December, which offset the downward pressure resulting from a contraction in global demand. Going forward, oil prices continued to rise amid less pessimistic expectations for the global economy, ending the second quarter at USD 68.36 per barrel.

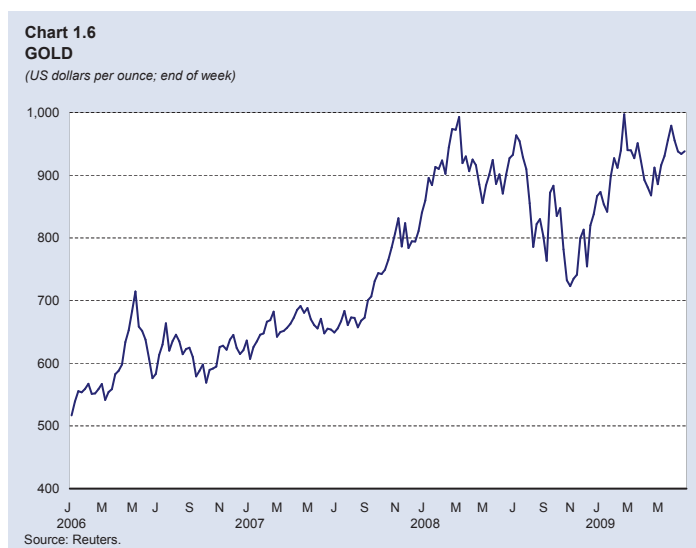
### Other commodity prices also rise

Prices of non-energy commodities, as measured by the Reuters Commodity Index, continued to track oil prices during the first quarter of the year (see Chart 1.5).<sup>1</sup> During the quarter, metal prices generally recovered, though the rise was dampened by depressed demand, reflecting the impact of the global economic downturn. Thus, overall, the Reuters Commodity Index rose by 8.6% during the first three months of the year. And it continued to rise in the second quarter, adding a further 10.3% by end-June.



### Gold price falls before rebounding

Gold prices rose by around 4% during the first quarter of 2009, ending March at USD 917.15 per ounce (see Chart 1.6). In early January, the price of gold fell as markets expected institutional investors to reduce their gold holdings to rebalance portfolios. But prices subsequently rebounded, reaching USD 992.3 on 20 February, amid concerns about the stability of the global financial system, the outlook for inflation and increased risk



aversion. The price of gold then eased towards the end of the quarter, before recovering some of the previous losses in the second quarter and ending June at USD 925.86.

## Economic and monetary developments in the euro area

### Euro area GDP contracts further

On a seasonally-adjusted basis, euro area GDP contracted sharply in the first quarter of 2009. Thus, following a year-on-year decline of 1.7% in the final quarter of 2008, real GDP in the area fell by 4.9% during the quarter under review (see Table 1.2). The contraction was mainly

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

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

*Seasonally adjusted*

	2008				2009
	Q1	Q2	Q3	Q4	Q1
<i>Annual percentage changes</i>					
Private consumption	1.4	0.5	0.0	-0.7	-1.2
Government consumption	1.5	2.1	2.2	2.2	1.9
Gross fixed capital formation	3.1	1.6	-0.4	-5.4	-10.2
<b>Domestic demand</b>	<b>1.6</b>	<b>0.9</b>	<b>0.4</b>	<b>-0.5</b>	<b>-3.1</b>
Exports	5.2	3.8	1.5	-6.6	-16.3
Imports	4.0	2.4	1.3	-3.9	-12.4
<b>GDP</b>	<b>2.2</b>	<b>1.5</b>	<b>0.5</b>	<b>-1.7</b>	<b>-4.9</b>
<i>Percentage point contributions</i>					
Private consumption	0.8	0.3	0.0	-0.4	-0.7
Government consumption	0.3	0.4	0.4	0.4	0.4
Gross fixed capital formation	0.7	0.4	-0.1	-1.2	-2.3
Changes in inventories	-0.1	-0.2	0.0	0.7	-0.5
<b>Domestic demand</b>	<b>1.6</b>	<b>0.8</b>	<b>0.4</b>	<b>-0.5</b>	<b>-3.1</b>
Exports	2.1	1.6	0.6	-2.8	-6.9
Imports	-1.6	-0.9	-0.5	1.6	5.1
<b>Net exports</b>	<b>0.5</b>	<b>0.6</b>	<b>0.1</b>	<b>-1.2</b>	<b>-1.8</b>
<b>GDP</b>	<b>2.2</b>	<b>1.5</b>	<b>0.5</b>	<b>-1.7</b>	<b>-4.9</b>

Source: Eurostat.

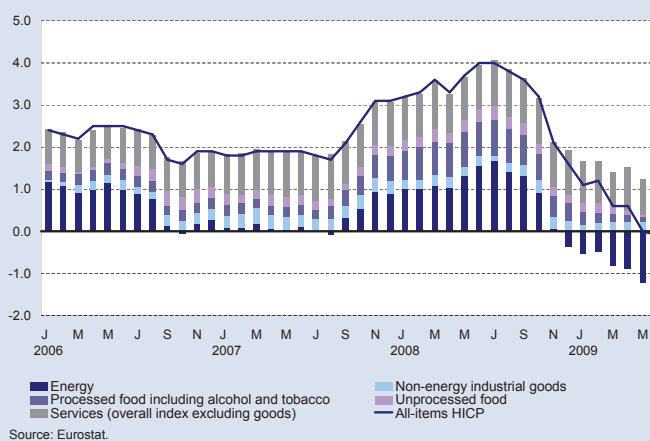
attributable to a further fall in domestic demand, though the contribution from net exports also became more negative as exports fell faster than imports. Indeed, falling external demand continued to hit euro area exports hard during the quarter.

The main factor behind the decline in domestic demand was a sharp fall in investment, which dropped by 10.2% on an annual basis. Private consumption also declined, by 1.2%. This was in line with the findings of consumer and retail trade confidence surveys, which turned increasingly pessimistic in the initial months of 2009. Meanwhile, a substantial drop in inventories also contributed negatively to GDP.

### *Annual HICP inflation falls steeply*

Inflationary pressures in the euro area continued to ease during the first quarter of 2009, with the annual area-wide HICP inflation rate falling to 0.6% in March from 1.6% in December 2008 (see Chart 1.7). Most of

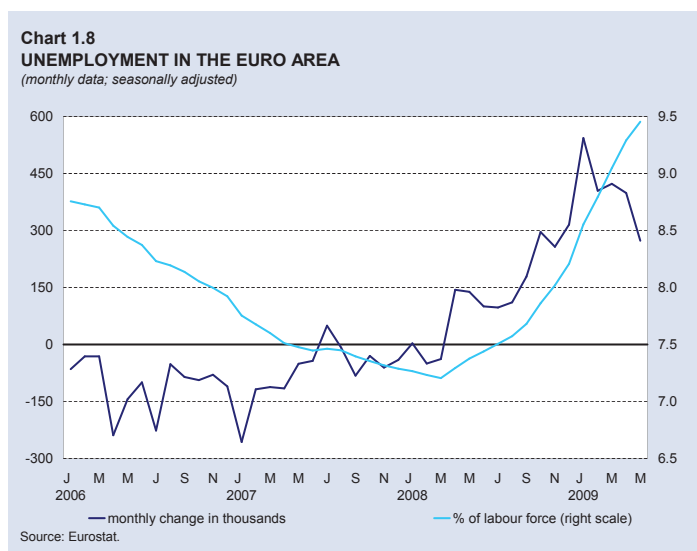
**Chart 1.7**  
**CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA**  
*(percentage points; annual percentage change)*



Source: Eurostat.

the decline was attributable to falling energy prices, but a further easing in the annual rate of growth of food prices also contributed.

The annual rate of change of energy prices fell to -8.1% in March, following a 3.7% decline in December, as crude oil prices continued to fall. At the same time, prices of both processed and unprocessed food rose at a slower rate, as did prices of services. On the other hand, prices of non-energy industrial goods remained stable. Core inflation, which is measured by excluding energy and unprocessed food prices from the HICP, dropped to 1.5% in March from 2.1% in December.



In April, annual HICP inflation in the euro area remained unchanged at 0.6%, before dropping further to -0.1% in June.

**Labour market conditions deteriorate**

Responding to the decline in economic activity, conditions in the labour market continued to deteriorate. In the first quarter of 2009, employment in the euro area contracted by 1.2%, whereas it had been stable in the previous quarter. Thus, the unemployment rate edged up to 8.9% in March, from 8.2% in December (see Chart 1.8). In May, the jobless rate in the euro area reached 9.5%, the highest level in ten years.

**The ECB eases its monetary policy stance**

After having cut the interest rate on the MRO by 175 basis points during the final quarter of 2008, the ECB reduced it by a further 50 basis points on 15 January 2009. The rate was cut by another 50 basis points on 5 March and by a quarter-of-a-percentage point on 2 April. On 7 May, the ECB decided to lower the interest rate on the MRO by a further 25 points to 1.00%. At the same time, it reduced the interest rate on the marginal lending facility by 50 basis points, while leaving the rate on the deposit facility unchanged. These decisions took into account the expectation that inflationary pressures would continue to be dampened by the substantial fall in commodity prices and the marked weakening of economic activity in the euro area and globally.

Complementary to the rate cuts, and in recognition of the central role played by the banking system in the euro area economy, the Governing Council of the ECB decided to proceed with its enhanced credit support approach. More specifically, it decided that the Eurosystem would conduct liquidity-providing refinancing operations with a maturity of one year, that it would purchase euro-denominated covered bonds issued in the euro area, and that the European Investment Bank would be accepted as an eligible counterparty in its monetary policy operations. The interest rate on the MRO was left unchanged in June and July.

**Table 1.3**  
**MONETARY AGGREGATES FOR THE EURO AREA**

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

	2008					2009				
	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.	Apr.	May
<b>M1</b>	<b>3.6</b>	<b>2.1</b>	<b>0.6</b>	<b>3.1</b>	<b>5.7</b>	<b>5.1</b>	<b>6.2</b>	<b>5.9</b>	<b>8.4</b>	<b>7.9</b>
Currency in circulation	7.7	7.8	7.6	13.3	13.7	13.7	13.6	13.8	13.2	13.1
Overnight deposits	2.8	1.0	-0.7	1.1	4.2	3.4	4.8	4.4	7.4	6.9
M2-M1 (Other short-term deposits)	18.6	19.7	18.9	15.1	8.0	10.0	7.7	6.3	3.4	2.0
Deposits with an agreed maturity of up to two years	41.2	40.5	36.9	27.3	10.1	14.6	9.4	6.2	0.3	-2.8
Deposits redeemable at notice of up to three months	-3.0	-2.0	-1.7	0.0	5.4	3.9	5.6	6.6	8.0	9.3
<b>M2</b>	<b>10.4</b>	<b>10.2</b>	<b>9.1</b>	<b>8.8</b>	<b>6.9</b>	<b>7.5</b>	<b>7.0</b>	<b>6.1</b>	<b>5.9</b>	<b>5.0</b>
<b>M3</b>	<b>11.1</b>	<b>10.1</b>	<b>9.0</b>	<b>8.0</b>	<b>5.6</b>	<b>5.9</b>	<b>5.8</b>	<b>5.0</b>	<b>4.9</b>	<b>3.7</b>

Source: ECB.

### Monetary growth slows down further

The annual growth rate of broad money decelerated further during the first quarter of 2009, falling to an average of 5.6% from 8.0% in the final quarter of 2008 (see Table 1.3).

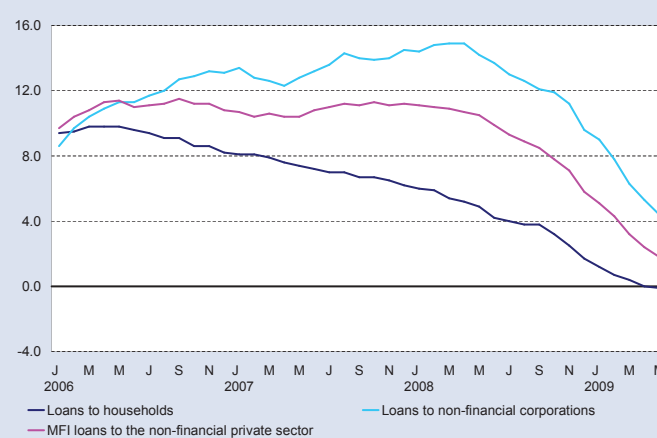
The annual growth of M1, which is a narrow measure of money that is closely linked to consumer transactions, averaged 5.8% during the quarter, up from 3.1% in the preceding three-month period. The increase in this component reflects the fact that, as interest rates fall, the opportunity cost of holding more liquid monetary assets diminishes. Thus, the annual growth rate of both overnight deposits and currency in circulation rose in the period under review. Meanwhile, short-term deposits other than overnight deposits remained the largest contributor to M3 growth, although their annual growth rate fell sharply.

Going into the second quarter, annual M3 growth slowed down significantly, dropping to 3.7% in May. On the other hand, the annual growth rate of M1 in the same month continued to rise, reaching 7.9%.

### Credit growth decelerates as the economic environment deteriorates

Credit expanded at a slower pace in the first quarter of 2009, mainly as a result of the deterioration in the economic environment, although more cautious behaviour by banks also contributed (see Chart 1.9). The annual growth rate of overall credit fell to 5.2% in March from 6.4% in December, while MFI loans to the private sector decelerated to 3.2% in March from 5.8% at the end of 2008. Meanwhile MFI loans to non-financial corporations grew by 6.3% in March on an annual basis, substantially down from the 9.6% growth rate

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



Source: ECB.

registered in December. Financing conditions for households were characterised by a continued decline in bank lending rates. Nevertheless, household borrowing dynamics continued to slow, in line with the marked slowdown in economic activity and greater uncertainty regarding income prospects. Thus, the annual growth rate of loans to households declined to 0.4% in March from 1.7% in December. The growth rate of loans for house purchases declined substantially, while those of consumer credit and other lending to households also fell.

Going into the following quarter, the annual rate of credit growth continued to decelerate, declining to 3.9% in May.

### *Spreads in the money market generally continued to narrow*

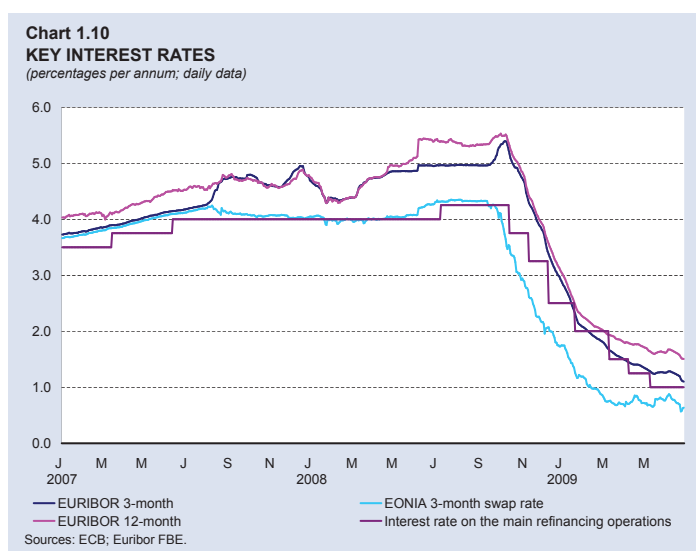
Unsecured money market interest rates, as measured by EURIBOR, continued to fall during the three months to March (see Chart 1.10).<sup>2</sup> This decline reflected the cuts in key ECB interest rates, the provision of ample liquidity to the banking system by the Eurosystem and the gradual unwinding of tensions in financial markets. As a result, the three-month EURIBOR ended the quarter at 1.51%, down by 138 basis points from the level prevailing at end-December. The 12-month EURIBOR fell less rapidly, however, so that the money market yield curve steepened.

The spreads between EURIBOR and secured rates, such as those derived from three-month EONIA swaps, are considered to be a measure of market players' assessment of risks pertaining to the banking system. These spreads generally continued to narrow in the course of the first quarter of 2009.<sup>3</sup> At the same time, the spread between the ECB's interest rate on the MRO and the three-month EURIBOR fell substantially as the two rates were roughly equal. These developments suggest that risks surrounding the banking system have diminished.

Going into the second quarter, unsecured money market interest rates continued to fall, with the three-month EURIBOR ending June at 1.10%.

### *Euro area stock prices fall further, before regaining ground*

Between January and mid-March, euro area equity prices generally continued to decline on concerns about the prospects for the global economy and the health of the banking system in particular. Over the quarter as a whole, euro area stock prices, as measured by the Dow Jones EURO STOXX index, fell by around 14%. Starting from mid-March however, and in the course of the June quarter, stock prices regained some of



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

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



their earlier losses as risk appetite among investors increased amid signs that the worst of the global financial crisis might be over. Hence, between the end of March and the end of June euro area equity prices put on 16.4%.

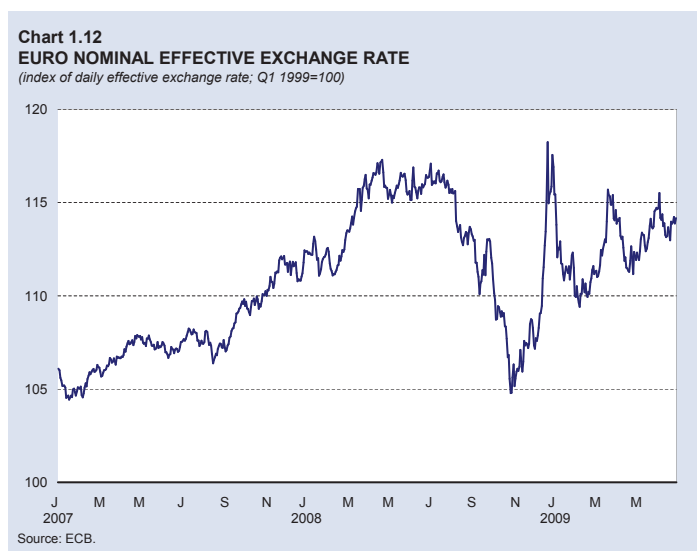
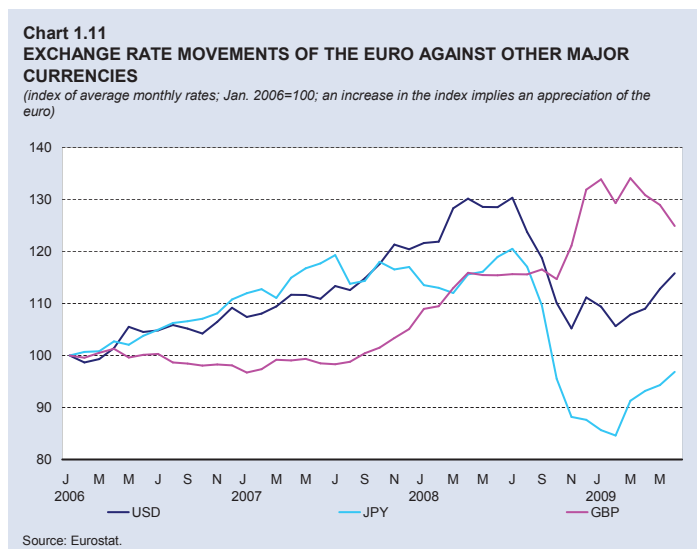
*The euro generally weakens against the US dollar and sterling but appreciates vis-à-vis the Japanese yen*

In January the euro depreciated against the US dollar as macroeconomic data indicated a bleaker outlook for the euro area (see Chart 1.11). Moreover, positive market sentiment about the impact of the expected US fiscal package on economic growth in the United States supported the dollar. The euro broadly stabilised in February, before strengthening in March as the situation in international financial markets improved. Nonetheless, over the quarter it weakened by 4.4% against the US dollar.

During January and the beginning of February the euro lost ground against the Japanese yen, as volatility in currency markets reduced the attractiveness of borrowing and selling yen to finance investments in higher yielding currencies. However, following news of a sharp deterioration in economic activity in Japan, the euro rallied against the yen, registering an overall appreciation of 4.0% during the quarter.

After reaching its highest level against the pound sterling towards the end of December 2008, the euro fluctuated sharply in terms of sterling in the first two months of 2009. In March, however, the euro posted gains against the UK currency as the economic situation in the United Kingdom worsened further. Over the quarter as a whole, however, the euro fell by 2.3% against sterling.

In the first week of April the euro weakened against the US dollar before rebounding later in the month. In May the European unit generally appreciated as risk perception and the flight to safe-haven currencies such as the US dollar abated. In contrast, the euro generally weak-



**Table 1.4****REAL GDP PROJECTIONS FOR THE EURO AREA<sup>(1)</sup>***Average annual percentage changes, working-day-adjusted data.*

	2008	2009	2010
Private consumption	0.4	-1.3 – -0.5	-1.1 – 0.3
Government consumption	2.0	1.4 – 2.0	0.9 – 1.7
Gross fixed capital formation	0.0	-12.3 – -10.1	-6.1 – -2.1
Exports	1.0	-16.6 – -14.0	-2.0 – 1.0
Imports	1.0	-13.8 – -11.2	-3.0 – 1.4
<b>GDP</b>	<b>0.7</b>	<b>-5.1 – -4.1</b>	<b>-1.0 – 0.4</b>

<sup>(1)</sup> Eurosystem staff macroeconomic projections published in June 2009.

Source: Eurostat; ECB.

ened against the pound sterling, amid signs of stabilisation in the outlook for the British economy. In June, the euro generally depreciated against sterling but strengthened vis-à-vis the US dollar and the Japanese yen.

The nominal effective exchange rate (NEER) of the euro, as measured against the currencies of 21 of the euro area's main trading partners, weakened between January and early March (see Chart 1.12). This was mainly due to the depreciation of the euro against the US dollar and sterling. Although the euro rebounded towards the end of the first quarter, its nominal effective exchange rate at the end of March stood 0.7% below the end-2008 level.

In April and early May the euro's NEER weakened mainly as a result of its depreciation against the pound sterling. By June, it regained some ground, but it still ended the month 0.4% below the end-March level.

*Expectations of lower euro area growth and inflation prevail*

Projections of economic activity in the euro area have once again been revised downwards following a substantial negative carry-over effect from 2008 and the very weak results for the first quarter of 2009. The latest Eurosystem staff macroeconomic projections, published in June, forecast euro area average annual GDP growth to be between -5.1% and -4.1% in 2009 (see Table 1.4). In 2010, a gradual recovery is projected, with GDP growth expected to lie in the range of -1.0% and 0.4%. This reflects the significant macroeconomic stimulus under way and the measures taken to restore the functioning of the financial system.

Inflation rates are expected to decline further and to turn negative over the coming months, before becoming positive again by the end of 2009. This is mainly due to base effects resulting from sharp swings in global commodity prices. Thus, the latest Eurosystem staff macroeconomic projections indicate an average rate of increase in the overall HICP ranging between 0.1% and 0.5% in 2009 and 0.6% and 1.4% in 2010.

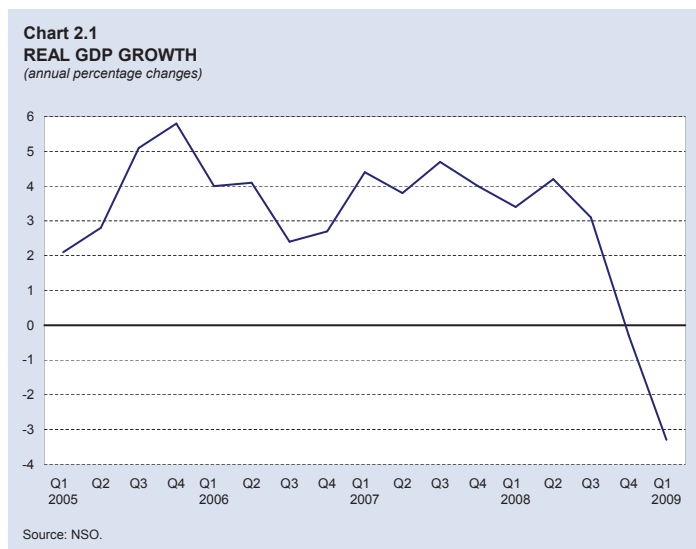
## 2. THE MALTESE ECONOMY

### Output

#### *GDP contracts for the second quarter in a row ...*

Following a marginal decline in the last quarter of 2008, the Maltese economy posted negative annual growth of 3.3% in the first three months of 2009 (see Chart 2.1 and Table 2.1). The main factors contributing to this contraction were exports and investment, although consumption also fell.

Having decelerated over the previous two quarters, private consumption decreased marginally in the quarter under review. In nominal terms private consumption expanded, though at a slower pace than in recent quarters. Higher spending on housing, water & energy and food & non-alcoholic beverages was dampened by reduced expenditure on transport, entertainment and clothing.



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

	2008				2009
	Q1	Q2	Q3	Q4	Q1
	<i>Annual percentage changes</i>				
Household final consumption expenditure	2.5	7.5	6.7	2.2	-0.3
Government final consumption expenditure	14.5	14.0	17.2	5.5	-2.4
Gross fixed capital formation	-8.5	-10.7	-22.8	-37.3	-28.1
Inventories as a % of GDP	4.3	9.8	-2.9	6.1	1.9
<b>Domestic demand</b>	<b>4.8</b>	<b>7.1</b>	<b>-0.7</b>	<b>-2.9</b>	<b>-7.7</b>
Exports of goods & services	-1.5	-8.4	-2.5	-12.5	-17.2
Imports of goods & services	0.4	-4.2	-6.6	-14.0	-21.1
<b>Gross domestic product</b>	<b>3.4</b>	<b>4.2</b>	<b>3.1</b>	<b>-0.3</b>	<b>-3.3</b>
	<i>Percentage point contributions</i>				
Household final consumption expenditure	1.6	4.8	4.2	1.4	-0.2
Government final consumption expenditure	2.7	2.5	3.0	1.1	-0.5
Gross fixed capital formation	-1.7	-2.1	-3.9	-8.5	-5.0
Changes in inventories	2.5	2.5	-4.0	2.9	-2.5
<b>Domestic demand</b>	<b>5.1</b>	<b>7.7</b>	<b>-0.7</b>	<b>-3.2</b>	<b>-8.2</b>
Exports of goods & services	-1.4	-8.0	-2.4	-11.8	-15.0
Imports of goods & services	-0.3	4.4	6.3	14.7	19.8
<b>Net exports</b>	<b>-1.7</b>	<b>-3.6</b>	<b>3.8</b>	<b>2.9</b>	<b>4.8</b>
<b>Gross domestic product</b>	<b>3.4</b>	<b>4.2</b>	<b>3.1</b>	<b>-0.3</b>	<b>-3.3</b>

Source: NSO.

Meanwhile government consumption contracted by 2.4%, with a significant factor behind the fall being a drop in government's intermediate consumption as a result of the winding down of shipyard operations in anticipation of their privatisation.

Both private and public sector investment declined substantially over a year ago, for an overall decline of 28.1%. Nominal data indicate that in the private sector manufacturing firms continued to adjust to the current slack in demand by scaling back investment outlays. In addition, construction investment declined, reflecting the weak conditions in the residential property market (see Box 2). The overall drop in investment also reflected a cut in government spending on machinery & transport equipment, though this was partly a matter of the base effect of the high level of equipment outlays for the new hospital in 2008.

Investment in inventories, the measure of which also incorporates a statistical adjustment, grew at a much slower pace during the quarter, standing at 1.9% of GDP, down from 6.1% in the December quarter.

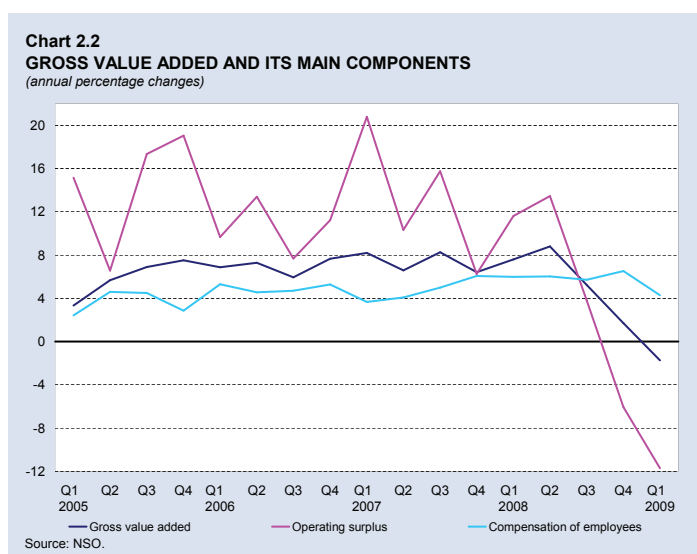
*...reflecting the slowdown in exports of manufactured goods and divergent performances among the service sectors*

The slowdown in both the manufacturing and the tourism sectors was reflected in a lower volume of exports of goods and services. Nevertheless, net exports made a positive contribution to GDP growth, as imports declined at a faster pace as a result of drops in purchases of both industrial supplies and consumer goods from abroad.

Aggregate output, consisting of intermediate consumption and gross value added (GVA), fell by 3.2% over a year ago, following the 0.9% drop recorded in the previous quarter. The 1.7% contraction in GVA reflected a slower increase in employee compensation combined with a decline in operating surplus. While growth in labour income eased to 4.3% from 6.5% in the previous quarter, profits declined by 11.7% following a drop of 6.1% in the December quarter (see Chart 2.2).

Despite the overall contraction in economic activity, the contribution of various categories of services to nominal GDP growth was positive. Thus, activity in the other community, social & personal services sub-sector contributed almost a full percentage point to overall growth in nominal GVA (see Table 2.2). Similarly, the real estate, renting & business activities category added 0.6 percentage points, with the fastest growing component, business activities, expanding at a rate of just under 10%. Other service sectors which contributed positively to GVA growth included health & social work and education.

The weak performance of the tourism industry (see Box 4)



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

*Percentage points*

	2008				2009
	Q1	Q2	Q3	Q4	Q1
Agriculture, hunting & forestry	0.0	-0.1	-0.1	-0.1	0.1
Fishing	0.0	0.0	0.0	-0.4	0.0
Manufacturing	0.4	0.6	1.2	1.9	-1.3
Electricity, gas & water supply	0.0	0.2	-1.2	-1.7	-0.4
Construction	0.1	0.2	0.1	0.1	0.0
Wholesale & retail trade	0.1	1.8	0.0	-0.9	-0.8
Hotels & restaurants	0.2	0.2	-0.2	-0.4	-0.6
Transport, storage & communication	1.3	0.8	0.7	0.4	-0.3
Financial intermediation	-0.4	-0.1	1.4	0.6	-0.2
Real estate, renting & business activities	1.5	1.2	1.2	0.6	0.6
Public administration	0.6	0.2	0.2	0.4	-0.1
Education	0.4	0.4	0.2	0.1	0.2
Health & social work	0.8	0.6	0.4	0.6	0.4
Other community, social & personal services	1.6	1.7	0.6	0.2	0.9
<b>Gross value added</b>	<b>6.6</b>	<b>7.7</b>	<b>4.5</b>	<b>1.5</b>	<b>-1.5</b>
<b>Net taxation on products</b>	<b>-0.6</b>	<b>-0.4</b>	<b>0.7</b>	<b>0.9</b>	<b>0.5</b>
<b>Annual nominal GDP growth (%)</b>	<b>6.0</b>	<b>7.3</b>	<b>5.2</b>	<b>2.3</b>	<b>-1.0</b>

Source: NSO.

was reflected in a further contraction in the GVA of the hotels & restaurants sector. As a result, the latter's contribution to nominal GDP growth was a negative 0.6 percentage points. The overall sluggishness of domestic demand was also reflected in the performance of wholesale & retail trade, which registered a contraction of 8.3% and a negative contribution to nominal GDP growth of 0.8 percentage points.

