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## CONTENTS

<b>FOREWORD</b>	<b>5</b>
<b>ECONOMIC SURVEY</b>	<b>7</b>
<b>1. Developments in the International and Euro Area Economy</b>	<b>7</b>
International economic developments	
Commodities	
The euro area	
<b>2. The Maltese Economy</b>	<b>17</b>
Output	
The labour market	
Prices	
Box 1: Business and consumer surveys	
Box 2: Residential property prices	
Costs and competitiveness	
The balance of payments	
Government finance	
Box 3: Tourism activity	
Monetary and financial developments	
<b>NEWS NOTES</b>	<b>48</b>
<b>STATISTICAL TABLES</b>	<b>55</b>

## 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<sup>1</sup>

In response to the intensification of the turmoil in financial markets, the deteriorating economic outlook and the consequent reduction in risks to price stability, the ECB cut the interest rate on its main refinancing operations (MRO) on three occasions during the final quarter of 2008, bringing it down to 2.50% by the end of December. During the first five months of 2009, the interest rate on the MRO was cut on four other occasions, as the economic outlook continued to worsen and price pressures eased further. Thus, by the beginning of May 2009 it stood at 1.00%.

During the final quarter of 2008 the worsening of the financial crisis, especially in the United States and Europe, began to have a severe impact on the world economy. Economic output in the major industrial economies contracted, with real GDP falling in the United States, the euro area and Japan. The downturn spilled over onto emerging economies, which were adversely hit by falling external demand. Meanwhile, global inflationary pressures diminished in response to the weakness in demand and lower commodity prices.

In the euro area real GDP declined sharply, contracting by 1.5% on an annual basis. Domestic demand decreased, reflecting lower investment spending and falling private consumption, while the contribution to growth from net exports turned negative. Inflationary pressures continued to subside, as energy and food prices decreased. Hence the annual rate of HICP inflation in the euro area fell to 1.6% in December 2008 and then extended its downward trend into the first quarter of 2009, reaching 1.2% in February.

Against this backdrop, ECB staff projections for the euro area economy, published in March, were revised downwards. This negative outlook was reinforced by the European Commission's forecasts.

Signs of an economic slowdown also emerged in the Maltese economy. According to data released in March, real GDP contracted on a year-on-year basis in the final quarter of 2008, as a result of a sharp fall in investment and weaker consumption.<sup>2</sup> But with imports falling by more than exports in real terms, the contribution of net exports to growth was positive. Reflecting these conditions, both business sentiment and consumer confidence weakened further during the first quarter of 2009. Signs of a deteriorating economic environment also began to show in the labour market. Although employment continued to expand during the twelve months to November, driven by job creation in the private sector, the number of unemployed, which had bottomed out in mid-2008, has been on a general upward trend since.

In contrast with consumer price developments in the euro area generally, inflation remained relatively high in Malta. Thus, the annual rate of HICP inflation edged up during the final quarter of 2008, reaching 5.0% in December, as an acceleration in the rate of growth of food prices offset a slowdown in service price inflation. Going into 2009, however, inflation eased, dropping to 3.5% in February.

<sup>1</sup> Statistical information in this foreword was updated in line with the cut-off dates indicated for the chapters which follow, although information on monetary policy decisions was updated through 7 May 2009.

<sup>2</sup> Data published after this Review's statistical cut-off date included an upward revision of fourth quarter real GDP growth to 0.7% from -1.2%, lifting the growth rate for 2008 to 2.7% from 1.6%. As revised, fourth quarter growth stemmed primarily from net exports, as a substantial decline in investment outweighed increases in the other components of domestic demand.

Price pressures were also reflected in measures of Malta's cost competitiveness, particularly unit labour costs, which rose in the fourth quarter of 2008, as compensation per employee increased faster than labour productivity.

Responding to the cuts in official interest rates, banks lowered their retail interest rates, with average lending rates falling faster than deposit rates between end-September and end-December 2008. Falling interest rates appear to have influenced developments in money and credit in the final quarter of 2008. Maltese residents' deposits with the banking system contracted, while credit to residents increased at a faster pace, as lending to general government and to other sectors of the economy both rose. Nevertheless, bank survey data point to some tightening of bank credit standards during the quarter. Over the same period, yields on Maltese government securities declined, while equity prices continued to fall.

Meanwhile, the process of fiscal consolidation in evidence in recent years came to an end in 2008. The general government deficit widened to 4.7% of GDP, though this was largely because of one-off expenditure items, notably the early retirement schemes for shipyard workers and additional subsidies to the energy sector. However, intermediate consumption and employee compensation also grew rapidly. In contrast, revenue growth moderated.

In a deteriorating external environment, it becomes even more important to keep domestic costs and prices in check. In this respect, the gap between inflation in Malta and in the remainder of the euro area is a source of concern which could be addressed, in part, by fostering more competitive product markets at both the wholesale and retail levels. Increasing labour market flexibility will also be essential to achieving further productivity gains. Progress in these areas would allow the Maltese economy to maintain external competitiveness in order to be in a better position to benefit from an eventual recovery.

The room for manoeuvre in the case of fiscal policy is limited, since the budget deficit and the public debt are relatively high as a share of GDP. Nevertheless, to some extent, targeted measures that improve the economy's productive capacity and its cost competitiveness could allow for a more active role for the public sector. It is important, however, to simultaneously resume the fiscal consolidation process through effective spending 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.

## ECONOMIC SURVEY

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

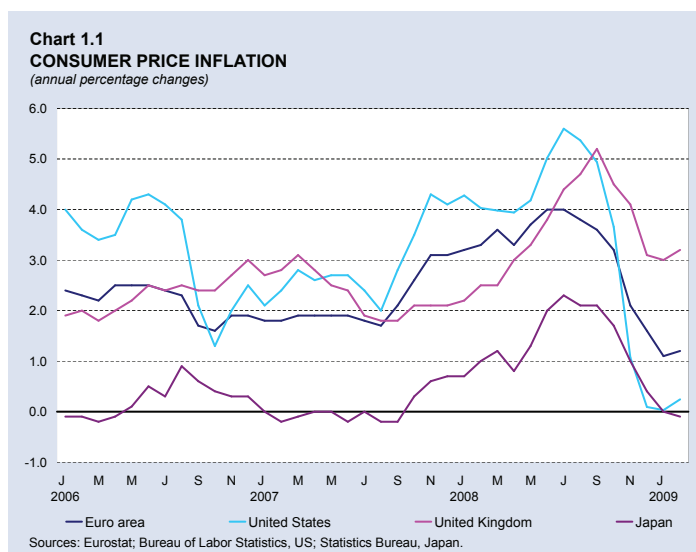
In the final quarter of 2008 economic output in the major industrial countries contracted as the global recession continued to deepen. The downturn also spread to emerging market economies, which were adversely affected by falling domestic and external demand. International inflationary pressures eased, especially in the emerging economies, as commodity prices fell and demand weakened.

In the euro area, real GDP contracted during the quarter, while inflationary pressures eased as commodity prices continued to fall. In response to the intensification of the turmoil in financial markets, the deteriorating economic outlook and the consequent reduction in risks to price stability, the ECB lowered the interest rate on its main refinancing operations (MRO) on three occasions during the quarter, for a cumulative drop of 175 basis points, bringing the rate down to 2.50% by the end of December. In the four months to April 2009, the interest rate on the MRO was cut on another three occasions, to 1.25%.

#### International economic developments

##### *US economic activity declines steadily, inflationary pressures ease*

The US economy contracted at an annual rate of 0.8% in the last quarter of 2008 (see Table 1.1). The main contributions to the year-on-year drop came from personal consumption expenditure and private investment, with both non-residential and residential investment declining on an annual basis. In contrast, positive contributions to real GDP growth stemmed from net exports and government consumption that reflected ongoing fiscal stimulus initiatives. Labour market conditions continued to deteriorate, with the



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

*Annual percentage changes, seasonally adjusted*

	2007		2008			
	Q3	Q4	Q1	Q2	Q3	Q4
United States	2.8	2.3	2.5	2.1	0.7	-0.8
Euro area	2.6	2.1	2.1	1.4	0.6	-1.5
United Kingdom	3.1	3.2	2.6	1.8	0.4	-2.0
Japan	2.0	2.1	1.4	0.5	-0.2	-4.3

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

unemployment rate rising from 6.9% in December to 8.5% in March. Meanwhile inflation continued to ease, reaching 0.1% in December, a drop of 4.8 percentage points from September (see Chart 1.1). In January, it fell to zero, before edging up to 0.2% in February.

On 8 October, in response to the ongoing turmoil in the financial markets and the reduction in inflationary pressures, the Federal Reserve, in a co-ordinated move with other major central banks, lowered the target for the federal funds rate by 50 basis points to 1.50% (see Chart 1.2). Following further cuts,

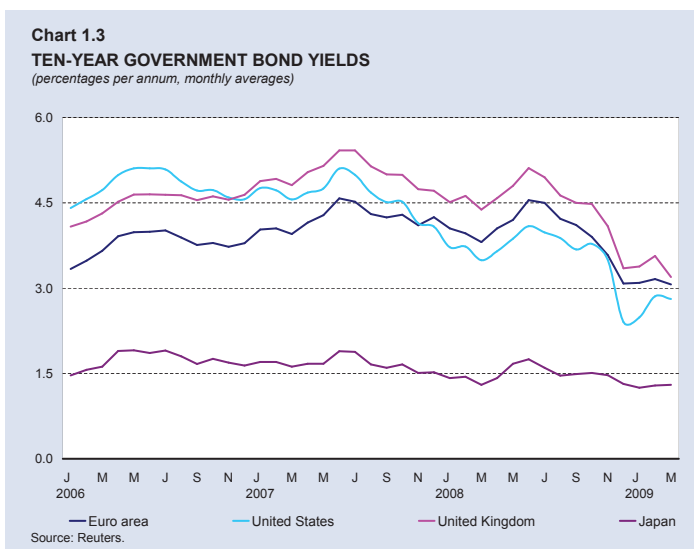
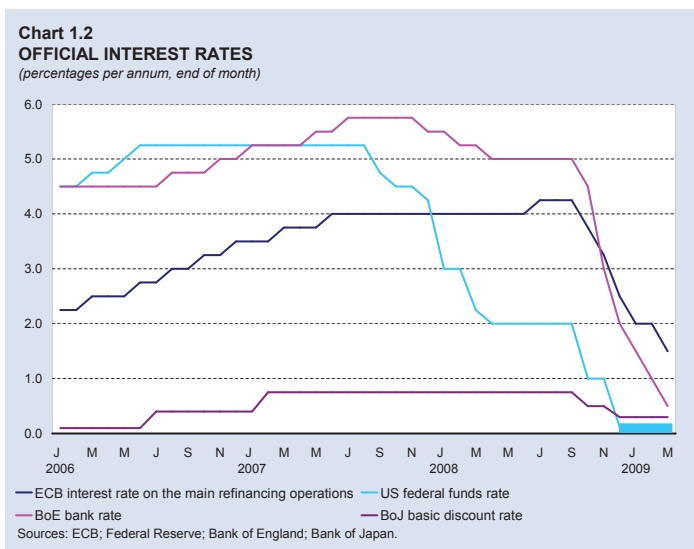
the central bank established a target range from zero to 0.25% in December. With official interest rates close to zero, the Federal Reserve then announced that it would commence quantitative easing measures through the purchase of agency debt and mortgage-backed securities. The aim was to support credit markets and stimulate economic activity.

After recovering slightly during October, US long-term government bond yields fell by 137 basis points, to average 2.40% during December (see Chart 1.3). Concerns about the financial system and the global economic outlook led investors to favour safer, more liquid assets, which pushed up bond prices and drove down yields. Long-term government bond yields recovered slightly at the beginning of 2009, ending February at 3.02% before shedding some of their earlier gains in March.

Meanwhile, US equity prices dropped sharply, with a particularly pronounced fall at the beginning of October being triggered by uncertainty concerning the implementation of support measures for the financial sector. Over the quarter equity prices, as measured by the S&P 500, lost around 28% of their average value, and they continued to fall during the following quarter (see Chart 1.4).

**Output in the UK declines and inflation falls**

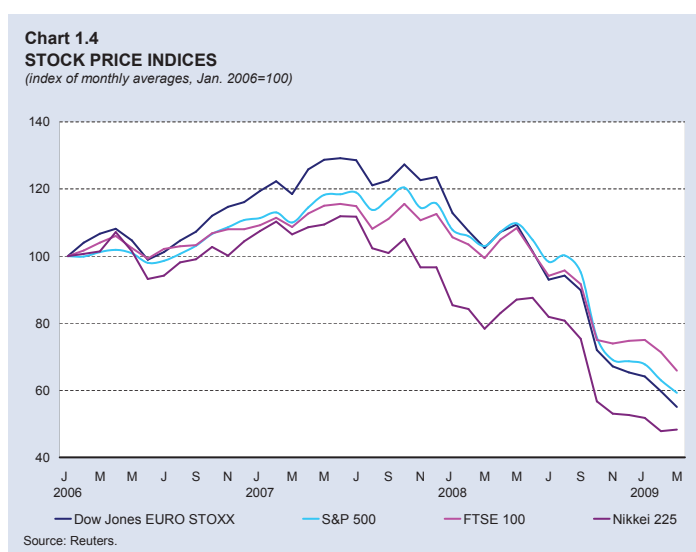
Economic activity in the United Kingdom contracted by 2.0% year-on-year during the final quarter of 2008. The reduction in real GDP was spurred by a significant drop in inventories, investment and, to a lesser





extent, private consumption. These outweighed the stimulus provided by increased government expenditure and higher net exports. The decline in output pushed up the unemployment rate, which rose to 6.4% in December 2008, its highest level since November 1997.

After having peaked at 5.2% at the end of the third quarter, the UK's annual HICP inflation rate fell to 3.1% in December. This reflected a temporary reduction in VAT to 15% and falling energy prices. UK inflation continued to ease in the beginning of 2009, standing at 3.0% in January.



Having kept the official Bank Rate unchanged since April, the Bank of England cut the rate by half a percentage point to 4.50% in October in response to an increase in the downside risks to growth and the concurrent easing of inflationary pressures. This was followed by a one-and-a-half percentage point cut in November, a one percentage point cut in December, and cuts of half a percentage point every month thereafter, so that by 5 March 2009 the rate had come down to 0.5%. Additionally, in March 2009, the Bank of England began a programme of asset purchases to boost money supply and credit growth and hence support economic activity.

Following trends in the euro area and the United States, long-term government bond yields in the United Kingdom also declined during the final quarter of 2008, to an average of 3.35%. Downward pressures on British bond yields, however, were amplified by the slump in the UK housing market. Going into 2009, British long-term government bond yields recovered slightly, ending February at 3.61% though they fell back again in the following month.

With global equity markets tumbling, UK equity prices also continued to fall, with the FTSE 100 dropping by just over 18% between September and December. The downward trend persisted in the first quarter of 2009.

### *The Japanese economy enters recession; inflation falls*

The Japanese economy entered recession during the fourth quarter of 2008, with real GDP contracting by 4.3% on an annual basis after a marginal drop in the third quarter. The year-on-year decline stemmed mainly from a drop in exports, which was brought about by weak external demand coupled with the appreciation of the yen. Meanwhile, the unemployment rate rose to 4.3% at the end of December and to 4.8% at the end of March 2009.

In line with price developments in other major economies, the annual rate of inflation in Japan dropped to 0.4% by December. The decline in inflation reflected lower energy and commodity prices, especially those of raw materials. During the first quarter of 2009, Japanese inflation extended its downward trend, even turning slightly negative in February.

The Bank of Japan reduced official interest rates twice in the last quarter of 2008. At the end of October it cut the basic discount rate to 0.5%, cutting it again, to 0.3%, in December. In February 2009, the Bank used additional expansionary monetary policy measures, providing substantial liquidity to facilitate corporate financing and stabilise the financial markets.

Movements in Japanese ten-year government bond yields generally mirrored trends in the United States and the euro area, though they moved on a lower path. In December they averaged 1.32% with the downward trend continuing through February 2009, before stabilising in March. Japanese equity prices, as measured by the Nikkei 225, fell further during the final quarter of 2008, losing on average approximately 30% of their value between September and December. They continued to fall throughout the first two months of 2009, but rose slightly in March.

### *Emerging Asian economies weaken; inflation slows down substantially*

GDP growth in China continued to slow down, reaching 6.8% in the fourth quarter of 2008, from 9.0% in the previous quarter. The deceleration was due to a fall in external demand, which showed up in slower export growth, and in investment, especially in construction. Meanwhile, consumer price inflation fell by 3.4 percentage points to 1.2% from September to December, mostly on account of the fall in commodity prices. In November the Chinese authorities eased monetary policy and launched a sizeable fiscal stimulus package.

Growth also decelerated in India, with the annual rate of expansion of real GDP sliding from 7.6% in the third quarter of 2008 to 5.3% in the fourth. Wholesale price inflation, as measured by the Reserve Bank of India, fell during the fourth quarter.

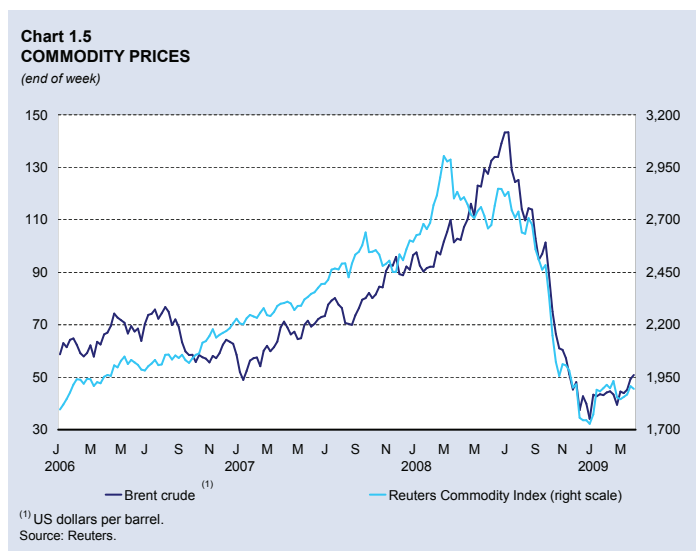
## **Commodities**

### *Oil prices fall sharply before recovering*

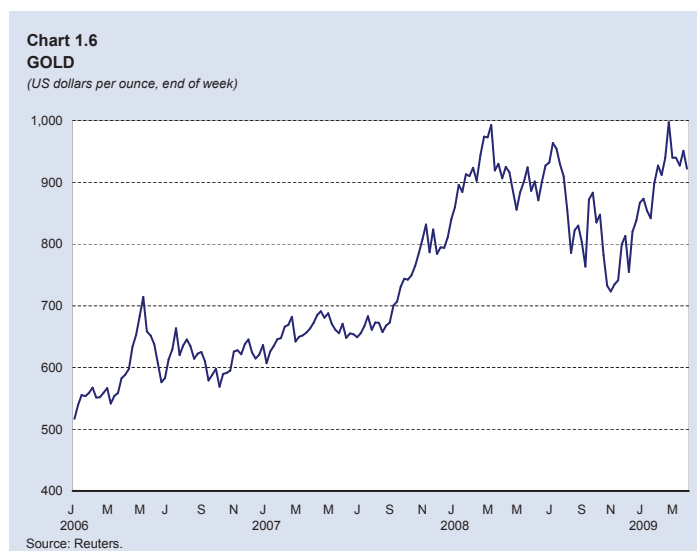
After having peaked in July, the price of oil fell steeply in the remainder of 2008 (see Chart 1.5). The price of a barrel of Brent crude dropped from just over USD 100 at the end of September to USD 34.08 on 26 December, its lowest level since April 2004. This rapid decline stemmed from depressed demand in the global economy, which in turn was, to a large extent, caused by the turmoil in international financial markets. At the beginning of 2009, however, the price of Brent crude started to recover, and on 31 March it stood at USD 46.19 per barrel, 27.7% higher than at the end of December. The recovery reflected supply-related factors, and, in particular, the decision taken by the OPEC countries to slash their daily output as from January.

### *Other commodity prices*

Prices of non-energy commodities, as measured by the Reuters Commodity Index, mirrored



rored the fall in oil prices during the final quarter of 2008 (see Chart 1.5).<sup>1</sup> These dropped by 26.8%, as favourable weather conditions also had an impact on key agricultural commodity prices. Meanwhile, metal prices declined under the impact of the global recession, though they stabilised in December. Over the first quarter of 2009, the Reuters Commodity Index recovered by 8.6%, mainly as a result of an increase in food prices.



### *Gold price falls before recovering*

The price of gold increased by 0.9% during the final quarter of 2008. It tended downwards during the first part of the quarter, reaching USD 710.30 per ounce in early November (see Chart 1.6). Subsequently, its attraction as a safe haven for investors led to a recovery in the price of the metal, which reached USD 878.20 per ounce at the end of December. Gold extended its upward trend during the first months of 2009, ending the first quarter of the year at USD 917.15 per ounce.

### **The euro area**

On 8 October, following an intensification of the global financial crisis that increased the downside risks to growth and diminished the risks to price stability, the ECB, in a coordinated action with other major central banks, reduced the interest rate on the MRO by 50 basis points to 3.75%. During the final quarter of 2008, the interest rate on the MRO was lowered on another two occasions: by 50 basis points on 6 November and by 75 basis points on 4 December, so that it ended the year at 2.50%.

On 15 January 2009, the ECB cut the interest rate on the MRO by a further 50 basis points as inflationary pressures continued to recede owing to a further weakening in the economic outlook. The rate was cut by yet another 50 basis points on 5 March. On 2 April, as expectations pointed to a further easing in price pressures and economic activity in the euro area weakened further, the ECB lowered the rate again, by a quarter of a percentage point to 1.25%.

### *Economic output contracts*

Economic activity in the euro area slowed down sharply in the fourth quarter of 2008, with output actually falling on both a quarterly and an annual basis. On a seasonally-adjusted basis, real GDP contracted by 1.5% on a year earlier, as domestic demand fell and the contribution from net exports turned negative (see Table 1.2).

The primary factor behind the fall in domestic demand was a drop in investment, which decreased by 5.0% on an annual basis. Meanwhile, private consumption remained weak, falling by 0.5%

<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**

*Seasonally adjusted*

	2007	2008			
	Q4	Q1	Q2	Q3	Q4
<i>Annual percentage changes</i>					
Private consumption	1.2	1.4	0.4	0.1	-0.5
Government consumption	2.0	1.5	2.1	2.2	2.3
Gross fixed capital formation	3.0	3.0	1.5	-0.1	-5.0
<b>Domestic demand</b>	<b>2.0</b>	<b>1.6</b>	<b>0.9</b>	<b>0.5</b>	<b>-0.2</b>
Exports	3.9	5.0	3.7	1.8	-5.8
Imports	3.5	3.7	2.4	1.7	-2.9
<b>GDP</b>	<b>2.1</b>	<b>2.1</b>	<b>1.4</b>	<b>0.6</b>	<b>-1.5</b>
<i>Percentage point contributions</i>					
Private consumption	0.7	0.8	0.3	0.0	-0.3
Government consumption	0.4	0.3	0.4	0.4	0.5
Gross fixed capital formation	0.7	0.7	0.3	0.0	-1.1
Changes in inventories	0.2	-0.2	-0.1	0.1	0.7
<b>Domestic demand</b>	<b>1.9</b>	<b>1.6</b>	<b>0.9</b>	<b>0.5</b>	<b>-0.2</b>
Exports	1.6	2.0	1.5	0.7	-2.4
Imports	-1.4	-1.5	-1.0	-0.7	1.2
<b>Net exports</b>	<b>0.2</b>	<b>0.6</b>	<b>0.6</b>	<b>0.0</b>	<b>-1.2</b>
<b>GDP</b>	<b>2.1</b>	<b>2.1</b>	<b>1.4</b>	<b>0.6</b>	<b>-1.5</b>

Source: Eurostat.

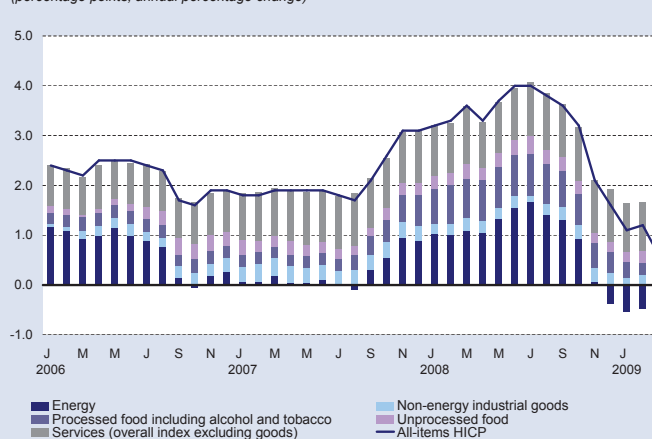
on a year earlier and contributing negatively to overall GDP growth. This was mirrored in consumer and retail trade confidence surveys, which had turned increasingly negative in the final quarter of 2008 and into 2009. In contrast, the annual rate of growth of government consumption increased by 0.1 percentage points to 2.3%. With exports falling at a faster pace than imports, however, the contribution of net exports to GDP growth turned negative.

### *Inflationary pressures ease further on lower commodity prices*

Inflationary pressures continued to ease in the fourth quarter of 2008, with the annual HICP inflation rate standing at 1.6% in December, down from 3.6% in September (see Chart 1.7). Most of this decline was attributable to a fall in energy prices and, to a lesser extent, in food prices.

During 2008 energy prices declined by 3.7%, reflecting a fall in crude oil prices. Meanwhile, prices of both processed and unprocessed food rose at a slower pace. On the other hand, prices of non-energy industrial

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

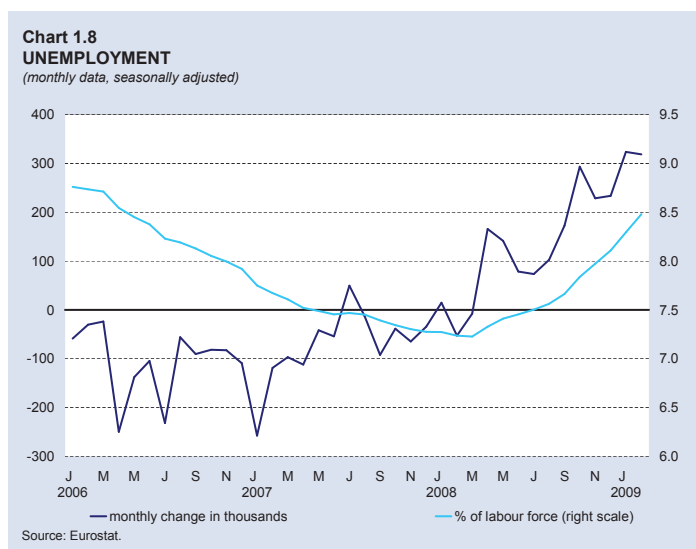


Source: Eurostat.

goods and services remained broadly stable. Inflationary pressures continued to subside in January 2009, with the area-wide annual HICP inflation rate falling to 1.1%. In February, however, annual HICP inflation rose marginally, to 1.2%.

### *Labour market conditions continue to deteriorate*

As economic activity slowed down, conditions in the labour market deteriorated further. During the fourth quarter of 2008 year-on-year employment growth was flat, as compared to an increase of 0.6% in the September quarter. Consequently, the unemployment rate rose to 8.1% in December, up by 0.5 percentage points from the September level (see Chart 1.8). In January and February 2009 the jobless rate continued to rise, reaching 8.3% and 8.5%, respectively.



### *Monetary growth decelerates further*

In the December quarter of 2008, the annual growth rate of broad money continued to decelerate, in line with the trend evident since late 2007. This stood at 8.0% compared with 8.9% in the third quarter of the year (see Table 1.3). The moderation was mainly driven by slower growth in short-term deposits other than overnight deposits, which offset a more rapid expansion in the components of M1.

After reaching a historical low in August, the annual growth rate of M1, which is a narrow measure of money that is closely linked to consumer transactions, generally rose in subsequent months, as the financial turmoil and declining interest rates boosted demand for more liquid monetary assets, particularly currency in circulation. Over the quarter as a whole, the annual rate of growth of M1 averaged 3.1%, up from 0.6% in the previous quarter.

**Table 1.3**

### **MONETARY AGGREGATES**

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

	2007					2008					2009	
	Q4	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan.	Feb.		
<b>M1</b>	<b>5.5</b>	<b>3.6</b>	<b>2.0</b>	<b>0.6</b>	<b>3.1</b>	<b>3.7</b>	<b>2.2</b>	<b>3.3</b>	<b>5.1</b>	<b>6.3</b>		
Currency in circulation	8.0	7.7	7.8	7.5	13.3	13.0	13.5	13.4	13.7	13.5		
Overnight deposits	5.1	2.8	1.0	-0.8	1.1	1.9	0.1	1.4	3.5	4.9		
M2-M1 (Other short-term deposits)	17.2	18.5	19.4	18.7	15.0	15.5	16.0	13.6	10.1	7.7		
Deposits with an agreed maturity of up to two years	41.1	41.1	40.3	36.9	27.3	29.3	29.3	23.3	14.9	9.4		
Deposits redeemable at notice of up to three months	-3.9	-3.1	-2.2	-2.0	-0.3	-1.3	-0.7	1.0	3.7	5.4		
<b>M2</b>	<b>10.7</b>	<b>10.3</b>	<b>10.0</b>	<b>9.0</b>	<b>8.8</b>	<b>9.3</b>	<b>8.8</b>	<b>8.2</b>	<b>7.5</b>	<b>7.0</b>		
<b>M3</b>	<b>12.0</b>	<b>10.9</b>	<b>10.0</b>	<b>8.9</b>	<b>8.0</b>	<b>8.7</b>	<b>7.7</b>	<b>7.6</b>	<b>6.0</b>	<b>5.9</b>		

Source: ECB.

This notwithstanding, short-term deposits other than overnight deposits continued to be the largest contributor to annual M3 growth. In fact, growth in deposits with an agreed maturity of up to two years remained high, though it fell to an average of 27.3% during the final quarter of the year.

Monetary expansion slowed down further during the first quarter of 2009, with annual M3 growth falling to 6.0% and 5.9% in January and February, respectively.

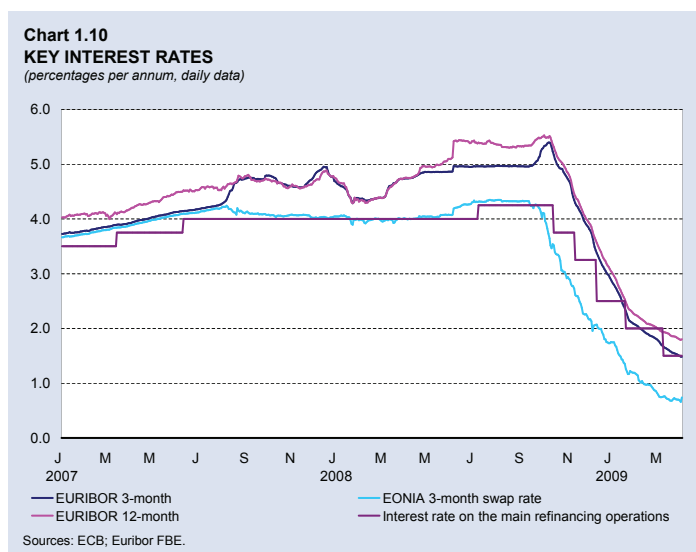
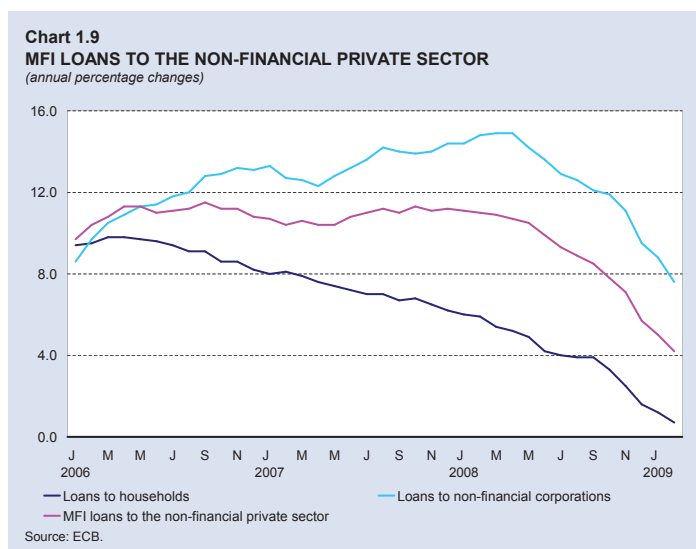
### *Credit aggregates grow at a much slower pace*

Credit aggregates decelerated further in the final quarter of 2008, as economic activity slowed down and the intensification of the financial crisis led to tighter financing conditions (see Chart 1.9). The average annual rate of growth of MFI loans to the non-financial private sector fell to 6.9%, as against 8.9% in the third quarter. MFI loans to non-financial corporations grew at an average annual rate of 10.8%, from 12.5% in the three-month period to September. Similarly, the annual average rate of growth of loans to households also fell, to 2.5%, from 3.9% in the September quarter. The rate of growth of lending for house purchases, in particular, fell substantially, though the annual growth rate of consumer credit and other lending to households also declined.

In January and February 2009, MFI loans to non-financial corporations decelerated further, with their annual growth rate falling to 8.8% and 7.6%, respectively.

### *Spreads in the money market initially widen before narrowing*

Unsecured money market interest rates, as measured by EURIBOR, reversed course and fell sharply during the final quarter of 2008 (see Chart 1.10).<sup>2</sup> The decline in interest rates mainly reflected reductions in official interest rates, the provision of unlimited amounts of liquidity at fixed rates by the ECB and expectations of further policy



<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.

easing. Thus, the three-month EURIBOR ended the quarter at 2.89%, down by 239 basis points from the end-September level. With the 12-month EURIBOR falling more rapidly, the money market yield curve flattened.

Up to mid-October, the spreads between EURIBOR and secured rates, such as those derived from three-month EONIA swaps, widened, before generally narrowing during the rest of the quarter.<sup>3</sup> The spread between the ECB's interest rate on the MRO and the three-month EURIBOR narrowed by 64 basis points to end the fourth quarter at 39 basis points. This indicates that the measures taken by the ECB to reduce official interest rates and provide additional liquidity to the banking system led to a more favourable assessment of risks pertaining to the banks.

Unsecured money market interest rates fell further in the first quarter of 2009, largely reflecting expectations of further ECB interest rate cuts. Meanwhile, the decline in secured money market rates was less rapid. Thus, spreads between unsecured and secured money market rates generally narrowed.

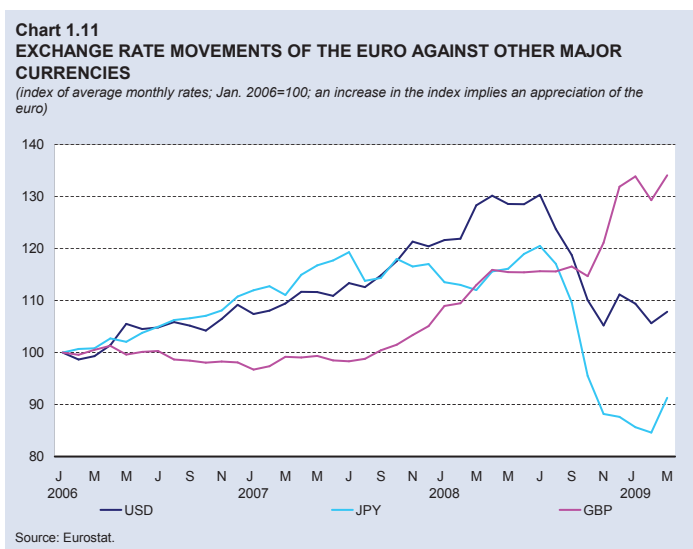
### *Equity prices fall sharply*

Euro area stock prices fell further in the final quarter of 2008, shedding around 21% of their value, as the financial crisis deepened. In the following quarter, stock prices continued to fall on heightened risk aversion as economic prospects deteriorated. Thus, euro area stock prices, as measured by the Dow Jones Euro STOXX index, fell by about 32% between end-September 2008 and end-March 2009.

### *The euro generally depreciates against the US dollar*

In October, the euro continued to depreciate against the US dollar, reaching its lowest level in more than two years (see Chart 1.11). The weakening of the euro was linked to more pessimistic economic prospects for the euro area and the repatriation of foreign investments into the United States. In addition, increased US dollar holdings by European banks also contributed. In November, the euro broadly stabilised as market expectations regarding economic growth in both the euro area and the US deteriorated in tandem. The euro rebounded in December, as monetary policy in the United States eased more significantly, but it still ended the year 2.7% below the end-September level.