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

*Annual changes; EUR millions*

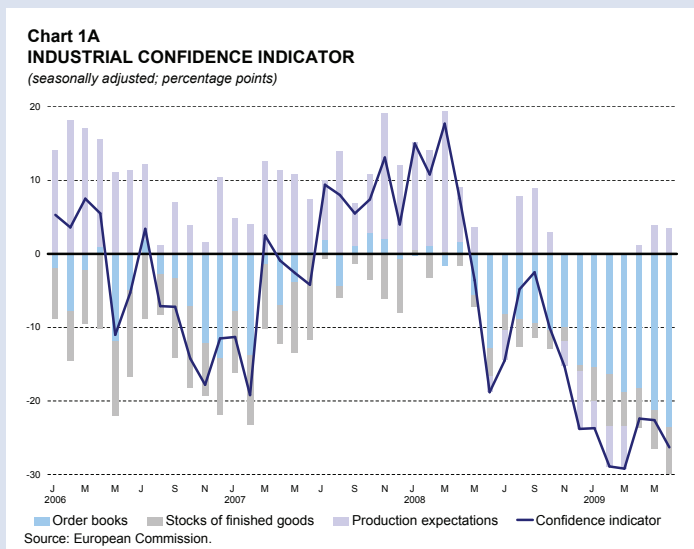
	2008				2009
	Q1	Q2	Q3	Q4	Q1
<b>Total sales</b>	<b>-35.8</b>	<b>-37.0</b>	<b>-33.7</b>	<b>-72.4</b>	<b>-122.7</b>
<b>Exports</b>	<b>-44.4</b>	<b>-52.5</b>	<b>-43.2</b>	<b>-71.8</b>	<b>-124.6</b>
Radio, TV & communication equipment	-43.1	-59.1	-39.2	-56.0	-81.9
Pharmaceuticals	16.8	9.4	-7.6	-8.5	-15.5
Electrical machinery	-11.1	-0.1	-5.1	5.7	-4.6
Clothes	-4.1	-5.4	1.8	0.9	-3.7
Plastic & rubber products	0.3	-1.5	-2.7	-3.2	-10.1
Other transport equipment	-1.3	1.5	-0.7	-0.9	5.8
Other	-2.0	2.7	10.3	-9.6	-14.7
<b>Local sales</b>	<b>8.6</b>	<b>15.5</b>	<b>9.5</b>	<b>-0.7</b>	<b>1.9</b>
Food, beverages & tobacco	5.7	6.4	4.8	-2.7	-1.7
Other non-metallic minerals	0.5	3.8	3.6	5.5	7.1
Fabricated metal products	2.7	4.5	1.1	-1.4	-2.5
Printing & publishing	0.2	-0.1	-0.7	-0.7	-1.2
Furniture	-1.1	-1.3	-2.1	-1.9	1.2
Other	0.6	2.2	2.7	0.5	-1.1

Source: NSO.

## BOX 1: BUSINESS AND CONSUMER SURVEYS<sup>1</sup>

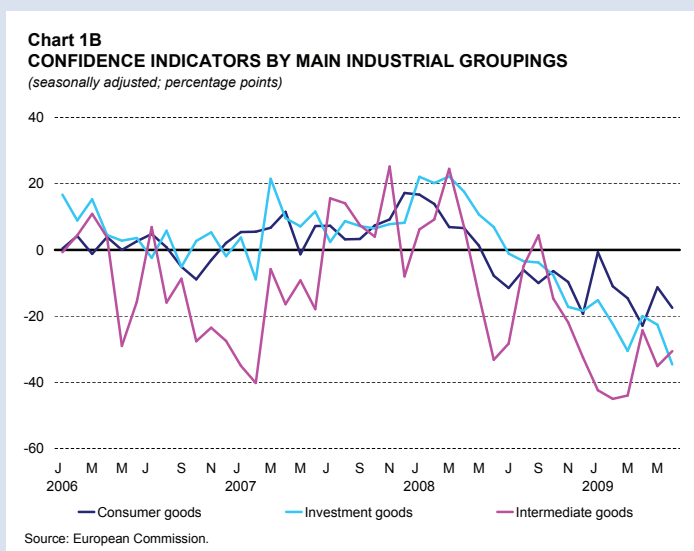
### *Industrial confidence recovers slightly ...*

The monthly surveys of Maltese manufacturing firms carried out by the European Commission during the second quarter of 2009 indicated that, after having reached a low during the first three months of the year, industrial confidence improved slightly, particularly during April and May (see Chart 1A). In fact, the confidence level added 3 percentage points over the quarter, reaching -26 in June. Nevertheless, at this level the indicator was still well below the level recorded in the second quarter of 2008.



The slight improvement in confidence in April and May was fuelled by higher production expectations and a rundown in stocks of finished goods, while the deterioration in June was mainly attributable to lower order book levels.

An analysis by main industrial groupings shows that improved sentiment among manufacturers of intermediate goods from the lows of the first quarter was due to a significant increase in production expectations (see Chart 1B). The main factor behind this development was improved sentiment among manufacturers of electrical machinery & apparatus and radio, TV & communication equipment. In contrast, sentiment among producers of consumer and investment goods deteriorated. This was due to weaker order books in the case of the former and reduced production expectations in the case of the latter. Weak demand and cash flow problems were mentioned by



<sup>1</sup> The Bank has discontinued the practice of conducting its own business perceptions survey from the beginning of 2009. However, it continues to track and analyse perceptions in the manufacturing, services and construction sectors by drawing on the survey results published by the European Commission.

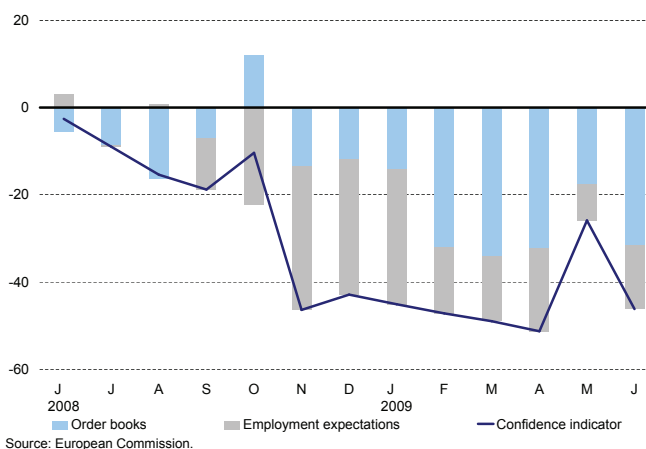
respondents as the major limiting factors.

*... as does confidence in the construction and services sectors ...*

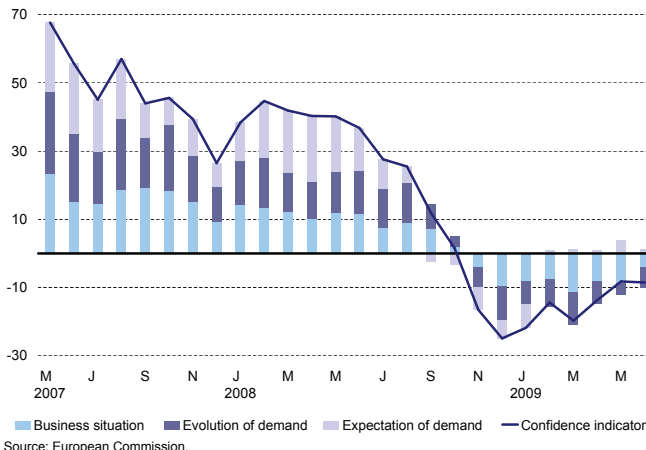
Non-seasonally adjusted data show that firms in the construction industry also reported a pick-up in confidence over the quarter, mostly on account of improved sentiment in May (see Chart 2). This was reflected in an anticipated increase in their labour complement over the subsequent three months, although order book levels were substantially down on the same period a year ago. Operators in the industry pointed to weak demand and financial constraints as the main factors limiting construction activity.

Meanwhile, confidence levels in the services sector showed continued improvement, reversing further the deterioration observed in 2008 (see Chart 3). The surge in the non-seasonally-adjusted indicator from -20 in March to -9 in June reflected optimism with regard to the business situation. Among the other two components of the indicator there was an improvement in demand in the previous three months, while expectations regarding demand in the subsequent three months remained largely unchanged. The survey showed that the main constraints to business activity for firms in the services sector were a tighter cash flow and, to a lesser extent, insufficient demand.

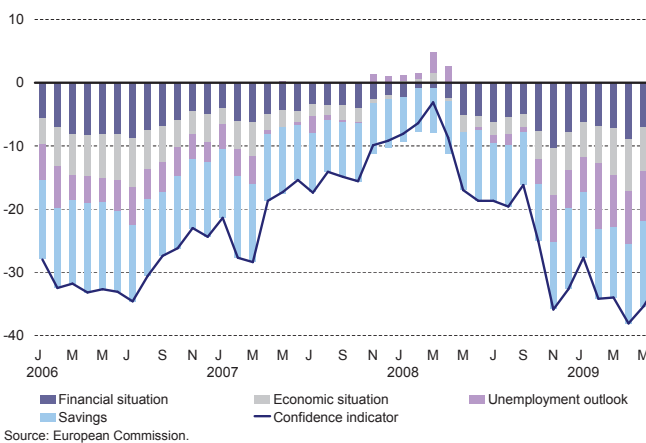
**Chart 2**  
**CONSTRUCTION CONFIDENCE INDICATOR**  
(non-seasonally adjusted; percentage points)



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



**Chart 4**  
**CONSUMER CONFIDENCE INDICATOR**  
(seasonally adjusted; percentage points)



*... while consumers remain pessimistic*

Consumer sentiment worsened on balance between the first and second quarters of the year, though the index, after reaching a record low of -38 in April, rose in the following two months (see Chart 4). Thus, survey replies in April indicated heightened concerns about the general economic situation, the respondents' financial situation and, above all, the ability to save over the next year, though there was a marginal improvement in expected labour market developments. In the subsequent two months, however, all four components improved so that the overall indicator ended the quarter at -32.



The NSO's survey of manufacturing firms revealed a decline of EUR 122.7 million, or 22.5%, in the nominal value of sales of manufactured goods on a year earlier. In the case of exports, the reduction was spread across most sectors, particularly semiconductors, pharmaceuticals and plastic & rubber products. A small gain was, however, recorded in the other transport equipment category, a sub-sector which includes aircraft maintenance. In contrast, domestic sales increased marginally over a year ago, owing mainly to higher sales of other non-metallic minerals (see Table 2.3).

## The labour market

### *Employment and unemployment levels rise simultaneously*

Despite the overall economic slowdown, employment continued to grow in the first quarter of 2009. At the same time, data through May 2009 also revealed a continued upward trend in unemployment, although Malta's jobless rate remained well below the euro area average.

As measured by the LFS, employment rose by 2.2% on a year earlier during the quarter under review (see Table 2.4). At the same time, unemployment also rose, by 10.4%. The latest two consecutive increases in unemployment followed ten quarters of falling rates. While the latest gain in employment was split evenly between the genders, the rise in unemployment was mostly in the male category.

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

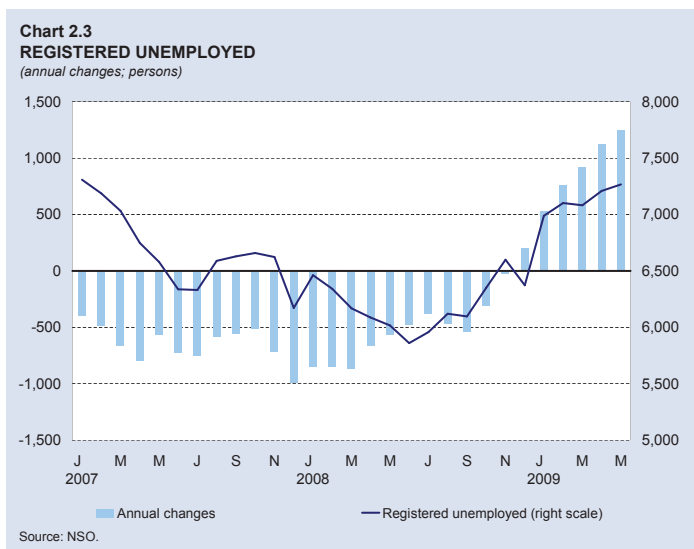
*Persons; annual percentage changes*

	2008				2009	Annual change %
	Q1	Q2	Q3	Q4	Q1	
<b>Labour supply</b>	<b>168,059</b>	<b>170,129</b>	<b>173,067</b>	<b>171,316</b>	<b>172,575</b>	<b>2.7</b>
Unemployed	10,205	10,254	10,113	10,790	11,265	10.4
Employed	157,854	159,875	162,954	160,526	161,310	2.2
<i>By type of employment:</i>						
Full-time	140,565	141,122	143,662	142,325	143,893	2.4
Full-time with reduced hours	3,178	3,598	3,265	3,034	2,725	-14.3
Part-time	14,111	15,155	16,027	15,167	14,692	4.1
<i>By economic sector:</i>						
Private	110,673	112,886	115,553	113,467	114,545	3.5
Public	47,181	46,989	47,401	47,059	46,765	-0.9
<b>Activity rate (%)</b>	<b>58.2</b>	<b>58.8</b>	<b>59.6</b>	<b>58.6</b>	<b>58.7</b>	
Male	77.0	76.2	77.4	76.9	76.8	
Female	38.9	41.0	41.1	39.6	39.9	
<b>Employment rate (%)</b>	<b>54.7</b>	<b>55.2</b>	<b>56.1</b>	<b>54.9</b>	<b>54.9</b>	
Male	72.8	71.6	73.0	72.7	72.0	
Female	36.0	38.5	38.6	36.4	36.9	
<b>Unemployment rate (%)</b>	<b>6.1</b>	<b>6.0</b>	<b>5.8</b>	<b>6.3</b>	<b>6.5</b>	
Male	5.4	6.0	5.7	5.4	6.1	
Female	7.4	6.1	6.1	8.1	7.4	
<b>Average annual gross salary (annual growth rate, %)</b>	<b>3.0</b>	<b>3.9</b>	<b>7.3</b>	<b>4.2</b>	<b>3.6</b>	

Source: NSO.

### *Private sector employment continues to rise ...*

Sectoral data, which are subject to a more significant sampling error than the aggregate statistics, attribute the entire employment increase to the private sector. In fact, the number of public sector jobs contracted by 0.9%, with the drop occurring entirely in public sector companies, while employment in Government departments and independent statutory bodies rose. Overall, new jobs were mainly created in education and in transport, storage & communication.



According to the survey the rise in employment was mainly in full-time jobs, which were up by 2.4% from a year ago. Part-time employment increased by 4.1%, while the number of full-time employees on reduced hours, women in particular, decreased considerably. The reported 3.6% increase in the average salary was consistent with national accounts data, which showed wages growing by 4.2%.

At 58.7%, the activity rate was 0.5 percentage points higher than a year earlier, while the employment rate, at 54.9%, was up by only 0.2 percentage points. Specifically, the female activity rate and the female employment rate rose by around a percentage point each, year-on-year, while the corresponding rates for males decreased.

### *... as does unemployment*

Meanwhile, after having stabilised at around 6% in 2008, the unemployment rate rose to 6.5% during the first three months of 2009. Data compiled by the ETC also showed a further extension of the upward trend, with the number of people registering for unemployment benefits in May increasing for the sixth consecutive month on a year-on-year basis. Thus, at 7,266 in May, the number of registered unemployed was up by 1,248 from the year-ago level (see Chart 2.3).

In seasonally-adjusted terms, the unemployment rate in May stood at 7.1% according to Eurostat's estimates. This was the highest rate since April 2006, 1.1 percentage points up from the year-ago level, and 0.1 point up on the previous month.

## **Prices**

### *HICP inflation falls*

Malta's annual inflation rate based on the HICP fell from 5.0% in December to 3.9% in March. Developments during the first quarter of 2009 show that inflation declined sharply in January before edging up in the subsequent two months (see Chart 2.4). Reflecting these developments, the twelve-month moving average rate of inflation eased from 4.7% in December to 4.6% in March. Meanwhile, over the same quarter, the disinflationary forces at work in the euro area as a whole

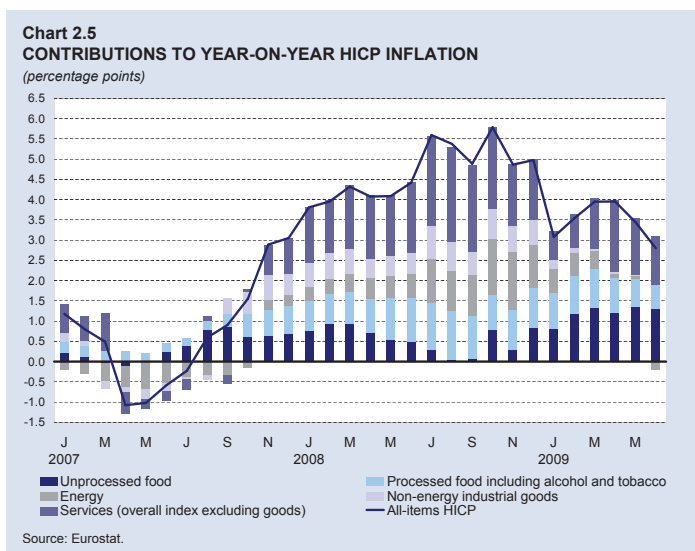
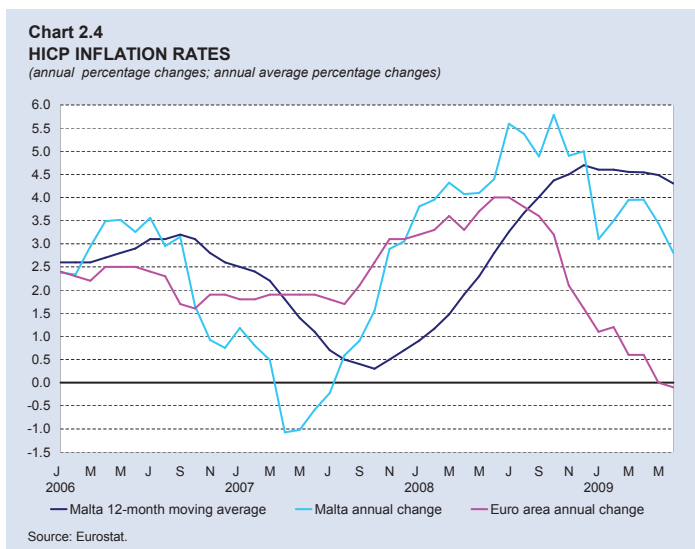
became more pronounced, with area-wide annual HICP inflation dropping from 1.6% to 0.6%.

The drop in Malta's inflation rate during the first quarter was mainly due to a substantial easing of price pressures on non-energy industrial goods, energy and services. In contrast, food prices accelerated further (see Chart 2.5).

Thus, the contribution of non-energy industrial goods to overall HICP inflation was nil in March, as the prices of durable and semi-durable goods fell sharply, while those of non-durable goods remained practically unchanged. During the same period, the contribution of energy prices fell by more than half, to stand at 0.5 percentage points in March, reflecting a sharp decline in the price of fuel for transport. Meanwhile, the contribution of services was, at 1.2 percentage points, down by 0.3 points from the previous quarter. The drop was mainly spurred by declines in the prices of accommodation services, which more than offset the impact of the upward revision in the motor vehicle circulation tax.

In contrast, the contribution of food prices to Malta's inflation rate rose from 1.8 to 2.3 percentage points, reflecting higher prices of unprocessed food, particularly vegetables and, to a lesser extent, meat. The contribution of processed food prices remained unchanged during the quarter, at around one percentage point.

More recent data show that HICP inflation maintained its downward trend and stood at 2.8% in June. The latest figures show that inflation was almost entirely driven by service and food prices, while the contributions of energy and non-energy industrial goods prices fell significantly. The decline in May and June was mainly attributable to lower prices of tourist-related services, while the contribution of energy turned negative in June. However, price pressures emanating from the food category, especially those from unprocessed food, remained significant.



**Table 2.5**  
**CONTRIBUTION TO YEAR-ON-YEAR RPI INFLATION**

*Percentage points*

	2008			2009		
	Dec.	Jan.	Feb.	Mar.	Apr.	May
Food	2.2	2.1	2.6	2.7	2.4	2.3
Beverages & tobacco	0.3	0.3	0.3	0.4	0.4	0.4
Clothing & footwear	0.2	0.0	0.1	0.0	0.1	0.1
Housing	0.3	0.3	0.3	0.3	0.2	0.2
Water, electricity, gas & fuels	1.3	1.4	1.4	1.3	0.9	0.9
Household equipment & house maintenance costs	0.0	0.0	0.0	0.0	0.0	0.0
Transport & communications	0.2	-0.9	-0.9	-1.0	-0.5	-0.7
Personal care & health	0.1	0.1	0.2	0.2	0.2	0.2
Recreation & culture	0.2	0.2	0.2	0.1	0.1	0.1
Other goods & services	0.2	0.1	0.1	0.1	0.1	0.1
<b>RPI (annual percentage change)</b>	<b>4.9</b>	<b>3.6</b>	<b>4.2</b>	<b>4.3</b>	<b>4.0</b>	<b>3.6</b>

Sources: NSO; Central Bank of Malta.

### *RPI inflation registers similar declines*

Developments in the RPI during the first quarter were similar to those in the HICP, except for differences due to the composition of the two indices, which in the former case excludes hotel accommodation and attaches a larger weight to the food component. The annual rate of change in the RPI eased from 4.9% in December to 4.3% in March. During the quarter, and in parallel with movements in the HICP, RPI inflation declined significantly in January before rebounding in February and March (see Table 2.5).

The first quarter drop in RPI inflation was entirely driven by the transport and communications component, whose contribution declined by 1.2 percentage points between December and March. The contribution of the water, electricity, gas & fuels component was unchanged, at 1.3 percentage points. But as with HICP inflation, food prices exerted upward pressure, contributing 2.7 percentage points to RPI inflation in March, compared with 2.2 percentage points in December.

Despite the easing in RPI inflation, core inflation, a Central Bank of Malta measure of price movements that takes into consideration inflation persistence, stood unchanged at 1.7% during the quarter.

More recent data show that RPI inflation declined significantly in the first two months of the second quarter, standing at 3.6% in May. Similarly, core inflation declined to 1.3%.

### **Costs and competitiveness**

Commonly used measures of external competitiveness include the harmonised competitiveness indicator (HCI) and unit labour costs (ULC).

#### *A gap is emerging between the nominal and real HCI...*

Chart 2.6 shows two versions of the HCI, one in nominal terms and the other in real terms. The former is an index of movements in a country's exchange rate against its main trading partners, while the latter incorporates both changes in the exchange rate and the relative inflation of a country vis-à-vis its main trading partners.<sup>1</sup>

<sup>1</sup> The weights of a country's main trading partners are related to the direction of trade in manufactured goods only, with no consideration to trade in services. As such, the HCI is not a fully comprehensive measure of Malta's international competitiveness.

## BOX 2: RESIDENTIAL PROPERTY PRICES

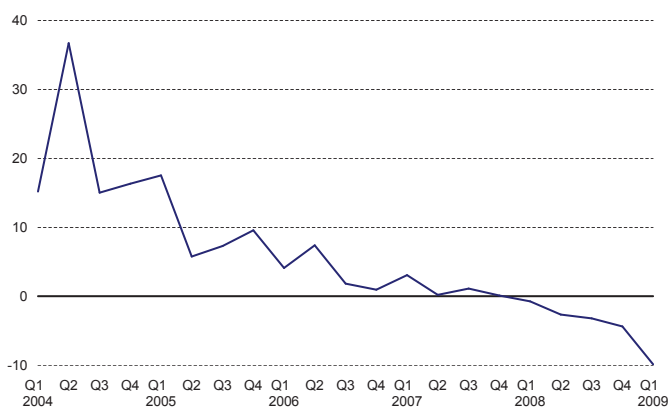
### Residential property prices fall further<sup>1</sup>

The downward trend in advertised residential property prices persisted over the first quarter of 2009, with the Bank's property price index dropping by 9.9% on a year earlier (see Chart 1). The index had contracted by 4.4% in the preceding quarter. Hence, at the end of March it was around 11% below the peak level reached in mid-2007.

The quarter under review also saw a reduction in the number of properties advertised, which was down by 21.1% on a year earlier, with the drop being distributed across all the categories of residential property surveyed. Permits granted by the Malta Environment and Planning Authority were fewer during the survey period, providing further evidence of the slowdown in the property market.

In the March quarter, lower asking prices were observed in seven out of the eight property categories surveyed. Advertised prices of finished flats, the most common type, were down by 10.8% on a year earlier; but the largest drops, of 20.4% and 16.2%, respectively, were registered by prices of flats in shell form and houses of character. At the same time, prices of town houses were down by 11.8% on an annual basis, while those of maisonettes in shell form and of finished maisonettes were down by 5.0% and 4.4%, respectively. On the other hand, advertised prices of terraced houses, which appear to be stickier downwards, rose by 4.1%.

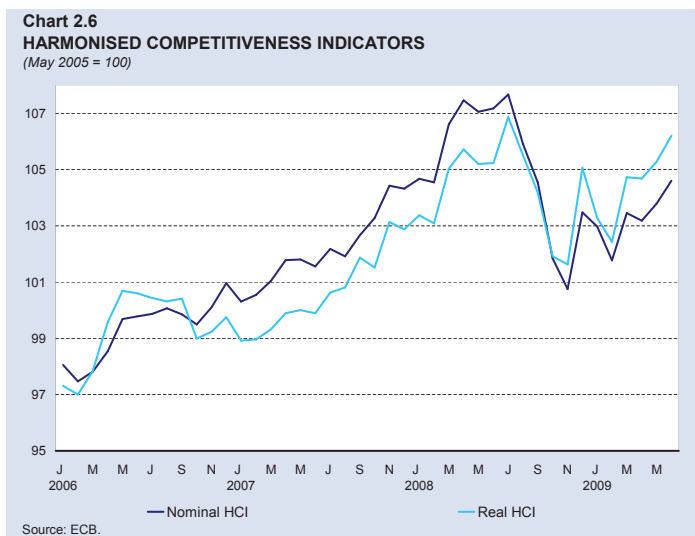
Chart 1  
RESIDENTIAL PROPERTY PRICE INFLATION  
(annual percentage changes)



Source: Central Bank of Malta.

<sup>1</sup> The Bank's quarterly property price index measures advertised residential property prices compiled on the basis of newspaper advertisements sampled each month. The NSO publishes a separate index using monthly data indicated in contracts of sale registered at the Inland Revenue Department. Other differences between the two indices include the number of observations, which are usually higher in the case of the Bank's index, and the coverage of property types. Whereas the Bank's index is sub-divided into eight dwelling categories, without a distinction between regions, the NSO's index differentiates between three types of dwellings and six regions of Malta and Gozo.

Movements in the HCI have been erratic since the latter part of 2008, reflecting the volatility of the euro in the aftermath of the intensification of the international financial crisis, especially vis-à-vis the US dollar. In addition, the gap between the nominal and the real HCI has been widening in recent months, due to the adverse impact of the idiosyncratically high inflation rate registered in Malta (see Chart 2.6).



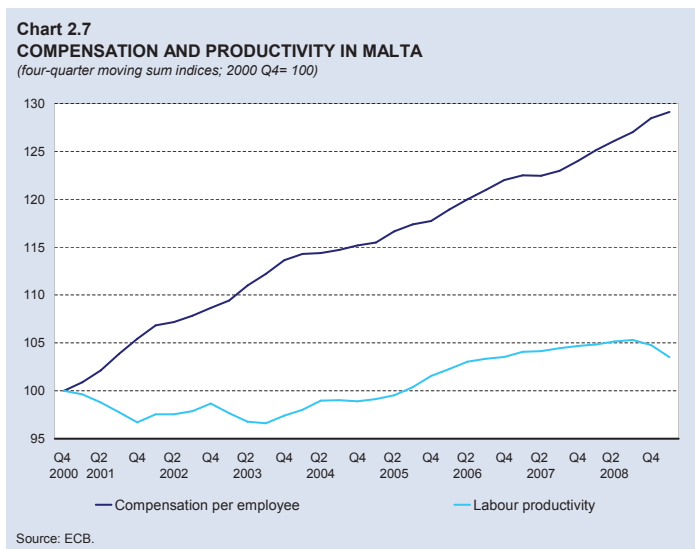
In March the nominal HCI declined by 3.0% from its year-ago level, suggesting that Malta's external competitiveness, at least as far as manufacturing goods are concerned, benefited from the euro's general depreciation against the currencies of Malta's main trading partners outside the euro area. During the same period, the real HCI declined by a more modest 0.3%, suggesting an overall marginal gain. More recent data suggest that the gap between these two indices has become more pronounced, reflecting Malta's relatively high inflation rate.

*...while ULC signal a deterioration in cost competitiveness*

Malta's unit labour costs (ULC) accelerated in the first quarter, increasing by an annual rate of 4.7% compared with annual growth of 3.5% in the previous quarter. This faster rate of growth was due to a 3.2% increase in compensation per employee and a drop of 1.3% in measured labour productivity (see Chart 2.7).<sup>2</sup>

The deterioration in labour market conditions appears to have exerted downward pressure on compensation growth, which eased slightly from the 3.6% annual growth rate registered in the previous quarter, while the decline in labour productivity reflected the abrupt slowdown in economic activity.

The rise in Malta's ULC during the first quarter was more pronounced than that in the euro area as a whole, where an increase of 3.9% was registered, the result of an increase in com-

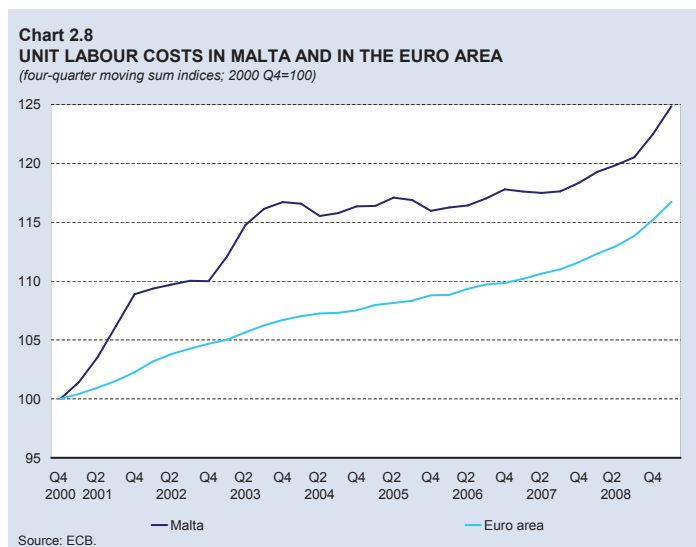


<sup>2</sup> Unit labour costs are measured as the ratio of compensation per employee and labour productivity, with the latter being computed as real GDP per person in employment.

pensation per employee of 2.8% and a decline in labour productivity of 1.1% (see Chart 2.8).

### The balance of payments

In the first quarter of 2009 the deficit on the current account of the balance of payments widened considerably compared to the same quarter of 2008. This was mainly attributable to a deterioration on the income account and a negative outturn on transfers. In addition, the surplus on the services component declined marginally. Together, these movements outweighed favourable developments on the goods balance.



During the same period a large surplus was recorded on the capital and financial account. This was almost entirely attributable to net inflows on the financial account, as the surplus on the capital account was small. At the same time, reserve assets – movements in which are recorded in the financial account – increased.

### The current account deficit widens considerably...

In the first three months of the year the deficit on the current account stood at EUR 189.8 million, up by EUR 156.0 million on a year earlier (see Table 2.6). Over the four quarters to March, the cumulative negative balance on the current account stood at EUR 473.0 million (see Chart 2.9), equivalent to 8.2% of GDP, compared to 5.7% over the twelve-month period to March 2008.

### ... but the merchandise trade gap narrows...

The merchandise trade deficit, however, declined to EUR 192.8 million during the quarter, falling by EUR 55.9 million, or 22.5%, from a year earlier. Although both imports and exports contracted significantly, the fall in imports outweighed the drop in exports.