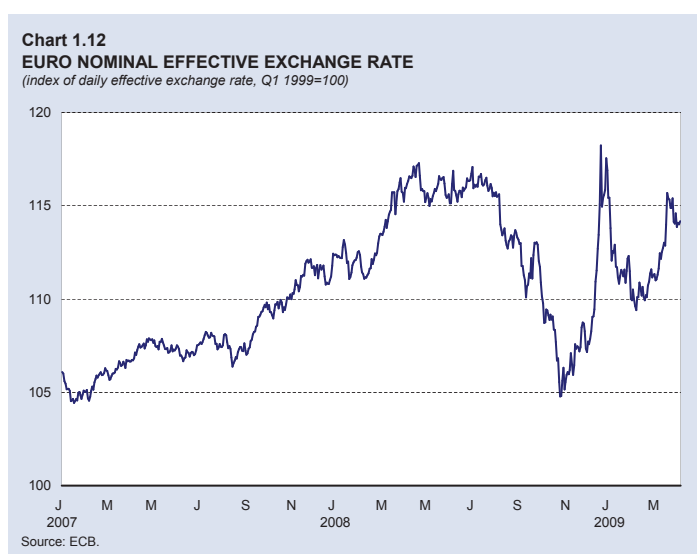
During the fourth quarter of 2008, the euro depreciated sharply vis-à-vis the Japanese yen as the increase in implied exchange rate volatility reduced the attractiveness of borrowing



<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.

and selling yen to finance investments in high-yielding currencies. Thus, over the quarter as a whole, the euro shed 16.2% versus the Japanese yen.

On the other hand the euro appreciated sharply against the pound sterling. By late December it had reached its highest level against sterling since its introduction. The strengthening of the euro was mainly attributable to the significant, rapid easing of the Bank of England's monetary policy stance.



In the first two months of 2009 and in early March the euro reversed course and weakened against the US dollar as market players were more optimistic about the impact of the expected US fiscal package on economic growth in the United States. Later during March, the euro regained some of its earlier losses versus the US currency. In terms of the Japanese yen, the euro generally depreciated up to the beginning of February but strengthened over the rest of the first quarter of 2009 as Japanese GDP data for the fourth quarter of 2008 were worse than expected. In the first quarter of 2009, the GBP/EUR rate was characterised by wide fluctuations, as an improvement in market sentiment favouring the pound sterling was not sustained following further decreases in house prices and losses in the banking sector.

In the final quarter of 2008, the nominal effective exchange rate of the euro as measured against the currencies of 21 of the euro area's main trading partners, strengthened (see Chart 1.12). Between end-September and end-December the euro appreciated by 3.3% in nominal effective terms. The appreciation was broadly based, but was most pronounced versus the pound sterling.

In the first two months of 2009 the euro depreciated in nominal effective terms, before regaining some ground in late March.

#### *Euro area growth and inflation projections revised downwards*

In line with recent short-term economic indicators and surveys, GDP in the euro area is expected to continue to decline in 2009, reflecting a drop in exports combined with decreasing domestic demand. ECB staff macroeconomic projections, published in March, project average euro area annual real GDP growth between -3.2% and -2.2% in 2009 and -0.7% and 0.7% in 2010.

Reflecting the bleaker economic outlook and declining commodity prices, inflation projections for the euro area have improved. Thus, the ECB staff projections indicate an average rate of increase in the overall HICP in the range of 0.1% and 0.7% in 2009 and 0.6% and 1.4% in 2010. The projections also point to an easing of upside risks to inflation.



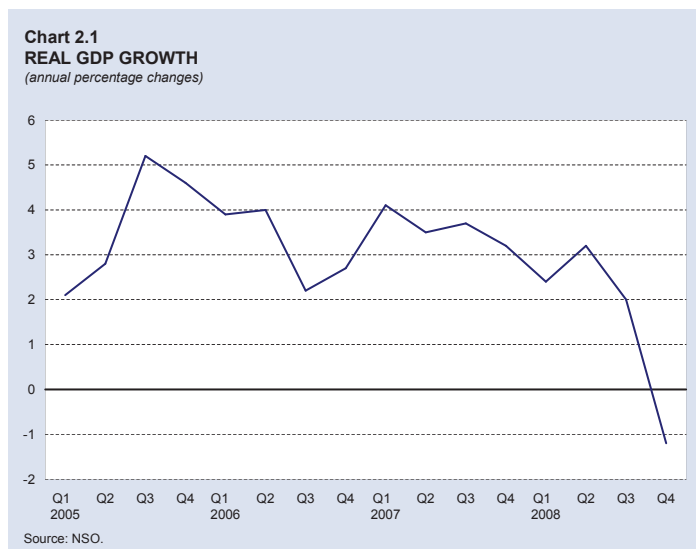
## 2. THE MALTESE ECONOMY

### Output

#### GDP contracts in Q4

The slowdown observed in the third quarter of 2008 continued into the last quarter of the year, when real GDP declined by 1.2%, mainly as a result of a deceleration in private consumption and reductions in investment and government consumption (see Chart 2.1 and Table 2.1). Over the year as a whole, the economy expanded by 1.6%.<sup>1</sup>

Growth in private consumption eased from a rate of around 6% in each of the previous two quarters to 1.6% in the quarter under review. More detailed data show that, in nominal terms, consumption expenditure on clothing and recreational activities declined over the quarter. Simi-



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

	2007			2008	
	Q4	Q1	Q2	Q3	Q4
	<i>Annual percentage changes</i>				
Household final consumption expenditure	0.6	2.7	6.0	6.1	1.6
Government final consumption expenditure	0.9	15.2	13.0	9.8	-2.9
Gross fixed capital formation	31.8	-9.9	-11.7	-14.8	-37.2
Inventories as a % of GDP	1.8	3.8	10.5	-2.8	6.3
<b>Domestic demand</b>	<b>10.6</b>	<b>3.9</b>	<b>6.3</b>	<b>0.0</b>	<b>-3.4</b>
Exports of goods & services	2.6	-7.1	-12.4	-10.2	-25.3
Imports of goods & services	10.3	-5.0	-7.9	-12.4	-25.3
<b>Gross domestic product</b>	<b>3.2</b>	<b>2.4</b>	<b>3.2</b>	<b>2.0</b>	<b>-1.2</b>
	<i>Percentage point contributions</i>				
Household final consumption expenditure	0.4	1.7	3.8	3.9	1.1
Government final consumption expenditure	0.2	2.8	2.4	1.7	-0.6
Gross fixed capital formation	5.8	-2.0	-2.3	-2.6	-8.6
Changes in inventories	4.5	1.5	2.9	-3.0	4.4
<b>Domestic demand</b>	<b>10.9</b>	<b>4.1</b>	<b>6.9</b>	<b>0.0</b>	<b>-3.8</b>
Exports of goods & services	2.5	-6.6	-12.0	-10.0	-24.2
Imports of goods & services	-10.1	4.9	8.4	12.0	26.7
<b>Net exports</b>	<b>-7.6</b>	<b>-1.6</b>	<b>-3.6</b>	<b>2.0</b>	<b>2.5</b>
<b>Gross domestic product</b>	<b>3.2</b>	<b>2.4</b>	<b>3.2</b>	<b>2.0</b>	<b>-1.2</b>

Source: NSO.

<sup>1</sup> Data published after this Review's statistical cut-off date included an upward revision of fourth quarter real GDP growth to 0.7% from -1.2%, lifting the growth rate for 2008 to 2.7% from 1.6%. As revised, fourth quarter growth stemmed primarily from net exports, as a substantial decline in investment outweighed increases in the other components of domestic demand.

larly, external trade data for the last three months of 2008 show a fall in imports of consumer goods, particularly durable goods and food & beverages.

In a break from the increases shown in the previous quarters, real government consumption fell by 2.9% year-on-year. In nominal terms, it rose by 1.6%, a slower pace than that registered in earlier quarters, when the increase was mostly accounted for by wage awards to public sector employees.

Meanwhile, investment spending fell by over a third, as both private and public investment declined. Reduced spending on construction projects reflected the slowdown in the real estate market, the latter corroborated by the decline in the number of permits for residential property development issued during the three-month period to December. Investment in machinery and transport equipment also declined, though this was partly the result of a base effect related to the purchase of aircraft in 2007.

Weaker foreign demand contributed to the sharp decline in real exports, though the drop was exacerbated by a 12.8% increase in export prices. In fact, balance of payments data also showed a substantial drop in the value of exports of goods and a more moderate decline in that of exports of services in the fourth quarter of 2008.

Imports dropped at the same rate as exports, reflecting the base effect related to the purchase of aircraft referred to earlier, as well as the high import content of output, including exports. The resulting increase in net exports contributed positively to GDP growth.<sup>2</sup>

### *Services sectors remain the prime drivers of growth*

From a sectoral point of view, growth in the fourth quarter of 2008 was mainly supported by

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

*Percentage points*

	2007		2008		
	Q4	Q1	Q2	Q3	Q4
Agriculture, hunting & forestry	-0.1	0.0	-0.1	-0.1	-0.1
Fishing	0.8	0.0	0.0	0.0	-0.4
Manufacturing	-0.3	-0.1	0.1	-0.7	0.0
Electricity, gas & water supply	-0.3	-0.1	0.2	-0.8	-0.3
Construction	0.0	0.1	0.1	0.4	0.1
Wholesale & retail trade	0.7	0.0	1.3	-0.1	-0.6
Hotels & restaurants	0.4	0.2	0.2	-0.2	-0.4
Transport, storage & communication	0.7	1.4	0.9	0.8	0.4
Financial intermediation	-1.3	-0.4	-0.1	1.4	0.3
Real estate, renting & business activities	1.5	1.5	1.1	1.0	0.4
Public administration	0.4	0.6	0.2	0.3	0.4
Education	0.1	0.4	0.4	0.2	0.1
Health & social work	0.1	0.9	0.7	0.5	0.7
Other community, social & personal services	2.3	1.5	1.6	0.7	0.2
<b>Gross value added</b>	<b>5.1</b>	<b>6.0</b>	<b>6.7</b>	<b>3.5</b>	<b>0.8</b>
<b>Net taxation on products</b>	<b>1.7</b>	<b>-1.2</b>	<b>-0.4</b>	<b>0.6</b>	<b>0.3</b>
<b>Annual nominal GDP growth (%)</b>	<b>6.8</b>	<b>4.8</b>	<b>6.3</b>	<b>4.1</b>	<b>1.1</b>

Source: NSO.

<sup>2</sup> Although exports dropped by the same proportion as imports, the negative balance narrowed because imports dropped by a larger amount in absolute terms.

the sustained performance of the services sector, although various types of service industries that are exposed to external demand, such as hotels & restaurants and transport, storage & communication, registered a slowdown (see Table 2.2).

A significant contribution to growth in nominal GDP came from the health & social work category, mainly reflecting the result of a re-evaluation exercise of the service provided by medical staff in the public sector. Other drivers of growth included public administration, financial intermediation and real estate, renting & business activities. As regards the latter, a marked increase in gross value added was recorded by the business activities segment. The real estate sub-sector, however, posted a fall in gross value added, mirroring the soft conditions in the property market.

Declines were also recorded in the wholesale & retail trades and in the fishing industry, while the energy sector contributed negatively to growth as the value of the output fell short of intermediate consumption costs.

Following several quarters of slow or negative growth, value added in manufacturing during the fourth quarter of 2008 stabilised and was almost unchanged from the previous year's level. This notwithstanding, manufacturing firms recorded a drop in both foreign and domestic sales over the quarter (see Table 2.3). Reduced exports were reported in the radio, TV & communication equipment category, and, to a lesser extent, in publishing & printing, pharmaceuticals and rubber & plastic products. In contrast, there were increased exports of electrical machinery. Meanwhile, following three consecutive quarters of positive growth, domestic manufacturing sales contracted slightly, primarily due to lower sales of fabricated metal products, furniture and beverages, which more than offset an increase in sales of other non-metallic minerals.

The nominally-measured income side of GDP showed growth of 3.6% in the compensation of employees. By contrast, operating surplus, the other major component of income-side GDP,

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

*Annual changes, EUR millions*

	2007		2008			2007	2008
	Q4	Q1	Q2	Q3	Q4		
<b>Total sales</b>	<b>-55.0</b>	<b>-34.3</b>	<b>-38.2</b>	<b>-34.8</b>	<b>-75.6</b>	<b>-49.2</b>	<b>-183.0</b>
<b>Exports</b>	<b>-52.4</b>	<b>-42.6</b>	<b>-52.7</b>	<b>-43.9</b>	<b>-74.0</b>	<b>-2.0</b>	<b>-213.3</b>
Radio, TV & communication equipment	-52.9	-43.1	-59.1	-39.2	-56.0	-76.0	-197.4
Pharmaceuticals	13.1	16.8	9.4	-7.6	-8.5	44.7	10.2
Electrical machinery & apparatus	3.2	-11.1	-0.1	-5.1	5.6	29.6	-10.8
Publishing & printing	0.6	4.3	3.3	6.6	-5.4	13.0	8.8
Games & toys	-4.7	-6.0	-3.6	3.9	0.4	4.9	-5.4
Clothing, textiles & leather	-4.1	-4.3	-6.3	-0.4	-0.3	-14.3	-11.3
Rubber & plastic products	-0.8	0.3	-1.5	-2.7	-4.0	6.5	-7.9
Food, beverages & tobacco	-5.4	0.4	2.2	5.6	2.4	-7.6	10.6
Other	-1.3	0.0	3.0	-5.0	-8.3	-2.8	-10.1
<b>Local sales</b>	<b>-2.6</b>	<b>8.3</b>	<b>14.5</b>	<b>9.1</b>	<b>-1.6</b>	<b>-47.3</b>	<b>30.4</b>
Food, beverages & tobacco	-5.7	5.6	6.1	4.7	-2.9	-49.6	13.5
Other non-metallic minerals	-0.3	0.5	3.8	3.6	5.5	-1.8	13.3
Fabricated metal products	2.1	2.5	4.1	1.2	-1.6	4.3	6.2
Printing & publishing	1.5	0.2	-0.1	-0.8	-0.8	5.0	-1.4
Furniture	-0.4	-1.1	-1.1	-2.1	-1.9	-2.0	-6.2
Other	0.1	0.5	1.7	2.7	0.1	-3.2	5.0

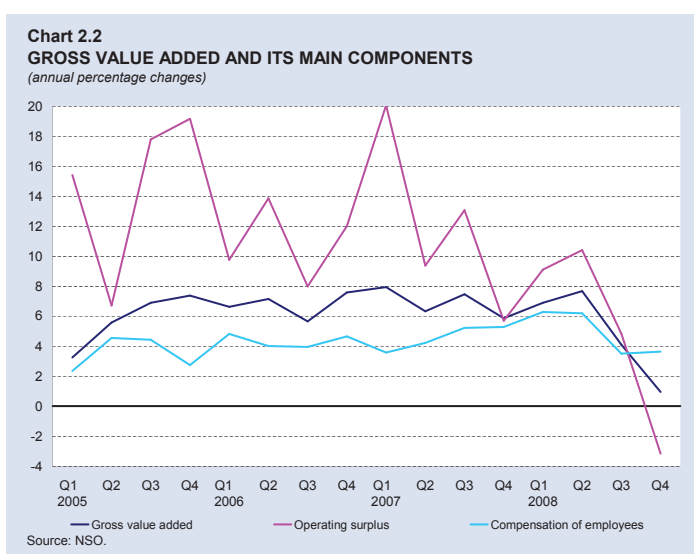
Source: NSO.

contracted by 3.2% on a year earlier (see Chart 2.2).

## The labour market

### Employment growth continues through November

On the basis of ETC data the number of unemployed persons rose in the last quarter of the year and the subsequent two months to February 2009.<sup>3</sup> Data on employment available up to November 2008 show that in the twelve months to that month the number of the full-time gainfully occupied increased by 2,217, or 1.5% (see Table 2.4 and Chart 2.3). The labour force grew at the same rate.



In the private sector, employment in direct production declined marginally, while service activities experienced an increase of 4.8% on a year earlier. The new jobs were mainly in business activities and, to a lesser extent, in the wholesale & retail trade and the health sectors. Meanwhile, public sector employment declined by 2.4%, extending a trend in evidence since 2002.<sup>4</sup>

**Table 2.4**  
**LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS <sup>(1)</sup>**  
*Persons, annual percentage changes*

	2007		2008			Annual change %
	Nov.	Mar.	June	Sep.	Nov.	
<b>Labour supply</b>	<b>149,823</b>	<b>149,644</b>	<b>151,118</b>	<b>151,872</b>	<b>152,017</b>	<b>1.5</b>
Gainfully occupied <sup>(2)</sup>	143,200	143,476	145,257	145,776	145,417	1.5
Registered unemployed	6,623	6,168	5,861	6,096	6,600	-0.3
<b>Unemployment rate (%)</b>	<b>4.4</b>	<b>4.1</b>	<b>3.9</b>	<b>4.0</b>	<b>4.3</b>	
<b>Private sector</b>	<b>100,422</b>	<b>100,649</b>	<b>102,603</b>	<b>103,752</b>	<b>103,659</b>	<b>3.2</b>
Direct production	32,770	32,371	32,612	32,774	32,727	-0.1
Market services	67,652	68,278	69,991	70,978	70,932	4.8
<b>Public sector</b>	<b>42,080</b>	<b>42,046</b>	<b>41,871</b>	<b>41,360</b>	<b>41,050</b>	<b>-2.4</b>
<b>Temporary employment</b>	<b>698</b>	<b>781</b>	<b>783</b>	<b>664</b>	<b>708</b>	<b>1.4</b>
<b>Part-time jobs</b>	<b>46,442</b>	<b>46,553</b>	<b>48,749</b>	<b>48,995</b>	<b>48,559</b>	<b>4.6</b>
Primary	25,852	26,018	27,579	27,816	27,410	6.0
Secondary <sup>(3)</sup>	20,590	20,535	21,170	21,179	21,149	2.7

<sup>(1)</sup> Figures for December 2008 were not available at time of writing.

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

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

Source: NSO.

<sup>3</sup> As of the Review's statistical cut-off date, the latest available ETC data on the number of unemployed persons were those for February 2009, while the corresponding data for employment levels and unemployment rates were those for November 2008.

<sup>4</sup> This measure of public sector employment includes employees with Government departments, independent statutory bodies and companies with a majority public sector shareholding. This is a broader definition than general government employment, which is referred to elsewhere in this Chapter.

The data also show an increase of 2,117 in part-time employment, of which three-quarters held a part-time job as their primary employment. In the latter category, the largest gains were recorded in the wholesale & retail trade, hotels & restaurants, other business activities and the other community, social & personal service sectors.

### Unemployment increases

The unemployment rate, at 4.3% in November 2008, was 0.1 percentage points lower than a year earlier. In the following three months, however, the number of the unemployed rose by 759, or 12.0%, on the previous year's level (see Chart 2.4). This increase reflected, in part, layoffs in manufacturing industry as the impact of recessionary conditions in Malta's trading partners began to have an effect on export orders.

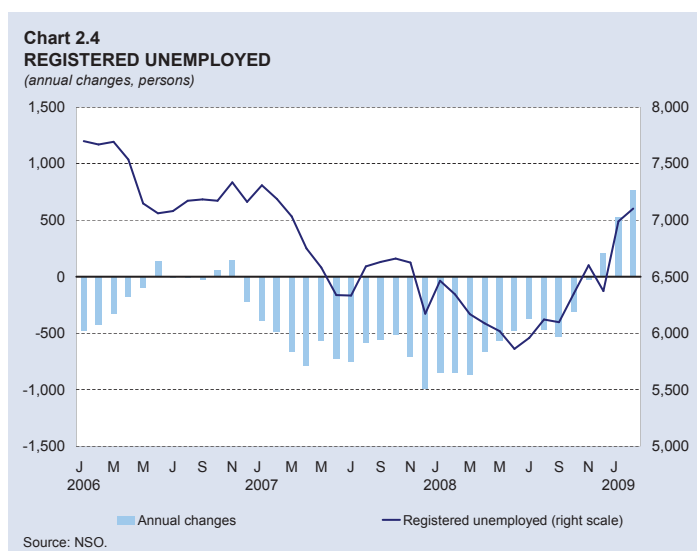
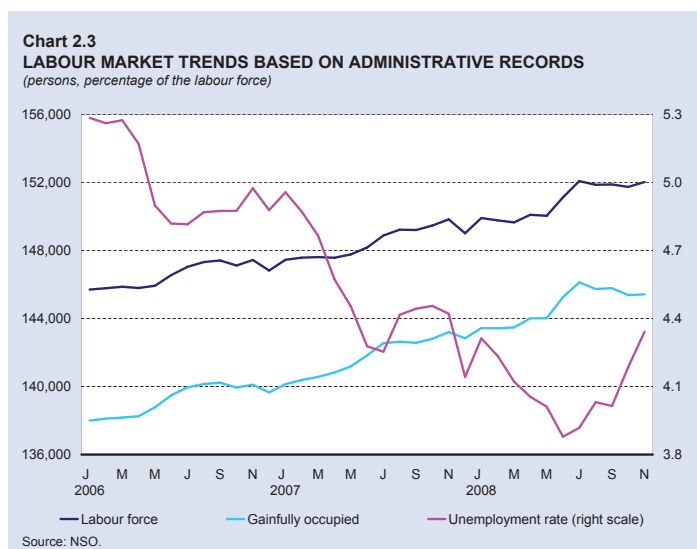
Skilled job seekers accounted for around 95% of the increase in the number of the jobless in the twelve months to February 2009, while the number of unskilled registrants increased slightly from a year earlier.

Further evidence of weaker labour market conditions emerges from Eurostat's estimates of the seasonally-adjusted unemployment rate for February.<sup>5</sup> This stood at 6.5%, up by 0.6 percentage points from the year-ago level and 0.8 percentage points above the low point of 5.7% reached in September 2008.

### Prices

#### HICP inflation driven by the prices of food, services and energy

Malta's HICP inflation increased marginally during the fourth quarter of 2008. In annual terms it stood at 5.0% in December, compared with 4.9% in September. During

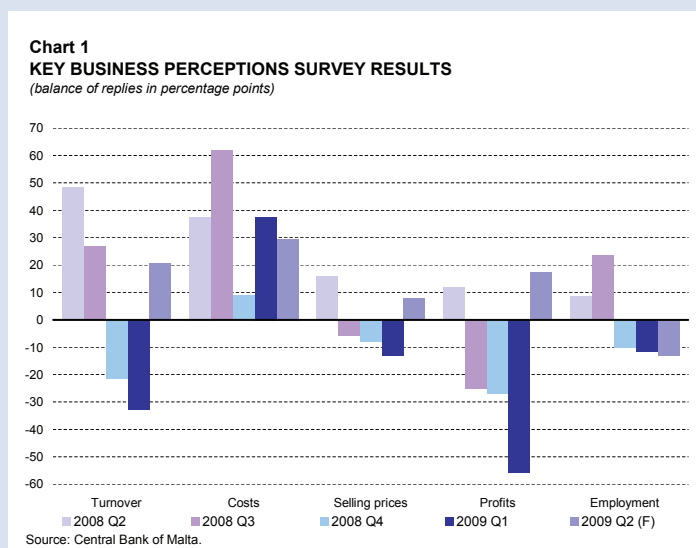


<sup>5</sup> The unemployment rate estimated by Eurostat is above that which emerges from administrative records since the former gauges the number of persons willing to work based on a survey, while the latter is based on the number registering for unemployment benefits. In addition, Eurostat data are seasonally adjusted.

## BOX 1: BUSINESS AND CONSUMER SURVEYS

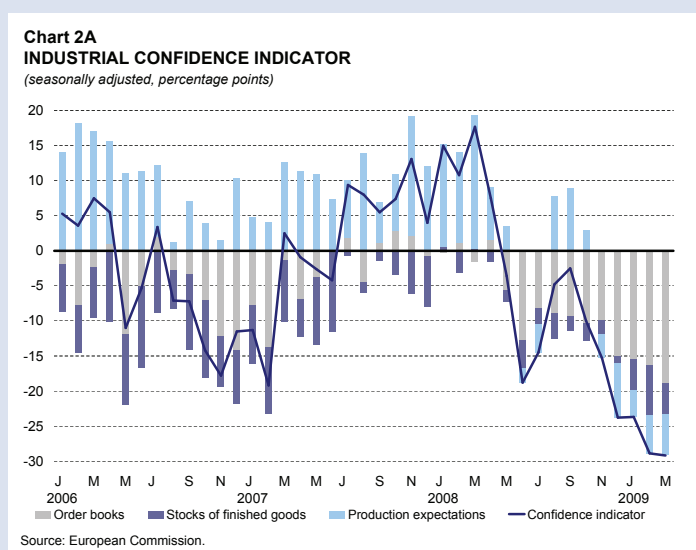
### Sentiment weakens further in first quarter of 2009<sup>1</sup>

The Bank's survey of business perceptions among service providers and in the construction industry indicated a further deterioration in sentiment during the first quarter of 2009. On balance, respondents reported reduced turnover, and although a higher proportion of them experienced an increase in costs than in the previous quarter, these were not passed on in higher prices. Consequently a large proportion of the surveyed firms reported a fall in profits. With regard to employment, the number of firms reporting a decrease exceeded those reporting an increase in their labour complement, but the majority indicated stable levels of employment (see Chart 1).



Looking ahead to the June quarter, firms were more optimistic with regard to turnover and profits but less so in their employment expectations. In contrast to the last two surveys, more participants anticipated a higher rather than a lower turnover, but half expected their turnover to remain stable. As regards cost pressures, a large majority anticipated no change in costs, while almost all other respondents expected an increase. Most respondents expected unchanged selling prices, with a balance of the remainder anticipating an increase. Nevertheless, a balance of participants looked to an increase in profits. On employment, more participants expected to shed jobs than to add to their workforce during the June quarter, particularly in the financial sector, but the majority did not envisage any change in this respect (see Chart 1).

From a longer term perspective, more respondents anticipated a reduction than an addition to their workforce; but again, the



<sup>1</sup> The fieldwork of the survey was carried out between 12 February and 12 March 2009.

majority expected no change in employment levels. At the same time, a large number of respondents intended to step up their capital expenditure over the year.

### Industrial confidence at record low<sup>2</sup>

The European Commission's survey of manufacturers for Malta similarly revealed a further deterioration in sentiment, with the seasonally-adjusted indicator losing further ground and reaching a record low in March (see Chart 2A).

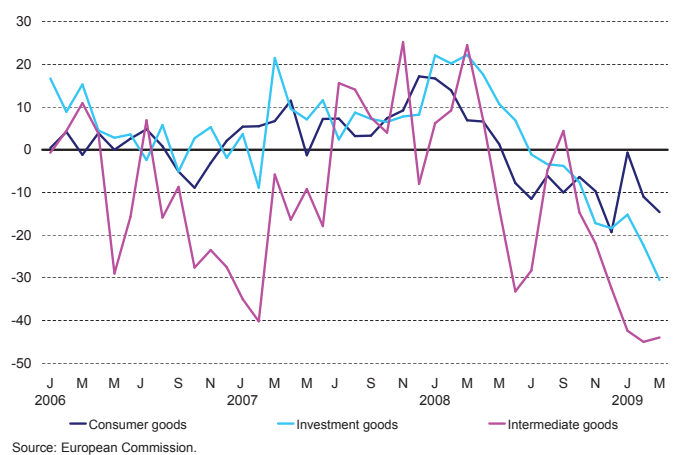
This pessimism was fuelled by an accumulation of stocks of finished goods coupled with lower order books. Nevertheless, there was a slight improvement in production expectations.

An analysis by main industrial groupings, presented in Chart 2B, shows weaker sentiment among producers of investment goods and intermediate goods. The former were affected by lower order books and a build-up in stocks of finished goods. The same was true of makers of intermediate goods, particularly textiles, and, to a lesser extent, of machinery & equipment. In contrast, sentiment picked up slightly among producers of consumer goods, reflecting an improved outlook in production volumes for the next three months. Nevertheless, the indicator registered a negative outcome for all three categories.

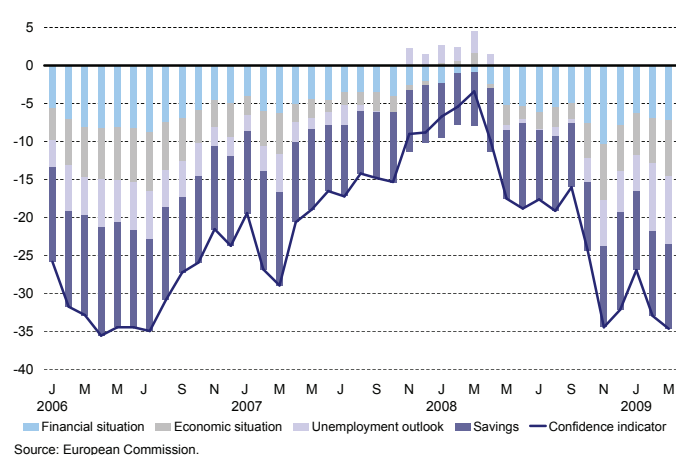
### Consumer sentiment weakens<sup>3</sup>

Consumer confidence also deteriorated in February and March, reversing the improvement observed in the previous two months (see Chart 3). Responses during the first quarter indicated concern about the

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



**Chart 3**  
CONSUMER CONFIDENCE INDICATOR  
(seasonally adjusted, percentage points)



<sup>2</sup> The industrial confidence indicator is the arithmetic average of the balances (in percentage points) of the answers to the questions on the expectations about production, current levels of order books and stocks of finished products. Balances are seasonally adjusted.

<sup>3</sup> The consumer confidence indicator is the arithmetic average of the balances (in percentage points) of the answers to the questions on households' financial situation including saving, the general economic situation and unemployment expectations all over the next 12 months. Balances are seasonally adjusted.

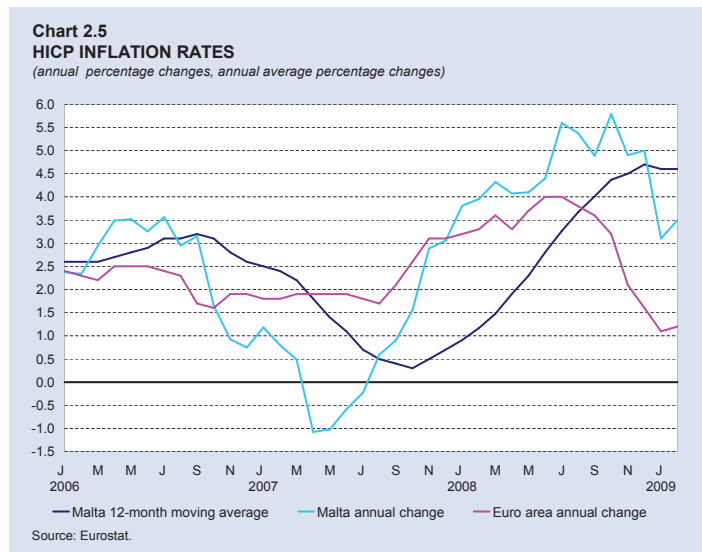
general economic situation, and labour market conditions in particular. The latter preoccupation appears to be consistent with recent trends in unemployment.

However, consumers' outlook regarding their own financial situation and the ability to increase their savings over the next twelve months remained relatively stable. Nevertheless, supplementary indicators show that respondents' spending intentions with regard to major purchases were marginally lower on average than in the previous quarter.



this period, the twelve-month moving average inflation rate rose from 4.0% to 4.7%. (see Chart 2.5)

The fourth-quarter acceleration was mainly due to a sharp rise in food prices, which increased by 0.7 percentage points over the previous quarter and contributed 1.8 points to the overall rise in the HICP. It was the unprocessed food category which accounted for the rise, with year-on-year increases of 18.2% and 14.3% in the prices of fresh fruit and vegetables, respectively.



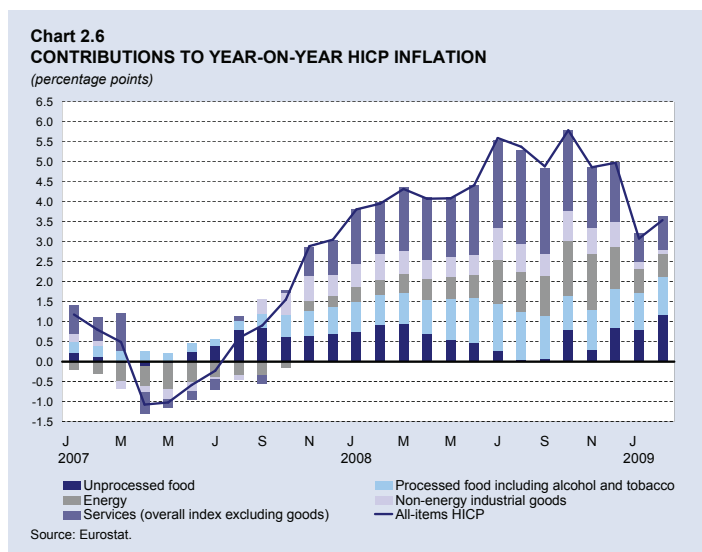
In contrast to food price movements, services registered a noticeable slowdown and their contribution declined to 1.5 percentage points in December from 2.0 points at the end of the previous quarter. The drop was mainly accounted for by the prices of accommodation and transport services. In particular, growth in accommodation prices decelerated from 10.8% in September to 6.4% in December. Meanwhile, the contributions of energy and non-energy industrial goods each increased by 0.1 points during the quarter, to stand at 1.1 and 0.6 percentage points, respectively (see Chart 2.6).

Over the same quarter, annual HICP inflation in the euro area declined by 2 percentage points, to stand at 1.6% in December. As a result, the difference between Malta's inflation rate and that of the euro area widened by 2.1 percentage points to 3.4 points by the end of December.

More recent data show that Malta's annual HICP inflation had fallen sharply to 3.1% in January, primarily on account of a substantial drop in services and energy prices. The rate rebounded somewhat, to 3.5% in February, led by a resumed increase in unprocessed food prices.

**RPI driven by food and energy prices**

Developments in the RPI during the quarter under review



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

Percentage points

	2008			2009	
	Oct.	Nov.	Dec.	Jan.	Feb.
Food	2.1	1.6	2.2	2.1	2.6
Beverages & tobacco	0.2	0.3	0.3	0.3	0.3
Clothing & footwear	0.2	0.1	0.2	0.0	0.1
Housing	0.4	0.3	0.3	0.3	0.3
Water, electricity, gas & fuels	1.4	1.3	1.3	1.4	1.4
Household equipment & house maintenance costs	0.0	0.0	0.0	0.0	0.0
Transport & communications	0.8	0.7	0.2	-0.9	-0.9
Personal care & health	0.1	0.1	0.1	0.1	0.2
Recreation & culture	0.2	0.2	0.2	0.2	0.2
Other goods & services	0.2	0.2	0.2	0.1	0.1
<b>RPI</b>	<b>5.4</b>	<b>4.8</b>	<b>4.9</b>	<b>3.6</b>	<b>4.2</b>

Sources: NSO; Central Bank of Malta.

## BOX 2: RESIDENTIAL PROPERTY PRICES

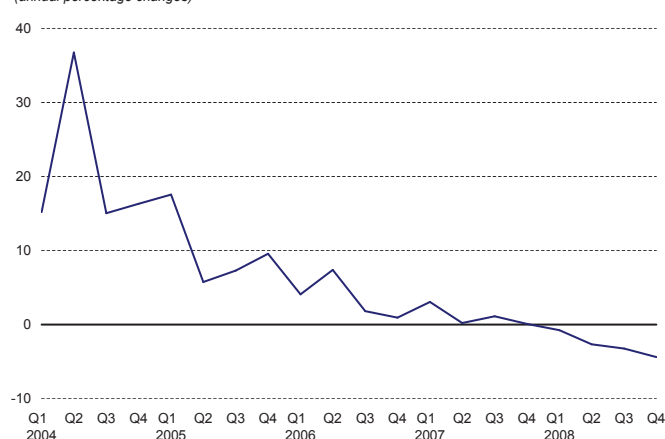
### A further decline in residential property prices<sup>1</sup>

The fourth quarter of 2008 saw a further decline in property prices, with the Bank's index of advertised prices showing an annual rate of decline of 4.4%, following reductions of 2.7% and 3.2% in the two preceding quarters (see Chart 1).

Of the eight categories of residential property surveyed, four experienced negative growth in the fourth quarter. The decline was most pronounced in advertised prices of apartments, in both shell and finished form, which together make up more than half of the surveyed properties. The prices of these categories fell by 9.0% and 8.1%, respectively, year-on-year. Meanwhile, the prices of villas fell by 7.1% on a year earlier, while those of maisonettes in shell form were down by 2.3%.