**Table 2.6**  
**BALANCE OF PAYMENTS**  
(EUR millions)

	2008		2009		four-quarter moving sum			
	Q1	Q2	Q1	Q2	2008			2009
			Q1	Q2	Q3	Q4	Q1	
<b>Current account</b>	<b>-33.8</b>	<b>-189.8</b>	<b>-317.6</b>	<b>-358.3</b>	<b>-320.8</b>	<b>-317.0</b>	<b>-473.0</b>	
Goods	-248.7	-192.8	-1,042.0	-1,122.5	-1,178.1	-1,173.5	-1,117.6	
Services	177.6	174.3	846.3	877.7	975.0	991.3	988.0	
Income	-3.3	-161.4	-115.5	-162.9	-147.7	-168.8	-326.9	
Current transfers	40.6	-10.0	-6.4	49.4	30.1	34.1	-16.5	
<b>Capital and financial account</b>	<b>39.3</b>	<b>355.3</b>	<b>72.8</b>	<b>273.3</b>	<b>116.2</b>	<b>308.4</b>	<b>624.3</b>	
Capital account	3.4	1.2	50.4	56.8	35.5	27.6	25.4	
Financial account	35.9	354.1	22.4	216.5	80.7	280.8	598.9	
Errors and omissions	-5.5	-165.4	244.8	85.0	204.5	8.5	-151.4	

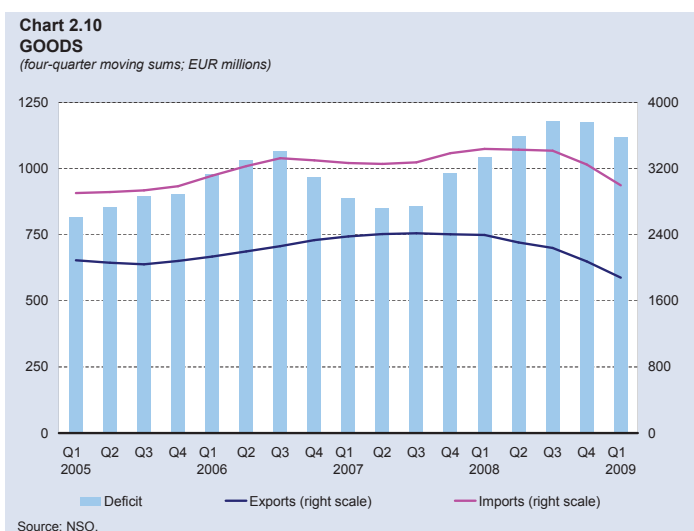
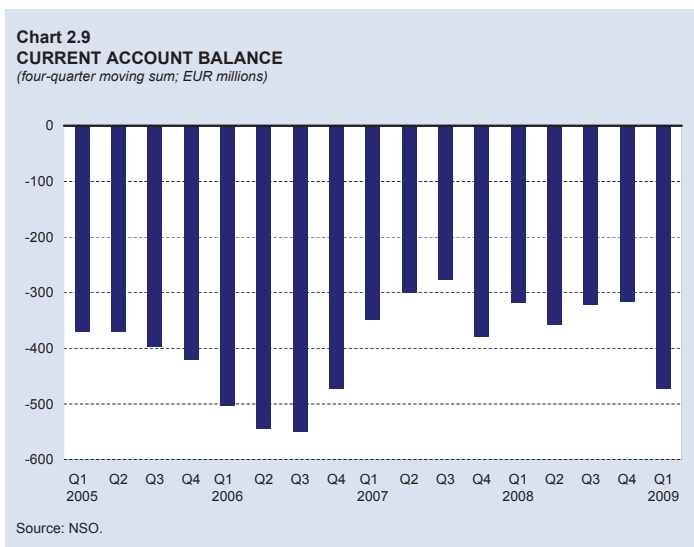
Sources: NSO; Central Bank of Malta.

Between January and March 2009 the value of merchandise imports fell by EUR 251.8 million, or 31.3%, on a year-on-year basis. As indicated by Customs data, this decline largely stemmed from lower purchases of semi-finished industrial supplies, which dropped by around one-third, and was linked to the weaker export performance.<sup>3</sup> In addition, the value of fuel imports fell by 57.1%, reflecting the sharp fall in international oil prices, while a notable drop in imports of durable consumer goods, particularly motor vehicles, also contributed.

Meanwhile, merchandise exports fell by EUR 196.0 million, or 35.2%, mainly under the impact of lower sales of electronic goods. However, export receipts fell across all major categories, with significant reductions being recorded in sales of pharmaceuticals, food and other miscellaneous manufactured goods.

As a result of these developments, the merchandise trade gap on a four-quarter cumulative basis narrowed in the quarter under review compared with the position recorded in the calendar year 2008 (see Chart 2.10). Nonetheless, the trade deficit was still 7.3% higher than that recorded in the year to March 2008. This was mainly due to a 21.5% drop in exports, which extended the downward trend in evidence since the last quarter of 2007. In the meantime, imports were down by 12.8% when compared to the twelve months to March 2008. The overall contraction in the volume of merchandise trade mainly reflected the fall in demand for semi-conductors, which account for most of Malta's exports but have a high import content.

More recent Customs data indicate that during April and May 2009 the visible trade gap contracted further, by EUR 70.0 million, compared to the corresponding months last year. Thus, over the first five months of 2009 the merchandise trade deficit narrowed by EUR 74.6 million, or 12.9%, from the year-



<sup>3</sup> International trade data compiled on the basis of Customs returns may differ from balance of payments data because of differences concerning coverage, valuation and timing. In particular, during the quarter reviewed, the Customs data showed significant imports of aircraft, which were not included in the balance of payments statistics.



ago level. Imports of goods declined by EUR 320.1 million, while exports contracted by EUR 245.5 million.

### *... and the surplus on services declines marginally*

Meanwhile, the surplus on the services account stood at EUR 174.3 million, down by EUR 3.2 million compared to the same quarter a year earlier. This stemmed from a drop in net receipts from travel and, to a lesser extent, from transportation, reflecting the weak performance of the tourism industry.

The decline in the former was entirely due to lower spending by inbound tourists, as spending by Maltese residents travelling abroad remained virtually unchanged. As regards transportation, the small drop in the surplus on this component reflected decreased receipts from passenger air transport services. By contrast, significant net receipts emanated from 'other services' transactions, mainly financial services, although these were partly offset by lower receipts from merchandising, which include commissions on internationally-traded goods, such as oil.

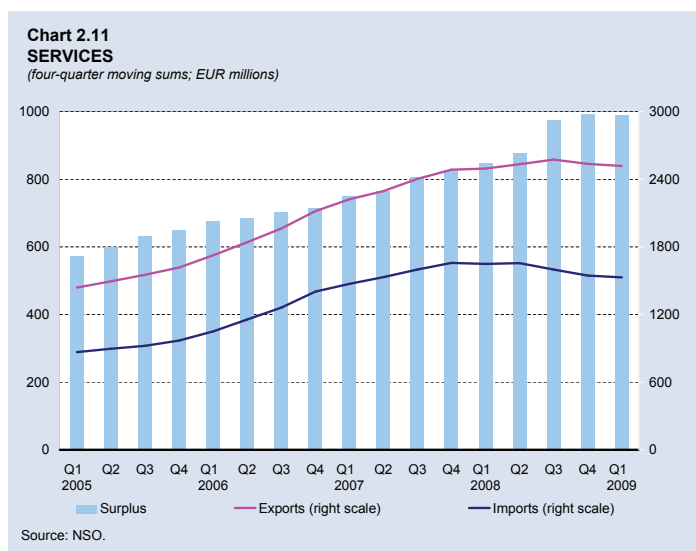
As a result of these developments, the trend improvement in the services balance estimated on a four-quarter moving sum basis appears to have stalled, as the cumulative surplus contracted for the first time in five years in the year to March 2009 (see Chart 2.11). Compared with the position in the year to March 2008, however, net receipts from services were still significantly higher. This was due to the combined effect of a 7.2% drop in payments and a 0.9% increase in receipts.

### *Large net outflows are posted on the income account ....*

In the three-month period to March 2009, net outflows on the income component of the current account increased by EUR 158.1 million on a year earlier, reaching EUR 161.4 million. This mainly reflected higher profits registered by foreign-owned firms operating in Malta. Of these outflows, reinvested earnings by foreign-owned entities increased by EUR 83.9 million, while dividend payments to foreign investors rose by EUR 64.1 million. Moreover, with interest rates overseas falling significantly, earnings on residents' portfolio investments were down by EUR 35.1 million on the corresponding quarter of 2008. Similarly, interest payments on foreign loans during the same period declined by EUR 23.9 million. Banks engaged predominantly in international business accounted for most of these income flows, with the gaming sector contributing to a lesser extent.

### *... while the balance on transfers turns negative*

In the March quarter of 2009, net outflows of EUR 10.0 million were registered on the current transfers component, as against net inflows of EUR 40.6 million in the corresponding quarter of 2008. This reversal was largely due to timing differences in tax payments and receipts by companies engaged in international business operations.



### BOX 3: IMPACT OF OIL PRICES ON THE CURRENT ACCOUNT

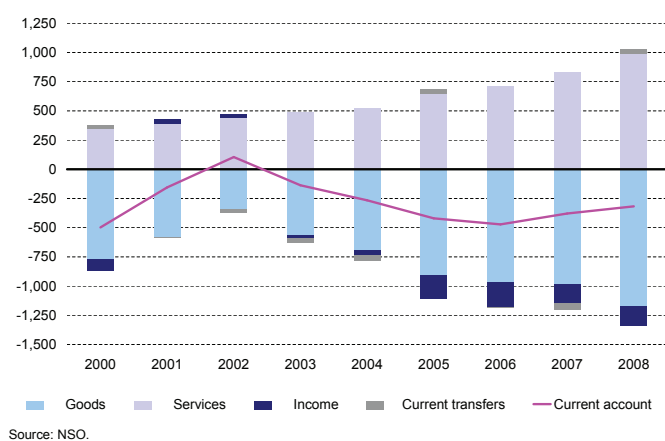
The current account of Malta's balance of payments has mostly been in deficit in recent years (see Chart 1). However, the deterioration in the goods balance has been partly offset by a steadily growing surplus on services. The latter reflects the effect of economic diversification into new types of business activities as well as an improvement in the terms of trade for such services.

The current account position highlights the country's high dependence on imports of fuel.

In fact in 2005 Malta's oil-equivalent consumption relative to GDP was 45.2% higher than the average for the euro area, while in 2007-08 net fuel imports stood at 7.9% of its GDP, compared with 2.9% in the euro area.<sup>1</sup> Malta's dependence on fuel imports is exacerbated by its reliance on electrical energy to produce water.

Chart 2 below shows the path followed by the ratio of Malta's net fuel imports to GDP in 2000-08.<sup>2</sup> This has increased considerably since 2003, with particularly sharp increases being recorded in 2005 and 2008. In order to gauge the full impact of high oil prices on Malta's current account balance, however, a counterfactual simulation for 2006-08 was conducted using the Bank's Macroeconometric Model and holding the domestic price of Brent oil constant at the 2005 level - roughly equivalent to the average price since 2000.<sup>3</sup> This meant that, for the purposes of this exercise, oil prices in 2006-08 were set 16.0%, 17.5%, and 34.1% below the respective actual levels (see Table 1).

**Chart 1**  
COMPOSITION OF CURRENT ACCOUNT  
(EUR millions)



**Chart 2**  
NET IMPORTS OF FUEL  
(percentage of GDP)



<sup>1</sup> IMF Staff Report for the 2008 Article IV Consultation, 22 July 2008, page 9. Oil-equivalent consumption is measured in kilograms, while the GDP is measured in euro. The measure for Malta stood at 147.2 in 2005 (euro area = 100).

<sup>2</sup> The ratio is estimated using imports and exports fuel as recorded in the external trade statistics.

<sup>3</sup> The price of Brent oil was EUR 43.77 in 2005, while the average for 2000-2008 was EUR 39.55.

**Table 1**  
**COUNTERFACTUAL SIMULATION ON OIL PRICE LEVELS**

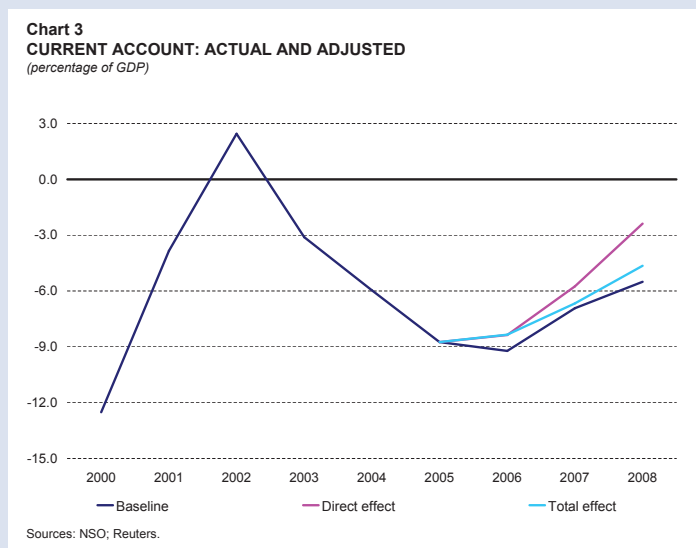
	2005	2006	2007	2008
<i>Brent crude price (EUR per barrel)</i>				
Annual average	43.77	52.08	53.03	66.41
Simulation	43.77	43.77	43.77	43.77
	-	(-16.0%)	(-17.5%)	(-34.1%)
<b>Impact on current account</b>				
<i>EUR millions</i>				
<b>Actual current account deficit</b>	-420.4	-472.0	-379.2	-317.0
<b>Total Impact</b>	-	44.8	14.0	49.3
Direct impact	-	43.8	64.3	179.9
Indirect impact	-	1.0	-50.3	-130.6
<i>Percentage of GDP</i>				
<b>Actual current account deficit</b>	-8.7	-9.2	-6.9	-5.5
<b>Total Impact</b>	-	0.9	0.3	0.9
Direct impact	-	0.9	1.2	3.1
Indirect impact	-	0.0	-0.9	-2.3

Sources: Central Bank of Malta; ECB; NSO.

A lower price for the actual volume of net oil imports would have generated a direct improvement in the current account of 0.9 percentage points of GDP in 2006, 1.2 in 2007, and 3.1 in 2008.

The effect on the current account cannot be measured solely in terms of the direct impact of lower oil prices, however, since a lower oil price path would have contributed to a fall in the deflators of all the components of GDP. The resulting indirect increase in domestic and foreign demand would have a net negative impact on the trade balance and the current account. In fact, the indirect impact is estimated at +0.02, -0.92 and -2.27 percentage points in the current account-to-GDP ratio in each of the respective years.

Overall, it is estimated that had the Brent crude price remained at 2005 levels in the three years to 2008, the net improvement to Malta's current account as a percentage of GDP would have amounted to 0.88 percentage points in 2006, 0.26 points in 2007, and 0.86 points in 2008. Equivalently these are the estimated portions of the current account deficit that are attributable to the rise in the price of oil. The actual and simulated deficits are charted, respectively, by the bottom and top lines shown in Chart 3.



This simulation ignores the impact of reduced oil prices on the rest of the world and the consequential effect on Malta's current account. In particular, lower oil prices would have led not only to reduced costs abroad, but also to higher external demand. With respect to the first consideration, in view of Malta's comparatively heavy reliance on oil, there would still have been a net improvement in Malta's international price competitiveness. Nevertheless, the counterfactual simulation could be slightly overestimating the competitiveness gains and, hence, the net improvement in Malta's current account performance in the absence of the oil price shock.

Looking ahead to the short-term, the expected lower trend in oil prices relative to 2008 should contribute to an easing of pressure on the external account from the imports side that would offset the expected negative impact of a slowdown in external demand on exports. Energy saving measures, including market pricing of energy products, together with investment in the provision of alternative energy sources, would also help to reduce the exposure of Malta's current account to higher international oil prices.

## BOX 4: TOURISM ACTIVITY

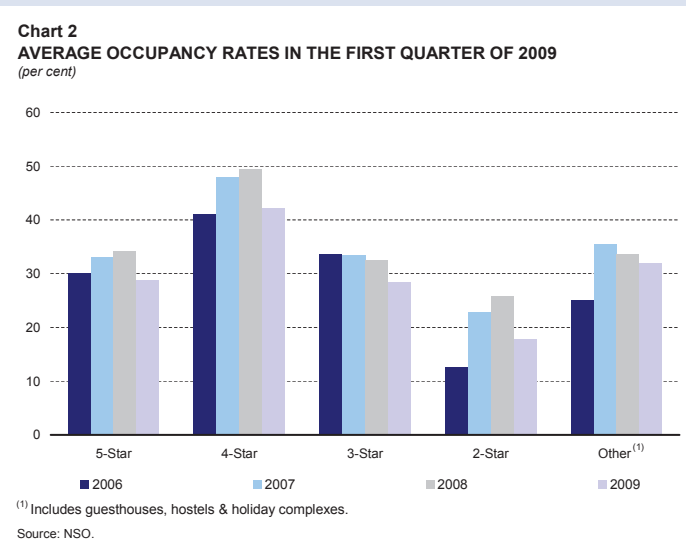
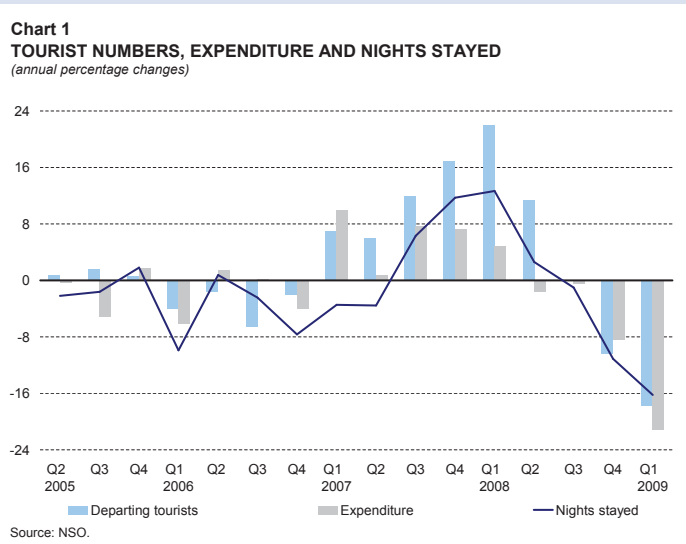
### A marked slowdown in the tourism industry

Against the backdrop of deteriorating economic conditions in Malta's main tourist markets, activity in the local industry weakened further in the first quarter of 2009, though the decline was exacerbated by the timing of the Easter holidays which occurred in April, a month later than in 2008.

The number of tourists was down by 17.8% on a year earlier, after having declined by 10.3% in the December quarter of 2008 (see Chart 1). Total nights stayed dropped by 16.2%, with the average length of stay rising marginally, to 8.2 nights from 8.0 nights a year earlier. At the same time, total expenditure by tourists fell by 21.1%, primarily on account of a notable contraction in spending by visitors on package holidays. Non-package spending declined as well, but at a slower pace.

An analysis by source market shows that in the three months to March 2009, fewer arrivals were registered from all major markets when compared to a year earlier, with Italy being the only exception. Visitors from Spain and Germany were down by 64.2% and 35.8%, respectively, while those from France fell by 27.1%. Meanwhile, arrivals from the United Kingdom declined by 14.0%.

All accommodation categories reported a drop in occupancy rates when compared with the previous year, with the largest reductions being recorded in the 2- and 4-star hotel categories, which shed around eight and seven percentage points, respectively (see Chart 2). These findings were generally similar to those published in an industry survey of 5-, 4- and 3-



star hotels, which reported lower occupancy rates in all three categories, with 3-star hotels registering a drop of 23.3%.<sup>1</sup>

The same survey also found that average achieved room rates, defined as accommodation revenue per room-night sold net of VAT, decreased across all the three accommodation types. The largest decline, of 15.9%, was recorded by 3-star hotels.

Cruise liner traffic visiting Malta appeared to be unaffected by the economic slowdown, with all the major markets reporting higher numbers, except Spain. In fact, the number of cruise liner visitors in the first quarter was almost three times that of a year ago.

Going into the second quarter, the performance of the tourism industry remained weak. On an annual basis, departures in April and May were down by 3.1% and 17.6%, respectively, while expenditure, after increasing by 11.3% in April, contracted by 17.5% in May. The number of nights stayed also fell compared with the same months last year, so that the average length of stay declined to around seven nights in both months. Meanwhile, the number of cruise liner visitors also dropped compared with April and May of 2008.

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<sup>1</sup> The BOV-MHRA Survey, June 2009.

### *The capital and financial account post an increased surplus*

Partly reflecting the deficit on the current account, net inflows of EUR 355.3 million were posted on the capital and financial account during the first three months of 2009, up by EUR 316.0 million over the comparable period a year earlier. The higher net inflows were wholly attributable to developments on the financial account, since the net surplus on the capital account fell by EUR 2.2 million to EUR 1.2 million.

The increased surplus on the financial account was driven by net portfolio investment inflows amounting to EUR 290.2 million, as against net outflows of EUR 0.7 million in the first quarter of 2008. In turn, these largely reflected the activities of banks that deal predominantly with non-residents, which tended to reduce their cross-border holdings of portfolio assets, particularly debt securities. In addition, reinvested earnings generated by both the banking and the remote gaming sectors boosted net inward direct investment, which stood at EUR 240.5 million, up by EUR 187.7 million from the comparable period of 2008. An increase in the share capital of internationally-oriented banks also contributed to foreign direct investment inflows.

By contrast, net outflows of EUR 128.6 million were recorded under financial derivatives during the March 2009 quarter. These flows, which were in line with movements recorded a year earlier, were largely influenced by the activities of internationally-oriented banks. Meanwhile, net outflows of EUR 38.6 million were recorded on the other investment component, as against net inflows of EUR 180.5 million during the first quarter of 2008. This negative balance reflected a decrease in deposit liabilities as well as repayments of long-term loans.

During the period under review, reserve assets increased, albeit at slower pace than a year ago, putting on EUR 9.4 million. Meanwhile, errors and omissions were negative and amounted to EUR 165.4 million.<sup>4</sup>

### **Government finance**

In the first quarter of 2009 the general government deficit narrowed on a year-on-year basis as expenditure shrank considerably and revenue increased marginally. This position contrasts significantly with Consolidated Fund data, which showed the deficit widening over the same period as expenditure increased and revenue fell.<sup>5</sup>

### *General government deficit narrows in the first quarter*

In the first three months of the year, the general government balance improved by EUR 56.3 million compared with the same period in 2008, to register a deficit of EUR 49.8 million (see Table 2.7). This was mainly due to a decrease of nearly 8% in expenditure, although a 1% rise in revenue also contributed. The primary deficit also registered a substantial contraction, declining by EUR 57.9 million to EUR 6.0 million.

The cumulative deficit-to-GDP ratio, computed on the basis of four-quarter sums, dropped to 3.7% in the year to March 2009 from 4.6% in the corresponding period a year earlier (see

<sup>4</sup> Negative (positive) net errors and omissions imply an underestimation (overestimation) of the current account deficit and/or overestimation (underestimation) of net inflows on the capital and financial account.

<sup>5</sup> The Consolidated Fund captures most of the transactions of central government on a cash basis. On the other hand, the general government accounts, which are compiled in line with ESA95, capture central government, including extra-budgetary units, and local government on an accrual basis. In particular, the inclusion of Malta Shipyards Ltd. in general government from the first quarter of 2008 had a considerable impact on general government revenue and expenditure, leading to additional differences with respect to Consolidated Fund data during the first quarter of 2009.

**Table 2.7**  
**GENERAL GOVERNMENT BALANCE**

EUR millions

	2008				2009	Change Q1 2009	
	Q1	Q2	Q3	Q4	Q1	Amount	%
<b>Revenue</b>	<b>542.4</b>	<b>558.3</b>	<b>574.3</b>	<b>624.6</b>	<b>547.8</b>	<b>5.4</b>	<b>1.0</b>
Taxes on production and imports	190.5	199.0	225.2	219.2	174.1	-16.4	-8.6
Current taxes on income and wealth	146.3	190.7	190.8	215.0	177.6	31.3	21.4
Social contributions	109.8	104.3	97.3	120.6	112.6	2.7	2.5
Capital and current transfers	8.1	17.1	17.6	22.9	14.6	6.4	78.8
Other	87.7	47.2	43.4	46.9	69.0	-18.7	-21.3
<b>Expenditure</b>	<b>648.5</b>	<b>627.4</b>	<b>620.3</b>	<b>670.0</b>	<b>597.6</b>	<b>-50.9</b>	<b>-7.8</b>
Intermediate consumption	92.5	94.5	96.5	102.6	79.9	-12.6	-13.6
Gross fixed capital formation	53.4	31.0	33.4	34.7	23.8	-29.6	-55.5
Compensation of employees	198.5	198.8	211.7	219.9	219.5	21.0	10.6
Subsidies	44.0	42.2	23.2	14.5	20.9	-23.0	-52.4
Interest	42.1	46.8	44.8	54.1	43.8	1.7	4.1
Social benefits	170.1	196.6	178.3	212.5	179.4	9.3	5.5
Other	47.9	17.4	32.4	31.6	30.2	-17.7	-36.9
<b>Primary balance</b>	<b>-64.0</b>	<b>-22.2</b>	<b>-1.2</b>	<b>8.7</b>	<b>-6.0</b>	<b>57.9</b>	<b>-</b>
<b>General government balance</b>	<b>-106.0</b>	<b>-69.1</b>	<b>-46.0</b>	<b>-45.4</b>	<b>-49.8</b>	<b>56.3</b>	<b>-</b>

Source: NSO.

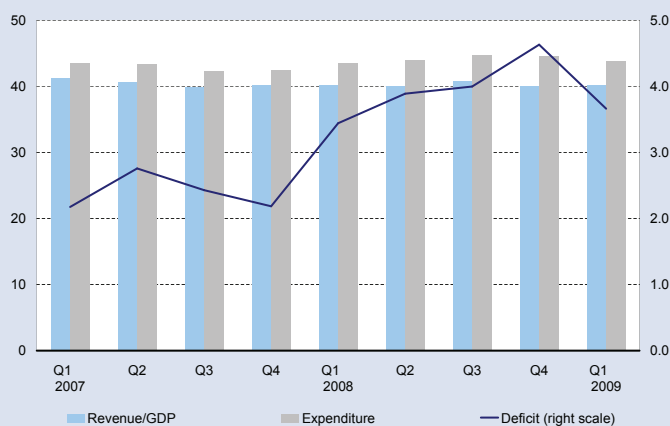
Chart 2.12). Whereas the revenue-to-GDP ratio was broadly stable, the rapid rise in expenditure as a proportion of GDP during 2008 was partially reversed in the quarter under review.

#### *A slowdown in revenue growth...*

Revenue increased by EUR 5.4 million in the first three months of 2009 compared with the same quarter of 2008. This was primarily on account of a EUR 31.3 million rise in revenue from taxes on income and wealth, which has been quite volatile in recent quarters. In addition, capital and current transfers rose by EUR 6.4 million, reflecting higher EU grants. Meanwhile, receipts by way of social contributions were up by 2.5%, or EUR 2.7 million, reflecting growth in employment income during the quarter.

These gains were offset by decreases in 'other revenue' and in receipts from taxes on production and imports. 'Other revenue' was down by nearly EUR 19 million, mainly on account of lower sales of market output and a drop in property income. Revenue from market output fell due to a

**Chart 2.12**  
**GENERAL GOVERNMENT REVENUE AND EXPENDITURE TRENDS**  
(four-quarter moving sums; percentage of GDP)



Source: NSO.



slowdown in activity in Malta Shipyards Ltd., which forms part of general government and which curtailed its operations ahead of privatisation, as well as to a decrease in Court fees, which were exceptionally high a year earlier. At the same time, taxes on production and imports yielded EUR 16.4 million, or 8.6%, less than in the same period in 2008. The drop stemmed mainly from lower receipts from VAT and from duty on documents, reflecting a slowdown in consumer spending and in activity in the property market, respectively.

#### *... is outweighed by a considerable reduction in expenditure*

During the quarter, expenditure was down by nearly 8%, or EUR 50.9 million, compared to the same period in 2008. The drop mainly reflected reduced expenditure on gross fixed capital formation, subsidies and intermediate consumption.

Gross fixed capital formation, or government investment, decreased by EUR 29.6 million, or more than 55%, on a year earlier. This primarily reflected a base effect: in the March quarter of 2008 investment in the new state hospital was still strong. Moreover, spending on subsidies, which had soared during the first half of 2008, was cut by more than half primarily owing to the decision, announced in the 2009 Budget Speech, to terminate the subsidisation of utility bills. At the same time, intermediate consumption fell by EUR 12.6 million, mainly reflecting significant reductions in operations at the shipyards, as described above. 'Other expenditure' also fell quite sharply, by EUR 17.7 million, or 36.9%, this reflected various changes in a number of items, with capital transfers accounting for the largest fall.

In contrast, compensation of employees and social benefits increased substantially. Compensation of employees went up by EUR 21.0 million, with over four-fifths of the increase being due to the final payment, of EUR 18.0 million, to shipyard employees in terms of the early retirement scheme introduced in the second half of 2008. Expenditure on social benefits continued to rise steadily, up 5.5% on the first quarter of 2008, mostly owing to increased outlays on pensions. Likewise, interest payments were up by EUR 1.7 million, reflecting the higher level of public debt.

#### *Consolidated Fund deficit widens*

Cash-based data on central government transactions, as reflected in the Consolidated Fund, present a different picture from that given by the general government account for the same period.<sup>6</sup> In fact, between January and March 2009, the Consolidated Fund registered a deficit of EUR 265.0 million compared with EUR 210.1 million in the same period of 2008 (see Table 2.8, and Chart 2.13). This resulted from a 6.3% reduction in revenue and a 4.3% increase in expenditure.<sup>7</sup> In April and May there was a further deterioration, so that over the first five months of the year the Consolidated Fund deficit had widened to EUR 294.4 million, an increase of EUR 58.6 million on a year earlier.

<sup>6</sup> The fact that the general government balance is computed on an accrual basis, while the Consolidated Fund balance is compiled on a cash basis, is one of the major reasons explaining the discrepancy between the two. For example, on an accrual basis, some items of revenue are recorded although cash may not yet have been received. Conversely, expenditures may be recorded before cash payments are disbursed.

<sup>7</sup> As from the end of 2008, the method of recording revenue from taxes and social contributions in the general government accounts was changed (see NSO Press Release 181/2008). This meant that cash receipts from income taxes and social contributions enter general government revenue with a lag of two months, and VAT receipts with a lag of one month. Thus, March quarter data for general government revenue from income tax and social contributions are more comparable to their Consolidated Fund counterparts for the March-May period, whereas data on VAT receipts are more in line with the February-April period. Taking these adjustments into consideration reduces the difference between the two balances considerably.

**Table 2.8**  
**GOVERNMENT BUDGETARY OPERATIONS**

EUR millions

	2008	2009	Change	
	Q1	Q1	Amount	%
<b>Revenue</b>	<b>430.1</b>	<b>402.9</b>	<b>-27.2</b>	<b>-6.3</b>
<b>Direct tax</b>	<b>152.6</b>	<b>163.8</b>	<b>11.2</b>	<b>7.3</b>
Income tax	91.3	87.0	-4.3	-4.7
Social security contributions <sup>(1)</sup>	61.3	76.8	15.5	25.3
<b>Indirect tax</b>	<b>195.2</b>	<b>175.9</b>	<b>-19.3</b>	<b>-9.9</b>
Value Added Tax	105.2	94.3	-10.9	-10.4
Customs and excise duties	36.0	25.6	-10.4	-28.9
Licences, taxes and fines	54.0	56.0	2.0	3.7
<b>Non-tax<sup>(2)</sup></b>	<b>82.3</b>	<b>63.2</b>	<b>-19.1</b>	<b>-23.2</b>
<b>Expenditure</b>	<b>640.2</b>	<b>667.9</b>	<b>27.7</b>	<b>4.3</b>
<b>Recurrent<sup>(1)</sup></b>	<b>558.0</b>	<b>619.6</b>	<b>61.6</b>	<b>11.0</b>
Personal emoluments	120.1	122.9	2.8	2.3
Programmes and other operational expenditure <sup>(3)</sup>	332.5	387.6	55.1	16.6
Contributions to entities	45.8	44.3	-1.5	-3.2
Interest payments	59.5	64.8	5.3	8.9
<b>Capital</b>	<b>82.2</b>	<b>48.3</b>	<b>-33.9</b>	<b>-41.2</b>
<b>Primary balance<sup>(4)</sup></b>	<b>-150.6</b>	<b>-200.2</b>	<b>-49.6</b>	<b>-</b>
<b>Consolidated Fund balance<sup>(5)</sup></b>	<b>-210.1</b>	<b>-265.0</b>	<b>-54.9</b>	<b>-</b>

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

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

<sup>(3)</sup> Includes programmes & initiatives and operational & maintenance expenditure.

<sup>(4)</sup> Revenue less expenditure excluding interest payments.

<sup>(5)</sup> Revenue less expenditure.

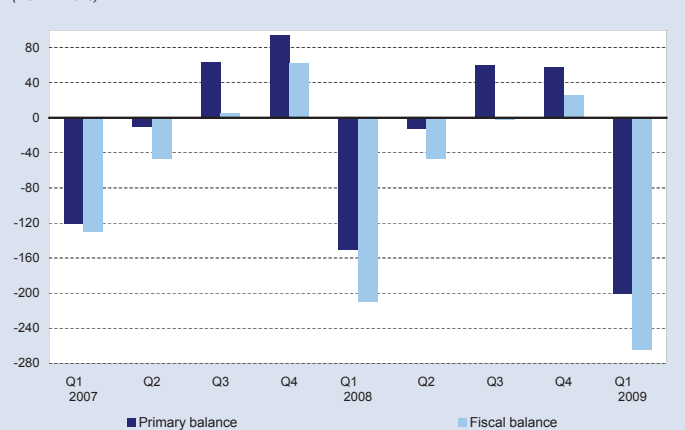
Source: NSO.

The drop in revenue stemmed from decreases in indirect tax and non-tax receipts, which outweighed revenue gains from direct taxes. The decline in non-tax receipts was mainly due to lower intakes from dividends on investments and fees of office. Meanwhile, indirect tax yields declined on account of lower revenue from excise duties, reflecting the timing of receipts, and VAT. Concurrently, recurrent expenditure expanded on account of higher outlays on pensions, the early retirement scheme for shipyard workers, medical supplies and interest payments. In contrast, capital spending decreased significantly.

### General government debt increases

Between January and March 2009, general government debt increased by EUR 78.2 million,

**Chart 2.13**  
**CONSOLIDATED FUND DEVELOPMENTS**  
(EUR millions)



Source: NSO.

**Table 2.9**  
**GENERAL GOVERNMENT DEBT**

EUR millions

	2008				2009
	Q1	Q2	Q3	Q4	Q1
<b>General government debt<sup>(1)</sup></b>	<b>3,381.1</b>	<b>3,559.0</b>	<b>3,614.3</b>	<b>3,628.6</b>	<b>3,706.8</b>
<b>Currency &amp; deposits<sup>(2)</sup></b>	<b>23.3</b>	<b>26.7</b>	<b>29.6</b>	<b>31.2</b>	<b>32.7</b>
<b>Securities</b>	<b>3,093.9</b>	<b>3,263.5</b>	<b>3,309.8</b>	<b>3,320.2</b>	<b>3,442.6</b>
Short-term	340.6	419.7	408.6	365.8	542.6
Long-term	2,753.4	2,843.8	2,901.2	2,954.4	2,900.0
<b>Loans</b>	<b>263.9</b>	<b>268.8</b>	<b>274.9</b>	<b>277.2</b>	<b>231.5</b>
Short-term	45.1	50.0	56.9	65.4	19.5
Long-term	218.8	218.8	218.0	211.8	212.0

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

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

Source: NSO.

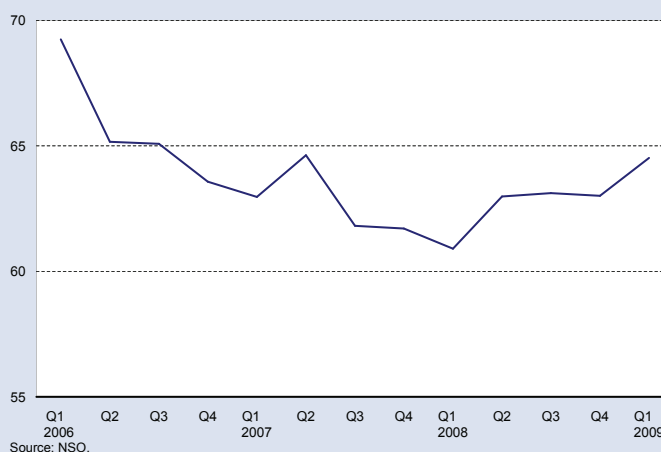
so that at the end of the quarter it stood at EUR 3,706.8 million (see Table 2.9). At this level, it was EUR 325.7 million more than a year earlier. Consequently, the debt-to-GDP ratio rose to 64.5%, from 63.0% at the end of December 2008 (see Chart 2.14). The composition of the debt also shifted, with short-term debt rising and long-term debt and bank loans declining.

Short-term debt, in the form of Treasury bills, accounted for the entire rise in general government debt during the quarter, with the Treasury taking advantage of low money market interest rates. In fact, primary market yields on three-month Treasury bills fell by 1.5 percentage points to 2.19% at the end of the quarter. Apart from financing the deficit, additional short-term borrowings served to repay other categories of debt that matured in the first quarter. In sum, this meant that short-term debt increased by EUR 176.8 million, resulting in a 4.6 percentage point increase in its share in the total debt, which reached 14.6%.

Conversely, the amount of long-term government debt outstanding decreased by EUR 54.4 million. Consequently, its share in the total fell to 78.2%, from 81.4% at the end of 2008.

Similarly, loans from the banking system continued on their downward trajectory, falling by EUR 45.7 million over the previous quarter. This was mainly due to the fact that the Government repaid all bank loans of the shipyards following the structural changes to Malta Shipyards Ltd. Thus, their share in the total debt fell to 6.2%, with most being in the form of long-term debt. Meanwhile, currency and

**Chart 2.14**  
**GENERAL GOVERNMENT DEBT**  
(percentage of GDP; GDP data are four-quarter moving sums)



deposit liabilities, which represent Maltese euro coins in issue, increased marginally to EUR 32.6 million, leaving their share in the total debt practically unchanged from the previous quarter's level.

## Monetary and financial developments

The contribution of Maltese MFIs to the euro area broad money stock decreased during the March quarter as residents' deposits contracted.<sup>8</sup> At the same time, credit to residents rose at a slower pace, while net claims on non-residents of the euro area fell. Cuts in official interest rates were transmitted to domestic money market yields, which persisted on their downward trend. Additionally, while yields on long-term government securities increased, equity prices fell further. Going into the second quarter, long-term government bond yields continued to rise, whereas equity prices recovered moderately.

### Growth in residents' deposits turns negative

Maltese MFIs' contribution to the euro area broad money stock (M3) declined by EUR 94.5 million, or 1.1%, during the first quarter of 2009 when compared to the previous quarter (see Table 2.10). Thus, at the end of March, the Maltese contribution to euro area M3 stood at EUR 8,585.8 million.

During the quarter overnight deposits belonging to residents of Malta expanded by 3.5% as against a drop of 0.4% in the previous three months (see Table 2.11). This turnaround was mainly driven by a rise in euro-denominated balances belonging to households, though deposits belonging to insurance companies and private non-financial companies also increased substantially.

**Table 2.10**  
**CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES<sup>(1)</sup>**

EUR millions; percentage changes on the previous quarter

	2009		2008		2009
	Mar.	Q2	Q3	Q4	Q1
Currency issued <sup>(2)</sup>	601.8	2.7	0.0	6.3	-10.1
Overnight deposits <sup>(3)</sup>	3,313.2	0.0	2.0	-1.6	4.2
<b>Narrow money (M1)</b>	<b>3,915.1</b>	<b>0.4</b>	<b>1.7</b>	<b>-0.3</b>	<b>1.7</b>
Deposits redeemable at notice up to 3 months <sup>(3)</sup>	111.8	2.2	0.6	-1.5	-2.1
Deposits with agreed maturity up to 2 years <sup>(3)</sup>	4,704.2	-1.5	2.1	-1.4	-3.2
<b>Intermediate money (M2)</b>	<b>8,731.1</b>	<b>-0.6</b>	<b>1.9</b>	<b>-1.0</b>	<b>-1.1</b>
Repurchase agreements	0.0	0.0	0.0	0.0	0.0
Debt securities issued up to 2 years initial maturity <sup>(4)</sup>	-145.3	42.4	5.5	-14.7	0.7
<b>Broad money (M3)<sup>(5)</sup></b>	<b>8,585.8</b>	<b>-1.2</b>	<b>1.9</b>	<b>-0.7</b>	<b>-1.1</b>

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

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

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

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

<sup>(5)</sup> Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.

Source: Central Bank of Malta.

<sup>8</sup> Unless otherwise specified, 'residents' in this section refers to residents of Malta only. 'Other euro area residents' include entities residing in all euro area member states except Malta.

**Table 2.11**  
**RESIDENTS' DEPOSITS <sup>(1)</sup>**

EUR millions; percentage changes on the previous quarter

	2009		2008				2009
	Mar.	Q1	Q2	Q3	Q4	Q1	
Overnight deposits	3,228.8	-0.2	-1.2	2.1	-0.4	3.5	
Deposits redeemable at notice up to 3 months	111.8	7.1	2.2	0.6	-1.5	-2.1	
Deposits with agreed maturity up to 2 years	4,475.3	3.1	-0.8	3.2	-1.2	-4.1	
<b>Total residents' deposits</b>	<b>7,815.9</b>	<b>1.8</b>	<b>-0.9</b>	<b>2.8</b>	<b>-0.9</b>	<b>-1.1</b>	

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

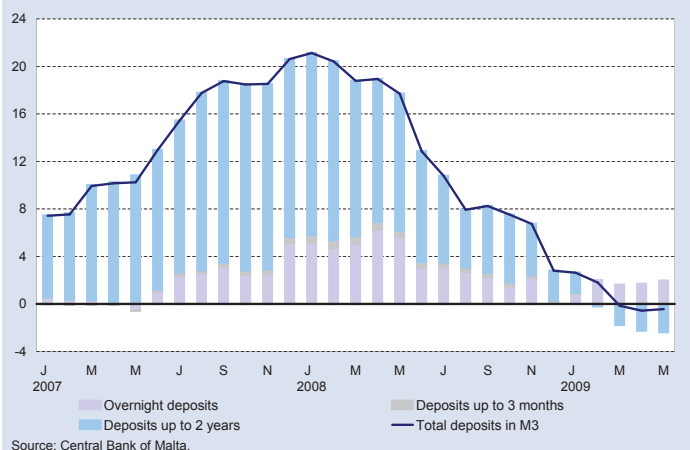
Source: Central Bank of Malta.

Increased demand for overnight deposits probably reflects the lower opportunity cost of holding such liquid monetary assets in an environment of falling interest rates. Moreover, interest rates on overnight deposits fell by less than those on fixed deposits. Concurrently, overnight deposits belonging to other euro area residents grew by around EUR 24.0 million, fuelled primarily by balances belonging to private non-financial companies.

In contrast, deposits redeemable at up to 3 months' notice and those with an agreed maturity of up to 2 years both declined during the quarter, falling by 2.1% and 4.1%, respectively. While the absolute drop in the former amounted to a mere EUR 2.4 million, the contraction in the latter totalled EUR 192.7 million and stemmed mainly from lower balances belonging to households, private non-financial companies and insurance companies. 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 as well as by a shift into deposits with maturities exceeding two years, which were being offered at attractive rates by some banks.<sup>9</sup>

As a result of these developments, the annual rate of growth of residents' deposits turned negative, falling from 2.8% in December to -0.2% in March (see Chart 2.15). This slowdown was partly attributable to a base effect. The build-up in deposits that had begun during the final months of 2007 – ahead of the euro changeover – and which persisted throughout 2008, had led to an acceleration in year-on-year deposit growth rates, but the latter turned negative as deposit levels began to decrease. The decline in deposit growth mainly reflected

**Chart 2.15**  
**CONTRIBUTIONS TO ANNUAL GROWTH IN RESIDENTS' DEPOSITS**  
(percentage points; annual percentage changes)



<sup>9</sup> Deposits with terms to maturity exceeding two years do not form part of M3. They put on EUR 53.1 million during the quarter reviewed.

movements in deposits with an agreed maturity of up to 2 years, which account for almost three-fifths of total resident deposits.

Going into the second quarter of 2009, the year-on-year growth rate of deposits belonging to residents declined further, reaching -0.4% in May. This drop was once again driven by deposits with an agreed maturity of up to 2 years, which outpaced a slight pick-up in overnight deposits.

Falling interest rates contributed to the overall contraction in deposits. In response to further cuts in the ECB's main refinancing operations rate, which totalled 100 basis points during the March quarter, the weighted average interest rate on deposits declined by 45 basis points, reaching 2.12% by the end of the quarter. While the average interest rate on demand and savings deposits fell by 23 and 31 basis points, respectively, reaching 0.28% and 0.41%, the rate on time deposits was much more responsive, declining by 47 basis points to 3.27%.<sup>10</sup>

MFI interest rates on newly opened accounts also responded significantly to the cut in official rates. In particular, those on time deposits with an agreed maturity of over 2 years fell by 222 basis points to 3.32% in March (see Table 2.12).<sup>11</sup> The sharp fall in these deposit rates during the quarter reviewed also captures the lagged effect of the reductions in official interest rates in the previous quarter. Although deposit rates fell across the entire spectrum of new business, drops in time deposit rates were clearly more marked than those on more liquid monetary assets.

**Table 2.12**  
**MFI INTEREST RATES ON DEPOSITS BELONGING TO RESIDENTS OF MALTA<sup>(1)</sup>**  
*Percentages per annum; weighted average rates for the period*

	2008				2009
	Mar.	June	Sep.	Dec.	Mar.
<b>New business</b>					
<b>Households and NPISH</b>					
Overnight deposits <sup>(2),(3)</sup>	1.36	1.27	1.38	0.57	0.34
Savings deposits redeemable at notice up to 3 months <sup>(2),(4)</sup>	3.09	3.10	3.30	2.09	1.74
Time deposits with agreed maturity					
Up to 1 year	3.83	3.90	4.09	3.05	2.01
Over 1 and up to 2 years	4.61	4.56	4.33	4.60	3.70
Over 2 years	4.27	4.46	4.64	5.54	3.32
<b>Non-financial corporations</b>					
Overnight deposits <sup>(2),(3)</sup>	1.40	1.35	1.26	0.64	0.33
Time deposits with agreed maturity	3.98	4.30	4.46	2.60	1.58

<sup>(1)</sup> Annualised agreed rates on euro-denominated deposits vis-à-vis households and non-financial corporations with residents of Malta.

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

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

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

Source: Central Bank of Malta.

<sup>10</sup> In this context, savings deposits include those that are withdrawable on demand. The latter are included with overnight deposits in MIR statistics.

<sup>11</sup> 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 the euro area. The household sector also includes non-profit institutions serving households (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.

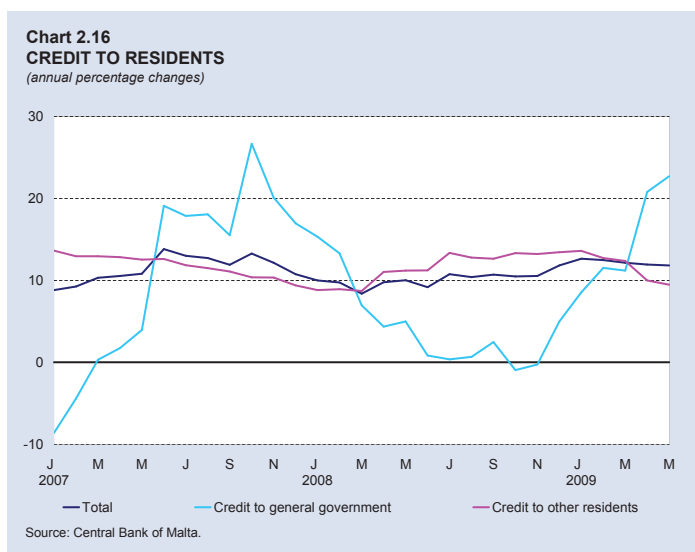
Following two additional 25 basis point cuts in official rates in April and May 2009, and given earlier rate cuts, the weighted average deposit rate declined by a further 15 basis points to 1.97% in May. In contrast, during the same period, MFI interest rates rose over most of the new deposits spectrum, probably on account of increased efforts by credit institutions to retain their deposit base and attract additional funds by issuing new products.

### Credit growth decelerates

During the first quarter of 2009 credit to residents continued to expand, albeit at a slower pace, growing by 1.6% as opposed to 3.9% in the December quarter (see Table 2.13). Growth was mainly fuelled by a rise in credit to other residents, although credit to general government also contributed. On an annual basis, the rate of growth of credit accelerated to 12.2% in March, from 11.8% in December (see Chart 2.16).

After having surged by 5.8% during the December quarter, credit to general government expanded by a further 3.6% during the quarter under review, as an increase in credit institutions' holdings of Treasury bills outweighed a drop in their holdings of Malta Government Stocks. On a year-on-year basis, growth in credit to general government picked up substantially, rising from 5.0% in December to 11.2% in March.

Similarly, credit to other residents rose by 1.1% during the quarter reviewed, as against an increase of 3.5% in the preceding quarter (see Table 2.13). The slowdown took place despite the addition of half-yearly accrued interest to borrowers' loan accounts in March. Loans, which account for almost all such credit, put on 1.1% (see Table 2.14). Growth stemmed entirely from credit to the non-bank private sector, which expanded by 1.3%, driven largely by credit to households, mostly for house purchases. As far as the corporate sector is concerned, lending to the real estate, renting & business activities sector, the hotels & restaurants sector and the con-



**Table 2.13**  
**CREDIT TO MALTESE RESIDENTS**

EUR millions; percentage changes on the previous quarter

	2009		2008			2009
	Mar.	Q1	Q2	Q3	Q4	Q1
<b>Total credit</b>	<b>9,002.4</b>	<b>1.3</b>	<b>3.7</b>	<b>2.4</b>	<b>3.9</b>	<b>1.6</b>
Credit to general government	1,658.5	-2.2	1.4	0.0	5.8	3.6
Credit to other residents	7,343.9	2.1	4.3	3.0	3.5	1.1

Source: Central Bank of Malta.

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

EUR millions

	2008	2009	Change	
	Dec.	Mar.	Amount	%
<b>Total credit</b>	<b>7,263.4</b>	<b>7,343.9</b>	<b>80.6</b>	<b>1.1</b>
Credit to the non-bank private sector	6,670.0	6,759.3	89.3	1.3
Credit to the non-bank public sector	593.3	584.6	-8.7	-1.5
<b>Total loans</b>	<b>7,044.3</b>	<b>7,122.3</b>	<b>78.1</b>	<b>1.1</b>
Electricity, gas & water supply	333.1	372.4	39.3	11.8
Transport, storage & communication	429.2	425.5	-3.6	-0.8
Agriculture & fishing	25.8	26.1	0.3	1.2
Manufacturing	340.6	291.3	-49.3	-14.5
Construction	730.3	738.6	8.4	1.1
Hotels & restaurants	457.4	467.9	10.5	2.3
Wholesale & retail trade; repairs	757.1	748.8	-8.4	-1.1
Real estate, renting & business activities	931.3	950.3	19.0	2.0
Households & individuals	2,862.7	2,925.3	62.6	2.2
Other <sup>(2)</sup>	176.8	176.0	-0.8	-0.4

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

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

Source: Central Bank of Malta.

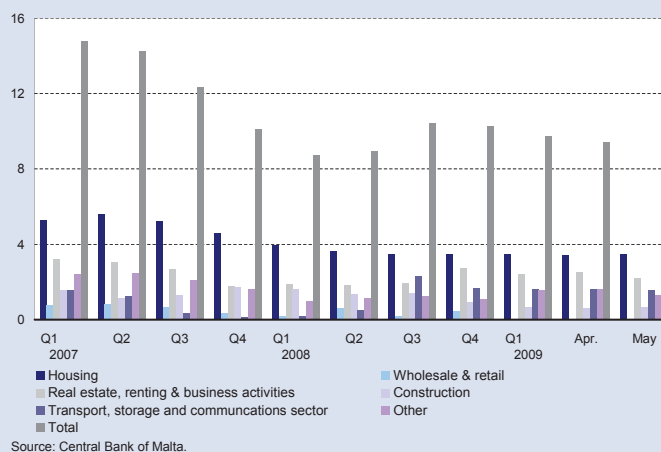
struction sector all rose significantly. In contrast, lending to the wholesale & retail sector declined, following a small increase in the previous quarter.

Meanwhile, credit to the non-bank public sector contracted, as increased lending to the electricity, gas & water supply sector and the real estate, renting & business activities sector were outpaced by a drop in lending to manufacturing as loans formerly extended to the shipyards were repaid by the Government.

Consequently, on a year-on-year basis, the rate of growth of credit to other residents decelerated to 12.4% in March from 13.4% in December (see Chart 2.16). This slowdown mainly reflected a drop in the annual growth rate of credit to the non-bank private sector, which fell below 10% in March, reflecting a broad-based deceleration across sectors.

Over the year to March, growth in lending to the private sector was again mainly driven by mortgages, which accounted for slightly more than a third of the

**Chart 2.17**  
**CONTRIBUTIONS TO ANNUAL PRIVATE SECTOR LOAN GROWTH**  
(percentage points; annual percentage changes)



Source: Central Bank of Malta.



annual expansion in private sector borrowing (see Chart 2.17). Concurrently, the contribution of lending to the real estate, renting & business activities sector edged down to 25% from 27% three months earlier, while that of the transport, storage & communications sector rose to 17% from 16% in December. In absolute terms, bank lending to the private sector remains dominated by loans to households, which, together with loans to the real estate, renting & business activities sector and the construction industry, make up more than two-thirds of total private sector borrowing.

Meanwhile, credit granted by resident MFIs to other residents of the euro area increased significantly during the March quarter, rising by EUR 153.2 million to EUR 2,916.5 million. This mainly reflected increased lending to non-bank financial intermediaries.

Going into the second quarter of 2009, credit to residents of Malta decelerated slightly, with the year-on-year growth rate falling to 11.8% in May. While the annual growth rate of credit to general government continued to accelerate, reaching 22.7%, that of credit to other residents slowed down to 9.5%.

Growth in credit to the private sector was supported by the general downward trend in bank lending rates, which responded to the cuts in official rates during the quarter. Indeed, the weighted average interest rate on residents' loans fell by 47 basis points, reaching 4.49% in March. MFI rates on new loans to residents, particularly those on overdrafts and other lending to households, also fell, dropping by 97 basis points and 86 basis points, respectively, to 6.19% and 5.58% (see Table 2.15). Interest rates on new loans for house purchases, one of the drivers of credit growth, were also reduced. But the interest rate on new loans to non-financial corporations increased, reflecting higher rates being charged by one bank.

Going into the second quarter of 2009, however, bank lending rates diverged from official rates. While the weighted average lending rate dipped by a mere 2 basis point to 4.47%, MFI interest rates charged on most new loans rose. This may be stemming from the need of credit institutions to maintain an adequate spread between deposit rates and lending rates.

**Table 2.15**  
**MFI INTEREST RATES ON LOANS TO RESIDENTS OF MALTA<sup>(1)</sup>**

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

	2008				2009
	Mar.	June	Sep.	Dec.	Mar.
<b>New business</b>					
<b>Households and NPISH</b>					
Overdrafts <sup>(2)</sup>	7.65	7.61	7.99	7.16	6.19
Loans					
Lending for house purchases	4.86	5.09	5.44	3.84	3.46
Consumer credit <sup>(3)</sup>	6.95	6.51	7.30	6.12	5.50
Other lending	6.84	6.85	7.31	6.44	5.58
<b>Non-financial corporations</b>					
Overdrafts <sup>(2)</sup>	6.43	6.23	6.69	5.30	4.91
Loans <sup>(3)</sup>	5.43	6.53	6.66	5.50	5.64

<sup>(1)</sup> Annualised agreed rates on euro-denominated deposits vis-à-vis households and non-financial corporations with residents of Malta.

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

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

Source: Central Bank of Malta.

The Bank Lending Survey (BLS) conducted in April 2009 indicates that credit standards in respect of lending to households for house purchases remained unchanged during the quarter.<sup>12</sup> At the same time, however, tighter standards in respect of lending to enterprises and to households – under the consumer credit and other lending category – have been applied by some banks. Overall, some credit institutions reported a slight decrease in the demand for loans. Banks also reported that, in general, they expected both credit conditions and the demand for credit to remain unchanged in the June quarter.

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

During the first quarter of 2009, the external counterpart of broad money, which consists of net claims on non-residents of the euro area, declined by EUR 897.0 million, or 12.2% (see Table 2.16). Claims on non-residents of the euro area contracted significantly, mainly due to a drop in deposits belonging to resident banks and a reduction in holdings of securities issued by governments outside the euro area. At the same time, liabilities to non-residents of the euro area also fell, though to a much lesser degree, primarily reflecting a drop in time deposits belonging to private non-financial companies resident outside the euro area.

Other counterparts (net), which are heavily affected by interbank transactions within the euro area, declined by EUR 438.7 million, or 4.1%, during the first quarter of 2009. Borrowings by resident banks from credit institutions elsewhere in the euro area declined, while the latter's time deposits held domestically also contracted. Together, these exceeded a drop in loans granted by resident credit institutions to other euro area banks combined with a contraction in resident MFIs' time deposits held with them.

### *Money market rates decline further*

The ECB continued to loosen its monetary policy stance during the first quarter of 2009, cutting the MRO rate twice for a total reduction of 100 basis points over the quarter. As a result, the MRO rate fell from 2.50% at end-December to 1.50% in March. These reductions were followed by two additional 25 basis point cuts in April and May.

Monetary policy easing led to a sharp drop in all money market rates, with the three-month EURIBOR falling by 142 basis points to 1.51% at end-March (see Chart 2.18). Likewise, primary market yields on domestic three-month Treasury bills fell from 3.65% at end-December to 2.19%

**Table 2.16**  
**EXTERNAL COUNTERPARTS AND OTHER COUNTERPARTS<sup>(1)</sup>**

*EUR millions; percentage changes on the previous quarter*

	2008	2009	Change	
	Dec.	Mar.	Amount	%
<b>External counterpart</b>	<b>7,378.2</b>	<b>6,481.2</b>	<b>-897.0</b>	<b>-12.2</b>
Claims on non-residents of the euro area	26,970.5	25,993.7	-976.7	-3.6
Liabilities to non-residents of the euro area	19,592.2	19,512.5	-79.7	-0.4
<b>Other counterparts (net)<sup>(2)</sup></b>	<b>10,790.5</b>	<b>10,351.8</b>	<b>-438.7</b>	<b>-4.1</b>

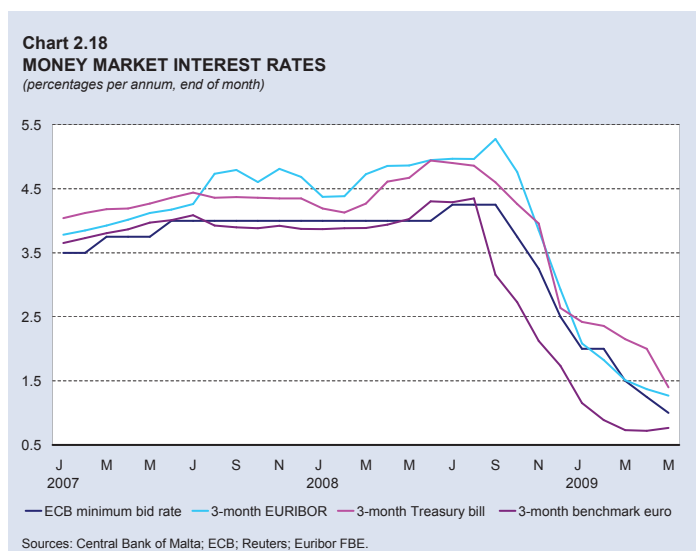
<sup>(1)</sup> Figures show the contribution of Maltese MFIs to the euro area totals.

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

Source: Central Bank of Malta.

<sup>12</sup> 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.

at end-March. The Treasury made greater use of short-term financing during the quarter, issuing EUR 426.1 million worth of bills as against EUR 266.6 million in the December quarter, with the amount outstanding increasing to EUR 542.6 million. Three-month bills accounted for four-fifths of the total issued, with the rest consisting entirely of six-month bills. Banks and insurance companies acquired around 51% and 30% of the bills, respectively, while households took up most of the remainder.



Turnover in the secondary market for Treasury bills went up for the fourth consecutive quarter, rising to EUR 70.2 million from EUR 65.1 million during the last three months of 2008. Almost all transactions involved the Central Bank of Malta, which bought and sold EUR 57.7 million and EUR 7.7 million worth of bills, respectively, in its role as market-maker. In line with developments in the primary market, secondary market yields also fell, though less markedly, with the yield on the three-month bill declining to 2.15% in March from 2.64% three months earlier.

Meanwhile, yields on benchmark three-month euro area government securities shed 101 basis points to 0.73%, as the ongoing financial market tensions kept pushing the demand for risk-free assets upwards. As the corresponding domestic secondary market yields fell to a lesser extent, the differential between three-month domestic and euro area yields widened (see Chart 2.18).<sup>13,14</sup>

Going into the second quarter of 2009, both primary and secondary market Treasury bill yields continued on their downward trend, ending May at 1.40%. In contrast, rates on three-month euro area government securities rose slightly, to 0.77%. Consequently, by end-May the gap between Maltese and euro area short-term yields had narrowed significantly.

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

Activity in the local primary bond market during the first quarter of 2009 was driven by government bond issues totalling EUR 95.0 million. In March, the Government launched two issues, with terms to maturity of four and twelve years and coupon rates of 3.6% and 5.0%, respectively. Around two-fifths of the amount issued was sold to resident credit institutions through auctions, while the remaining three-fifths were taken up at fixed prices, primarily by Maltese households.

As regards corporate securities, MIDI p.l.c., a property development company, issued EUR 40 million worth of bonds during the quarter, carrying a coupon rate of 7.0% and redeemable between 2016 and 2018.

<sup>13</sup> The Chart shows the secondary market rate on three-month government securities issued by the French government, which are often taken as the benchmark for the euro area.

<sup>14</sup> Up to March 2007 secondary market yields were calculated on the basis of remaining days to maturity divided by 365, while from April 2007 yields are being calculated on the basis of remaining days to maturity divided by 360.

Turnover in the secondary market for government bonds fell to a third of its previous quarter level, reaching EUR 23.3 million, as demand for government paper was probably being met in the primary market. The Central Bank of Malta, acting as market-maker, accounted for more than two-thirds of the value traded, which focused mainly on medium-term bonds. The downward trend in government bond yields seen throughout the second half of 2008 was halted, with yields on domestic 5-year and 10-year bonds rising

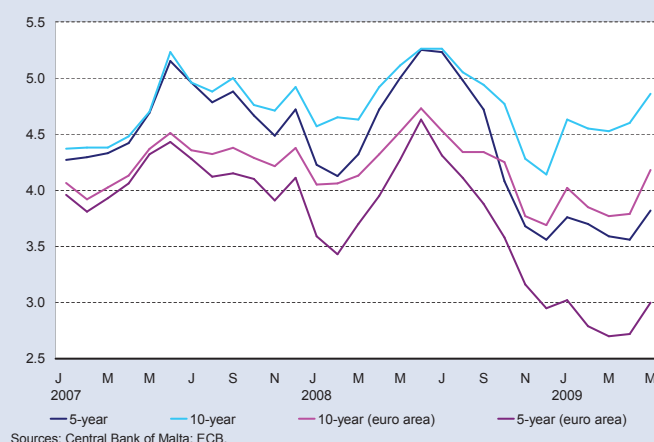
by 3 basis points and 39 basis points, respectively, to reach 3.59% and 4.53% by end-March (see Chart 2.19).<sup>15</sup> This mirrored, in part, developments in the euro area capital market, where 10-year government bond yields also increased slightly during the period. But yields on euro area 5-year government securities extended their downward trend, possibly reflecting a preference for shorter-term investments in the current uncertain financial markets scenario.

Activity in the secondary corporate bond market declined during the first quarter of 2009, with turnover falling to EUR 5.2 million, from EUR 8.6 million in the December quarter. Trading was concentrated in eight securities, with yields generally rising during the period.

Turnover in the equity market fell slightly during the quarter, dropping from EUR 6.0 million in the December quarter to EUR 5.6 million. Bank shares accounted for around two-thirds of the total turnover. Meanwhile, in line with developments worldwide, equity prices continued to fall, driving the MSE share index down by 15.9% to 2,698.37 at end-March (see Chart 2.20).

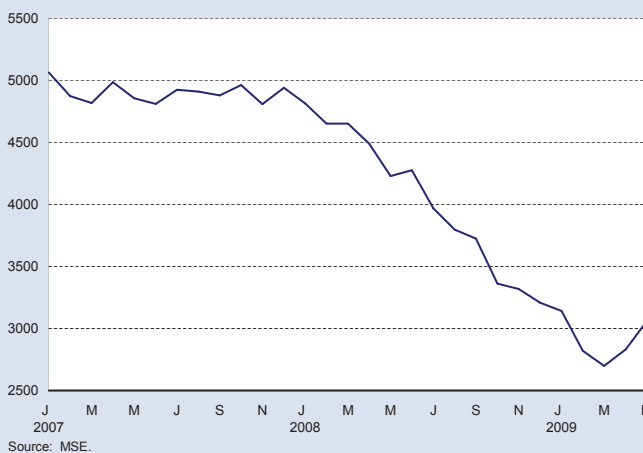
Going into the second quarter of 2009, yields on 5-year and 10-year government bonds increased further, rising to 3.82% and 4.86%, respectively, in May. Concurrently, equity prices rallied, with the MSE share index gaining 13.4% from its end-March level, to reach 3,059.26.

**Chart 2.19**  
**GOVERNMENT BOND YIELDS**  
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

**Chart 2.20**  
**MALTA STOCK EXCHANGE SHARE INDEX**  
(end of month)



Source: MSE.

<sup>15</sup> 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<sup>1</sup>

Following positive growth in 2008, the Maltese economy is projected to contract by 0.6% during 2009. In 2010 an incipient recovery is expected to contribute to a marginal growth rate of 0.6%.