On the other hand, the prices of townhouses, which account for 5.4% of sampled properties, increased by 7.6%. Increases of 4.2% and 3.0% were also registered in the prices of houses of character and terraced houses, respectively, while prices of finished maisonettes rose marginally, by 0.7%.

**Chart 1**  
**RESIDENTIAL PROPERTY PRICES**  
(annual percentage changes)



Source: Central Bank of Malta.

<sup>1</sup> The Bank's quarterly property price index measures advertised residential property prices compiled from monthly observations. The NSO publishes a separate annual index using monthly data indicated in contracts of sale as registered at the Inland Revenue Department. Other differences between the two indices include the number of observations, which are usually in excess of 2,000 per month in the case of the Bank's index, while ranging from 450 to 600 per month in the NSO's index. Another difference is that the Bank's index is sub-divided into eight dwelling categories, while the NSO's differentiates between three types of dwellings and six regions.

were similar to those in the HICP, except for differences arising from the exclusion of the hotel accommodation sub-component from the RPI and the larger weight allocated to the food component. The year-on-year increase in the RPI peaked at 5.4% in October, before easing to 4.9% in December. At this level, however, RPI inflation was still 0.8 percentage points higher than in September. During the same period, the twelve-month moving average rate edged upwards by 0.5 percentage points to 4.3%.

The fourth quarter increase in RPI inflation was mostly driven by food prices, which contributed 2.2 percentage points to the year-on-year increase in the index in December. Despite its small weight in the RPI, the water, electricity, gas & fuels component contributed an additional 1.3 percentage points, reflecting the substantial upward revision of water and electricity tariffs from the beginning of October. Meanwhile, the contribution of the transport & communication component, which has a weight of 23.1% in the RPI basket, declined to 0.2 points, 0.5 points less than in the third quarter.

The RPI core inflation index rose by 1.7% year-on-year in December, after having risen by 1.2% in September.<sup>6</sup>

More recent data show that RPI inflation eased somewhat during the first two months of 2009, standing at 4.2% in February. Core inflation, however, remained unchanged.

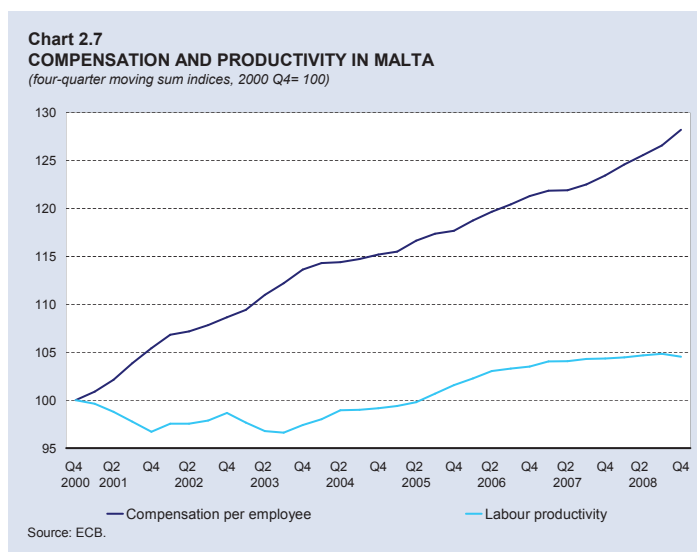
### Costs and competitiveness

Two widely used measures of external competitiveness are unit labour costs (ULC) and the harmonised competitiveness indicator (HCI).

#### *ULC rise as wages increase faster than productivity<sup>7</sup>*

Measured on a four-quarter moving sum basis, Malta's ULC in the fourth quarter of 2008 increased by 3.7% from their year-ago level. Chart 2.7 shows that this was due to a 3.9% increase in compensation per employee, which more than outweighed the increase of 0.2% in labour productivity.

The rise in Malta's ULC during the quarter was more pronounced than those of the euro area as a whole. The latter registered an increase of 3.2% and this was entirely driven by an increase in compensation per employee as labour productivity remained unchanged (see Chart 2.8). In recent years, Malta has generally had slower ULC growth than the euro area, but this was not



<sup>6</sup> The RPI core inflation index is constructed by the Central Bank of Malta to measure persistent price movements.

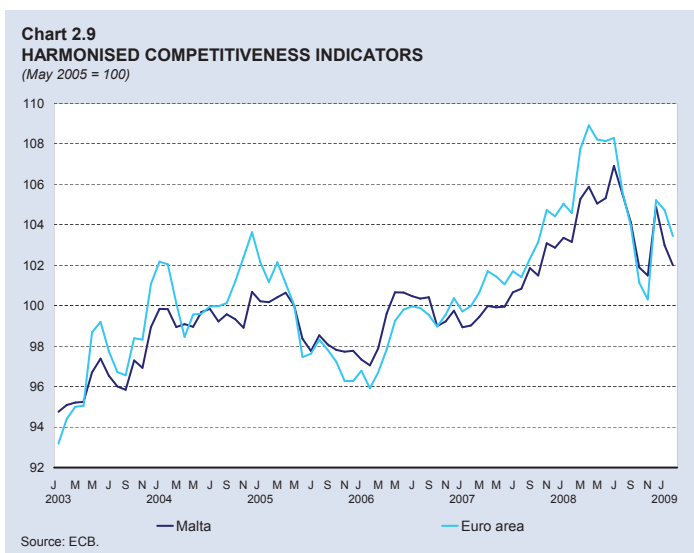
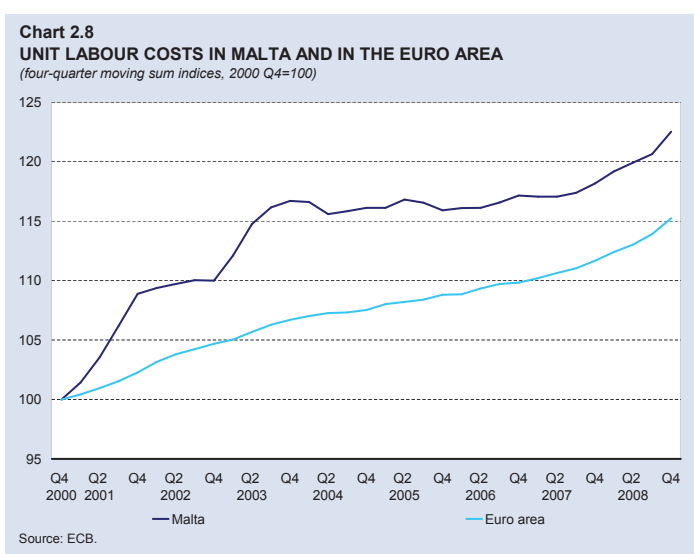
<sup>7</sup> The cut-off date for statistics used in the preparation of Charts 2.7 and 2.8 was extended to 24 May 2009.

sufficient to reverse the loss in competitiveness vis-à-vis the euro area that occurred earlier in the decade.

*HCI was very volatile during the fourth quarter*

In December, Malta's HCI was 1.9% above its year-ago level, indicating a deterioration in the country's competitiveness, at least as far as manufacturing is concerned.<sup>8</sup> The spike observed in December reversed a steady decline that had begun in June and that reflected mainly the depreciation of the euro against the US dollar. The upward movement in December was attributable both to the abrupt appreciation of the euro and to higher inflation in Malta compared to its main trading partners, especially those in the euro area. The euro area's HCI followed a similar path during this period (see Chart 2.9).

More recent data show that Malta's HCI dropped sharply in the first two months of 2009. This improvement in external competitiveness was entirely due to favourable exchange rate developments.



**The balance of payments**

In the fourth quarter of 2008 the deficit on the current account of the balance of payments was marginally higher than in the same quarter a year earlier. This was attributable to a deterioration in the income account, which outweighed favourable developments in transfers and the goods and services balance.

During the same period, significantly higher net inflows were recorded on the capital and financial account.<sup>9</sup> This was wholly attributable to developments in the financial account, as a smaller

<sup>8</sup> The HCI is a measure of international competitiveness that tracks price level and exchange rate movements against a country's main trading partners. Given the limitations of this index, which weights exchange rate and price changes according to the direction of trade in manufactured goods only, the HCI should only be considered as a partial measure of Malta's international competitiveness.

<sup>9</sup> Following Malta's entry into the euro area on 1 January 2008, a reclassification of the external reserves was carried out. All euro-denominated assets, as well as assets that represent claims on other euro area residents, are no longer considered to form part of the country's external reserves. Moreover, a fraction of the Bank's reserve assets was transferred to the ECB in exchange for a claim on the ECB. For these reasons marked changes were recorded on all financial account sub-components with the exception of direct investment. Thus, data related to reserve assets, portfolio investment, derivatives and other investment cannot be compared with their 2007 counterparts.

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

			four-quarter moving sum				
	2007	2008	2007	2008			
	Q4		Q4	Q1	Q2	Q3	Q4
<b>Current account</b>	<b>-215.1</b>	<b>-229.2</b>	<b>-334.6</b>	<b>-277.2</b>	<b>-333.7</b>	<b>-342.9</b>	<b>-357.1</b>
Goods	-278.2	-271.0	-980.9	-1,041.5	-1,122.0	-1,207.6	-1,200.4
Services	145.0	146.9	838.6	856.3	886.1	983.2	985.1
Income	7.6	-27.5	-129.0	-77.6	-139.4	-141.5	-176.6
Current transfers	-89.4	-77.6	-63.2	-14.3	41.6	23.0	34.8
<b>Capital and financial account</b>	<b>68.9</b>	<b>244.5</b>	<b>191.7</b>	<b>60.5</b>	<b>269.6</b>	<b>158.6</b>	<b>334.3</b>
Capital account	17.9	10.0	51.4	50.4	56.8	35.5	27.6
Financial account	51.0	234.5	140.3	10.1	212.8	123.2	306.6
Errors and omissions	146.2	-15.3	142.8	216.7	64.1	184.3	22.8

Sources: NSO; Central Bank of Malta.

surplus was posted on the capital account. Meanwhile, reserve assets declined, while net errors and omissions were small and negative.<sup>10</sup>

For the year as a whole, the deficit on the current account was wider than in the previous year. This was mainly due to an expansion of the merchandise trade gap and higher net outflows on the income account, which together offset gains on services and net receipts from current transfers. Conversely, net inflows on the capital and financial account increased significantly.

#### *The current account deficit widens marginally*

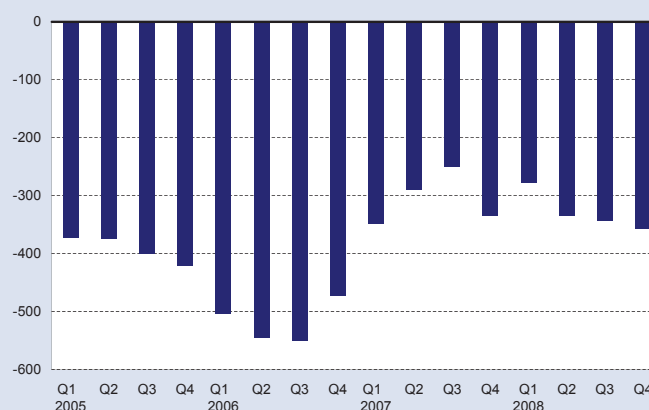
In the last quarter of 2008 the deficit on the current account stood at EUR 229.2 million, up by EUR 14.1 million on a year earlier (see Table 2.6). Over the year it recorded an increase of EUR 22.5 million to EUR 357.1 million (see Chart 2.10). As a proportion of GDP, the current account deficit stood at 6.3% in 2008, compared with 6.1% in 2007.

#### *The merchandise trade gap narrows ...*

According to balance of payments data, the merchandise trade deficit narrowed to EUR 271.0 million during the December quarter, down by EUR 7.2 million, or 2.6%, from a year earlier. Although both imports and exports fell significantly, the contraction in imports outweighed the drop in exports.

During the last quarter of 2008, the value of imports fell by EUR 169.9 million, or 18.2%, on a year-on-year basis. As indi-

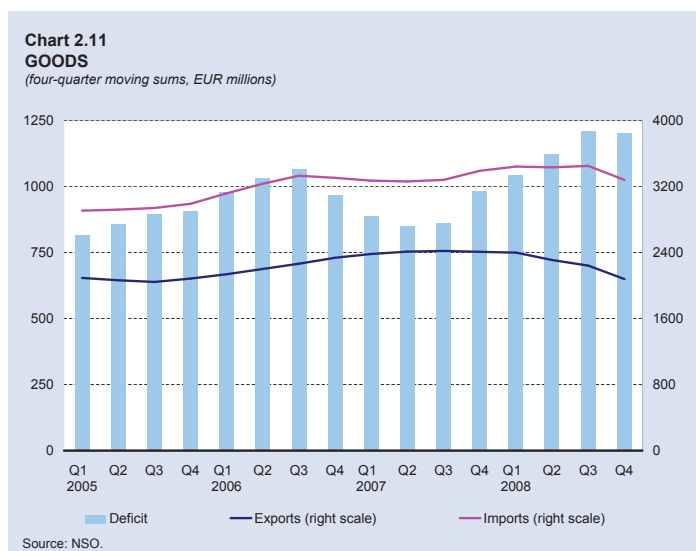
**Chart 2.10**  
**CURRENT ACCOUNT BALANCE**  
(four-quarter moving sum, EUR millions)



Source: NSO.

<sup>10</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.

cated by Customs data, lower purchases of semi-finished industrial supplies accounted for most of this decline, mainly reflecting weaker exports of semi-conductors. Nonetheless, a notable drop in imports of durable consumer goods, particularly motor vehicles, also contributed. By contrast, during the same period, the value of fuel imports rose by nearly 40%. Meanwhile, exports fell by EUR 162.7 million, or almost 25%, mainly under the impact of lower sales of electronic goods. However, exports of food, pharmaceuticals and of other miscellaneous manufactured goods also declined.

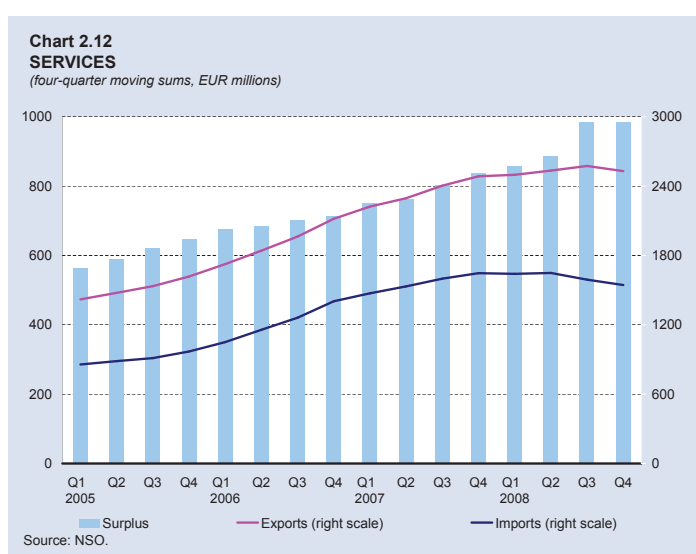


After having risen steadily since the second quarter of 2007, the visible trade gap on a four-quarter moving sum basis levelled off in the final quarter of 2008 (see Chart 2.11). Nevertheless, the deficit on the goods balance was 22.4% higher than in the final quarter of 2007. This stemmed from a drop of 13.7% in exports, which outweighed a 3.2% contraction in imports. These movements were mainly propelled by lower external demand for electronic components, reflecting the adverse international environment and the cyclical performance of the semi-conductor industry. The decline in imports, however, was dampened by the higher costs of energy during the year.

Customs data for January 2009 point to a widening of the merchandise trade gap, up by EUR 20.3 million on a year earlier. The year-on-year increase mainly reflected a transaction involving the purchase of aircraft. Otherwise, trade flows fell across all major categories, in line with global trends.

### ... and the surplus on services improves

During the final quarter of 2008, the positive balance on services went up by EUR 2.0 million, or 1.3%, on the corresponding quarter of 2007, reaching EUR 146.9 million. Consequently, as Chart 2.12 shows, the trend improvement in the services balance seen during 2008 continued, albeit at a slower pace. As a result, net receipts from services rose by EUR 146.6 million, or 17.5%, compared to



2007. This reflected the combination of a 6.2% decline in payments and a 1.8% increase in receipts.

On a year-on-year basis, increased net inflows on services during the December quarter of 2008 were attributable to higher net receipts on the 'other services' component and on transport, which were up by EUR 17.0 million and EUR 13.7 million, respectively. The former was mainly driven by net inflows from merchanting, as against outflows a year earlier, as well as by lower payments related to financial services and miscellaneous business, professional and technical services. Meanwhile, higher net receipts from both sea and air transport boosted growth in earnings from transport activities. At the same time, higher expenditure by residents travelling abroad and a reduction in spending by inbound tourists led to a EUR 28.7 million contraction in the surplus on travel.

#### *Net outflows were posted on the income account ....*

In the three-month period to December 2008, net outflows of EUR 27.5 million were posted on the income account as against net inflows of EUR 7.6 million a year earlier. Reflecting higher inflows of inward direct investment in recent years, dividend payments to foreign investors and reinvested earnings by foreign-owned entities operating locally increased significantly. Moreover, with interest rates in international financial markets falling significantly, earnings on residents' portfolio investments abroad were down by 6.8% on the corresponding quarter of 2007. Similarly, interest payments on foreign loans declined considerably during the period under review. Banks engaged predominantly in international business accounted for most of these income flows. These patterns characterized income flows for the year as a whole. Thus, higher net outflows were recorded, reflecting mainly the impact of profits earned by foreign-owned companies in Malta.

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

During the fourth quarter of 2008 the negative balance on current transfers contracted by EUR 11.8 million compared with the position a year earlier. This was largely due to a decline in payments to companies engaged in international business registered in Malta. Nevertheless, during the twelve-month period to December 2008 net inflows of EUR 34.8 million were recorded on the current transfers account, as against net outflows of EUR 63.2 million in 2007.

#### *The capital and financial account posted higher net inflows*

Net inflows on the capital and financial account reached EUR 244.5 million during the fourth quarter of 2008, up by EUR 175.6 million over the comparable period a year earlier. Higher net inflows were entirely driven by developments in the financial account, since the surplus on the capital account dropped by EUR 7.9 million. Similarly, over the year as a whole, net inflows of EUR 334.3 million were posted on the capital and financial account, up by EUR 142.6 million, or 74.4%, from the 2007 level.