The Bank's negative forecast for 2009 is based on an expected deterioration in net exports. Exports of both manufactured goods and services are projected to decline over the year as external demand continues to weaken substantially. The tourism sector, in particular, is expected to be severely impacted, as arrivals from the UK drop significantly in response to the recession in that country and the depreciation of sterling. Meanwhile, growth in financial and other business services is anticipated to slow down moderately after recording notable increases in recent years.

A substantial decline in industrial imports, as a result of the fall in exports of manufactured goods, is expected to be the main factor leading to the overall drop in imports. This will offset a modest increase in imports of consumer goods, mostly motor vehicles, that are anticipated to increase following the recent implementation of tax changes that led to the postponement of purchases in the final quarter of 2008, and a rise in imports of capital equipment, the latter boosted by purchases of private aircraft.

In contrast to the weak performance of net exports, domestic demand is expected to be more buoyant, providing a larger contribution to growth than in 2008. Though the contribution of consumption, both private and public, is expected to be lower than in the previous year, investment is projected to rise by 4.7%, reflecting an assumed large increase in public sector capital expenditure that will be partly offset by a further contraction in residential construction. Weaker growth in real disposable income is behind the projected slowdown in private consumption, while public consumption is expected to be lower as the government reins in spending in order to curtail the fiscal deficit. Inventory investment is also expected to contribute negatively to growth, as firms are likely to keep lower stock levels during the downturn.

In 2010, economic growth is projected to turn positive again as external demand strengthens in line with the recovery in global trade. Although net exports are expected to decline further, their contribution to growth is expected to be less negative than in 2009. The drop in exports is expected to be mainly due to the continued weakness in manufacturing, as tourism is expected to recover and other services to record further growth. Imports are also projected to be lower as industrial inputs continue to reflect developments in exports of manufactures.

It is expected that domestic demand will remain the main driver of GDP growth, though its contribution will be smaller than in 2009. This is because growth in government capital expenditure is assumed to be slower following the strong rise forecast for 2009. At the same time, private sector investment is expected to recover gradually, while the downturn in the housing market is expected to bottom out during the year. Private consumption is also projected to rise, reflecting a recovery in income, but it will remain relatively weak on account of a further rise in unemployment. Public consumption, on the other hand, will continue to register a modest rate of growth as the government maintains tighter controls in order to meet fiscal targets.

<sup>1</sup> The Bank's outlook for the Maltese economy in 2009 and 2010 is based on information available up to 13 May 2009 and is conditional on the technical assumptions indicated in Table 1.

Labour market conditions are expected to deteriorate during the forecast horizon, reflecting protracted weak economic activity. Following the strong increase in 2008, employment growth is projected to be flat in 2009, while unemployment is expected to rise by 1.3 percentage points to 7.2%. In 2010, however, employment growth is expected to resume its upward trend, but unemployment is projected to rise further, to 7.6%. The softer labour market conditions are expected to dampen wage growth, especially in the private sector, with growth in overall compensation per employee projected to decelerate to 1.4% in 2009 before recovering to 2.1% in 2010. Growth in unit labour costs (ULC) is forecast to ease from 3.6% in 2008 to 2.2% in 2009 before rising to 2.6% in 2010.

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

*Percentages*

	2008 <sup>(1)</sup>	2009 <sup>(2)</sup>	2010 <sup>(2)</sup>
<b>Real Economic Activity (% change)</b>			
GDP	2.6	-0.6	0.6
Private consumption expenditure	4.7	0.2	0.7
Government consumption expenditure	12.6	3.0	1.4
Gross fixed capital formation	-20.9	4.7	1.2
Inventories (% of GDP)	4.3	4.1	4.1
Exports of goods & services	-6.4	-12.1	-1.9
Imports of goods & services	-6.5	-9.3	-1.2
<b>Contribution to Real GDP Growth (in GDP pts)</b>			
Domestic demand	1.2	1.5	0.9
Net exports	0.5	-1.9	-0.4
Inventories	0.9	-0.2	0.1
<b>Balance of Payments (% of GDP)</b>			
Goods and services balance	-3.2	-3.8	-4.4
Current account balance	-6.2	-6.3	-7.2
<b>Labour Market (% change)</b>			
Total employment	2.5	0.1	0.8
Unemployment rate (% of labour supply)	5.9	7.2	7.6
<b>Prices and Costs (% change)</b>			
Overall HICP	4.7	2.2	1.9
HICP excluding energy	4.1	2.6	1.5
Retail price index	4.3	2.4	2.3
Compensation per employee	3.7	1.4	2.1
Unit labour costs	3.6	2.2	2.6
<b>Public Finances (% of GDP)</b>			
General government balance	-4.6	-3.8	-3.9
Government debt	63.0	66.1	68.5
<b>Technical Assumptions</b>			
EUR/US\$ exchange rate	1.471	1.331	1.343
Oil price (US\$ per barrel)	97.7	54.5	65.5
10-year euro area bond yield	4.36	4.19	4.62

<sup>(1)</sup> NSO News Release 102/2009 published on 9 June 2009.

<sup>(2)</sup> Central Bank of Malta projections.

With regard to prices, the Bank expects the inflation rate, based on the HICP, to slow down from 4.7% in 2008 to 2.2% in 2009. This deceleration reflects the reversal of the steep rise in energy prices in 2008 and a slower rate of price increases in the services sector, especially hotel accommodation and catering. However food price inflation is expected to remain relatively high through most of 2009, although it is expected to subside in the latter part of the year.

In 2010 inflation is expected to ease further, to 1.9%, largely on account of slower increases in the prices of food and services. Within the latter category the expected modest recovery of tourist activity should dampen price pressures in hotel accommodation and catering establishments.

As far as the external sector is concerned, the Bank expects the goods and services balance and current account performance in 2009 to be in line with those recorded in 2008, as a drop in export revenues will be partly compensated for by a sharp drop in the fuel import bill, the latter as a result of lower international oil prices. In 2010, however, the external goods and services balance is projected to widen as the terms of trade deteriorate because of rising commodity prices.

### **Risks to the projections**

Projections continue to be characterised by an unusually high degree of uncertainty related to the depth and duration of the global economic crisis. The Maltese economy is highly dependent on external demand and continued flows of foreign direct investment, and therefore its growth performance is very sensitive to the level of economic activity in its trading partner countries. Hence, given the limited evidence of a reversal of the downward trend in growth in these countries, particularly euro area Member States, the risks throughout the forecast horizon are on the downside, particularly with regard to the manufacturing sector. In the case of services, the tourism industry is especially vulnerable to conditions in the UK and German markets. In addition, downside risks to the growth forecasts also stem from the still depressed conditions in the domestic real estate sector.

Risks to inflation projections for 2009 appear to be broadly balanced. While weak economic activity and higher unemployment should exert downward pressure on prices, this could be offset by the persistent rise in food prices. As regards 2010, upside risks to the inflation forecast arise from expectations of higher energy prices, as implied from the path of futures prices for oil. These could then have second-round effects on the broader economy. However, given the downside risks to the growth forecast, the upward risk to the inflation forecast is not considered particularly significant. Furthermore, inflation in the main source markets for Malta's imports is likely to remain relatively low, although a possible weakening of the euro could push up the prices of goods imported from countries outside the euro area.

## NEWS NOTES

### LOCAL NEWS

#### **Appointment of Central Bank of Malta Board Director**

On 23 March the Prime Minister appointed Mr. Mario Micallef CPAA, FIA as Director of the Board of the Central Bank of Malta for a period of five years in terms of the Central Bank of Malta Act (Cap. 204).

#### **Amendments to Central Bank of Malta Directives**

On 5 June, in order to transpose the EU Directive on payment services in the internal market, the Central Bank of Malta issued a pre-implementation document in terms of Central Bank of Malta Directive No. 1. The Bank's document lays down rules governing transparency of information and the rights and obligations of payment service users and providers in relation to the provision of payment services as a regular occupation or business activity. It is the Banks' intention to bring the proposed Directive into force on 1 November 2009.

Also on 5 June, the Central Bank of Malta amended its Directive No. 6 on the Harmonised Conditions for Participation in TARGET2-Malta and Directive No. 7 on the Provision of Intraday Credit, amending definitions in line with ECB guidelines ECB/2009/9.

#### **Issue of euro-denominated collector coin**

On 22 June the Central Bank of Malta issued a collector coin, featuring 'La Castellania', as part of the Europa Programme 2009 dedicated to cultural heritage. The coin, which is available in both a silver and a gold version, features the emblem of Malta and the year of issue on the obverse side and the Castellania, a building located in Merchants' Street, Valletta, together with the 'Europa Star', which is the official logo of the programme, on the reverse side.

#### **State aid to businesses**

On 20 May the European Commission (EC) approved the Maltese government's request to allow it to provide financial assistance up to a maximum of EUR 500,000 over 2009 and 2010 to businesses facing difficulties on account of the present economic and financial crisis. Only businesses that were not in financial difficulty before 1 July 2008 are eligible for such aid.

#### **Interest rate subsidy for hotels and restaurants**

On 17 June a government scheme worth EUR 3 million to help the tourist industry came into effect. Through this scheme hotels and restaurants wanting to upgrade their facilities can benefit from a 1.5% interest rate subsidy. This is in addition to the one-year moratorium on capital loan repayments by hotels already in place.

#### **European Commission on Malta's deficit**

Following the decision of the EC to start an Excessive Deficit Procedure (EDP) on Malta in the light of its deficit for 2008, the Council of the EU, on 23 June, concluded that Malta should correct its budget deficit by the end of 2010, bringing it below the reference value of 3% of GDP. The Council also recommended a reversal of the upward trend in gross government debt so as to allow the debt ratio to diminish sufficiently and approach the reference value of 60% of GDP.



### **Operation and management of three yacht marinas to be privatised**

On 16 June the Government's privatisation unit initiated the process leading to the privatisation of the operation and management of the Msida Yachting Centre, the Ta' Xbiex Yachting Centre and the Mġarr (Gozo) Marina. Each privatisation arrangement will involve a 25-year concession.

### **Malta Enterprise and HSBC Bank Malta sign collaboration agreement**

On 15 May Malta Enterprise and HSBC Bank Malta signed a two-year collaboration agreement to attract foreign investment to Malta and to support businesses. The agreement will also benefit Maltese entrepreneurs interested in investing overseas. Malta Enterprise will assist Maltese SMEs to grow internationally through the coordination of business delegations, trade fair participation and other support measures. HSBC will support Malta Enterprise in its overseas business missions by actively promoting these with selective business customers.

## **Capital market developments**

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

On 5 June, the Government, through Legal Notice 166 of 2009, launched EUR 13,670,000 7% stock 2019 (II), which was allotted to the Foundation for Church Schools at par in terms of the 1991 agreement between the Holy See and the Government of Malta.

On 15 June, the Government, through Legal Notice 192 of 2009, launched EUR 100 million worth of stocks, with an over-allotment option for an additional EUR 20 million. These stocks could be taken up as 3.6% Malta Government Stock (MGS) 2013 (Fourth Issue) (Fungibility Issue (FI)) or as 5.2% Malta Government Stock 2020 (First Issue) (Fungibility Issue), or as a combination of the two.

The issue was oversubscribed and EUR 108,367,600 were allotted as follows: MGS 5.00% 2020 (I) at EUR 103.50: EUR 25,550,400 and MGS 3.6% 2013 (IV) at EUR 99.50: EUR 82,817,200.

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

On 28 April Lombard Bank Malta p.l.c. announced that a further 565,373 of its ordinary shares were admitted on the Malta Stock Exchange p.l.c., bringing the total of its issued and paid up share capital to 35,613,581 ordinary shares of EUR 0.25 each.

On 29 April FIMBank p.l.c. announced that a further 540,322 of its ordinary shares were admitted on the Malta Stock Exchange p.l.c., bringing the total of its issued and paid up share capital to 135,396,714 ordinary shares of USD 0.50 each.

On 20 May, Bank of Valletta p.l.c. announced the issue of EUR 35 million 5.35% 10-year subordinated bonds with a nominal value of EUR 100 to be issued at par. As the issue was oversubscribed, the bank exercised an over-allotment option to issue an additional EUR 15 million, bringing the total up to EUR 50 million. The aim of the bond issue was to further strengthen the bank's capital base.

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

On 24 April the telecommunications company, GO p.l.c., announced that it had acquired 60% of the issued share capital of BM IT Ltd., BM Support Services Ltd. and Bell Net Ltd. for a total cost of EUR 9.5 million. These companies are mainly internet service providers.

During June GO p.l.c. announced that Forghendo Ltd., a joint venture company between GO p.l.c. and Emirates International Telecommunications (Malta) Ltd., had acquired additional shares in Forthnet S.A, amounting to nearly 2.9 million shares, for just over EUR 5.3 million. This increased Forghendo's stake in Forthnet from 34% to 36.5%.

On 9 April Gasan Finance Company p.l.c. announced the issue of EUR 15 million 6% bonds 2014 – 2016 with a nominal value of EUR 100 to be issued at par. The issue was oversubscribed and the company exercised an over-allotment option to issue an additional EUR 5 million, bringing the total up to EUR 20 million. The purpose of the issue was to finance the redemption of the outstanding 6.4% Gasan Finance Company p.l.c. bonds 2008 – 2011 and for general funding and debt re-financing needs.

On 28 May, the construction company Gap Developments p.l.c. announced that it had increased its share capital by EUR 10 million to EUR 16 million. The new capital consisted of 800,000 "A" ordinary shares of EUR 2.50 each issued in favour of GAP Holdings Ltd. and 3.2 million "B" ordinary shares of EUR 2.50 each issued in favour of Tighe Skies Ltd.

On 11 June Tumas Investments p.l.c. announced the issue of EUR 20 million 6.25% bonds 2014 – 2016 with a nominal value of EUR 100 to be issued at par and with interest payments to be made semi-annually. An over-allotment option for another EUR 5 million in the case of over-subscription was exercised. The bonds are unsecured and unsubordinated but are guaranteed by Spinola Development Company Ltd. The bond issue is mainly intended to finance existing borrowing and other general financing needs.

On 12 June International Hotel Investments (IHI) p.l.c. announced the issue of EUR 30 million 6.25% bonds 2015 – 2019. The bond offer was over-subscribed and the company exercised an over-allotment option for another EUR 5 million, increasing the issue to EUR 35 million. The purpose of the issue is to finance IHI's expansion plans, which include the construction of two major hotels, one in Benghazi and the other in London.

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

The MFSA announced that a number of institutions in the financial services sector had surrendered/downgraded their licences on a voluntary basis. These included

- (i) on 24 April, Lombard Asset Managers Ltd., which surrendered its Fund Administration Recognition Certificate.
- (ii) on 6 May, Fairway Forex Trading Fund SICAV Ltd., which surrendered its collective investment scheme licence in respect of Fairway Forex Trading Fund.
- (iii) on 5 June, Union Capital Management Ltd., which surrendered its Fund Administrative Recognition Certificate.
- (iv) on 11 June, VIP Select Funds SICAV p.l.c., which surrendered its collective investment scheme licence in relation to BFI Asset Allocation Fund.
- (v) on 12 June, FMG Funds SICAV p.l.c., which surrendered its collective investment scheme licence in relation to the FMG (EU) New Balkans Fund.
- (vi) on 24 June, Raiffeisen Malta Bank p.l.c., which surrendered its Category A1 Investment Services Licence.
- (vii) on 19 May, W & J Coppini Investment Services Ltd., which on request had its investment services licence downgraded from a category 2 to a category 1A license.

## **Double taxation agreements**

On 14 April, during a visit to the Middle East by the Minister of Foreign Affairs, Malta and Lebanon signed a protocol amending the convention between the two countries on the avoidance of double taxation and the prevention of fiscal evasion.

During the same visit Malta and Jordan signed the first bilateral agreement between the two countries. This consisted of a convention on the avoidance of double taxation on income and the prevention of fiscal evasion.

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

### *Legal Notice 138 of 2009*

This legal notice, issued on 30 April under the Financial Markets Act (Cap. 345) and entitled Central Securities Depository (Authorisation Requirements) Regulations 2009, sets out the requirements for the authorisation and operation of a central securities depository. The requirements are to be satisfied on a continuing and ongoing basis if such depository is to remain a central securities depository.

### *Legal Notice 139 of 2009*

This legal notice, issued on 30 April under the Financial Markets Act (Cap. 345) and entitled Central Securities Depository (Control of Assets) Regulations, 2009, regulates the control of assets by persons authorised to operate as a central securities depository.

### *Legal Notice 140 of 2009*

This legal notice, issued on 30 April under the Financial Markets Act and entitled Designated Financial Instruments Regulations, 2009, lists the categories or classes of financial instruments whose register is maintained in a central securities depository and which are considered as “designated financial instruments” for the purposes of Part IV of the Financial Markets Act.

## **INTERNATIONAL NEWS**

### **Meetings of international groups/institutions**

#### **The G20 London Summit**

On 2 April the Leaders of the Group of Twenty met in London and, among other decisions, agreed to:

- restore confidence, growth and jobs, to repair the financial system and restore lending, to strengthen financial regulation so as to rebuild trust, to fund and reform the international financial institutions so as to overcome the current crisis and prevent future ones, to promote global trade and investment and reject protectionism, and to underpin prosperity as well as to build an inclusive, green and sustainable recovery.
- treble resources available to the IMF to USD 750 billion, to support a new SDR allocation of USD 250 billion, to support at least USD 100 billion of additional lending by the MDBs, to ensure USD 250 billion of support for trade finance and to use the additional resources from agreed IMF gold sales to provide concessional finance for the poorest countries.
- make available an additional USD 850 billion of resources through these institutions to support growth in emerging market and developing countries by helping to finance counter-

cyclical spending, bank recapitalisation, infrastructure, trade finance, balance of payments support, debt rollover, and social support.

- remain committed to reaching an ambitious and balanced conclusion to the Doha Development Round.
- reaffirm their commitment to meet the Millennium Development Goals (MDGs) and to achieve their respective Official Development Assistance pledges.

### **The IMF-World Bank Spring Meetings**

On 25 April the International Monetary and Financial Committee of the IMF met in Washington D.C. and, among other commitments, agreed to:

- overhaul the IMF's lending and conditionality framework, including the new Flexible Credit Line and high access precautionary arrangements.
- strengthen efforts by both the IMF and members to enhance the effectiveness of surveillance and the follow up by members of the IMF's recommendations.
- encourage early action by national authorities to make the April 2008 agreements on quota and voice reform and the IMF's new income model effective.

On 26 April the Development Committee of the IMF and the World Bank met in Washington D.C. In its communiqué, the Committee stressed and welcomed in particular:

- member countries' commitments to a substantial increase in resources for the IMF.
- the World Bank's Group's (WBG's) efforts to ensure a timely crisis response while maintaining its focus on long term development challenges, including those posed by climate change and the need to accelerate progress towards the MDGs.
- optimal use of the International Bank for Reconstruction and Development's balance sheet, with lending of up to USD 100 billion over three years.
- an acceleration in work on the second phase of the reform regarding enhanced voice and the participation of developing and transition countries in the governance of the WBG with a view to reaching agreement by the 2010 Spring Meetings.
- the Board's review of internal governance.

### **G7 Finance Ministers' Meetings**

On 24 April the G7 Finance Ministers and Central Bank Governors met in Washington D.C. The following commitments were highlighted:

- to accelerate a return to trend growth, while preserving long-term fiscal sustainability.
- to restore lending by providing liquidity support and injecting capital into financial institutions; to protect savings and deposits; and to address impaired assets.
- to pledge resources for the IMF and work with the G20 and others to provide the resources the Fund needed to help restore global financial stability and support a substantial increase in MDB lending.
- the progress made on mobilising temporary bilateral financing for the IMF. This financing would be rolled over into the IMF's New Arrangements to Borrow, which in turn would be increased by up to USD 500 billion and would see its membership expanded.
- the IMF's introduction of new facilities, such as the Flexible Credit Line, to help countries with strong fundamentals respond to the crisis.
- to work with their international partners to modernise the governance of the international financial institutions in order to enhance their relevance, effectiveness and legitimacy.
- to strengthen their national efforts to address systemic risks, extending the perimeter of regulation to include all systemically important institutions, markets and instruments.

- the need for the OECD, FSB and FATF to intensify their work in conducting objective peer reviews of countries' efforts to strengthen international standards in taxation, prudential supervision and AML/CFT, respectively.

### **G8 Finance Ministers' Meeting**

On 13 June the G8 Finance Ministers met in Lecce, Italy. The following are the main points of their statement:

- There were signs of stabilisation in their economies, including a recovery of stock markets, a decline in interest rate spreads and improved business and consumer confidence.
- They would continue working with others to put the global economy on a strong, stable and sustainable growth path.
- In order to address the standards of propriety, integrity and transparency in a comprehensive fashion they agreed on the need to develop the Lecce framework, which is a set of common principles and standards regarding the conduct of international business and finance.
- They called on the Financial Stability Board to develop a toolbox of measures to promote adherence to prudential standards and cooperation between jurisdictions.
- They reaffirmed their commitment to refrain from protectionism and continue working towards an ambitious conclusion of the Doha Round.
- They would explore ways to substantially increase the IMF's capacity to provide concessional lending through the sale of gold or other means consistent with the new income model.

### **The European Council Meeting**

On 18-19 June the European Council met in Brussels, and the Presidency arrived at a number of conclusions. In particular:

- The EU still faced the effects of the deepest and most widespread recession of the post-war era and in this regard it was imperative for it to continue to develop and implement the measures required to respond to the crisis by building on the important achievements of the past months in line with the European Economic Recovery Plan agreed last December for an overall budgetary support of around 5% of GDP in 2009/2010.
- It reaffirmed its strong commitment to sound public finances and to the Stability and Growth Pact.
- It noted that the operating environment of financial institutions remained challenging, and credit flows continued to be constrained. Governments should therefore stay alert to possible further measures that may be needed to recapitalise or to clean up balance sheets.
- It called for progress in the regulation of financial markets, notably the regulation of alternative investment funds, the role and responsibilities of depositories, and on transparency and stability of derivatives markets.
- It supported the creation of a European Systemic Risk Board which would monitor and assess potential threats to financial stability.
- It recommended that a European System of Financial Supervision, comprising three new European Supervisory Authorities, be established so as to upgrade the quality and consistency of national supervision, strengthen oversight of cross-border groups through the setting up of supervisory colleges, and establish a European single rule book applicable to all financial institutions in the Single Market.

- To ensure a fair and sustainable recovery for all, it reaffirmed its commitment to support developing countries in meeting the MDGs and to achieve the respective Official Development Assistance targets.

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

### **3-4 April 2009**

During this meeting, held in Prague, Ministers:

- Welcomed the G20 agreement that accounting standard setters should improve standards for the valuation of financial instruments.
- Endorsed the G20 agreement to implement a range of actions to mitigate procyclicality.
- Considered it urgent to address the issue of valuation of assets in distressed and inactive markets, where markets cannot be considered as a reliable reference.
- Noted that ensuring adequate transparency of banks' financial situation was key to restoring confidence in financial markets.

During the meeting EU Finance Ministers and Central Bank Governors:

- Concluded that supervision of macro-financial stability needed to be strengthened at EU level, and therefore they supported the creation of the European Systemic Risk Council (ESRC).
- Noted the important role that should be played by central banks in the ESRC, which should work closely with individual supervisory entities.
- Reaffirmed the need to harmonise the European supervisory framework and agreed on the need to approximate the powers of the supervisory bodies between the Member States, as suggested in the de Larosière report.

### **5 May 2009**

- The Council approved an increase, from EUR 25 billion to EUR 50 billion, of the lending ceiling for the EU's support facility for non-euro area Member States in financial difficulty.
- adopted the legal texts on the use of reduced Value Added Tax (VAT) rates in certain sectors.
- adopted regulations facilitating access to grants from the European Social Fund to mitigate the social impact of the financial crisis.

### **9 June 2009**

- The Council approved conclusions on the reform of the EU's supervisory framework for financial services.
- The Council's position builds on the recommendations of the de Larosière group. The new framework is designed to strengthen the supervisory system and rebuild trust in the financial system following the global financial crisis. It involves the creation of:
  - A European Systemic Risk Board to continuously assess the stability of the financial system as a whole.
  - Three European supervisory authorities, one dealing with the banking industry, the second with the insurance industry, and the third with the securities industry.
- The Commission was asked to present legislative proposals with the aim of ensuring that the new supervisory framework will be in place during the course of next year.

# STATISTICAL TABLES





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

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

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Euro exchange rates <sup>1</sup> :	EUR 1 = USD 1.3308 EUR 1 = GDP 0.9308
CLIMATE	Average temperature (1990-2007):	Dec. - Feb. 13.3° C June - Aug. 26.1° C
	Average annual rainfall (1990-2007)	478.7 mm
	SELECTED GENERAL ECONOMIC STATISTICS	
	GDP growth at constant 2000 prices <sup>2</sup>	-3.3%
	GDP per capita at current market prices (2008) <sup>2</sup>	EUR 14,000
	GDP per capita in PPS relative to the EU-27 average (2008)	76.4%
	Ratio of gross general government debt to GDP (2008) <sup>2</sup>	63.0%
	Ratio of general government deficit to GDP (2008) <sup>2</sup>	4.6%
	RPI inflation rate	4.3%
	HICP inflation rate	4.6%
	Ratio of exports of goods and services to GDP <sup>2</sup>	66.4%
	Ratio of current account deficit to GDP <sup>2</sup>	14.4%
	Employment rate (Q1 2009)	54.9%
	Unemployment rate (Q1 2009)	6.5%
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)	0.7%
	Density per km <sup>2</sup> (2008)	1,309
HEALTH	Life expectancy at birth (2007)	
	Males	77
	Females	82
	Crude birth rate, per 1,000 Maltese inhabitants (2008)	10.0
	Crude mortality rate, per 1,000 Maltese inhabitants (2008)	7.8
	Doctors (2008)	1,358
EDUCATION	Combined gross enrolment ratio (2006)	81.3%
	Number of educational institutions (2005/2006)	342
	Teachers per 1,000 students (2005/2006)	85
	Adult literacy rate: age 10+ (2005)	
	Males	91.7%
Females	93.9%	
LIVING STANDARDS	Human Development Index: rank out of 179 countries (2006)	36
	Mobile phone subscriptions per 100 population	93.8
	Private motor vehicle licences per 1,000 population	542
	Internet subscribers per 100 population	25.4

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

<sup>2</sup> Provisional.

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

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at March 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](http://www.centralbankmalta.org).

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## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

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

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets <sup>4</sup>	Total assets/liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
<b>2008</b>									
Jan.	3.9	863.7	452.4	241.5	372.3	-	143.1	397.4	2,474.3
Feb.	3.9	918.4	498.1	205.3	397.1	-	90.3	399.8	2,512.9
Mar.	4.1	939.5	502.9	179.4	402.7	-	59.1	434.3	2,522.0
Apr.	4.1	868.4	413.1	205.7	364.1	-	47.5	465.9	2,368.7
May	4.1	861.1	457.4	264.4	488.6	38.0	47.3	475.7	2,636.7
June	4.4	837.4	540.3	323.8	370.9	184.0	47.3	528.1	2,836.2
July	4.3	903.1	507.0	315.2	375.3	145.7	47.3	612.5	2,910.6
Aug.	4.2	911.6	493.9	340.4	344.6	168.9	47.3	617.3	2,928.2
Sep.	4.2	893.5	471.4	345.5	348.5	299.0	47.3	619.8	3,029.2
Oct.	4.2	707.0	312.5	476.6	289.8	304.0	47.3	622.9	2,764.3
Nov.	4.2	634.0	158.4	393.7	289.9	391.0	47.3	619.0	2,537.5
Dec.	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
<b>2009</b>									
Jan.	4.1	597.7	239.9	273.4	239.7	260.0	798.0	625.0	3,037.8
Feb.	4.1	552.2	219.9	262.8	181.1	170.0	905.5	630.0	2,925.7
Mar.	11.1	526.5	209.5	251.2	274.2	160.0	48.3	633.0	2,113.7

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

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

EUR millions

End of period	Banknotes in circulation <sup>2</sup>	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities <sup>3</sup>	Capital and reserves <sup>4</sup>
			Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
<b>2008</b>										
Jan.	749.8	375.0	287.9	87.1	24.9	-	12.1	644.3	59.4	233.8
Feb.	669.3	395.7	264.1	79.9	24.5	-	12.1	798.1	46.2	223.1
Mar.	638.9	402.7	282.8	80.9	34.6	-	11.7	767.3	75.4	227.6
Apr.	627.8	396.7	364.5	79.7	35.2	0.1	11.7	569.3	54.8	228.8
May	627.7	394.2	294.6	68.6	186.8	0.1	11.7	762.3	61.0	229.6
June	631.0	405.4	401.1	72.7	87.4	0.1	11.7	873.6	128.7	224.4
July	636.1	426.1	309.7	71.7	93.9	0.1	11.7	1,028.6	106.6	226.0
Aug.	632.1	418.8	352.2	69.2	57.3	0.1	11.7	1,075.8	84.1	227.1
Sep.	631.3	568.1	363.9	76.4	58.4	0.1	12.3	987.6	102.2	229.0
Oct.	666.1	497.4	353.8	84.8	48.4	0.1	12.3	723.6	148.7	229.3
Nov.	668.0	481.3	272.4	83.5	44.2	0.1	12.3	589.5	156.5	229.6
Dec.	693.1	483.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
<b>2009</b>										
Jan.	617.7	1,484.9	351.9	94.0	32.2	0.0	12.5	57.2	121.3	266.1
Feb.	619.5	1,485.1	243.3	79.1	31.9	0.0	12.5	74.2	113.9	266.2
Mar.	623.8	590.9	231.8	77.9	62.6	0.0	12.7	142.4	111.8	259.9

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Holdings of euro-denominated cash <sup>2</sup>	Claims on residents of Malta			External assets				Other assets <sup>4</sup>	Total assets/liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets <sup>3</sup>	Total		
<b>2008</b>										
July	0.0	5.3	231.3	236.6	1,187.2	950.0	179.0	2,316.2	370.2	2,923.1
Aug.	0.1	5.2	207.3	212.5	1,243.8	902.7	188.2	2,334.8	418.9	2,966.3
Sep.	0.0	5.1	236.8	241.9	1,181.5	873.7	193.2	2,248.5	548.7	3,039.1
Oct.	0.0	5.1	247.0	252.1	1,015.2	665.4	160.7	1,841.2	718.5	2,811.8
Nov.	0.0	5.2	253.2	258.4	925.9	508.3	162.6	1,596.8	724.1	2,579.3
Dec.	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
<b>2009</b>										
Jan.	0.0	5.1	254.9	260.0	1,683.0	477.1	162.7	2,322.8	504.8	3,087.7
Feb.	0.0	5.1	263.1	268.2	1,820.3	397.4	161.2	2,379.0	327.6	2,974.8
Mar.	0.0	5.3	262.6	267.9	911.2	450.4	177.2	1,538.9	333.0	2,139.7

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

EUR millions

End of period	Currency issued <sup>5</sup>	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities <sup>4</sup>
		Withdrawable on demand <sup>6</sup>	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities <sup>3</sup>	Total		
<b>2008</b>										
July	691.2	368.0	15.1	383.1	1,006.2	71.8	66.3	1,144.3	246.6	457.8
Aug.	688.2	388.2	15.4	403.6	1,058.7	69.3	50.9	1,178.9	256.9	438.7
Sep.	687.7	412.2	10.0	422.2	970.2	76.5	42.5	1,089.2	261.3	578.8
Oct.	722.8	396.2	10.0	406.2	710.5	84.8	102.6	898.0	276.6	508.3
Nov.	725.0	312.2	8.0	320.2	559.8	83.6	110.0	753.4	288.5	492.2
Dec.	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
<b>2009</b>										
Jan.	650.0	386.7	0.0	386.7	0.0	94.0	88.5	182.5	290.4	1,578.0
Feb.	651.9	278.1	0.0	278.1	0.0	79.2	103.5	182.7	284.6	1,577.5
Mar.	656.5	266.4	5.9	272.3	57.0	77.9	91.8	226.7	279.9	704.3

<sup>1</sup> Based on a detailed description of instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001 (as amended).