Net inflows on the financial account totalled EUR 234.5 million during the quarter. Reflecting the intensification of the uncertainty in global financial markets, resident banks appear to have reduced the scale of their international operations. In particular, residents tended to downsize their holdings of foreign equities and debt securities, generating net portfolio investment inflows of EUR 2,656.6 million. Meanwhile, net inward direct investment of EUR 249.5 million was recorded in the same period. This was partly driven by equity capital injections into banks engaged in international business, although claims by subsidiaries on their parent companies and reinvested

earnings by pharmaceutical and electronics firms also contributed. On the other hand, outward direct investment flows increased by EUR 41.2 million.

Reflecting, to a large extent, contra movements to portfolio investment inflows, the other investment component recorded net outflows of EUR 2,412.2 million during the quarter. This was mainly driven by the repayment of both short and long-term loans by the banking sector. However, additional outflows of EUR 307.9 million related to financial derivatives were also recorded. Meanwhile, reserve assets decreased by EUR 89.7 million.<sup>11</sup>

In 2008, net inflows on the financial account rose to EUR 306.7 million, from EUR 140.3 million in 2007. The main factors contributing to this increase were a reduction in residents' foreign holdings of debt securities and inward direct investment. These inward flows were partly offset by outward transactions related to financial derivatives and repayments of long-term borrowings by the banking sector.

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

As in the preceding three quarters of 2008, the general government registered a deficit in the last quarter of the year. As a result, the deficit widened to 4.7% of GDP in 2008 from 2.2% in 2007 (see Table 2.7). Meanwhile, the general government debt-to-GDP ratio rose by 2 percentage points to 64.1%. Expenditure growth explains the increase in the deficit ratio, with one-off items accounting for more than half of the rise, as revenue expanded, albeit moderately. Similarly, the shortfall on the Consolidated Fund also widened, as expenditure expanded more rapidly than revenue.

### General Government deficit expands, driven by higher expenditure<sup>13</sup>

An important change in the government accounts in 2008 was the inclusion of Malta Shipyards Ltd within the general government sector. This reclassification boosted general government sales, intermediate consumption and compensation of employees and led to a drop in subsidies. On aggregate, it had a negative effect on the general government balance, estimated at around 0.4% of GDP.

In the fourth quarter of 2008 expenditure exceeded revenue by over EUR 45 million, compared with the EUR 7.4 million shortfall registered in the same period of 2007. As a result, the deficit for

**Table 2.7**  
**GENERAL GOVERNMENT INDICATORS**

*Percentages of GDP*

	2004	2005	2006	2007	2008
Revenue	40.7	41.8	41.2	40.4	40.6
Expenditure	45.5	44.7	43.7	42.6	45.3
Balance	-4.7	-2.9	-2.6	-2.2	-4.7
Gross debt	72.2	69.8	63.7	62.1	64.1

Source: NSO.

<sup>11</sup> The decrease in reserve assets during the fourth quarter of EUR 80.8 million, to EUR 268.3 million by end 2008, consisted of a contraction of EUR 89.7 million in transactions flow and EUR 8.9 million in valuation changes.

<sup>12</sup> The cut-off date for information contained in this Chapter is 24 April 2009.

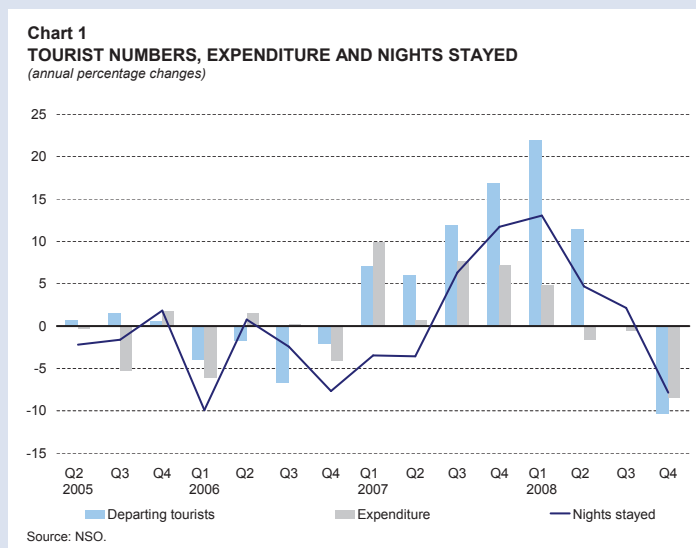
<sup>13</sup> The general government account captures central government, including extra-budgetary units, and local government on an accrual basis. On the other hand, the Consolidated Fund captures most of the transactions of central government on a cash basis.



## BOX 3: TOURISM ACTIVITY

### Continuing slowdown in the tourism industry

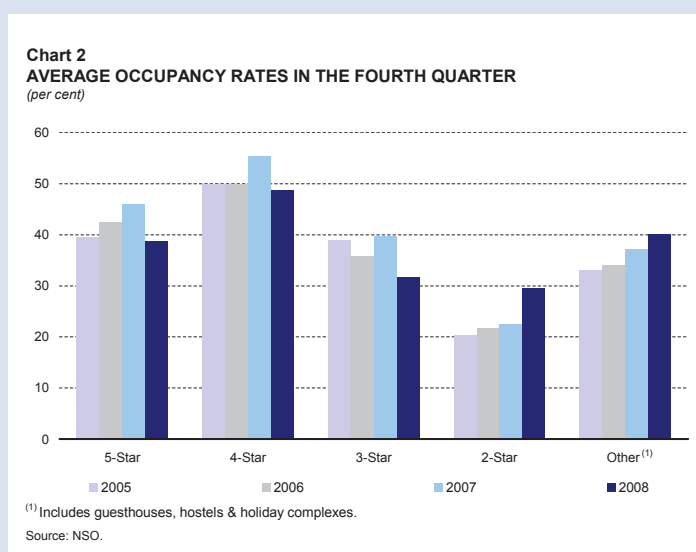
The tourism market weakened in the fourth quarter of 2008, responding to recessionary conditions abroad. On a year-on-year basis, the number of tourists visiting Malta fell by 10.3% in the December quarter, following two quarters of decelerating growth (see Chart 1). With total nights stayed dropping at a slower pace, of 7.9%, the average length of stay increased to 8.4 nights, from 8.1 a year earlier. Meanwhile, total expenditure fell by 8.4%, mainly as a result of an 18.9% drop in spending on package holidays.



Fewer arrivals were reported from all major markets except Italy and Ireland. Visitors from the United Kingdom and Germany, in particular, were down by 13.1% and 15.3%, respectively, on a year earlier.

Occupancy rates fell across all types of tourist accommodation except 2-star hotels and other collective accommodation (see Chart 2). Significant reductions were reported in 5- and 3-star hotels, where occupancy rates dropped by about seven and eight percentage points, respectively. These results were corroborated by an industry survey of 5-, 4- and 3-star hotels.<sup>1</sup> All these categories registered lower occupancy rates, with the 5-star hotels reporting the largest decline, of 14.7%. The increased bed stock in the 5-star category, compared with the same period of 2007, was a contributory factor.

The industry survey also showed that average achieved room rates, which represent accommodation revenue per room-night sold net of VAT, improved in the 5- and 4-star categories, despite the reduction in occupancy. The 3-star category, however, reported a decrease of 18.5%.



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

For 2008 as a whole, tourist departures were up by 3.8% from the previous year's level, while total nights stayed increased by 2.2%, leading to a small decrease in the average length of stay. Meanwhile, expenditure was down by 1.6%.

The weaker pace of activity evident in the second half of 2008 continued into the first two months of 2009, when the number of tourists visiting Malta was down by 15.1% and estimated expenditure contracted by 14.6%. Nevertheless the average length of stay rose to 9.4 nights.

As regards cruise liner trends, the number of such visitors to Malta during the fourth quarter was up by 9.1%, year-on-year, practically the same increase as in the previous quarter. Cruise passenger arrivals from the United Kingdom and the United States were sharply up, while those from Germany, France and Italy were lower. Over the year as a whole, cruise liner tourists were up by 12.7%. In the first two months of 2009 the upward trend was marked with a sharp increase in the number of cruise liner visitors.

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

EUR millions

	2007	2008	2007	2008	Change	
	Q4	Q4	Q1-Q4	Q1-Q4	Amount	%
<b>Revenue</b>	<b>656.8</b>	<b>624.3</b>	<b>2,201.1</b>	<b>2,298.1</b>	<b>97.0</b>	<b>4.4</b>
Taxes on production and imports	221.3	219.2	801.3	833.9	32.6	4.1
Current taxes on income and wealth	255.6	215.0	726.0	742.8	16.8	2.3
Social contributions	104.0	120.6	398.3	432.0	33.7	8.5
Capital and current transfers	33.5	22.9	94.3	65.7	-28.5	-30.3
Other	42.4	46.6	181.3	223.7	42.5	23.4
<b>Expenditure</b>	<b>664.2</b>	<b>669.6</b>	<b>2,320.6</b>	<b>2,564.5</b>	<b>243.9</b>	<b>10.5</b>
Intermediate consumption	101.4	102.6	291.8	386.1	94.3	32.3
Gross fixed capital formation	55.2	34.4	215.8	151.0	-64.9	-30.0
Compensation of employees	177.1	196.9	707.8	789.9	82.1	11.6
Subsidies	35.7	14.5	114.7	123.9	9.2	8.1
Interest	51.9	54.1	182.0	187.8	5.8	3.2
Social benefits	200.6	235.5	718.1	796.5	78.4	10.9
Other	42.3	31.6	90.4	129.3	38.9	43.0
<b>Primary balance</b>	<b>44.6</b>	<b>8.8</b>	<b>62.6</b>	<b>-78.6</b>	<b>-141.2</b>	<b>-</b>
<b>General government balance</b>	<b>-7.4</b>	<b>-45.3</b>	<b>-119.5</b>	<b>-266.4</b>	<b>-146.9</b>	<b>-</b>

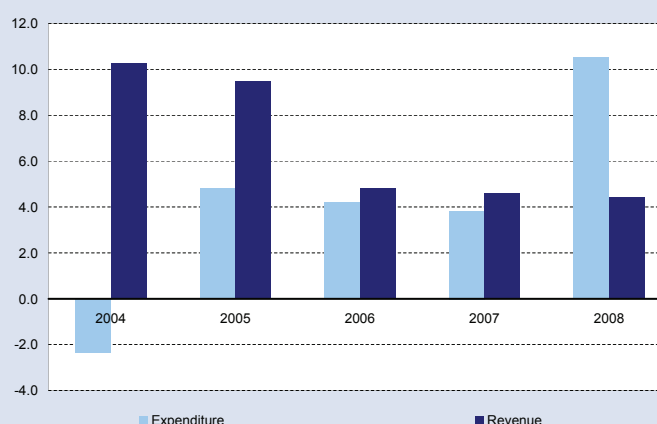
Source: NSO.

the year as whole reached EUR 226.4 million, up by EUR 146.9 million from the previous year's level (see Table 2.8).

The primary balance registered a surplus of nearly EUR 9 million in the fourth quarter of 2008.<sup>14</sup> For the year as a whole, however, a primary deficit of EUR 78.6 million was recorded, as against a primary surplus of EUR 62.6 million in 2007.

During 2008 expenditure rose by 10.5%, or EUR 243.9 million, with considerable expansion being recorded in most recurrent items. Expenditure growth thus accelerated sharply after the moderate increases of the previous three years (see Chart 2.13). But two one-off items, namely the early retirement schemes offered to shipyard employees and the increase in the subsidy to the energy sector, accounted for around a third of the rise. Intermediate consumption rose by around 32%, mainly due to the higher running costs of the new state hospital and the inclusion of the raw materials and other production inputs used by Malta Shipyards. The reclassification of the shipyards also raised general government employment

**Chart 2.13**  
**GENERAL GOVERNMENT EXPENDITURE AND REVENUE GROWTH**  
(percentages of growth)



Source: NSO.

<sup>14</sup> The primary balance is obtained by removing interest payments from expenditure.

levels and, hence, compensation of employees, which grew by 11.6%. Employee compensation was also boosted by additional employment in the general government sector, the increases in wages and salaries contemplated in the civil service collective agreement and those awarded in the new collective agreements in the health sector. In addition, spending on social benefits increased by nearly 11%, boosted by the above-mentioned early retirement schemes, a higher pension bill and increases in children's allowances. Subsidies added 8.1%, as the amount allocated to the energy sector, to soften the impact of spiralling international oil prices in the first part of the year, was only partly offset by the consolidation of subsidies to the shipyards as part of the reclassification. The sharp rise in the 'other' expenditure category largely reflected one-off sales of government land in 2007, which are recorded as negative expenditure in the general government accounts. Meanwhile, interest payments continued to rise moderately.

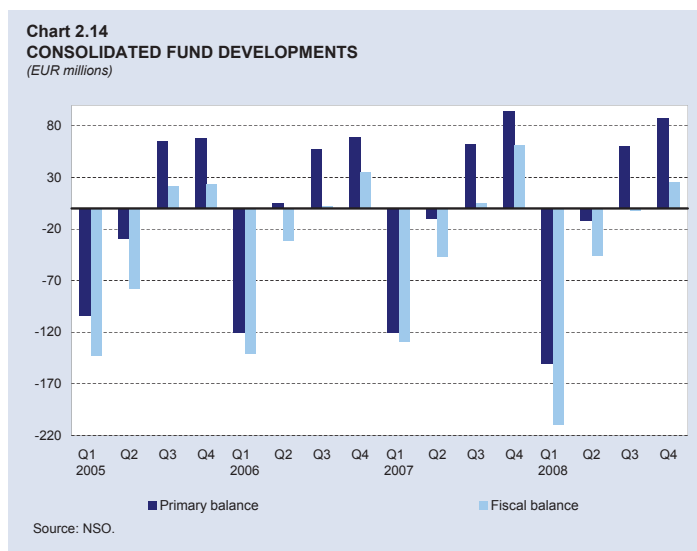
Strong growth in recurrent expenditure was partly offset by a EUR 64.9 million drop in gross fixed capital formation. This was mainly a base effect reflecting the completion of the new state hospital in the previous year. In addition, the termination of the Italian bilateral aid agreement and lower absorption of EU grants, which play an important role in the financing of capital outlays, also dampened capital spending.

Revenue grew at a much slower pace than expenditure, rising by 4.4%, or EUR 97.0 million, with the main components decelerating compared to the recent past. As Chart 2.13 shows, revenue growth had been slowing down gradually in each of the past four years.

On the revenue side, social contributions exhibited a substantial growth of 8.5%, reflecting a generally positive labour market performance. In contrast, taxes on income and wealth registered slower growth compared to recent years. Revenue from taxes on income and wealth increased by only 2.3%, compared with the double-digit growth of recent years. Indeed, in the final three months of the year revenue from this source registered negative year-on-year growth. It appears that the economic slowdown adversely affected growth in revenue from taxes on enterprises, while the widening of income tax brackets dampened the yield from taxes on households. Meanwhile, taxes on production and imports expanded by 4.1%, driven by VAT receipts. In addition, capital and current transfers, which consist mainly of EU grants, decreased by around 30%. However, 'other' revenue, increased sharply, accounting for almost half of the overall rise in revenue in 2008. In turn, this was mainly the result of higher sales of market output owing to the inclusion of Malta Shipyards Ltd in the general government sector.

### *Similar deterioration in the Consolidated Fund*

Developments in the general government balance broadly follow trends in the Consolidated Fund, though the reclassification of Malta Shipyards Ltd only affected the former. In line



**Table 2.9**  
**GOVERNMENT BUDGETARY OPERATIONS**

EUR millions

	2007	2008	2007	2008	Change	
	Q4	Q4	Q1-Q4	Q1-Q4	Amount	%
<b>Revenue</b>	<b>659.1</b>	<b>650.4</b>	<b>2,064.6</b>	<b>2,132.2</b>	<b>67.7</b>	<b>3.3</b>
<b>Direct tax</b>	<b>354.0</b>	<b>363.0</b>	<b>983.7</b>	<b>1,076.1</b>	<b>92.4</b>	<b>9.4</b>
Income tax	252.4	257.3	663.4	735.9	72.5	10.9
Social security contributions <sup>(1)</sup>	101.6	105.7	320.3	340.2	19.9	6.2
<b>Indirect tax</b>	<b>241.2</b>	<b>231.6</b>	<b>838.4</b>	<b>852.3</b>	<b>13.9</b>	<b>1.7</b>
Value Added Tax	120.3	126.8	421.8	455.3	33.5	7.9
Customs and excise duties	56.8	47.6	185.0	177.8	-7.2	-3.9
Licences, taxes and fines	64.1	57.1	231.6	219.1	-12.5	-5.4
<b>Non-tax<sup>(2)</sup></b>	<b>63.9</b>	<b>55.8</b>	<b>242.5</b>	<b>203.8</b>	<b>-38.7</b>	<b>-15.9</b>
<b>Expenditure</b>	<b>597.4</b>	<b>625.2</b>	<b>2,173.5</b>	<b>2,365.3</b>	<b>191.8</b>	<b>8.8</b>
<b>Recurrent<sup>(1)</sup></b>	<b>510.2</b>	<b>566.9</b>	<b>1,915.6</b>	<b>2,143.2</b>	<b>227.5</b>	<b>11.9</b>
Personal emoluments	149.7	159.9	484.4	519.3	34.9	7.2
Programmes and other operational expenditure <sup>(3)</sup>	289.9	332.6	1,095.5	1,271.6	176.1	16.1
Contributions to entities	38.3	41.5	156.6	163.3	6.7	4.3
Interest payments	32.3	32.9	179.1	189.0	9.9	5.5
<b>Capital</b>	<b>87.2</b>	<b>58.3</b>	<b>257.9</b>	<b>222.1</b>	<b>-35.7</b>	<b>-13.8</b>
<b>Primary balance<sup>(4)</sup></b>	<b>93.9</b>	<b>58.1</b>	<b>69.9</b>	<b>-44.1</b>	<b>-114.0</b>	<b>-</b>
<b>Consolidated Fund balance<sup>(5)</sup></b>	<b>61.6</b>	<b>25.2</b>	<b>-109.1</b>	<b>-233.1</b>	<b>-124.0</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.

with seasonal patterns, the Consolidated Fund registered a surplus of EUR 25.2 million in the final quarter of 2008 (see Chart 2.14). This, however, was considerably smaller than that recorded a year earlier. Over the year as a whole, the Consolidated Fund ended with a deficit of EUR 233.1 million, compared with one of EUR 109.1 million in 2007. Concurrently, the primary balance swung into deficit, registering a shortfall of EUR 44.1 million, as against a surplus of EUR 69.9 million in 2007 (see Table 2.9).

### *Expenditure growth accelerates ...*

Between October and December 2008 expenditure grew by 4.6% on a year earlier, with lower capital spending partly offsetting the rise in recurrent expenditure. Consequently, over the year as a whole, expenditure grew by 8.8%, or EUR 191.8 million.

Recurrent outlays expanded by approximately 12%, or EUR 227.5 million, in 2008, mainly driven by programmes and other operational expenditure, which accounted for more than three-fourths of the increase. In turn, consonant with developments in general government expenditure, this was mainly brought about by the early retirement schemes for shipyard employees, higher energy subsidies and additional spending on social benefits. Contributions to the EU budget also increased. Moreover, expenditure on personal emoluments also rose considerably, by some 7%, while interest payments and contributions to entities added 5.5% and 4.3%, respectively.

In contrast, capital expenditure was down by EUR 35.7 million, or 13.8%, compared with 2007. This substantial drop reflected the completion of the new state hospital and the termination of the Italian bilateral aid agreement and lower absorption of EU grants mentioned above.

### *... but revenue growth slows down*

In the last three months of 2008, revenue dropped by over 1.3% compared to the same period a year earlier. This was mainly the result of lower-than-expected tax intakes, partly reflecting delayed payments by firms. As a result, the substantial growth in revenue recorded in the first three quarters of 2008 was partly reversed, so that for the year as a whole revenue grew by a more modest 3.3%, or EUR 67.7 million.

The yield from direct taxes rose by EUR 92.4 million in 2008, with revenue from income tax accounting for nearly four-fifths of the increase, driven mainly by higher corporate tax. In addition, favourable labour market developments boosted revenues from personal income tax, despite the impact of tax relief measures mentioned previously, and from social security contributions. Revenue from indirect taxes increased less rapidly, putting on nearly 2%. Strong growth in VAT receipts, which went up by 7.9%, was partly offset by lower intakes from the remaining indirect tax components. Revenue from customs & excise duties decreased, as intakes from duties on fuel fell significantly. Meanwhile, the slowdown in the property market led to a drop in receipts from taxes related to real estate transactions, which lowered revenue from licences, taxes & fines. At the same time, non-tax revenue contracted by EUR 38.7 million, reflecting lower receipts by way of grants.

Consolidated Fund data for the first three months of 2009 indicate that the deficit widened by EUR 54.9 million compared to the first three months of 2008. This was due to significant reductions in the main recurrent revenue components coupled with rising recurrent expenditure.

### *Consequently general government debt increases*

Between September and December 2008, general government debt increased by EUR 15.6 million, reaching EUR 3,629.9 million (see Table 2.10). Thus, over the year as a whole, debt

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

	2007		2008			
	Q4	Q1	Q2	Q3	Q4	
<b>General government debt<sup>(1)</sup></b>	<b>3,379.2</b>	<b>3,381.1</b>	<b>3,559.0</b>	<b>3,614.3</b>	<b>3,629.9</b>	
<b>Currency &amp; deposits<sup>(2)</sup></b>	<b>8.3</b>	<b>23.3</b>	<b>26.7</b>	<b>29.6</b>	<b>31.2</b>	
<b>Securities</b>	<b>3,108.3</b>	<b>3,093.9</b>	<b>3,263.5</b>	<b>3,309.8</b>	<b>3,320.2</b>	
Short-term	354.9	340.6	419.7	408.6	365.8	
Long-term	2,753.3	2,753.4	2,843.8	2,901.2	2,954.4	
<b>Loans</b>	<b>262.7</b>	<b>263.9</b>	<b>268.8</b>	<b>274.9</b>	<b>278.5</b>	
Short-term	25.2	45.1	50.0	56.9	65.6	
Long-term	237.5	218.8	218.8	218.0	212.9	

<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.

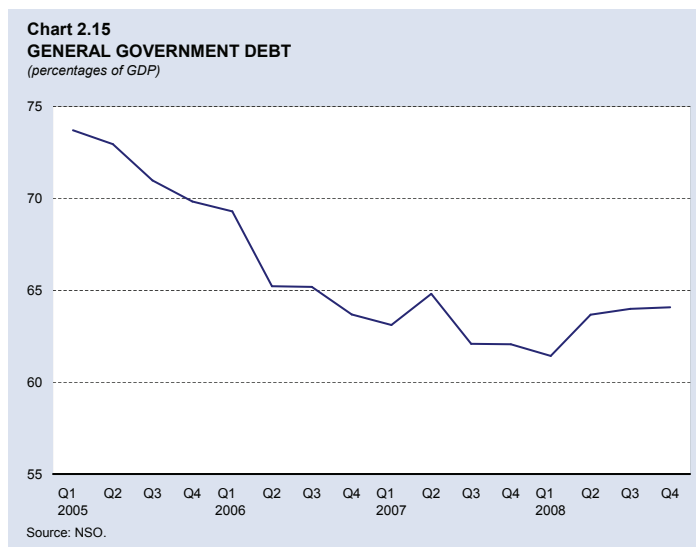
<sup>(2)</sup> As from January 2008, Maltese euro coins issued are being considered as a currency liability pertaining to the Central Government.

Source: NSO.

increased by EUR 250.6 million, resulting in a debt-to-GDP ratio of 64.1%, up from 62.1% in 2007 (see Chart 2.15).

Long-term securities in issue, which consist of Malta Government Stock, were up by EUR 201.1 million compared to 2007, though their share in the total debt remained unchanged at 81.4%. Meanwhile, short-term debt securities, or Treasury bills, in issue increased by nearly EUR 11 million, while their share in the total fell slightly, to 10.1%. At the same time, the

absorption of Malta Shipyards Ltd. into general government boosted loans outstanding compared to the last quarter of 2007, although this was partly offset by the repayment of foreign and other borrowings. In addition, currency and deposits, which represent Maltese euro coins in issue, amounted to EUR 31.2 million, or 0.9% of the total debt at the end of the year.



## Monetary and financial developments

The contribution of Maltese MFIs to the euro area broad money stock decreased during the December quarter as residents' deposits contracted.<sup>15</sup> At the same time, credit to residents increased at a faster pace, while net claims on non-residents of the euro area fell. In line with developments abroad, cuts in official interest rates and increased demand for relatively safe Maltese government securities led to lower yields on Treasury bills and Malta Government Stocks, while equity prices fell further.

### *Residents' deposits contract*

Malta's contribution to the euro area broad money stock (M3) contracted by EUR 56.7 million, or 0.6%, during the fourth quarter of 2008, when compared to the September quarter. Malta's share in euro area M3 stood at EUR 8,686.1 million at the end of December.

Overnight deposits belonging to residents of Malta fell by 0.4% as against an increase of 2.1% in the previous three months (see Table 2.11). This contraction was primarily driven by a sizeable decline in balances belonging to non-financial corporations. Although monthly flows were volatile, firms may have run down deposits to finance their operations due to tighter financing conditions imposed by some banks. Insurance companies also reduced their overnight balances during the quarter, though to a much lesser extent. In contrast, however, euro-denominated balances belonging to households rose sharply, dampening the decline in overnight deposits. As term deposit rates declined further and the opportunity cost of holding short-term monetary assets fell, households' preference for the latter rose. Meanwhile, overnight deposits belonging to other euro area residents contracted by EUR 42.9 million, as private non-financial companies reduced their foreign currency holdings.

<sup>15</sup> Unless otherwise specified, 'residents' in this section refers to residents of Malta only.

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

EUR millions, percentage changes on the previous quarter

	2008	2007	2008			
	Dec.	Q4	Q1	Q2	Q3	Q4
Overnight deposits	3,117.4	4.9	-0.2	-1.2	2.1	-0.4
Deposits redeemable at notice up to 3 months	114.2	18.0	7.1	2.2	0.6	-1.5
Deposits with agreed maturity up to 2 years	4,668.0	3.7	3.1	-0.8	3.2	-1.2
<b>Total residents' deposits</b>	<b>7,899.6</b>	<b>4.4</b>	<b>1.8</b>	<b>-0.9</b>	<b>2.8</b>	<b>-0.9</b>

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

Source: Central Bank of Malta.

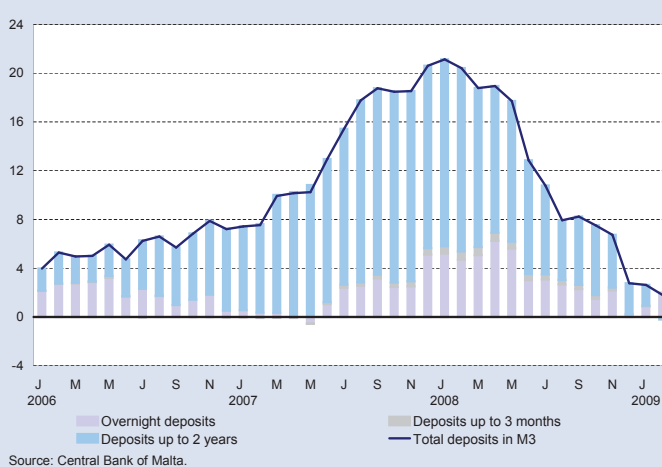
Deposits redeemable at up to three months' notice declined slightly during the December quarter, falling by EUR 1.8 million, or 1.5%. Concurrently, after expanding by 3.2% during the September quarter, deposits with an agreed maturity of up to two years contracted by 1.2%. Similar deposits belonging to other euro area residents also declined, falling by EUR 12.5 million, or 6.1%. In both cases, the contraction was driven mostly by resident firms, which reduced their holdings of foreign currency deposits significantly. Deposits with an agreed maturity of up to two years belonging to Maltese households also fell, possibly reflecting a shift towards more attractive short-term monetary assets, although the issue of MGS on the primary market in October may also have contributed.

As a result of these developments, the annual rate of growth of residents' deposits decelerated further during the quarter, falling from 8.2% in September to 2.8% in December. The slowdown throughout 2008 was, however, mostly attributable to a base effect. A build-up in deposits during the final months of 2007, ahead of the currency changeover, had led to an acceleration in deposit growth rates, which have now returned to the levels prevailing prior to the changeover. Although deposits with an agreed maturity of up to two years fell in the final quarter of the year, such deposits still accounted for 91% of the overall increase in residents' deposits in the year to December (see Chart 2.16). As a proportion of total deposits outstanding, both overnight deposits and deposits with an agreed maturity of up to two years remained broadly unchanged over the quarter, at around 39% and 59%, respectively.

Going into the first quarter of 2009, the year-on-year growth rate of deposits belonging to residents slowed down further, reaching 1.8% in February. Unlike previous quarters, however, growth was driven by overnight deposits, as the annual rate of growth of deposits with an agreed maturity of up to two years turned negative for the first time since end-2005.

In response to the successive cuts in the ECB's main refinanc-

**Chart 2.16**  
**CONTRIBUTIONS TO ANNUAL GROWTH IN RESIDENTS' DEPOSITS**  
(percentage points, annual percentage changes)





**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*

	2007		2008		
	Dec.	Mar.	June	Sep.	Dec.
<b>New business</b>					
<b>Households and NPISH</b>					
Overnight deposits <sup>(2),(3)</sup>	1.10	1.36	1.27	1.38	0.57
Savings deposits redeemable at notice up to 3 months <sup>(2),(4)</sup>	3.55	3.09	3.10	3.30	2.09
Time deposits with agreed maturity					
Up to 1 year	3.87	3.83	3.90	4.09	3.05
Over 1 and up to 2 years	4.25	4.61	4.56	4.33	4.60
Over 2 years	3.49	4.27	4.46	4.64	4.77
<b>Non-financial corporations</b>					
Overnight deposits <sup>(2),(3)</sup>	1.43	1.40	1.35	1.26	0.63
Time deposits with agreed maturity	4.17	3.98	4.30	4.46	2.60

<sup>(1)</sup> Annualised agreed rates on euro-denominated deposits vis-à-vis households and non-financial corporations with residents of Malta (data before 2008 also include rates on business denominated in Maltese lira).

<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.

ing rate, which cumulatively totalled 175 basis points during the fourth quarter, the weighted average interest rate on deposits declined by 48 basis points, reaching 2.57% at end-December. While the average interest rate on time and demand deposits fell by 31 and 33 basis points, respectively, reaching 3.74% and 0.51%, that on savings deposits was much more responsive, declining by 99 basis points to end December at 0.73%.<sup>16</sup>

At the same time, MFI interest rates on newly opened accounts also responded significantly to the cut in official rates, with the rates offered on overnight deposits and savings deposits belonging to households, for instance, falling by 81 basis points and 121 basis points, respectively, to 0.57% and 2.09%.<sup>17</sup> Similarly, the rate on time deposits with an agreed maturity of up to one year, which captures the bulk of outstanding deposits, fell by 104 basis points to 3.05% (see Table 2.12). In contrast, interest rates on new deposits with longer maturities rose, reflecting innovative schemes offered by one bank.

Following a further 50 basis point cut in official rates in January 2009, the weighted average deposit rate declined by 36 basis points to 2.21% at end-February. Similarly, there was a drop in MFI interest rates across the entire spectrum of new deposit business.

### *Credit growth accelerates*

Credit to residents of Malta grew at a faster pace during the December quarter, rising by 3.9%, as against 2.4% in the preceding quarter (see Table 2.13). Growth was spurred primarily by an expansion of credit to other residents, although an increase in credit to general government also

<sup>16</sup> In this context, savings deposits include those that are withdrawable on demand. The latter are included with overnight deposits in MIR statistics.

<sup>17</sup> MFI interest rates (MIR) cover all interest rates that credit institutions apply to euro-denominated deposits and loans from/to households and non-financial corporations resident in euro area Member States. 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.

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

*EUR millions, percentage changes on the previous quarter*

	2008	2007	2008			
	Dec.	Q4	Q1	Q2	Q3	Q4
<b>Total credit</b>	<b>8,863.8</b>	<b>2.9</b>	<b>1.3</b>	<b>3.7</b>	<b>2.4</b>	<b>3.9</b>
Credit to general government	1,600.4	3.3	-2.2	1.4	0.0	5.8
Credit to other residents	7,263.4	2.8	2.1	4.3	3.0	3.5

Source: Central Bank of Malta.

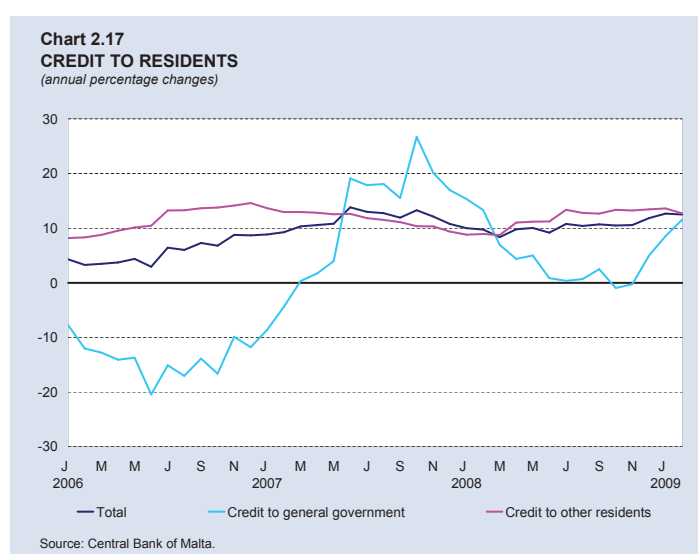
contributed. Consequently, on an annual basis, the rate of growth of credit also picked up, rising to 11.8% in December from 10.7% three months earlier (see Chart 2.17).

Credit to general government expanded by 5.8%, primarily on account of increased holdings of MGS by the banking system, particularly following the issue of new bonds in October. This outpaced a decline in the latter's Treasury bill holdings. As a result, the annual rate of growth of credit to general government doubled over the quarter, reaching 5.0% in December from 2.5% in September.

The quarterly rate of growth of credit to other residents accelerated by half a percentage point to 3.5% during the period under review (see Table 2.13). Loans, which account for 97% of total credit, put on 3.3%, with demand stemming predominantly from the non-bank private sector (see Table 2.14). Loans to the latter expanded by 2.4%, fuelled mainly by credit to households, mainly for house purchases, and to the real estate, renting & business activities sector. At the same time, credit to the non-bank public sector also increased significantly, expanding by almost 17%. This mainly reflected an exceptional rise in lending to the electricity, gas & water supply sector for the purposes of repaying a foreign loan and to finance capital expenditure, although credit to public sector entities engaged in shipbuilding & ship repair and in the management of industrial estates also contributed.

Thus, the year-on-year rate of growth of credit to other residents accelerated to 13.4% in December from 12.7% in September.

The pick-up reflected the rapid growth in lending to the non-bank public sector, since the pace of lending to the private sector decelerated to 10.3% during the twelve months to December, from 10.4% during the year to September (see Chart 2.18). Nevertheless, the continued growth of lending to the private sector in Malta during the last three months of 2008 contrasted with the sharp decline in the growth of such lending observed in the euro area during the same period.



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

EUR millions

	2008	2008	Change	
	Sep.	Dec.	Amount	%
<b>Total credit</b>	<b>7,018.7</b>	<b>7,263.4</b>	<b>244.7</b>	<b>3.5</b>
Credit to the non-bank private sector	6,511.3	6,670.0	158.8	2.4
Credit to the non-bank public sector	507.4	593.3	85.9	16.9
<b>Total loans</b>	<b>6,818.3</b>	<b>7,044.3</b>	<b>225.9</b>	<b>3.3</b>
Electricity, gas & water supply	283.3	333.1	49.8	17.6
Transport, storage & communication	429.6	429.2	-0.4	-0.1
Agriculture & fishing	25.7	25.8	0.1	0.3
Manufacturing	333.8	340.6	6.8	2.0
Construction	725.0	730.3	5.2	0.7
Hotels & restaurants	448.4	457.4	9.0	2.0
Wholesale & retail trade; repairs	752.3	757.1	4.8	0.6
Real estate, renting & business activities	853.6	931.3	77.7	9.1
Households & individuals	2,792.3	2,862.7	70.3	2.5
Other <sup>(2)</sup>	174.2	176.8	2.6	1.5

<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.