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

<sup>3</sup> If the Central Bank issues less currency than the amount attributed to it under the banknote allocation key, the shortfall will be reflected in intra-

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles<sup>1</sup> (assets)**

EUR millions

End of period	Balances held with Central Bank of Malta <sup>2</sup>	Claims on residents of Malta			External assets				Other assets <sup>3</sup>	Total assets/liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2003	607.7	4,449.2	1,449.1	83.1	2,831.3	7,484.8	177.2	10,493.3	818.3	17,900.8
2004	448.6	4,734.9	1,531.2	77.9	3,626.4	8,794.1	787.5	13,208.0	837.6	20,838.2
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
<b>2008</b>										
Jan.	573.1	6,321.5	1,265.1	92.7	5,522.8	22,983.8	601.1	29,107.7	634.4	37,994.5
Feb.	527.2	6,352.2	1,281.7	93.0	5,704.5	22,973.0	548.2	29,225.7	652.1	38,131.8
Mar.	519.7	6,449.1	1,260.7	92.8	5,687.3	22,261.1	597.1	28,545.5	705.8	37,573.6
Apr.	520.3	6,607.7	1,218.0	102.6	5,676.1	22,503.3	547.5	28,727.0	693.8	37,869.4
May	522.9	6,654.6	1,221.6	102.3	5,877.1	23,634.0	603.3	30,114.5	702.4	39,318.2
June	521.3	6,727.3	1,268.2	103.9	5,952.6	25,188.2	554.8	31,695.6	648.7	40,965.0
July	516.8	6,858.5	1,291.7	104.8	6,745.4	25,775.2	653.8	33,174.4	680.6	42,626.8
Aug.	509.3	6,832.6	1,281.1	105.0	7,095.5	26,695.2	674.3	34,465.0	717.2	43,910.2
Sep.	641.9	6,924.5	1,258.4	112.0	7,346.4	27,394.6	768.1	35,509.1	669.7	45,115.6
Oct.	578.4	6,981.0	1,292.8	111.7	7,110.4	27,606.5	1,026.4	35,743.3	694.2	45,401.5
Nov.	563.3	7,039.4	1,286.8	115.8	6,989.4	26,197.4	1,045.2	34,232.0	716.0	43,953.2
Dec.	600.7	7,150.4	1,325.3	115.3	6,089.2	25,468.6	846.4	32,404.1	687.4	42,283.3
<b>2009</b>										
Jan.	1,564.5	7,149.5	1,373.6	114.8	6,196.4	25,851.9	940.8	32,989.0	734.0	43,925.5
Feb.	1,534.3	7,130.1	1,426.9	116.6	6,160.3	25,267.1	861.7	32,289.1	699.1	43,196.1
Mar.	680.2	7,229.4	1,386.8	116.3	5,935.3	24,519.0	866.2	31,320.6	626.4	41,359.7

<sup>1</sup> Based on a detailed description of instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001 (as amended).

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

<sup>3</sup> Includes resident interbank claims.

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles<sup>1</sup> (liabilities)**

EUR millions

End of period	Deposits from residents of Malta <sup>2</sup>				External liabilities				Debt securities issued <sup>3</sup>	Capital & reserves	Other liabilities <sup>2</sup>
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities <sup>3</sup>	Total			
2003	2,441.8	67.0	3,727.6	6,236.5	2,426.4	4,862.9	1,597.6	8,886.9	220.9	1,822.4	734.1
2004	2,589.8	70.0	3,700.8	6,360.5	3,203.2	6,640.3	1,583.0	11,426.5	214.7	2,086.4	750.0
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
<b>2008</b>											
Jan.	3,150.6	108.8	5,172.5	8,431.9	8,073.8	15,339.0	2,031.3	25,444.1	140.7	3,304.3	673.5
Feb.	3,152.9	111.2	5,234.7	8,498.9	8,722.9	14,868.9	1,918.1	25,510.0	140.1	3,269.3	713.5
Mar.	3,160.1	112.8	5,227.6	8,500.5	8,646.9	14,598.5	1,740.8	24,986.2	139.2	3,197.9	749.8
Apr.	3,222.8	113.8	5,146.9	8,483.5	8,591.7	15,136.9	1,586.1	25,314.6	139.6	3,252.6	679.0
May	3,206.9	114.3	5,147.6	8,468.8	8,724.8	16,003.6	1,919.4	26,647.8	139.7	3,295.9	765.9
June	3,129.3	115.3	5,137.6	8,382.1	9,861.1	16,348.0	2,110.5	28,319.7	139.2	3,195.2	928.8
July	3,208.1	116.6	5,119.4	8,444.1	10,483.0	16,916.5	2,278.5	29,677.9	139.5	3,387.0	978.3
Aug.	3,188.9	115.5	5,200.8	8,505.2	10,972.9	17,581.8	2,231.7	30,786.4	140.9	3,391.2	1,086.4
Sep.	3,189.0	116.0	5,281.9	8,586.8	11,259.0	18,191.2	2,438.3	31,888.5	171.6	3,260.2	1,208.5
Oct.	3,091.3	114.5	5,356.8	8,562.7	10,649.7	18,909.1	2,492.1	32,050.9	174.7	3,227.4	1,385.7
Nov.	3,195.8	114.6	5,305.3	8,615.7	10,225.8	17,888.9	2,354.5	30,469.2	174.7	3,291.0	1,402.6
Dec.	3,170.0	114.5	5,222.2	8,506.7	9,240.4	17,301.9	2,262.1	28,804.4	172.2	3,340.6	1,459.4
<b>2009</b>											
Jan.	3,235.0	113.5	5,235.3	8,583.7	9,283.6	18,793.1	2,414.7	30,491.3	174.6	3,524.2	1,151.6
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	3,527.1	989.5
Mar.	3,296.7	112.0	5,072.9	8,481.7	8,537.8	17,064.3	2,614.3	28,216.3	173.8	3,504.0	983.9

<sup>1</sup> Based on the instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001 (as amended).

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

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



## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.4a Monetary base and monetary aggregates**

EUR millions

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

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

EUR millions

End of period	Broad money (M3)										
	Intermediate money (M2)								Repurchase agreements	Issues less holdings of MFI debt securities up to 2 years <sup>4</sup>	Total (M3) <sup>5</sup>
	Narrow money (M1)			Deposits redeemable at notice up to 3 months <sup>3</sup>		Deposits with agreed maturity up to 2 years <sup>3</sup>					
	Currency issued <sup>2</sup>	Overnight deposits <sup>3</sup>		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	With residents of Malta			
<b>2008</b>											
Jan.	670.7	3,107.3	65.7	108.8	0.0	4,544.8	269.9	-	-	-118.7	8,648.5
Feb.	637.6	3,084.4	71.0	111.2	0.0	4,613.0	294.5	-	-	-112.7	8,699.2
Mar.	612.9	3,102.1	66.8	112.8	0.0	4,613.1	289.5	-	-	-112.6	8,684.7
Apr.	621.4	3,175.0	79.8	113.8	0.0	4,569.5	254.2	-	-	-112.9	8,700.8
May	627.0	3,153.6	102.0	114.3	0.0	4,579.9	317.6	-	-	-145.0	8,749.5
June	629.2	3,065.2	104.3	115.3	0.0	4,577.7	251.7	-	-	-160.3	8,583.1
July	631.6	3,147.0	106.6	116.6	0.0	4,575.9	271.2	-	-	-165.5	8,683.4
Aug.	628.5	3,126.6	117.3	115.5	0.0	4,650.6	253.5	-	-	-169.2	8,722.8
Sep.	629.5	3,130.0	103.4	116.0	0.0	4,726.2	206.9	-	-	-169.1	8,742.8
Oct.	665.0	3,042.7	105.7	114.2	0.1	4,808.4	219.8	-	-	-153.2	8,802.7
Nov.	674.8	3,131.5	108.3	114.3	0.1	4,758.4	241.6	-	-	-147.9	8,881.1
Dec.	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	-	-	-144.3	8,680.3
<b>2009</b>											
Jan.	599.9	3,174.6	70.0	113.4	0.0	4,676.9	220.2	-	-	-146.4	8,708.5
Feb.	599.4	3,240.5	77.6	111.8	0.0	4,596.4	220.3	-	-	-145.5	8,700.5
Mar.	601.8	3,228.8	84.4	111.8	0.0	4,475.3	228.9	-	-	-145.3	8,585.8

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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.5a Counterparts to the monetary aggregates**

EUR millions

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

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

EUR millions

End of period	Broad money (M3) <sup>4</sup>	Credit counterpart <sup>3</sup>					External counterpart			Other counterparts (net) <sup>2</sup>
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
<b>2008</b>										
Jan.	8,648.5	1,504.9	6,389.1	320.0	1,989.9	10,203.8	24,525.4	17,345.6	7,179.9	8,735.2
Feb.	8,699.2	1,521.6	6,424.5	319.7	2,008.3	10,274.1	24,537.7	16,753.6	7,784.1	9,359.1
Mar.	8,684.7	1,491.6	6,531.6	299.8	2,143.7	10,466.7	23,903.1	16,341.1	7,562.0	9,344.0
Apr.	8,700.8	1,463.6	6,695.7	326.0	2,232.3	10,717.5	23,976.5	16,668.8	7,307.7	9,324.4
May	8,749.5	1,465.8	6,740.1	341.9	2,298.2	10,845.9	25,344.8	17,811.3	7,533.5	9,629.9
June	8,583.1	1,512.2	6,813.6	366.2	2,488.2	11,180.2	26,819.6	18,134.6	8,685.1	11,282.2
July	8,683.4	1,538.1	6,953.4	389.7	2,980.1	11,861.3	27,554.1	18,837.4	8,716.7	11,894.7
Aug.	8,722.8	1,505.8	6,925.5	390.0	3,118.4	11,939.6	28,455.8	19,491.3	8,964.4	12,181.2
Sep.	8,742.8	1,512.5	7,024.3	391.1	3,134.6	12,062.5	29,223.9	20,289.0	8,934.9	12,254.6
Oct.	8,802.7	1,547.9	7,089.8	402.8	2,930.9	11,971.4	29,442.8	21,275.6	8,167.2	11,336.0
Nov.	8,881.1	1,550.2	7,150.1	413.0	2,919.8	12,033.1	27,896.5	20,116.9	7,779.7	10,931.7
Dec.	8,680.3	1,600.4	7,266.9	461.8	2,763.3	12,092.5	26,970.5	19,592.2	7,378.2	10,790.5
<b>2009</b>										
Jan.	8,708.5	1,633.3	7,264.6	494.0	2,945.1	12,337.1	27,416.2	21,314.9	6,101.3	9,729.9
Feb.	8,700.5	1,697.0	7,244.8	515.8	2,982.5	12,440.0	26,671.1	21,282.3	5,388.7	9,128.3
Mar.	8,585.8	1,658.5	7,341.9	539.4	2,916.5	12,456.3	25,993.7	19,512.5	6,481.2	10,351.8

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.6a Currency in circulation**

EUR millions

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

**Table 1.6b Currency issued**

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item: Excess / shortfall (-) on the banknote allocation key <sup>3</sup>
	Notional amount of banknotes issued by the Central Bank of Malta <sup>1</sup>	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins <sup>2</sup>	Less euro banknotes and coins held by MFIs in Malta	Total	
<b>2008</b>						
Jan.	536.6	23.3	245.4	134.5	670.7	-102.9
Feb.	539.3	22.4	158.8	83.0	637.6	-50.2
Mar.	545.0	23.3	121.8	77.1	612.9	-11.8
Apr.	552.4	24.5	102.4	57.9	621.4	-0.2
May	554.3	25.3	100.4	53.1	627.0	11.1
June	559.8	26.7	98.1	55.4	629.2	20.9
July	566.4	28.3	96.5	59.6	631.6	22.4
Aug.	563.8	29.3	95.1	59.7	628.5	17.0
Sep.	564.2	29.6	93.9	58.2	629.5	17.4
Oct.	600.2	30.0	92.5	57.8	665.0	13.1
Nov.	603.3	30.3	91.3	50.2	674.8	29.8
Dec.	629.3	31.2	80.5	71.7	669.2	54.5
<b>2009</b>						
Jan.	617.7	32.3	-	50.1	599.9	57.2
Feb.	619.5	32.4	-	52.6	599.4	74.2
Mar.	623.8	32.7	-	54.6	601.8	85.4

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Total notes & coins <sup>1</sup>	Currency notes					Total
		Lm20	Lm10	Lm5	Lm2		
2003	1,130.6	255.5	744.0	71.8	16.7		1,088.0
2004	1,179.6	257.0	786.3	74.3	17.2		1,134.8
2005	1,211.4	257.5	812.1	76.8	18.1		1,164.5
2006	1,173.9	240.5	785.0	80.9	18.9		1,125.4
2007	677.8	120.2	439.8	57.5	16.7		634.2
<b>2008</b>							
Mar.	121.8	19.4	54.5	11.8	8.2		93.9
June	98.1	13.0	40.5	10.0	7.7		71.2
Sep.	93.9	12.1	37.7	9.7	7.6		67.1
Dec.	90.5	11.3	35.4	9.5	7.5		63.8
<b>2009</b>							
Mar.	87.8	10.8	33.6	9.3	7.5		61.2

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

**Table 1.7b Denominations of euro banknotes allocated to Malta<sup>1</sup>**

EUR millions

End of period	Euro banknotes							Total
	€ 5	€ 10	€ 20	€ 50	€ 100	€ 200	€ 500	
<b>2008</b>								
Mar.	1.8	63.4	244.7	137.1	38.5	28.1	19.7	533.3
June	0.3	54.8	273.7	150.0	37.8	35.6	28.5	580.7
Sep.	-1.1	45.5	279.3	150.4	32.3	38.5	36.8	581.6
Dec.	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
<b>2009</b>								
Mar.	-2.1	42.4	320.2	192.8	34.7	44.9	76.3	709.2

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

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€ 1	€ 2	
<b>2008</b>									
Mar.	0.1	0.3	0.6	1.2	1.9	3.4	5.9	9.9	23.3
June	0.1	0.3	0.7	1.3	2.2	3.8	6.7	11.6	26.7
Sep.	0.1	0.4	0.8	1.5	2.5	4.2	7.4	12.7	29.6
Dec.	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
<b>2009</b>									
Mar.	0.1	0.4	0.9	1.6	2.7	4.3	7.6	15.2	32.7

## Monetary, Banking, Investment Funds and Financial Markets

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

End of period	Resident deposits										Deposits held by non-residents of Malta		Total deposits
	General government <sup>2</sup>	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents		Non-residents of the euro area			
								Total					
2003	60.7	193.9	60.0	61.0	976.1	5,078.8	6,430.5	3,164.5	5,524.1	15,119.0			
2004	66.5	177.5	48.3	80.3	965.6	5,199.7	6,538.0	3,431.5	7,160.9	17,130.4			
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0			
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8			
2007	126.8	106.1	198.6	137.8	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8			
<b>2008</b>													
Jan.	140.5	132.2	214.7	131.2	1,365.9	6,579.6	8,564.2	8,176.0	16,237.8	32,978.0			
Feb.	148.5	153.0	220.9	152.9	1,390.2	6,586.4	8,651.9	8,806.5	15,692.8	33,151.1			
Mar.	138.3	201.1	214.1	132.4	1,397.9	6,617.9	8,701.6	8,712.0	15,333.4	32,747.0			
Apr.	107.0	136.6	201.4	152.8	1,393.1	6,629.1	8,620.1	8,711.0	15,779.2	33,110.3			
May	101.1	197.3	227.6	150.8	1,362.2	6,627.2	8,666.2	8,889.0	16,782.9	34,338.0			
June	107.0	371.9	196.4	135.8	1,301.3	6,641.8	8,754.0	10,238.9	17,024.7	36,017.6			
July	105.9	402.9	194.3	152.2	1,370.2	6,621.5	8,846.9	10,895.9	17,649.1	37,391.9			
Aug.	113.0	480.3	186.6	144.4	1,416.0	6,645.2	8,985.5	11,357.9	18,224.5	38,567.8			
Sep.	113.3	624.0	206.3	129.4	1,459.6	6,678.3	9,210.8	11,663.0	18,778.6	39,652.4			
Oct.	107.3	804.7	214.8	144.1	1,401.3	6,695.3	9,367.4	10,875.8	19,408.3	39,651.5			
Nov.	110.6	798.9	238.1	146.8	1,404.8	6,715.4	9,414.6	10,436.0	18,321.1	38,171.7			
Dec.	101.5	878.8	249.2	146.1	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0			
<b>2009</b>													
Jan.	106.1	569.9	239.4	134.1	1,352.6	6,751.6	9,153.7	9,283.6	19,173.3	37,610.5			
Feb.	97.9	402.3	228.4	142.0	1,315.5	6,778.8	8,964.9	8,745.7	19,119.0	36,829.7			
Mar.	105.8	414.1	220.8	156.6	1,265.2	6,733.3	8,895.8	8,775.7	17,538.5	35,209.9			

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL <sup>2</sup>	EUR	GBP	USD	Other	MTL <sup>2</sup>	EUR	Other		
2003	5,576.2	244.7	303.3	246.0	60.2	22.4	1,832.6	1,309.4	5,524.1	15,119.0
2004	5,614.5	259.7	353.1	240.7	70.1	20.4	2,400.7	1,010.4	7,160.9	17,130.4
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
<b>2008</b>										
Jan.		7,730.5	386.0	321.3	126.4		5,374.2	2,801.8	16,237.8	32,978.0
Feb.		7,753.6	386.6	379.5	132.1		5,631.3	3,175.1	15,692.8	33,151.1
Mar.		7,786.9	371.7	423.3	119.8		5,713.2	2,998.8	15,333.4	32,747.0
Apr.		7,708.4	389.4	399.5	122.7		5,800.3	2,910.7	15,779.2	33,110.3
May		7,772.0	376.8	414.4	103.0		6,105.0	2,783.9	16,782.9	34,338.0
June		7,905.3	342.4	375.8	130.6		7,092.3	3,146.6	17,024.7	36,017.6
July		8,007.3	347.6	375.3	116.7		7,717.1	3,178.7	17,649.1	37,391.9
Aug.		8,074.9	379.4	417.9	113.4		8,301.8	3,056.1	18,224.5	38,567.8
Sep.		8,219.7	406.8	465.7	118.6		8,324.0	3,339.0	18,778.6	39,652.4
Oct.		8,148.7	377.8	728.7	112.2		7,523.6	3,352.2	19,408.3	39,651.5
Nov.		8,309.4	367.7	636.4	101.0		7,112.9	3,323.2	18,321.1	38,171.7
Dec.		8,325.4	317.4	629.2	113.6		7,149.6	2,127.3	17,640.5	36,303.0
<b>2009</b>										
Jan.		8,226.4	331.0	492.7	103.6		7,063.1	2,220.5	19,173.3	37,610.5
Feb.		8,105.0	340.2	439.6	80.1		6,579.5	2,166.2	19,119.0	36,829.7
Mar.		8,051.3	292.6	471.9	80.0		6,708.5	2,067.2	17,538.5	35,209.9

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Size classes <sup>2</sup>				
	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
<b>2008</b>					
Jan.	1,110.0	3,022.3	2,677.3	14,802.6	21,612.1
Feb.	1,150.5	3,056.5	3,031.8	14,942.1	22,180.9
Mar.	1,311.0	3,372.2	2,748.4	14,851.5	22,283.1
Apr.	1,375.2	3,404.9	2,760.0	15,121.5	22,661.6
May	635.9	2,502.0	2,126.1	17,932.2	23,196.2
June	638.9	2,527.9	2,148.7	18,629.8	23,945.4
July	641.3	2,546.3	2,148.8	19,159.3	24,495.7
Aug.	644.7	2,549.6	2,094.8	20,147.3	25,436.5
Sep.	649.8	2,582.8	2,137.8	20,854.5	26,224.9
Oct.	653.4	2,600.9	2,165.6	21,238.4	26,658.3
Nov.	655.6	2,622.7	2,165.3	20,887.7	26,331.4
Dec.	658.2	2,646.3	2,117.9	20,593.7	26,016.0
<b>2009</b>					
Jan.	654.7	2,655.3	2,122.9	21,472.5	26,905.5
Feb.	656.2	2,670.6	2,117.4	21,280.1	26,724.3
Mar.	659.2	2,731.8	2,065.9	20,671.4	26,128.2

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

End of Period	Electricity, gas & water supply	Transport, storage & communication	Manufacturing	Construction	Hotels & restaurants	Wholesale trade; repairs	Real estate, renting & business activities	Households & individuals <sup>1</sup>				Total lending to residents		
								Lending for house purchase	Consumer credit	Other lending	Total	Public sector	Private sector	
														Other <sup>2</sup>
2003	195.4	315.6	430.5	468.5	481.9	671.3	276.0	1,030.2	84.2	306.5	1,420.8	367.8	524.4	4,103.4
2004	222.1	295.7	358.1	505.5	478.8	676.2	321.4	1,255.7	188.4	229.3	1,673.5	362.0	500.3	4,393.0
2005	142.3	287.1	306.2	502.3	474.8	691.1	444.2	1,521.4	212.7	214.6	1,948.7	427.6	401.1	4,823.2
2006	188.9	340.7	266.7	586.4	492.9	715.0	612.8	1,769.9	250.4	230.7	2,251.1	380.7	421.3	5,414.0
2007	196.6	322.6	301.3	677.5	474.3	732.3	725.1	2,014.9	287.6	276.1	2,578.6	356.8	438.3	5,926.7
<b>2008</b>														
Jan.	183.2	315.3	303.4	681.7	467.8	723.1	738.3	2,026.0	285.7	278.0	2,589.6	350.3	428.5	5,924.3
Feb.	179.3	317.0	306.3	680.4	461.5	721.9	759.4	2,036.8	290.9	283.2	2,610.9	347.2	437.6	5,946.4
Mar.	184.8	335.3	310.9	699.3	464.0	747.4	774.5	2,056.2	292.2	284.0	2,632.4	332.3	436.5	6,044.4
Apr.	289.8	340.0	311.1	694.3	472.9	759.1	781.5	2,076.6	297.3	280.3	2,654.1	344.4	547.9	6,099.3
May	283.0	349.4	322.0	697.3	464.1	755.6	793.5	2,091.6	302.4	286.9	2,681.0	343.1	547.9	6,141.1
June	283.1	358.5	326.0	702.0	457.6	770.7	809.2	2,114.0	305.7	291.7	2,711.4	360.8	550.3	6,229.0
July	270.9	463.0	327.1	713.1	453.6	760.2	829.9	2,132.8	308.2	296.0	2,737.0	362.9	540.4	6,377.3
Aug.	283.9	409.6	330.6	715.9	451.2	751.5	830.0	2,145.5	307.9	298.9	2,752.3	366.1	552.2	6,338.8
Sep.	283.3	429.6	335.4	725.2	448.4	752.3	853.6	2,166.5	315.8	304.9	2,787.2	369.8	561.1	6,423.7
Oct.	286.4	427.7	337.5	727.8	455.6	764.7	861.6	2,185.7	319.8	306.5	2,811.9	360.5	573.0	6,460.5
Nov.	302.4	423.7	341.4	728.5	452.6	761.1	891.2	2,199.9	322.3	309.7	2,831.9	348.1	593.6	6,487.4
Dec.	333.1	429.2	340.6	730.4	457.4	757.1	931.3	2,219.8	329.9	307.8	2,857.5	333.9	634.1	6,536.4
<b>2009</b>														
Jan.	370.2	433.4	293.3	725.5	465.3	740.3	941.0	2,228.0	344.0	297.2	2,869.2	331.2	626.8	6,542.7
Feb.	361.2	429.3	294.0	724.8	467.4	717.1	939.1	2,243.6	345.6	295.1	2,884.3	332.9	612.7	6,537.4
Mar.	372.4	425.5	291.3	738.8	467.9	748.8	950.3	2,264.7	351.7	303.6	2,920.0	334.4	630.0	6,619.5

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

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



## Monetary, Banking, Investment Funds and Financial Markets

Table 1.12 Other monetary financial institutions' loans by sector

End of Period	Lending to residents of Malta <sup>1</sup>										Lending to non-residents of Malta		Total lending
	General government <sup>2</sup>	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area				
2003	208.4	774.6	5.7	8.1	2,579.1	1,647.9	5,223.8	1,118.2	3,904.7	10,246.7			
2004	129.4	625.7	7.3	8.2	2,686.8	1,903.2	5,360.7	1,756.2	4,044.9	11,161.7			
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5			
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8			
2007	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0			
<b>2008</b>													
Jan.	127.2	527.6	19.3	15.8	3,259.6	2,899.7	6,849.1	2,587.7	16,378.8	25,815.6			
Feb.	119.9	532.2	21.8	15.3	3,267.4	2,927.7	6,884.4	2,777.1	16,677.6	26,339.0			
Mar.	107.9	577.1	21.5	11.2	3,348.2	2,960.3	7,026.2	2,871.0	16,178.8	26,075.9			
Apr.	108.5	596.9	21.4	15.9	3,482.2	2,979.6	7,204.6	2,860.1	16,451.0	26,515.7			
May	108.6	595.9	22.0	14.9	3,499.5	3,009.6	7,250.5	2,980.0	16,844.9	27,075.4			
June	109.8	568.4	21.8	16.4	3,537.5	3,041.7	7,295.6	3,087.9	17,767.0	28,150.5			
July	108.7	544.8	21.3	13.3	3,647.7	3,067.4	7,403.3	3,394.2	18,297.3	29,094.9			
Aug.	110.0	559.4	20.7	14.8	3,601.3	3,085.7	7,392.0	3,720.4	18,960.3	30,072.7			
Sep.	111.3	701.1	21.5	14.0	3,647.7	3,130.1	7,625.5	3,968.2	19,543.9	31,137.7			
Oct.	110.0	653.6	20.6	14.6	3,681.4	3,154.4	7,634.6	4,182.8	20,664.0	32,481.5			
Nov.	111.3	625.8	20.8	12.9	3,717.2	3,177.1	7,665.2	4,106.5	19,847.6	31,619.2			
Dec.	111.4	613.0	21.6	14.3	3,801.0	3,202.2	7,763.4	3,454.6	20,129.5	31,347.5			
<b>2009</b>													
Jan.	111.0	1,594.7	21.1	14.5	3,788.0	3,214.8	8,744.3	3,463.3	20,495.3	32,702.8			
Feb.	111.0	1,555.7	21.2	15.5	3,751.8	3,230.7	8,685.7	3,432.1	20,229.5	32,347.3			
Mar.	112.3	691.0	20.0	14.7	3,810.6	3,271.7	7,920.4	3,295.3	19,471.6	30,687.4			

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

End of period	Lending to residents of Malta <sup>1</sup>																	Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors					
	MTL <sup>2</sup>			EUR			MTL <sup>2</sup>			EUR			MTL <sup>2</sup>		EUR		Other	
	Less than 1 year	Over 1 year	Other	Less than 1 year	Over 1 year	Other	Less than 1 year	Over 1 year	Other	Less than 1 year	Over 1 year	Other	Less than 1 year	Over 1 year	Other	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		
<b>2008</b>																		
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		
<b>2009</b>																		
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		

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets <sup>2</sup>	Fixed and other assets <sup>3</sup>	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2003	17.4	54.4	419.5	3.4	114.1	221.7	22.9	853.5
2004	11.8	61.0	467.0	5.0	160.3	272.8	25.5	1,003.4
2005	52.2	34.5	624.0	7.9	232.4	350.4	32.7	1,334.1
2006	20.8	50.9	690.2	7.0	204.4	431.6	16.6	1,421.4
<b>2007</b>								
Mar.	31.3	13.4	689.4	7.0	201.2	441.4	13.7	1,397.2
June	17.4	8.8	570.6	6.3	199.3	433.2	31.1	1,266.6
Sep.	17.5	4.2	517.3	6.5	195.9	421.0	14.4	1,176.8
Dec.	32.6	3.4	498.8	6.4	195.3	410.4	12.0	1,159.0
<b>2008</b>								
Mar.	28.3	0.0	483.9	5.9	175.9	371.5	14.1	1,079.5
June	27.3	0.0	438.8	4.9	158.9	352.7	12.8	995.4
Sep.	27.0	0.0	417.5	4.6	144.3	331.0	8.7	933.0
Dec.	11.1	2.4	441.9	4.6	132.2	253.1	5.3	850.6
<b>2009</b>								
Mar.	7.3	7.9	440.2	3.6	113.2	242.2	5.9	820.2

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

EUR millions

End of period	Loans	Shareholders' units/funds <sup>4</sup>	External liabilities <sup>5</sup>	Other liabilities <sup>6</sup>	Total liabilities
2003	0.7	843.9	7.1	1.7	853.5
2004	0.5	994.5	3.9	4.5	1,003.4
2005	0.2	1,322.5	4.1	7.4	1,334.1
2006	0.4	1,406.4	11.0	3.6	1,421.4
<b>2007</b>					
Mar.	0.5	1,379.8	9.8	7.1	1,397.2
June	17.3	1,233.8	9.8	5.7	1,266.6
Sep.	1.8	1,161.2	9.6	4.3	1,176.8
Dec.	0.3	1,147.6	7.8	3.3	1,159.0
<b>2008</b>					
Mar.	0.7	1,065.8	7.7	5.4	1,079.5
June	1.8	983.3	7.2	3.1	995.4
Sep.	0.5	922.7	7.1	2.8	933.0
Dec.	3.6	840.7	5.2	1.1	850.6
<b>2009</b>					
Mar.	2.8	807.7	6.3	3.5	820.2

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

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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR thousands

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

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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

	2008						2009		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
<b>NEW BUSINESS<sup>2</sup></b>									
<b>Deposits</b>									
Households and NPISH									
Overnight deposits <sup>4,5</sup>	1.31	1.41	1.38	0.99	0.75	0.57	0.46	0.33	0.34
Savings deposits redeemable at notice <sup>4,6</sup> up to 3 months	3.21	3.27	3.30	2.94	2.70	2.09	1.85	1.75	1.74
Time deposits with agreed maturity									
up to 1 year	4.09	4.15	4.09	3.92	3.40	3.06	2.70	2.02	2.01
over 1 and up to 2 years	4.44	4.33	4.36	4.18	4.30	4.60	3.02	4.17	3.70
over 2 years	4.46	4.61	4.64	4.64	4.67	4.77	4.13	4.57	3.32
Non-financial corporations									
Overnight deposits <sup>4,5</sup>	1.45	1.42	1.31	0.91	0.75	0.64	0.58	0.37	0.33
Time deposits with agreed maturity	4.18	4.20	4.46	4.02	3.60	2.60	2.69	1.75	1.58
<b>Loans</b>									
Households and NPISH									
Overdrafts <sup>4</sup>	7.94	7.98	7.99	7.59	7.19	7.16	6.36	6.18	6.19
Loans									
Lending for house purchase	5.31	5.36	5.44	4.89	4.48	3.84	3.30	3.40	3.46
Consumer credit <sup>8</sup>	7.16	7.17	7.30	6.97	6.93	6.12	5.82	5.66	5.50
Other lending	7.19	7.37	7.31	7.02	6.82	6.44	6.04	5.51	5.58
Non-financial corporations									
Overdrafts <sup>4</sup>	6.51	6.66	6.68	6.21	5.78	5.30	5.03	4.87	4.91
Loans <sup>8</sup>	6.48	6.82	6.66	6.55	6.19	5.50	4.88	5.78	5.64
APRC <sup>7</sup> for loans to households and NPISH									
Lending for house purchase	5.52	5.57	5.68	5.24	4.91	4.35	3.84	3.89	3.89
Consumer credit <sup>8</sup>	7.27	7.33	7.45	7.16	7.03	6.25	5.94	5.81	5.59
<b>OUTSTANDING AMOUNTS<sup>3</sup></b>									
<b>Deposits</b>									
Households and NPISH									
Time deposits with agreed maturity									
up to 2 years	4.09	4.14	4.16	4.13	4.05	3.90	3.78	3.51	3.37
over 2 years	3.05	3.09	3.10	3.11	3.13	3.19	3.17	3.17	3.17
Non-financial corporations									
Time deposits with agreed maturity									
up to 2 years	4.16	4.25	4.32	4.19	3.85	3.39	3.30	2.83	2.85
over 2 years	3.41	3.26	3.25	3.28	3.24	3.26	3.50	3.53	3.52
<b>Loans</b>									
Households and NPISH									
Lending for house purchase	5.44	5.44	5.45	4.99	4.58	4.03	3.78	3.57	3.55
Consumer credit and other lending <sup>9</sup>	7.37	7.38	7.39	6.97	6.60	5.80	5.39	5.57	5.56
Non-financial corporations <sup>9</sup>	6.56	6.57	6.56	6.17	5.82	5.45	5.39	5.03	5.00

<sup>1</sup> Annualised agreed rates (AAR) on euro-denominated loans and deposits vis-à-vis households and non-financial corporations with residents of Malta and other Monetary Union Member States (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.

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

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

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

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

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

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

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

<sup>9</sup> Includes bank overdrafts.

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.17 Monetary financial institutions' interest rates on deposits and loans to euro area residents<sup>1</sup>**

% per annum	2008						2009		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
<b>NEW BUSINESS<sup>2</sup></b>									
<b>Deposits</b>									
Households and NPISH									
Overnight deposits <sup>4,5</sup>	1.30	1.40	1.38	0.98	0.74	0.57	0.46	0.33	0.33
Savings deposits redeemable at notice <sup>4,6</sup>									
up to 3 months	3.21	3.27	3.30	2.94	2.70	2.09	1.85	1.75	1.74
Time deposits with agreed maturity									
up to 1 year	4.09	4.14	4.09	3.92	3.40	3.05	2.70	2.02	2.01
over 1 and up to 2 years	4.44	4.33	4.36	4.18	4.30	4.60	3.02	4.17	3.70
over 2 years	4.46	4.61	4.64	4.64	4.67	4.77	4.13	4.57	3.32
Non-financial corporations									
Overnight deposits <sup>4,5</sup>	1.51	1.54	1.36	0.97	0.80	0.65	0.59	0.38	0.34
Time deposits with agreed maturity	4.61	4.58	4.81	4.66	4.63	2.06	2.87	2.19	1.95
<b>Loans</b>									
Households and NPISH									
Overdrafts <sup>4</sup>	7.94	7.98	7.99	7.59	7.19	7.16	6.36	6.18	6.19
Loans									
Lending for house purchase	5.31	5.36	5.44	4.89	4.48	3.84	3.30	3.40	3.46
Consumer credit <sup>8</sup>	7.16	7.17	7.30	6.97	6.93	6.12	5.82	5.66	5.50
Other lending	7.19	7.37	7.31	7.02	6.82	6.43	6.03	5.51	5.58
Non-financial corporations									
Overdrafts <sup>4</sup>	6.33	6.45	6.50	6.11	5.72	5.14	5.03	4.87	4.91
Loans <sup>8</sup>	6.36	6.59	6.49	6.33	5.79	4.93	4.65	4.81	4.48
APRC <sup>7</sup> for loans to households and NPISH									
Lending for house purchase	5.52	5.57	5.68	5.24	4.91	4.35	3.85	3.89	3.88
Consumer credit <sup>8</sup>	7.27	7.33	7.45	7.16	7.03	6.25	5.94	5.81	5.59
<b>OUTSTANDING AMOUNTS<sup>3</sup></b>									
<b>Deposits</b>									
Households and NPISH									
Time deposits with agreed maturity									
up to 2 years	4.09	4.14	4.16	4.12	4.05	3.89	3.78	3.51	3.37
over 2 years	3.11	3.14	3.15	3.16	3.18	3.24	3.22	3.22	3.22
Non-financial corporations									
Time deposits with agreed maturity									
up to 2 years	4.33	4.44	4.48	4.45	4.13	3.57	3.27	2.70	2.63
over 2 years	3.47	3.43	3.27	3.29	3.26	3.28	3.44	3.46	3.20
<b>Loans</b>									
Households and NPISH									
Lending for house purchase	5.44	5.44	5.45	4.99	4.58	4.03	3.79	3.57	3.55
Consumer credit and other lending <sup>9</sup>	7.37	7.38	7.39	6.97	6.60	5.79	5.39	5.57	5.56
Non-financial corporations <sup>9</sup>	6.30	6.19	6.25	5.97	5.61	5.11	5.05	4.57	4.44

<sup>1</sup> Annualised agreed rates (AAR) on euro-denominated loans and deposits vis-à-vis households and non-financial corporations with residents of Malta and other Monetary Union Member States (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.

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

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

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

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

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

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

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

<sup>9</sup> Includes bank overdrafts.

## Monetary, Banking, Investment Funds and Financial Markets

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

	2005	2006	2007				2008				2009
			Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	
<b>INTEREST RATES (%)<sup>1</sup></b>											
<b>Key ECB interest rates<sup>2</sup></b>											
Marginal lending facility	3.25	4.50	4.75	5.00	5.00	5.00	5.00	5.00	5.25	3.00	2.50
Main refinancing operations - minimum bid rate	2.25	3.50	3.75	4.00	4.00	4.00	4.00	4.00	4.25	2.50	1.50
Deposit facility	1.25	2.50	2.75	3.00	3.00	3.00	3.00	3.00	3.25	2.00	0.50
<b>Money market rates (average for the quarter)</b>											
Overnight deposit (EONIA)	2.09	2.83	3.61	3.86	4.05	3.95	4.05	4.00	4.25	3.15	1.38
Rates for fixed term deposits (EURIBOR)											
1 month	2.14	2.94	3.70	3.96	4.28	4.39	4.23	4.41	4.54	3.89	1.68
3 months	2.18	3.08	3.82	4.06	4.50	4.72	4.48	4.86	4.98	4.21	2.01
6 months	2.23	3.23	3.94	4.19	4.57	4.70	4.48	4.93	5.18	4.28	2.11
1 year	2.33	3.44	4.09	4.38	4.65	4.68	4.48	5.06	5.37	4.35	2.22
<b>Central Bank of Malta<sup>2</sup></b>											
Central intervention rate	3.25	3.75	4.00	4.25	4.25	4.00					
Money market intervention rates:											
Term deposit rate	3.20	3.70	3.95	4.20	4.20	3.95					
Reverse repo rate	3.30#	3.80#	4.05#	4.30#	4.30#	4.05#					
Rate on standby (collateralised) loans	4.25	4.75	5.00	5.25	5.25	5.00					
Rate on overnight deposits	2.25	2.75	3.00	3.25	3.25	3.00					
Remuneration on required reserves	3.00	3.50	3.75	4.00	4.00	4.00					

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

Table 1.19 Other rates and indicators

	2005	2006	2007				2008				2009
			Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	
<b>INTEREST RATES (%)<sup>1</sup></b>											
<b>Other monetary financial institutions<sup>2</sup></b>											
Weighted average deposit rate	2.13	2.37	2.62	2.77	2.90	3.00	2.96	2.95	3.05	2.57	2.12
Current deposits	0.45	0.57	0.69	0.72	0.78	0.78	0.83	0.77	0.84	0.51	0.28
Savings deposits	1.17	1.17	1.41	1.62	1.72	1.73	1.67	1.62	1.72	0.73	0.41
Time deposits	2.97	3.27	3.51	3.69	3.80	3.97	3.92	3.95	4.05	3.74	3.27
Weighted average lending rate	5.48	5.90	6.11	6.34	6.33	6.30	5.96	5.95	6.20	4.96	4.49
Non-financial companies	5.99	6.34	6.57	6.81	6.80	6.74	6.28	6.22	6.52	5.31	4.95
Households and individuals	4.93	5.38	5.54	5.81	5.81	5.80	5.57	5.57	5.80	4.51	3.92
Consumer credit	6.70	7.42	7.13	7.82	7.84	7.84	7.65	7.69	7.94	7.15	5.69
House purchase	4.52	4.95	5.18	5.39	5.39	5.39	5.15	5.13	5.34	3.98	3.51
Other lending	6.09	6.46	6.66	6.83	6.80	6.74	6.49	6.53	6.82	5.54	4.99
<b>Government securities</b>											
Treasury bills (primary market) <sup>3</sup>											
1 month	3.26	3.51	-	4.30	-	4.32	4.18	-	-	-	-
3 month	3.22	3.91	4.18	4.36	4.37	4.35	4.27	4.94	4.75	3.65	2.19
6 month	3.23	4.00	4.24	4.31	4.54	4.54	4.33	5.04	4.81	2.75	2.31
1 year	3.22	4.20	-	4.26	4.53	4.39	-	-	-	-	-
Treasury bills (secondary market)											
1 month	3.20	3.75	3.99	4.30	4.33	4.32	4.24	4.29	4.64	2.64	2.20
3 month	3.22	3.90	4.18	4.36	4.37	4.35	4.27	4.94	4.60	2.64	2.15
6 month	3.27	4.00	4.24	4.47	4.54	4.54	4.33	5.04	4.55	2.65	2.34
1 year	3.32	4.20	4.26	4.70	4.61	4.58	4.51	5.19	4.41	2.73	2.04
<b>Government long-term debt securities (average for the quarter)</b>											
2 year	3.41	3.73	4.26	4.61	4.84	4.58	4.06	4.80	4.93	3.43	2.62
5 year	3.95	3.94	4.27	4.66	4.93	4.65	4.17	4.85	5.04	4.01	3.65
10 year	4.55	4.32	4.37	4.72	4.99	4.82	4.57	4.98	5.15	4.53	4.49
15 year	4.96	4.54	4.51	4.85	5.23	5.11	4.98	5.40	5.38	4.76	4.99
<b>MALTA STOCK EXCHANGE SHARE INDEX</b>	4,981	4,873	4,815	4,809	4,878	4,938	4,650	4,275	3,724	3,208	2,698

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

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

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



## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Outstanding amounts as at end of period					Net issues during period					Net valuation changes
	General government	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	General government	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	
2004	2,935.1	202.4	0.0	619.9	3,757.4	388.4	-5.0	0.0	0.0	383.4	-39.6
2005	3,064.4	160.3	0.0	649.6	3,874.4	129.3	-45.8	0.0	-17.1	66.4	50.6
2006	2,998.1	87.9	17.0	593.0	3,696.0	-66.3	-69.3	17.0	-17.5	-136.1	-42.3
2007	3,116.3	145.0	17.0	625.0	3,903.2	118.2	60.0	0.0	68.1	246.3	-39.1
2008 <sup>2</sup>	3,328.3	172.4	17.0	665.4	4,183.1	211.9	26.0	0.0	22.6	260.5	19.3
<b>2008<sup>2</sup></b>											
Q1	3,102.0	139.2	17.0	603.6	3,861.7	-14.4	-4.0	0.0	-0.1	-18.5	-23.0
Q2	3,271.5	139.3	17.0	604.7	4,032.6	169.6	0.0	0.0	0.0	169.6	1.3
Q3	3,317.9	171.7	17.0	659.2	4,165.7	46.3	30.0	0.0	25.2	101.6	31.5
Q4	3,328.3	172.4	17.0	665.4	4,183.1	10.4	0.0	0.0	-2.6	7.9	9.5
<b>2009<sup>2</sup></b>											
Q1	3,450.3	173.6	17.0	565.8	4,206.6	122.0	0.0	0.0	-114.3	7.7	15.9

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

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	
2004	1,347.6	115.8	651.2	2,114.5	0.0	0.0	0.0	0.0	640.9
2005	2,525.5	147.9	800.8	3,474.2	2.2	0.0	20.0	22.2	1,337.5
2006	2,474.5	183.0	758.2	3,415.7	0.8	0.0	53.3	54.1	-112.7
2007	2,520.0	170.1	1,163.9	3,854.0	9.9	0.0	387.3	397.2	41.2
2008 <sup>2</sup>	1,495.2	90.0	981.4	2,566.7	2.1	0.0	38.2	40.3	-1,327.6
<b>2008<sup>2</sup></b>									
Q1	2,267.9	158.0	1,192.0	3,618.0	0.1	0.0	27.0	27.1	-263.1
Q2	2,066.2	119.6	1,214.0	3,399.8	0.8	0.0	11.2	12.0	-230.2
Q3	1,724.2	102.8	1,152.3	2,979.3	1.2	0.0	0.0	1.2	-421.7
Q4	1,495.2	90.0	981.4	2,566.7	0.0	0.0	0.0	0.0	-412.6
<b>2009<sup>2</sup></b>									
Q1	1,204.3	87.5	876.5	2,168.4	0.0	0.0	1.1	1.2	-399.5

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

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

Source: MSE.

## Government Finance

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

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+) <sup>2</sup>
	Current	Capital	Total	Current	Capital	Total		
2003	1,640.2	23.6	1,663.8	1,746.3	349.8	2,096.1	-432.2	-282.7
2004	1,745.1	89.4	1,834.6	1,843.3	203.8	2,047.1	-212.6	-48.5
2005	1,835.0	173.0	2,008.1	1,909.9	236.0	2,145.9	-137.8	40.0
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	72.8	2,201.2	2,108.1	212.6	2,320.7	-119.5	62.5
2008	2,259.0	40.6	2,299.6	2,374.3	191.8	2,566.1	-266.5	-78.7
<b>2008</b>								
Q1	538.3	4.1	542.4	573.9	74.6	648.5	-106.0	-64.0
Q2	546.9	11.4	558.3	596.6	30.8	627.4	-69.1	-22.3
Q3	561.9	12.5	574.3	575.7	44.5	620.3	-45.9	-1.2
Q4	612.0	12.6	624.6	628.0	41.9	670.0	-45.4	8.7
<b>2009</b>								
Q1	536.3	11.5	547.8	570.0	27.5	597.6	-49.8	-6.0

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

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden <sup>3</sup>
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2003	519.6	566.1	349.6	82.1	110.0	12.8	1640.2	6.2	17.4	23.6	1,663.8	1441.6
2004	502.4	657.9	360.3	99.9	98.2	26.4	1745.1	9.4	80.1	89.4	1,834.6	1529.9
2005	559.5	718.2	380.2	93.7	69.5	14.0	1835.0	17.5	155.5	173.0	2,008.1	1675.3
2006	609.8	759.3	389.8	95.5	63.5	19.0	1936.7	14.7	153.4	168.0	2,104.7	1773.4
2007	726.0	801.3	398.3	108.7	72.7	21.4	2128.3	15.7	57.2	72.8	2,201.2	1941.3
2008	742.8	833.9	432.0	154.1	71.1	25.1	2259.0	15.1	25.6	40.6	2,299.6	2023.7
<b>2008</b>												
Q1	146.3	190.5	109.8	42.3	45.4	4.0	538.3	2.7	1.5	4.1	542.4	449.3
Q2	190.7	199.0	104.3	38.7	8.6	5.7	546.9	3.8	7.6	11.4	558.3	497.8
Q3	190.8	225.2	97.3	34.8	8.6	5.1	561.9	3.6	8.8	12.5	574.3	516.9
Q4	215.0	219.2	120.6	38.4	8.5	10.3	612.0	4.9	7.7	12.6	624.6	559.7
<b>2009</b>												
Q1	177.6	174.1	112.6	28.6	40.4	3.1	536.3	3.0	8.5	11.5	547.8	467.2

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

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

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

Sources: Eurostat; NSO.

## Government Finance

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

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total <sup>2</sup>	
2003	647.2	580.3	149.6	220.8	95.6	52.8	1,746.3	206.8	139.4	349.8	2,096.1
2004	658.5	599.0	164.1	249.6	86.0	86.1	1,843.3	177.7	34.8	203.8	2,047.1
2005	668.3	642.2	177.8	240.2	101.2	80.1	1,909.9	233.9	40.8	236.0	2,145.9
2006	678.4	665.9	179.7	292.5	109.4	78.2	2,004.2	211.9	37.6	231.2	2,235.3
2007	707.8	718.1	182.0	291.8	114.7	93.7	2,108.1	215.9	29.9	212.6	2,320.7
2008	829.0	757.4	187.8	386.1	123.9	90.0	2,374.3	152.5	34.9	191.8	2,566.1
<b>2008</b>											
Q1	198.5	170.1	42.1	92.5	44.0	26.7	573.9	53.4	13.8	74.6	648.5
Q2	198.8	196.6	46.8	94.5	42.2	17.6	596.6	31.0	7.3	30.8	627.4
Q3	211.7	178.3	44.8	96.5	23.2	21.3	575.7	33.4	6.0	44.5	620.3
Q4	219.9	212.5	54.1	102.6	14.5	24.4	628.0	34.7	7.9	41.9	670.0
<b>2009</b>											
Q1	219.5	179.4	43.8	79.9	20.9	26.5	570.0	23.8	5.2	27.5	597.6

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

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

Sources: Eurostat; NSO.

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

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2003	276.4	38.3	75.6	412.3	60.7	43.9	263.7	29.0	273.2	623.0	2,096.1
2004	337.7	44.7	75.3	278.9	62.4	40.8	274.3	32.6	261.0	639.4	2,047.1
2005	323.4	44.9	76.3	301.3	70.3	40.5	309.2	31.3	272.2	676.5	2,145.9
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	348.6	38.8	81.1	324.3	82.7	39.0	318.7	31.7	299.0	757.0	2,320.7

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

Sources: Eurostat; NSO.

## Government Finance

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

Period	Financial assets					Financial liabilities					Net financial worth	
	Currency and deposits	Securities other than shares	Loans	Shares and other equity	Other accounts receivable	Total	Currency and deposits	Securities other than shares	Loans	Other accounts payable		Total
2004	277.1	0.0	43.0	1022.1	163.4	1,505.6	0.0	3,204.7	322.0	209.0	3,735.8	- 2,230.2
2005	350.8	0.0	29.1	1114.9	217.4	1,712.3	0.0	3,420.9	297.8	280.1	3,998.8	- 2,286.5
2006	388.6	0.0	26.3	840.3	208.0	1,463.3	0.0	3,297.4	263.0	306.1	3,866.5	- 2,403.2
2007	427.5	0.0	27.1	819.5	284.3	1,558.4	8.3	3,311.8	263.3	347.0	3,930.3	- 2,371.9
2008	338.8	0.8	26.3	724.8	321.6	1,412.3	31.2	3,665.6	277.7	360.6	4,335.1	- 2,922.8
<b>2008</b>												
Mar.	175.6	0.6	27.5	795.8	407.3	1,406.9	23.3	3,325.8	263.9	379.0	3,992.0	- 2,585.1
June	280.6	0.6	27.5	767.3	420.2	1,496.1	26.7	3,389.1	269.4	393.0	4,078.2	- 2,582.1
Sep.	311.2	1.7	27.5	736.3	386.2	1,463.0	29.6	3,484.3	274.9	407.0	4,195.8	- 2,732.8
Dec.	338.8	0.8	26.3	724.8	321.6	1,412.3	31.2	3,665.6	277.7	360.6	4,335.1	- 2,922.8
<b>2009</b>												
Mar.	176.3	2.4	25.3	695.6	483.6	1,383.2	32.7	3,722.7	231.5	337.3	4,324.1	- 2,940.9

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

## Government Finance

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

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other <sup>2</sup>	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2003	469.6	-432.2	155.8	-58.3	0.0	2.6	-6.7	-56.1	37.4
2004	210.1	-212.6	-1.9	-5.5	0.0	-1.4	-13.9	20.3	-2.4
2005	106.0	-137.8	74.9	0.0	0.0	-55.4	-26.6	-24.8	-31.8
2006	-101.7	-130.6	38.3	-2.8	0.0	-219.4	-1.4	-47.0	-232.3
2007	125.6	-119.5	32.6	0.8	0.0	-32.1	-14.4	19.1	6.1
2008	249.3	-266.5	-90.8	-0.8	-0.1	-5.1	21.0	58.7	-17.1
<b>2008</b>									
Q1	1.9	-106.0	-253.5	0.4	-0.1	-8.2	37.1	120.1	-104.2
Q2	177.9	-69.1	104.7	-0.1	-0.1	1.5	-12.5	15.2	108.8
Q3	55.3	-45.9	30.5	0.0	1.0	1.5	18.4	-42.2	9.3
Q4	14.3	-45.4	27.5	-1.2	-0.9	0.1	-22.1	-34.4	-31.1
<b>2009</b>									
Q1	78.2	-49.8	-162.7	-1.0	1.6	1.6	18.6	170.3	28.4

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

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

Source: Eurostat.

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

Period	Coins issued	Debt securities			Loans			Total general government debt <sup>1</sup>	Government guaranteed debt <sup>2</sup>
		Short-term	Long-term	Total	Short- term	Long-term	Total		
2003	-	541.1	2,112.9	2,654.0	131.5	253.7	385.3	3,039.2	527.2
2004	-	571.5	2,355.8	2,927.3	84.5	237.5	322.0	3,249.3	609.3
2005	-	443.1	2,614.4	3,057.5	76.8	221.1	297.8	3,355.3	631.3
2006	-	373.8	2,617.4	2,991.2	24.5	238.0	262.5	3,253.7	580.7
2007	8.3	354.9	2,753.3	3,108.3	25.2	237.5	262.7	3,379.2	628.4
2008	31.2	365.8	2,954.4	3,320.2	65.4	211.8	277.2	3,628.6	703.7
<b>2008</b>									
Mar.	23.3	340.6	2,753.4	3,093.9	45.1	218.8	263.9	3,381.1	661.7
June	26.7	419.7	2,843.8	3,263.5	50.0	218.8	268.8	3,559.0	662.2
Sep.	29.6	408.6	2,901.2	3,309.8	56.9	218.0	274.9	3,614.3	665.5
Dec.	31.2	365.8	2,954.4	3,320.2	65.4	211.8	277.2	3,628.6	703.7
<b>2009</b>									
Mar.	32.7	542.6	2,900.0	3,442.6	19.5	212.0	231.5	3,706.8	762.8

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

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

Sources: Eurostat; NSO.

## Government Finance

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

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs	Others <sup>2</sup>	Total	MFIs	Others <sup>2</sup>	Total
2003	1,660.0	1,415.5	289.8	1,705.3	461.8	79.2	541.1
2004	1,387.7	1,170.0	248.1	1,418.1	466.7	104.8	571.5
2005	1,204.7	831.0	245.3	1,076.3	351.5	91.5	443.0
2006	992.0	522.5	400.2	922.7	249.7	124.2	373.9
<b>2007</b>							
Jan.	39.1	7.0	3.3	10.3	247.4	97.6	345.0
Feb.	118.0	113.0	32.7	145.6	281.2	91.5	372.7
Mar.	76.2	88.5	14.9	103.5	330.5	69.4	399.9
Apr.	12.5	38.4	25.9	64.3	364.9	86.8	451.7
May	139.1	62.9	34.2	97.1	322.4	87.2	409.7
June	134.1	136.3	45.2	181.5	363.0	94.0	457.0
July	139.7	75.7	54.6	130.3	349.3	98.3	447.6
Aug.	118.3	44.3	11.6	55.8	284.4	100.7	385.2
Sep.	95.9	60.6	18.4	79.0	261.9	106.3	368.2
Oct.	117.9	114.1	12.8	127.0	315.6	61.7	377.3
Nov.	91.6	66.7	26.7	93.3	299.8	79.2	379.0
Dec.	47.0	16.3	6.7	23.0	278.6	76.3	354.9
<b>2008</b>							
Jan.	59.9	0.0	6.1	6.1	231.3	69.8	301.1
Feb.	57.4	45.0	39.8	84.8	247.9	80.6	328.5
Mar.	61.8	41.0	32.9	73.9	232.1	108.5	340.6
Apr.	95.9	45.0	62.0	107.0	211.6	140.0	351.6
May	94.3	53.5	51.1	104.6	212.3	146.8	359.1
June	48.4	46.0	63.0	109.0	226.5	193.2	419.7
July	65.9	27.7	54.9	82.6	236.0	200.4	436.4
Aug.	129.9	17.0	89.0	106.0	167.1	245.4	412.5
Sep.	96.1	2.0	90.2	92.2	141.5	267.1	408.6
Oct.	130.5	18.0	85.2	103.2	117.2	264.0	381.2
Nov.	99.2	15.0	61.5	76.5	94.8	263.7	358.5
Dec.	79.7	39.0	48.0	87.0	126.4	239.5	365.8
<b>2009</b>							
Jan.	63.5	68.0	51.1	119.1	172.8	248.5	421.4
Feb.	97.8	84.0	67.3	151.3	227.6	247.4	475.0
Mar.	88.0	66.0	89.7	155.7	286.2	256.4	542.6

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

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

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

Sources: Central Bank of Malta; The Treasury.

## Government Finance

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

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding <sup>3</sup>
				OMFIs	Others <sup>2</sup>	MFIs	Others <sup>2</sup>	
03/10/2008	03/04/2009	4.552	N/A <sup>4</sup>	18.0	24.2	23.6	18.5	42.2
09/01/2009	09/04/2009	2.659	2.215	20.0	9.9	20.4	9.5	29.9
16/01/2009	17/04/2009	2.630	2.214	14.0	6.1	14.0	6.1	20.1
23/01/2009	24/04/2009	2.473	2.211	9.0	7.5	10.9	5.6	16.5
30/01/2009	30/04/2009	2.422	2.209	21.0	18.0	21.0	18.0	39.0
06/02/2009	08/05/2009	2.405	2.206	8.0	30.6	8.0	30.6	38.6
13/02/2009	15/05/2009	2.313	2.203	18.0	3.3	18.2	3.1	21.3
21/11/2008	22/05/2009	3.693	2.200	0.0	2.8	0.0	2.8	2.8
20/02/2009	22/05/2009	2.319	2.200	17.0	19.0	17.4	18.6	36.0
27/02/2009	29/05/2009	2.359	2.198	20.0	6.1	20.1	6.0	26.1
05/12/2008	05/06/2009	3.637	2.195	6.0	2.9	5.8	3.1	8.9
06/03/2009	05/06/2009	2.399	2.195	17.0	44.7	17.0	44.7	61.7
13/03/2009	12/06/2009	2.283	2.192	9.0	20.8	9.3	20.5	29.8
19/12/2008	19/06/2009	2.750	2.190	5.0	0.0	5.0	0.0	5.0
20/03/2009	19/06/2009	2.186	2.190	11.0	10.2	11.0	10.2	21.2
29/12/2008	26/06/2009	2.637	2.187	18.0	2.4	18.0	2.4	20.4
05/01/2009	03/07/2009	2.653	2.192	4.0	9.5	4.0	9.5	13.5
10/10/2008	10/07/2009	4.709	2.201	0.0	20.4	0.1	20.3	20.4
06/02/2009	07/08/2009	2.232	2.240	21.0	8.3	21.0	8.3	29.3
28/11/2008	28/08/2009	3.708	2.270	12.0	4.9	12.2	4.7	16.9
06/03/2009	04/09/2009	2.468	2.280	6.0	4.0	6.0	4.0	10.0
27/03/2009	25/09/2009	2.313	2.309	23.0	10.0	23.0	10.0	33.0
<b>Total</b>				<b>277.0</b>	<b>265.6</b>	<b>286.2</b>	<b>256.4</b>	<b>542.6</b>

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

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

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

Sources: Central Bank of Malta; The Treasury.

## Government Finance

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

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price <sup>4</sup>	ISMA Yield (%)	Interest dates	Held by		Amount
						Resident MFIs	Others	
7.00	2009 (I) <sup>2</sup>	1999	100	N/A <sup>5</sup>	30/06 - 30/12	0.0	0.2	0.2
5.90	2009 (II)	1999	100	N/A <sup>5</sup>	01/03 - 01/09	50.2	8.0	58.2
5.90	2010 (I)	1999	100	2.26	19/05 - 19/11	29.7	5.3	34.9
5.75	2010 (II) <sup>3</sup>	2000	100	2.14	10/06 - 10/12	39.2	3.9	43.1
7.00	2010 (III) <sup>2</sup>	2000	100	2.16	30/06 - 30/12	0.0	1.3	1.3
5.40	2010 (IV) <sup>3</sup>	2003/2004	100/104.5	2.16	21/02 - 21/08	59.0	52.8	111.8
7.50	2011 (I)	1996	100	2.61	28/03 - 28/09	19.4	15.5	34.9
6.25	2011 (II) <sup>3</sup>	2001	100	2.32	01/02 - 01/08	50.8	42.3	93.2
7.00	2011 (III) <sup>2</sup>	2002	100	2.74	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	2.92	24/05 - 24/11	38.1	42.3	80.4
7.00	2012 (II) <sup>2</sup>	2002	100	3.21	30/06 - 30/12	0.0	0.4	0.4
5.70	2012 (III) <sup>3</sup>	2005/2007	100 / 102.75 / 103.85/105.95/ 108/108.5/109.7	3.08	30/03 - 30/09	287.5	141.4	428.9
7.80	2013 (I)	1997	100	3.48	18/04 - 18/10	40.6	39.2	79.8
6.35	2013 (II) <sup>3</sup>	2001	100	3.36	19/05 - 19/11	6.9	53.7	60.6
7.00	2013 (III) <sup>2</sup>	2003	100	3.54	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV) <sup>3</sup>	2009	100	N/A <sup>5</sup>	18/04 - 18/10	39.7	19.4	59.0
6.60	2014 (I) <sup>3</sup>	2000	100	3.61	30/03 - 30/09	5.3	19.1	24.5
6.45	2014 (II) <sup>3</sup>	2001	100	3.81	24/05 - 24/11	21.2	48.7	69.9
5.10	2014 (III) <sup>3</sup>	03/04/06/07/08	100/103.25/	3.69	06/01 - 06/07	148.5	240.4	388.9
7.00	2014 (IV) <sup>2</sup>	2004	100	3.84	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I) <sup>3</sup>	2000	100	3.95	10/06 - 10/12	27.1	42.8	69.9
5.90	2015 (II) <sup>3</sup>	02/03/07	100/102/105	4.02	09/04 - 09/10	28.2	88.3	116.5
7.00	2015 (III) <sup>2</sup>	2005	100	4.07	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV) <sup>2</sup>	2005	100	4.07	03/05 - 03/11	0.0	0.8	0.8
6.65	2016 (I)	2001	100	4.11	28/03 - 28/09	10.1	59.8	69.9
4.80	2016 (II) <sup>3</sup>	03/04/06	100/101/104	4.24	26/05 - 26/11	61.4	124.9	186.4
7.00	2016 (III) <sup>2</sup>	2006	100	4.26	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I) <sup>2</sup>	2007	100	4.42	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II) <sup>2</sup>	2007	100	4.42	30/06 - 30/12	0.0	10.3	10.3
7.80	2018 (I)	1998	100	4.48	15/01 - 15/07	76.2	86.9	163.1
7.00	2018 (II) <sup>2</sup>	2008	100	4.52	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III) <sup>2</sup>	2008	100	4.52	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	4.57	01/03 - 01/09	37.7	64.8	102.5
5.20	2020 (I) <sup>3</sup>	2007	100	4.64	10/06 - 10/12	3.2	23.6	26.9
5.00	2021 (I) <sup>3</sup>	04/05/07/08	98.5/100	4.76	08/02 - 08/08	95.7	294.0	389.7
5.00	2021 (I) <sup>3</sup>	2009	100	4.76	08/02 - 08/08	3.2	32.8	36.0
5.10	2022 (I) <sup>3</sup>	2004	100	4.85	16/02 - 16/08	5.3	65.7	71.0
5.50	2023 (I) <sup>3</sup>	2003	100	4.93	06/01 - 06/07	14.2	64.6	78.8
Total						1,198.3	1,709.4	2,907.7

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

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

<sup>3</sup> Fungible issue, that is, the Accountant General reserves the right to issue, in future, additional amounts of the present stock. In the event of such future issues, these would be amalgamated with the existing stock.

<sup>4</sup> The price for new issues prior to 2008 is denominated in Maltese lira.

<sup>5</sup> 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.



## Government Finance

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

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2003	103.8	487.8	723.3	630.6	181.3	2,126.8
2004	128.1	567.9	797.5	627.1	243.0	2,363.6
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
<b>2007</b>						
Mar.	163.1	620.8	1,168.9	522.5	149.8	2,625.0
June	150.8	902.0	866.7	592.8	78.8	2,591.1
Sep.	151.0	963.3	879.0	630.6	78.7	2,702.6
Dec.	93.2	1,037.4	889.6	662.5	78.8	2,761.4
<b>2008</b>						
Mar.	301.3	829.2	889.6	662.5	78.8	2,761.4
June	69.9	1,037.3	950.8	715.0	78.8	2,851.8
Sep.	208.2	829.1	1,219.5	652.5	0.0	2,909.3
Dec.	208.2	969.7	1,115.7	668.9	0.0	2,962.5
<b>2009</b>						
Mar.	58.4	1,053.2	1,091.2	704.9	0.0	2,907.7

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2003	2.0	177.8	1.1	16.4	0.0	3.1	200.3
2004	1.1	168.6	0.0	12.3	0.4	1.8	184.2
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008 <sup>3</sup>	1.5	115.2	0.4	1.1	0.0	0.9	119.1
<b>2007</b>							
Mar.	0.0	131.8	1.0	5.4	0.0	1.2	139.4
June	0.2	130.4	1.0	4.5	0.0	1.1	137.2
Sep.	0.2	127.8	0.9	4.1	0.0	1.1	134.1
Dec.	0.1	126.6	0.0	3.2	0.0	1.0	131.0
<b>2008<sup>3</sup></b>							
Mar.	0.9	123.2	0.0	2.8	0.0	0.9	128.0
June	0.8	122.1	0.0	2.2	0.0	0.9	125.9
Sep.	1.5	118.9	1.0	1.2	0.0	0.9	123.5
Dec.	1.5	115.2	0.4	1.1	0.0	0.9	119.1

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

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

<sup>3</sup> Provisional.

## Exchange Rates, External Transactions and Positions

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

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

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

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

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

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

## Exchange Rates, External Transactions and Positions

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.2630	0.7048	135.05	1.5579	1.6802	1.6234
2004	1.3621	0.7051	139.65	1.5429	1.7459	1.6416
2005	1.1797	0.6853	138.90	1.5551	1.6109	1.3725
2006	1.3170	0.6715	156.93	1.6069	1.6691	1.5281
2007	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2008	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
<b>2008</b>						
Jan.	1.4870	0.7477	157.93	1.6051	1.6682	1.4846
Feb.	1.5167	0.7652	158.03	1.5885	1.6226	1.4895
Mar.	1.5812	0.7958	157.37	1.5738	1.7334	1.6226
Apr.	1.5540	0.7902	162.62	1.6147	1.6614	1.5689
May	1.5508	0.7860	163.74	1.6276	1.6212	1.5382
June	1.5764	0.7923	166.44	1.6056	1.6371	1.5942
July	1.5611	0.7890	169.02	1.6354	1.6545	1.5970
Aug.	1.4735	0.8050	160.22	1.6164	1.7066	1.5510
Sep.	1.4303	0.7903	150.47	1.5774	1.7739	1.4961
Oct.	1.2757	0.7869	124.97	1.4686	1.9247	1.5681
Nov.	1.2727	0.8299	121.46	1.5455	1.9533	1.5775
Dec.	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
<b>2009</b>						
Jan.	1.2816	0.8979	114.98	1.4871	2.0115	1.5895
Feb.	1.2644	0.8931	123.23	1.4841	1.9891	1.5985
Mar.	1.3308	0.9308	131.17	1.5152	1.9216	1.6685

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

Source: ECB.

## Exchange Rates, External Transactions and Positions

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.1312	0.6920	130.97	1.5212	1.7379	1.5817
2004	1.2439	0.6787	134.44	1.5438	1.6905	1.6167
2005	1.2441	0.6838	136.85	1.5483	1.6320	1.5087
2006	1.2556	0.6817	146.02	1.5729	1.6668	1.4237
2007	1.3705	0.6843	161.25	1.6427	1.6348	1.4678
2008	1.4708	0.7963	152.45	1.5874	1.7416	1.5594
<b>2008</b>						
Jan.	1.4718	0.7473	158.68	1.6203	1.6694	1.4862
Feb.	1.4748	0.7509	157.97	1.6080	1.6156	1.4740
Mar.	1.5527	0.7749	156.59	1.5720	1.6763	1.5519
Apr.	1.5750	0.7949	161.56	1.5964	1.6933	1.5965
May	1.5557	0.7921	162.31	1.6247	1.6382	1.5530
June	1.5553	0.7915	166.26	1.6139	1.6343	1.5803
July	1.5770	0.7931	168.45	1.6193	1.6386	1.5974
Aug.	1.4975	0.7928	163.63	1.6212	1.6961	1.5765
Sep.	1.4369	0.7992	153.20	1.5942	1.7543	1.5201
Oct	1.3322	0.7867	133.52	1.5194	1.9345	1.5646
Nov	1.2732	0.8306	123.28	1.5162	1.9381	1.5509
Dec	1.3449	0.9045	122.51	1.5393	2.0105	1.6600
<b>2009</b>						
Jan.	1.3239	0.9182	119.73	1.4935	1.9633	1.6233
Feb.	1.2785	0.8869	118.30	1.4904	1.9723	1.5940
Mar.	1.3050	0.9197	127.65	1.5083	1.9594	1.6470

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

Source: ECB.

## Exchange Rates, External Transactions and Positions

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

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit			
2003	2,271.2	2,836.3	1,275.1	785.4	793.9	816.3	178.2	217.0	-136.5	16.6	1.2
2004 <sup>2</sup>	2,188.2	2,881.5	1,368.9	849.2	783.1	826.6	185.1	233.8	-265.6	69.8	3.1
2005 <sup>2</sup>	2,083.2	2,987.5	1,617.2	969.5	973.9	1,173.5	277.5	241.6	-420.4	165.9	10.2
2006 <sup>2</sup>	2,335.4	3,301.5	2,117.0	1,403.9	1,463.1	1,675.6	420.6	427.0	-472.0	158.3	5.2
2007 <sup>2</sup>	2,406.8	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 <sup>2</sup>	2,077.4	3,250.9	2,537.2	1,546.0	2,197.3	2,366.1	800.9	766.8	-317.0	32.1	4.6
<b>2008<sup>2</sup></b>											
Q1	556.1	804.7	532.2	354.6	479.2	482.5	129.7	89.1	-33.8	4.5	1.1
Q2	521.1	854.1	645.4	415.1	519.2	620.1	459.4	398.4	-142.5	8.9	0.8
Q3	507.7	825.4	800.7	367.0	642.7	681.9	148.6	138.1	87.3	7.2	1.1
Q4	492.5	766.6	558.9	409.3	556.2	581.6	63.2	141.1	-228.0	11.6	1.6
<b>2009<sup>2</sup></b>											
Q1	360.1	552.9	513.0	338.7	475.2	636.5	132.9	143.0	-189.8	2.2	0.9

EUR millions

Period	Financial account <sup>1</sup>									Errors & omissions	
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets		Total
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2003	-482.7	850.4	-1,378.0	-16.7	-4.2	25.2	-53.6	1,283.1	-127.5	96.0	25.1
2004 <sup>2</sup>	-6.0	317.9	-1,684.8	3.8	-13.8	-0.2	-1,024.8	2,387.1	161.1	140.3	58.8
2005 <sup>2</sup>	16.6	543.5	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	299.8	-35.1
2006 <sup>2</sup>	-23.9	1,492.0	-1,965.1	-15.3	40.5	-15.6	-3,325.1	4,208.6	-83.0	313.2	5.7
2007 <sup>2</sup>	-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 <sup>2</sup>	-189.5	600.3	200.9	171.7	3.2	-346.2	-4,403.5	4,135.2	108.7	280.8	8.6
<b>2007<sup>2</sup></b>											
Q1	7.0	136.8	-133.0	0.1	-5.0	10.4	-2,096.4	2,101.9	143.3	165.1	-74.1
Q2	-6.0	202.7	-418.7	-4.8	22.3	3.8	-2,742.4	2,922.0	77.6	56.4	43.7
Q3	-1.9	324.3	782.5	-1.8	-6.6	52.4	-2,063.6	884.4	-73.7	-104.0	26.9
Q4	-21.7	31.4	136.2	7.6	-145.2	188.2	-690.3	1,001.8	-473.6	34.2	179.7
<b>2008<sup>2</sup></b>											
Q1	-50.1	102.9	-10.1	9.4	-40.0	-87.2	-1,659.5	1,840.0	-69.4	35.9	-5.5
Q2	-38.8	125.4	-1,478.1	62.6	88.6	20.1	-1,737.5	3,162.1	46.1	250.4	-116.1
Q3	-57.4	118.5	-965.7	98.1	-19.1	2.5	-1,765.8	2,306.8	42.3	-239.8	146.4
Q4	-43.2	253.5	2,654.9	1.7	-26.3	-281.6	759.3	-3,173.7	89.7	234.3	-16.3
<b>2009<sup>2</sup></b>											
Q1	-15.7	256.2	288.4	1.8	-80.1	-48.5	1,540.1	-1,578.8	-9.4	354.0	-165.4

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets <sup>2</sup>	
2003	1.4	35.4	47.8	1,587.7	524.2	3.7	2,200.3
2004	1.4	35.5	46.5	930.9	1,014.3	0.1	2,028.8
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
<b>2008<sup>3</sup></b>							
Jan.	3.7	40.8	43.5	152.4	135.1	5.5	380.9
Feb.	3.8	40.7	42.7	177.9	132.0	10.4	407.4
Mar.	3.5	39.9	41.9	203.9	120.7	22.4	432.4
Apr.	3.3	40.1	42.1	179.6	118.4	9.0	392.5
May	3.4	40.5	42.0	318.6	123.5	1.4	529.4
June	3.5	40.2	41.7	170.5	124.4	5.4	385.6
July	3.5	40.3	41.9	188.9	121.6	-3.0	393.1
Aug.	3.4	41.8	42.8	154.2	122.0	-10.8	353.4
Sep.	3.7	42.8	43.8	153.8	111.2	-6.2	349.1
Oct.	3.4	13.2	47.0	118.6	95.1	-6.2	271.1
Nov.	3.8	13.6	47.0	128.3	82.0	-4.3	270.3
Dec.	3.7	12.9	44.6	107.5	88.7	10.9	268.3
<b>2009<sup>3</sup></b>							
Jan.	4.2	13.6	46.9	114.7	99.3	-12.4	266.3
Feb.	4.4	13.7	46.7	37.3	117.3	-12.4	206.9
Mar.	10.6	13.2	45.2	56.5	161.3	11.2	297.9

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

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

<sup>3</sup> Provisional.

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

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2003	736.8	2,617.6	5,600.6	329.2	4.2	25.2	5,803.4	9,589.5	2,200.3	1,783.7
2004 <sup>1</sup>	823.1	2,981.7	7,144.4	354.6	10.7	38.1	6,745.2	11,563.0	2,029.1	1,815.0
2005 <sup>1</sup>	840.5	3,645.5	10,053.9	413.0	42.3	44.2	9,595.9	16,839.5	2,188.9	1,779.4
2006 <sup>1</sup>	873.5	4,994.2	11,371.0	408.1	34.4	49.3	12,350.8	19,999.3	2,240.6	1,419.4
2007 <sup>1</sup>	841.7	5,613.1	10,695.8	406.9	106.8	79.1	19,393.1	26,332.1	2,561.4	1,167.8

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

Table 3.6 Gross external debt by sector, maturity and instrument

End of period	General government			Other sectors <sup>1</sup>			Direct investment vis-à-vis:			Total gross external debt (a+b+c)		Memo item: MFIs <sup>2</sup>	
	Short-term	Long-term	Total (a)	Short-term	Long-term	Total (b)	Affiliated enterprises	Direct investors	Total (c)	Short-term	Long-term	Total	
													Total
2003 <sup>3</sup>	10.1	203.3	213.4	214.8	506.3	721.1	12.1	263.7	275.8	5,514.3	3,433.1	8,947.4	
2004 <sup>3</sup>	16.1	186.7	202.8	291.7	466.9	758.6	23.1	297.7	320.8	9,466.6	1,370.2	10,836.8	
2005 <sup>3</sup>	7.0	173.8	180.8	502.8	586.5	1,089.3	74.9	439.5	514.4	13,555.4	2,244.1	15,799.5	
2006 <sup>3</sup>	7.6	145.9	153.5	487.6	549.3	1,036.9	72.3	812.1	884.4	14,114.4	4,880.0	18,994.5	
2007 <sup>3</sup>	4.8	126.9	131.7	585.4	576.5	1,161.9	54.8	901.3	956.1	18,226.5	6,171.1	24,397.6	
2008 <sup>3</sup>	83.7	208.9	292.6	726.1	505.5	1,231.6	74.8	1,124.5	1,199.3	23,949.6	5,231.7	29,181.3	
<b>2007<sup>3</sup></b>													
Mar.	4.7	143.2	147.9	484.2	556.2	1,040.4	68.9	859.6	928.5	16,265.9	4,228.0	20,493.9	
June	3.3	140.8	144.1	502.3	550.5	1,052.8	70.6	863.4	934.0	18,422.6	4,655.7	23,078.3	
Sep.	1.8	137.7	139.5	545.8	568.8	1,114.6	74.1	877.1	951.2	16,967.6	6,660.0	23,647.6	
Dec.	4.8	126.9	131.7	585.4	576.5	1,161.9	54.8	901.3	956.1	18,226.5	6,171.1	24,397.6	
<b>2008<sup>3</sup></b>													
Mar.	15.0	133.7	148.7	637.1	622.0	1,259.1	62.3	979.7	1,042.0	18,725.8	6,147.6	24,873.4	
June	45.8	153.7	199.5	667.7	503.0	1,170.7	62.2	1,054.7	1,116.9	21,528.8	6,652.6	28,181.4	
Sep.	76.0	202.6	278.6	720.7	511.0	1,231.7	65.0	1,099.1	1,164.1	23,266.4	9,473.9	32,740.3	
Dec.	83.7	208.9	292.6	726.1	505.5	1,231.6	74.8	1,124.5	1,199.3	23,949.6	5,231.7	29,181.3	
<b>2009<sup>3</sup></b>													
Mar.	76.0	204.7	280.7	669.0	501.9	1,170.9	80.0	1,149.3	1,229.3	23,346.8	4,672.9	28,019.7	

<sup>1</sup> Comprising the non-monetary financial institutions, insurance companies and pension funds, non-financial corporations and NPISH.

<sup>2</sup> The debt of the MFIs is fully backed by foreign assets.

<sup>3</sup> Provisional.

## Exchange Rates, External Transactions and Positions

**Table 3.7 Malta's foreign trade**

*EUR millions*

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2003	2162.4	2984.4	-822.0
2004 <sup>2</sup>	2112.3	3328.5	-1216.2
2005 <sup>2</sup>	1959.1	3117.2	-1158.1
2006 <sup>2</sup>	2256.8	3487.9	-1231.1
2007 <sup>2</sup>	2287.4	3579.3	-1291.9
2008 <sup>2</sup>	2031.3	3420.2	-1388.9
<b>2007<sup>2</sup></b>			
Jan.	163.3	243.2	-79.9
Feb.	160.4	247.7	-87.3
Mar.	212.0	371.1	-159.1
Apr.	168.8	263.6	-94.8
May	204.8	280.9	-76.1
June	201.3	350.1	-148.8
July	199.3	332.5	-133.2
Aug.	166.9	261.3	-94.4
Sep.	182.6	268.0	-85.4
Oct.	191.4	365.5	-174.1
Nov.	194.1	295.8	-101.7
Dec.	242.5	299.6	-57.1
<b>2008<sup>2</sup></b>			
Jan.	180.1	282.0	-101.9
Feb.	167.4	269.6	-102.2
Mar.	181.6	278.3	-96.7
Apr.	165.9	329.9	-164.0
May	162.1	274.0	-111.9
June	172.9	283.4	-110.5
July	173.7	335.8	-162.1
Aug.	149.2	255.4	-106.2
Sep.	181.6	315.0	-133.4
Oct.	187.7	275.9	-88.2
Nov.	145.8	248.4	-102.6
Dec.	163.3	272.5	-109.2
<b>2009<sup>2</sup></b>			
Jan.	113.2	239.8	-126.6
Feb.	108.0	201.6	-93.6
Mar.	141.1	217.1	-76.0

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

<sup>2</sup> Provisional.

Source: NSO.



## Exchange Rates, External Transactions and Positions

**Table 3.8 Direction of trade - exports**

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2003	280.5	221.5	72.9	113.4	688.3	253.9	15.8	958.1	576.3	312.8	315.2	2162.4
2004 <sup>2</sup>	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 <sup>2</sup>	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 <sup>2</sup>	326.7	282.8	81.5	165.6	856.6	213.0	81.0	1150.6	631.3	275.4	199.5	2256.8
2007 <sup>2</sup>	271.2	305.3	90.7	132.9	800.1	221.9	84.8	1106.8	719.9	246.7	214.0	2287.4
2008 <sup>2</sup>	234.5	266.8	103.1	88.7	693.1	166.6	61.2	920.9	671.4	182.8	256.2	2031.3
<b>2008<sup>2</sup></b>												
Jan.	21.4	28.0	12.6	8.6	70.6	16.8	4.8	92.2	47.7	16.6	23.6	180.1
Feb.	19.9	23.2	11.3	9.9	64.3	17.6	5.5	87.4	47.5	15.6	16.9	167.4
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	4.8	75.1	62.8	11.6	24.2	173.7
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	26.3	181.6
Oct.	20.7	24.4	8.7	6.7	60.5	14.5	5.1	80.1	66.2	12.8	28.6	187.7
Nov.	19.7	16.9	5.0	5.9	47.5	13.7	7.2	68.4	50.2	13.0	14.2	145.8
Dec.	20.6	11.5	3.5	6.5	42.1	9.8	3.2	55.1	69.5	20.8	17.9	163.3
<b>2009<sup>2</sup></b>												
Jan.	16.3	19.0	3.4	5.8	44.5	7.5	4.4	56.4	33.1	9.1	14.6	113.2
Feb.	12.5	13.7	4.9	5.9	37.0	8.7	2.7	48.4	35.2	8.8	15.6	108.0
Mar.	16.4	15.3	4.6	6.9	43.2	8.6	3.3	55.1	56.7	12.1	17.2	141.1

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.9 Direction of trade - imports**

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	685.5	276.0	1,706.5	276.5	37.3	2,020.3	470.1	242.0	252.0	2,984.4
2004 <sup>2</sup>	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 <sup>2</sup>	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 <sup>2</sup>	406.0	263.2	966.3	373.4	2,008.9	344.0	69.3	2,422.2	635.1	179.5	251.1	3,487.9
2007 <sup>2</sup>	420.2	290.3	876.2	376.9	1,963.6	498.1	101.4	2,563.1	598.6	206.6	211.0	3,579.3
2008 <sup>2</sup>	272.3	259.1	903.1	409.5	1,844.0	434.0	116.7	2,394.7	596.3	74.7	354.5	3,420.2
<b>2008<sup>2</sup></b>												
Jan.	25.6	23.2	68.3	29.8	146.9	37.7	4.4	189.0	59.4	6.5	27.1	282.0
Feb.	21.5	27.7	62.0	43.4	154.6	40.5	7.2	202.3	48.9	5.6	12.8	269.6
Mar.	21.7	27.7	89.4	32.1	170.9	34.9	4.9	210.7	50.1	6.3	11.2	278.3
Apr.	20.5	21.2	89.6	46.5	177.8	39.7	14.5	232.0	52.5	7.3	38.1	329.9
May	29.8	20.9	66.2	48.4	165.3	26.2	5.8	197.3	49.4	7.5	19.8	274.0
June	18.5	23.6	84.3	30.6	157.0	42.9	6.5	206.4	52.9	3.8	20.3	283.4
July	33.3	19.6	88.1	33.5	174.5	50.0	22.2	246.7	56.1	5.2	27.8	335.8
Aug.	29.7	17.5	77.2	31.7	156.1	26.8	7.5	190.4	42.9	3.6	18.5	255.4
Sep.	23.0	20.4	66.6	27.0	137.0	38.9	14.0	189.9	50.1	6.8	68.2	315.0
Oct.	15.2	22.0	84.1	31.5	152.8	37.8	11.8	202.4	47.5	10.8	15.2	275.9
Nov.	20.1	18.9	73.2	27.4	139.6	32.2	8.7	180.5	45.5	5.7	16.7	248.4
Dec.	13.4	16.4	54.1	27.6	111.5	26.4	9.2	147.1	41.0	5.6	78.8	272.5
<b>2009<sup>2</sup></b>												
Jan.	11.2	51.4	34.7	20.4	117.7	22.6	4.7	145.0	36.4	3.1	55.3	239.8
Feb.	18.7	20.7	51.6	25.2	116.2	23.3	4.8	144.3	36.0	12.6	8.7	201.6
Mar.	11.6	18.8	46.4	33.7	110.5	32.3	5.6	148.4	32.9	5.5	30.3	217.1

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

<sup>2</sup> Provisional.

Source: NSO.

## Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net		
2004 <sup>1</sup>	2,975.7	933.8	854.8	-83.1	4,681.2	3,551.2	3,728.5	-177.3	4,503.9	4,451.1
2005 <sup>1</sup>	3,123.3	944.8	941.9	52.8	5,062.8	3,700.3	3,957.0	-256.7	4,806.1	4,588.2
2006 <sup>1</sup>	3,217.6	1,018.7	1,024.6	110.1	5,371.0	4,452.4	4,705.4	-253.0	5,117.9	4,892.8
2007 <sup>1</sup>	3,333.5	1,039.4	1,080.9	177.2	5,631.0	4,891.5	5,045.9	-154.4	5,476.6	5,289.5
2008 <sup>1</sup>	3,591.4	1,216.1	907.1	227.2	5,941.8	4,613.9	4,796.8	-182.9	5,758.8	5,570.9
<b>2008<sup>1</sup></b>										
Q1	809.1	288.1	249.2	53.6	1,400.0	1,088.2	1,159.3	-71.1	1,328.9	1,319.0
Q2	895.7	296.9	242.8	131.1	1,566.5	1,166.5	1,269.1	-102.6	1,464.0	1,358.6
Q3	930.5	313.8	202.1	-40.8	1,405.6	1,308.2	1,192.4	115.8	1,521.4	1,478.4
Q4	956.1	317.3	231.0	83.2	1,587.6	1,050.9	1,176.0	-125.1	1,444.5	1,415.0
<b>2009<sup>1</sup></b>										
Q1	827.4	294.3	178.8	23.1	1,323.6	853.3	861.7	-8.4	1,315.2	1,170.7

<sup>1</sup> Provisional.

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

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

Source: NSO.

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net	
2004 <sup>1</sup>	2,764.7	796.4	782.8	-75.2	4,268.7	3,746.6	3,976.4	-229.8	4,038.8
2005 <sup>1</sup>	2,829.4	792.7	865.4	48.3	4,535.8	3,769.0	4,103.5	-334.5	4,201.2
2006 <sup>1</sup>	2,847.6	839.9	884.7	97.6	4,669.9	4,164.7	4,495.2	-330.5	4,339.4
2007 <sup>1</sup>	2,903.2	835.9	899.9	156.1	4,795.1	4,277.3	4,549.3	-272.0	4,523.1
2008 <sup>1</sup>	3,039.2	940.8	711.5	197.3	4,888.8	4,005.3	4,255.8	-250.5	4,638.3
<b>2008<sup>1</sup></b>									
Q1	695.9	224.6	193.5	46.8	1,160.8	948.5	1,023.1	-74.6	1,086.3
Q2	764.1	230.7	192.7	114.0	1,301.6	975.1	1,116.1	-141.0	1,160.5
Q3	787.6	241.9	155.0	-35.3	1,149.2	1,099.4	1,040.7	58.7	1,207.9
Q4	791.5	243.5	170.3	71.7	1,277.0	982.4	1,075.9	-93.5	1,183.6
<b>2009</b>									
Q1	693.6	219.3	139.2	20.0	1,072.1	785.5	807.5	-22.0	1,049.9

<sup>1</sup> Provisional.

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

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

Source: NSO.

## Real Economy Indicators

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

Thousands

Period	EU (of which):								All others	Total
	Euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	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	1,082.5	161.0	1,243.5
2008	81.2	150.8	144.5	204.1	580.5	454.4	98.7	1,133.5	157.3	1,290.9
<b>2008</b>										
Jan.	4.4	7.5	8.2	7.9	28.0	22.1	5.5	55.6	8.3	63.9
Feb.	2.8	8.5	5.0	7.7	23.9	22.9	2.6	49.4	8.0	57.3
Mar.	3.9	16.3	11.3	13.3	44.8	31.1	5.1	81.1	9.4	90.5
Apr.	9.1	12.6	12.9	17.1	51.6	36.3	6.8	94.7	10.2	104.9
May	9.9	16.3	11.3	24.4	61.9	47.5	7.9	117.3	14.0	131.4
June	11.3	11.9	11.6	20.6	55.4	48.2	10.5	114.1	15.2	129.4
July	10.2	13.4	16.8	25.8	66.3	48.6	14.5	129.4	20.0	149.5
Aug.	11.2	17.1	32.2	30.6	91.1	49.9	14.8	155.8	22.7	178.6
Sep.	6.3	15.6	12.6	24.0	58.6	52.4	11.6	122.6	17.2	139.8
Oct.	7.3	17.2	8.3	18.5	51.3	48.4	10.4	110.1	16.9	126.9
Nov.	2.9	10.2	7.8	7.8	28.6	29.4	6.0	64.1	9.5	73.6
Dec.	1.9	4.3	6.4	6.5	19.0	17.3	2.9	39.3	5.8	45.1
<b>2009</b>										
Jan.	2.5	6.2	8.5	5.7	22.9	17.5	3.8	44.2	7.5	51.6
Feb.	2.9	5.3	6.1	6.5	20.7	20.5	3.0	44.2	7.0	51.2
Mar.	2.8	9.3	11.4	9.3	32.7	27.4	4.1	64.2	6.9	71.2
Apr.	7.6	13.4	13.2	18.5	52.7	32.4	6.1	91.2	10.4	101.6
May	8.4	11.2	13.4	18.2	51.1	39.7	7.2	98.1	10.2	108.3

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

Source: NSO.

## Real Economy Indicators

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

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	104.1	41.7	145.8	97.9	40.1	138.0	6.2	6.0	1.5	3.6	7.7	5.3
2004	103.8	42.0	145.8	97.2	40.4	137.6	6.5	6.3	1.6	3.9	8.2	5.6
2005	103.0	42.6	145.6	97.2	41.0	138.2	5.8	5.7	1.6	3.7	7.4	5.1
2006	102.9	43.7	146.6	97.3	42.0	139.3	5.6	5.5	1.7	3.9	7.3	5.0
2007 <sup>3</sup>	103.3	45.2	148.5	98.2	43.6	141.8	5.1	5.0	1.6	3.5	6.7	4.5
<b>2008<sup>3</sup></b>												
Jan.	103.7	46.2	149.9	98.8	44.6	143.4	4.9	4.7	1.6	3.4	6.5	4.3
Feb.	103.5	46.2	149.8	98.7	44.7	143.4	4.8	4.6	1.5	3.3	6.3	4.2
Mar.	103.4	46.2	149.6	98.7	44.8	143.5	4.7	4.6	1.4	3.1	6.2	4.1
Apr.	103.6	46.5	150.1	98.9	45.1	144.0	4.7	4.5	1.4	3.0	6.1	4.1
May	103.5	46.5	150.0	98.8	45.2	144.0	4.7	4.5	1.4	2.9	6.0	4.0
June	104.0	47.1	151.1	99.5	45.8	145.3	4.5	4.4	1.3	2.8	5.9	3.9
July	104.5	47.6	152.1	99.9	46.3	146.1	4.6	4.4	1.4	2.9	6.0	3.9
Aug.	104.2	47.6	151.9	99.5	46.2	145.7	4.7	4.5	1.4	3.0	6.1	4.0
Sep.	104.3	47.6	151.9	99.5	46.3	145.8	4.8	4.6	1.3	2.8	6.1	4.0
Oct.	104.1	47.6	151.7	99.1	46.3	145.4	5.0	4.8	1.3	2.8	6.4	4.2
Nov.	104.3	47.7	152.0	99.2	46.3	145.4	5.2	4.9	1.4	3.0	6.6	4.3

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

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

<sup>3</sup> Provisional.

Source: ETC.

## Real Economy Indicators

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

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	110.1	49.9	159.9	102.3	45.5	147.8	7.8	7.1	4.3	8.7	12.1	7.6
2004	110.4	48.9	159.3	103.3	44.5	147.9	7.1	6.4	4.4	9.0	11.5	7.2
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	113.0	54.2	167.2	106.3	50.0	156.4	6.7	5.9	4.1	7.6	10.8	6.5
2008	113.4	57.2	170.6	107.0	53.3	160.3	6.4	5.6	3.9	6.9	10.3	6.1
<b>2008</b>												
Q1	112.9	55.2	168.1	106.8	51.1	157.9	6.1	5.4	4.1	7.4	10.2	6.1
Q2	111.6	58.5	170.1	104.9	55.0	159.9	6.7	6.0	3.6	6.1	10.3	6.0
Q3	114.5	58.6	173.1	108.0	55.0	163.0	6.5	5.7	3.6	6.1	10.1	5.8
Q4	114.7	56.6	171.3	108.5	52.0	160.5	6.2	5.4	4.6	8.1	10.8	6.3
<b>2009</b>												
Q1	115.5	57.0	172.6	108.5	52.8	161.3	7.1	6.1	4.2	7.4	11.3	6.5

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

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

Source: NSO.

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

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

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

Source: Central Bank of Malta estimates.

## Real Economy Indicators

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

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

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

<sup>2</sup> Includes quarrying.

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

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

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

Source: Malta Environment & Planning Authority.

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

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

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

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

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

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

Source: Malta Environment & Planning Authority.

## Real Economy Indicators

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

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

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

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



## Real Economy Indicators

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

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

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

## Real Economy Indicators

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

Period	12-month moving average rates of change (%)													
	All Items Index	All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Communications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2003	94.9	1.9	2.0	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2008	108.1	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
<b>2008</b>														
Jan.	103.3	0.9	4.4	0.8	1.0	-0.2	0.8	2.7	-1.0	0.5	0.3	4.5	-0.2	0.8
Feb.	103.7	1.2	4.9	0.9	1.9	-0.3	0.7	2.7	-0.6	0.7	-0.1	4.8	0.3	0.9
Mar.	104.8	1.5	5.6	1.0	2.8	0.1	0.8	2.8	-0.3	0.9	-0.4	5.2	0.7	0.9
Apr.	107.2	1.9	6.3	1.0	3.4	0.6	0.8	2.8	0.1	1.1	-0.5	5.3	1.7	0.9
May	108.0	2.3	6.9	1.1	4.1	1.1	0.8	2.7	0.7	1.3	-0.6	5.4	2.5	1.0
June	108.6	2.8	7.4	1.2	4.8	1.6	0.9	2.6	1.2	1.5	-0.7	5.6	3.4	1.1
July	110.6	3.3	7.8	1.2	5.5	2.7	0.9	2.5	1.8	1.7	-0.8	5.7	4.5	1.1
Aug.	110.9	3.7	7.9	1.3	6.2	3.6	0.8	2.4	2.4	1.9	-0.8	5.8	5.5	1.2
Sep.	111.0	4.0	7.8	1.3	6.2	4.5	0.7	2.4	3.0	2.2	-0.9	5.9	6.5	1.2
Oct.	112.0	4.4	8.0	1.3	5.7	5.9	0.7	2.3	3.6	2.4	-0.8	6.2	7.2	1.3
Nov.	108.7	4.5	7.9	1.6	5.0	7.3	0.6	2.3	3.8	2.7	-0.7	6.5	7.4	1.3
Dec.	108.9	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
<b>2009</b>														
Jan.	106.5	4.6	8.0	2.1	4.0	9.7	0.6	2.1	3.2	2.7	-0.5	7.0	7.3	1.3
Feb.	107.3	4.6	8.1	2.3	3.4	10.9	0.6	2.1	2.7	2.4	-0.5	7.2	7.0	1.3
Mar.	109.0	4.6	8.3	2.5	3.0	11.9	0.5	2.1	2.1	2.2	-0.6	7.3	6.7	1.4

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 2001/13 (as amended) concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the *European System of Accounts (ESA 1995)*. Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's *Monetary and Financial Statistics Manual (2000)*.

#### Institutional balance sheets and financial statements

The financial statement of the Central Bank of Malta published in Table 1.1 is based on accounting principles as established in ECB Guideline 2006/16 (as amended) of 10 November 2006 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in Table 1.2, which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001. 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 2001/13 (as amended).

#### Determination of 'residence'

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

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

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

### **Sector classification**

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

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

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

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

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

ii. **Other monetary financial institutions (OMFIs)**, which in Malta consist almost entirely of credit institutions. The business of OMFIs is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. Credit institutions licensed in Malta comprise banks licensed by the competent authority under the Banking Act (Cap. 371). In accordance with the Banking Co-ordination Directives of December 1977 and December 1989 (77/780/EEC and 89/646/EEC), a credit institution is "an undertaking whose business is to receive deposits or other repayable funds from the public - including the proceeds arising from the sales of bank bonds to the public - and to grant credit for its own account". OMFIs include the Maltese branches and subsidiaries of banks with headquarters abroad.

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

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

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

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

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

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

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

(d) **General government:**

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

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

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

The **public sector** (which is not an institutional sector in the ESA 95) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 95), the latter being those companies that are owned by government or are subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging “economically significant” prices such that sales cover at least 50% of production costs).

(e) **Non-financial corporations:**

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

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

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

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

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

## **Classification of economic activities**

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

## **Measures of money**

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

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

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

## Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs (Tables 1.2-1.3), with details of OMFIs' deposits and loans in Tables 1.8-1.13. The local OMFIs must submit data to the Central Bank of Malta not later than twelve calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions compile monthly financial information in line with ECB Regulation 2001/13 (as amended). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

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

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

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

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

### **Release of monetary statistics**

Monetary aggregates for the euro area are published by the ECB on the 19<sup>th</sup> working day of the month following the reference month. The ECB publishes certain more detailed monetary data on a quarterly basis. The Maltese contribution to the monthly aggregates is then posted on the Central Bank of Malta's website. When first published, monetary statistics are considered provisional since the Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting procedures. The ECB accepts revisions to the previous month's data with each monthly submission; revisions to earlier periods are normally submitted with the next provision of quarterly data. Malta's contributions to the euro area aggregates published by the Central Bank of Malta must be 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.