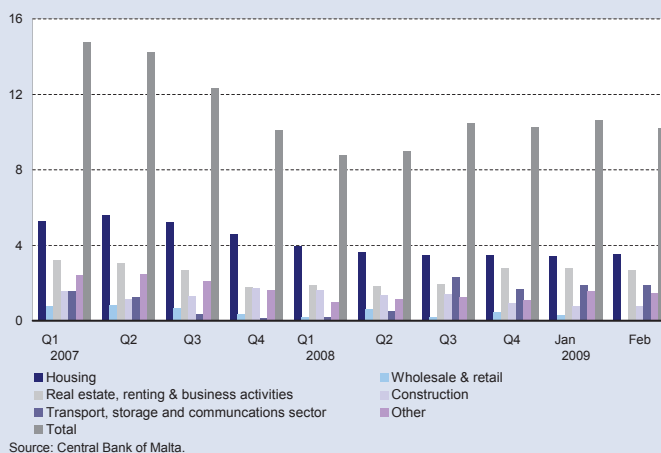
<sup>(2)</sup> Includes mining and quarrying, public administration, education, health and social work, community recreation and personal activities, extra-territorial organisations and bodies and non-bank financial institutions.

Source: Central Bank of Malta.

Year-on-year growth in lending to the private sector was again mainly driven by residential mortgages, which continued to account for around a third of the annual expansion in private sector borrowing. At the same time, the contribution of lending to the real estate, renting & business activities sector rose to 27%, from 19% three months earlier. Despite slowing down, the contribution of loans to the transport, storage & communication sector remained significant, at 16% of the total, mainly reflecting borrowings by the communications sub-sector in July. In absolute terms, bank lending to the private sector continued to be dominated by loans to households, which, together with loans to the real estate, renting & business activities sector and to the construction industry, make up more than two-thirds of the total.

Meanwhile, credit granted by resident banks to other residents of the euro area declined considerably during the December quarter, falling by EUR 361.3 million to EUR 2,773.3 million. This was mainly attributable to reduced holdings by resident banks of shares and other equities issued by non-financial companies resident in the euro area.

**Chart 2.18**  
**CONTRIBUTIONS TO ANNUAL PRIVATE SECTOR LOAN GROWTH**  
(percentage points, annual percentage changes)



Going into the first quarter of 2009, credit to residents of Malta continued to accelerate, with the year-on-year growth rate rising to 12.5% in February. Whereas the annual rate of growth of credit to general government picked up further, reaching 11.5%, that of credit to other residents slowed down to 12.7%.

Relatively strong growth in credit to the private sector may also reflect the downward trend in bank lending rates. The latter appeared to have responded to the various cuts in official rates during the final quarter of 2008. In fact, the weighted average interest rate on residents' loans fell by 123 basis points during the quarter, reaching 4.96% in December. MFI rates on new loans to residents, particularly those on loans for house purchases and overdrafts to non-financial corporations, also fell, dropping by 160 basis points and 139 basis points, respectively, to 3.84% and 5.30% (see Table 2.15).

Going into the first two months of 2009, official rates were cut by an additional 50 basis points. As a result, the weighted average lending rate dipped by an additional 48 basis points to 4.48% in February, while MFI interest rates charged on most of the spectrum of new loans also fell significantly.

The results of the Bank Lending Survey conducted in January 2009 indicate that during the fourth quarter of 2008 some banks tightened credit standards slightly in respect of lending to enterprises and consumer credit & other lending to households.<sup>18</sup> Concurrently, the demand for loans

**Table 2.15**  
**MFI INTEREST RATES ON LOANS TO RESIDENTS OF MALTA<sup>(1)</sup>**  
*Percentages per annum, weighted average rates for the period*

	2007		2008		
	Dec.	Mar.	June	Sep.	Dec.
<b>New business</b>					
<b>Households and NPISH</b>					
Overdrafts <sup>(2)</sup>	6.64	7.65	7.61	7.99	7.16
Loans					
Lending for house purchases	5.45	4.86	5.09	5.44	3.84
Consumer credit <sup>(3)</sup>	6.19	6.95	6.51	7.30	6.12
Other lending	6.34	6.84	6.85	7.31	6.44
<b>Non-financial corporations</b>					
Overdrafts <sup>(2)</sup>	5.33	6.43	6.23	6.69	5.30
Loans <sup>(3)</sup>	5.91	5.43	6.53	6.66	5.50
<b>APRC for loans to households and NPISH<sup>(4)</sup></b>					
Lending for house purchases	5.36	5.37	5.24	5.68	4.35
Consumer credit <sup>(3)</sup>	6.21	7.06	6.77	7.46	6.25

<sup>(1)</sup> Annualised agreed rates on euro-denominated deposits vis-à-vis households and non-financial corporations with residents of Malta (data before 2008 also include rates on business denominated in Maltese lira).

<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.

<sup>(4)</sup> The Annual Percentage Rate of Charge (APRC) covers the total cost of a loan, comprising the interest rate component and other related charges.

Source: Central Bank of Malta.

<sup>18</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 across the entire euro area.

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

EUR millions, percentage changes on the previous quarter

	2008	2008	Change	
	Sep.	Dec.	Amount	%
<b>External counterpart</b>	<b>8,934.9</b>	<b>7,391.9</b>	<b>-1,543.0</b>	<b>-17.3</b>
Claims on non-residents of the euro area	29,223.9	26,953.9	-2,270.1	-7.8
Liabilities to non-residents of the euro area	20,289.0	19,561.9	-727.1	-3.6
<b>Other counterparts (net)<sup>(2)</sup></b>	<b>12,254.6</b>	<b>10,808.3</b>	<b>-1,446.2</b>	<b>-11.8</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.

remained broadly unchanged, with some credit institutions even noting a slight pick-up. Although banks do not anticipate any major changes in credit supply and demand conditions in the March quarter, there are signs that some more tightening may be on the way.

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

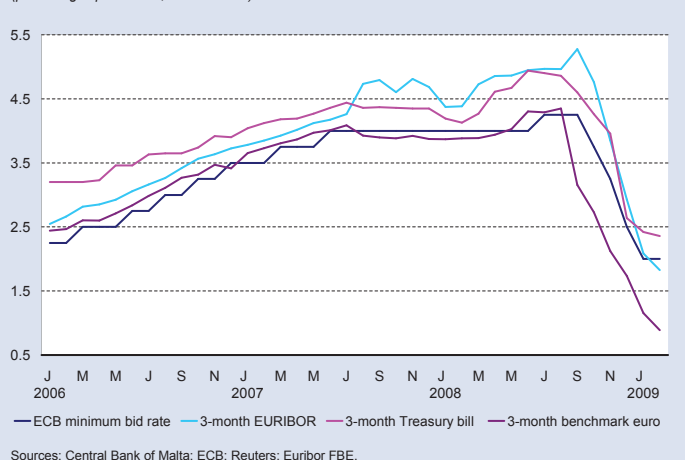
The external counterpart of broad money, which is captured by net claims on non-residents of the euro area, contracted by EUR 1,543.0 million, or 17.3%, during the fourth quarter of 2008, as a decline in claims on non-residents of the euro area outpaced a drop in liabilities to them (see Table 2.16). While the drop in the former mostly reflected a sharp decline in holdings of securities other than shares due to the disposal of securities, the contraction in liabilities to non-euro area residents was mainly attributable to fewer loans raised by resident banks from credit institutions outside the euro area.

Other counterparts (net), which are heavily influenced by interbank transactions within the euro area, declined by EUR 1,446.2 million, or 11.8%, during the quarter reviewed. Lower borrowings by resident banks from credit institutions elsewhere in the euro area considerably exceeded a drop in time deposits held by domestic credit institutions with other euro area banks.

#### *Money market rates decline*

The Governing Council of the ECB loosened its monetary policy stance during the fourth quarter of 2008, cutting its main refinancing operations rate three times for a total reduction of 175 basis points. As a result, the official rate fell from 4.25% at end-September to 2.50% in December. These reductions were followed by a further 50 basis point cut in January 2009 (see Chart 2.19). Moreover, in October the ECB began providing liquidity at fixed interest

**Chart 2.19**  
**MONEY MARKET INTEREST RATES**  
(percentages per annum, end of month)



rates in unlimited amounts and increased the frequency of its longer-term refinancing operations.

As a result of these developments, all money market rates fell steeply during the quarter, with the three-month EURIBOR, for instance, falling by 235 basis points to 2.93% at end-December. Likewise, primary market yields on domestic three-month Treasury bills also fell, though to a lesser extent, from 4.75% at end-September to 3.65% at end-December. In addition, in the light of a primary issue of longer-term securities in the capital market in October, the Treasury issued fewer bills. The resultant reduction in supply may also have contributed to the fall in yields. Indeed, the value of bills issued over the last three months of 2008 declined for the second consecutive quarter, reaching EUR 266.6 million, from EUR 280.1 million during the September quarter. Three-month bills accounted for almost three-fifths of the total issued, with the remainder consisting mainly of six-month bills. Insurance companies acquired nearly one-half of the bills, while almost another third was taken up by banks.

Meanwhile, turnover in the secondary market for Treasury bills went up to EUR 65.1 million during the quarter under review, from EUR 50.7 million in the third quarter of 2008. Almost all transactions involved the Central Bank of Malta in its role as market maker, with the latter's purchases and sales equalling EUR 49.2 million and EUR 10.7 million, respectively. In line with developments in the primary market, secondary market yields also fell, with the yield on the three-month bill declining to 2.64% at end-December from 4.60% three months earlier. Meanwhile, the premium on Maltese three-month government paper vis-à-vis that of the benchmark euro area security narrowed from 144 basis points at end-September to 90 basis points at end-December.<sup>19,20</sup>

Going into the first quarter of 2009, primary and secondary market three-month Treasury bill yields fell by an additional 129 basis points and 28 basis points, respectively, both reaching 2.36% at end-February. However, the short-term differential between local and euro area yields widened again, to 147 basis points.

### *Government bond yields and equity prices decline further*

The Government continued to raise funds through bond issues during the fourth quarter of 2008, offering two fungible stocks with a total value of EUR 53.2 million in October. The stocks had terms to maturity of six and thirteen years, and offered coupon rates of 5.1% and 5.0%, respectively. Slightly more than half of the amount issued was sold by auction. Of these, resident credit institutions took up EUR 17.0 million, while insurance companies took up most of the remainder. The other half, or EUR 26.3 million, was sold at fixed prices and was mostly taken up by Maltese households. No corporate bonds were issued during the quarter.

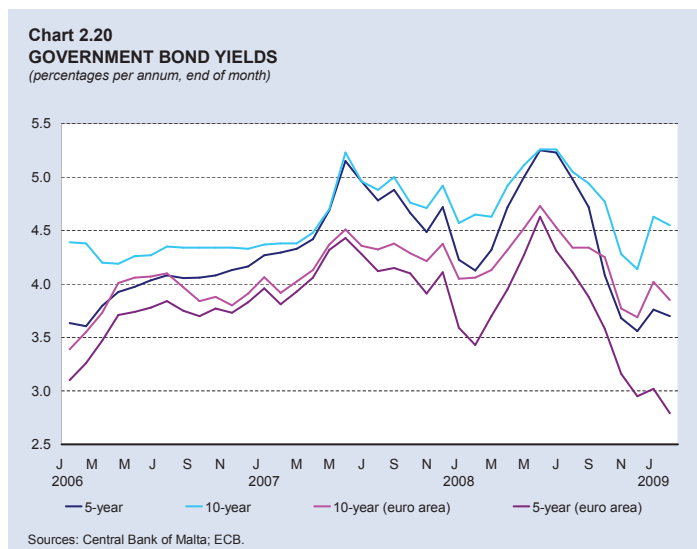
Turnover in the secondary market for government bonds during the last three months of 2008 dropped substantially when compared to the preceding quarter, falling by EUR 37.4 million to EUR 65.3 million. The Central Bank of Malta, acting as market maker, accounted for more than four-fifths of the value traded. Trading focused mainly on medium-term bonds.

<sup>19</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>20</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.

Mirroring a decline in government bond yields in the euro area, those on both 5-year and 10-year domestic government securities fell by 116 basis points and 80 basis points, respectively, ending December at 3.56% and 4.14% (see Chart 2.20).<sup>21</sup>

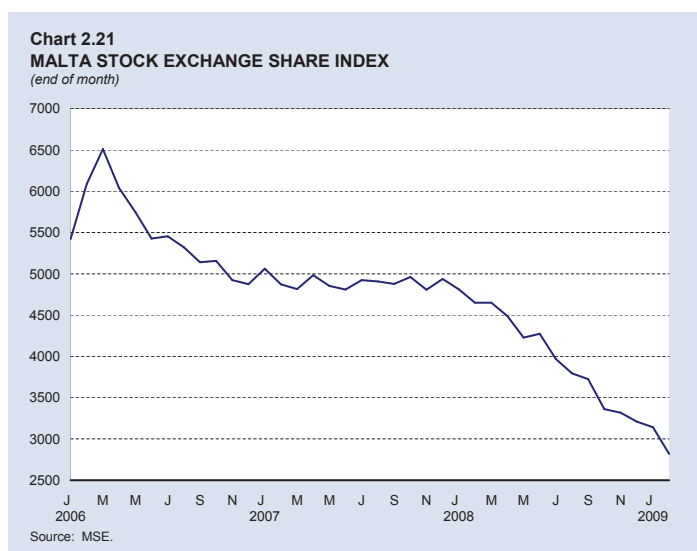
The decline in yields reflected a shift in investor behaviour, as increased risk-aversion in an environment of heightened financial market tensions raised the demand for safer government securities. The spread between domestic and euro area 10-year government bond yields narrowed slightly during the period under review, falling by 15 basis points to 45 basis points, as domestic yields fell more rapidly than their euro area equivalents.



Activity in the secondary market for corporate bonds increased during the fourth quarter of 2008, with turnover rising by EUR 2.5 million to EUR 8.6 million. Trading was primarily concentrated in six securities, and yields generally declined.

During the same period, trading in the equity market dropped by EUR 3.8 million when compared to the previous quarter, reaching EUR 6.0 million. Bank shares accounted for almost two-thirds of the total turnover. In line with developments in stock markets worldwide, equity prices persisted on their downward trend, resulting in a 13.8% drop in the MSE share index over the period. The latter stood at 3,208.2 at the end of December (see Chart 2.21).

Going into the first quarter of 2009, yields on 5-year and 10-year government bonds halted their downward trend, rising to 3.70% and 4.55%, respectively, in February. At the same time, the MSE share index fell by a further 12.1% from the end-December level.



<sup>21</sup> Until November 2006 ECB data on euro area bond yields were compiled on the basis of national government bond yields weighted by the nominal outstanding amounts. From December 2006 onwards euro area yields are computed on the basis of AAA-rated euro area central government bonds.

## NEWS NOTES

### LOCAL NEWS

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

On 16 January the Central Bank of Malta amended Directive No. 5, on Statistical Reporting Requirements. The amendment mainly consisted in the splitting into two of the Directive. Part I now applies to credit institutions only, while Part II applies to other reporting agents.

On 1 February, and again on 1 March, the Central Bank of Malta amended Directive No. 8 regarding the Documentation on Monetary Policy Instruments and Procedures. These amendments reflected guidelines issued by the ECB, which mainly amended the list of eligible assets that counterparties in Eurosystem monetary policy operations may offer as collateral. Other amendments dealt with technical aspects of the general documentation regulating monetary policy operations within the Eurosystem.

#### **European Commission opens Excessive Deficit Procedure on Malta**

On 18 February 2009 the European Commission (EC) opened an Excessive Deficit Procedure (EDP) against Malta with the adoption of a report under Article 104(3) of the EU Treaty. This report was prepared as Malta's planned deficit stood at 3.3% of GDP and its gross debt was estimated at 63.6% of GDP, exceeding the limits set by the Treaty of 3% and 60%, respectively.

The report was considered by the Economic and Financial Committee (EFC), which noted that while the planned excess over the reference value could not be qualified as exceptional within the meaning of the Treaty and the Stability and Growth Pact, it could be considered temporary. General government gross debt had declined significantly during the period 2004-2007 and, despite the increase in the debt ratio projected by the Commission over the forecast horizon, over a medium term perspective it could be considered as diminishing sufficiently and approaching the reference value at a satisfactory pace. The EFC, therefore, considered that the deficit satisfied the double condition of closeness and temporariness. Furthermore, it took into consideration other relevant factors which, on balance, were relatively favourable and the fact that the medium-term budgetary strategy was geared towards making further progress with consolidation. Consequently it concluded that no further steps under the Excessive Deficit Procedure were necessary.

#### **Extension of derogation of zero-rated VAT on food and medicines**

On 10 March, at the ECOFIN meeting in Brussels, the derogation of zero-rated VAT on food and medicines which Malta had benefited from since EU accession, and which was meant to expire in 2009, was extended. Malta is to keep its current zero-rated VAT regime on food and medicines as long as the UK and Ireland keep theirs. It was also agreed to allow Member States to reduce VAT on labour-intensive services to 5%.

#### **Eco-tax on plastic bags**

The tax on plastic bags announced in the Budget for 2009 came into effect on 1 March. This tax does not differentiate between degradable and biodegradable bags, aiming to eradicate the use of plastic bags altogether. The tax on a bag to be charged to consumers is the EUR 0.15 eco-tax plus VAT.



### **Launch of scheme to help businesses improve energy efficiency**

In February the Minister of Finance, the Economy and Investment launched a EUR 10 million scheme to help businesses improve their energy efficiency. The scheme, which is to be co-financed by the European Regional and Development Fund and the Government, is to be administered by Malta Enterprise and will support two types of investments: those in energy saving measures and those intended to tap alternative sources of energy. Projects are to be completed within 18 months and have a minimum value of EUR 25,000.

### **Banks suspend hotel loan repayments**

On 24 February Malta's commercial banks reached an agreement with the Government to suspend capital loan repayments by hotels for one year. The banks involved include the Bank of Valletta, HSBC Bank Malta, Lombard Bank, Banif and APS Bank. The aim of this moratorium is to increase the cash flow in the hospitality industry given the current economic slowdown.

### **Capital market developments**

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

On 3 March, the Government, through Legal Notice 55 of 2009, launched EUR 70 million worth of stocks, with an over-allotment option for an additional EUR 25 million. The stocks could be taken up either as 3.6% Malta Government Stock 2013 (Fourth Issue) or as 5% Malta Government Stock 2021 (First Issue) (Fungibility Issue), or as a combination of the two.

The Treasury received bids for a total of EUR 242 million worth of stocks, of which it accepted EUR 95 million, which were allotted as follows: MGS 5% 2021 (I) at EUR 101.50: EUR 95,992,300, and MGS 3.6% 2013 (IV) at EUR 100: EUR 59,007,700.

On 20 March the Government, through Legal Notice 93 of 2009, launched a EUR 60 million stock with an over-allotment option for an additional EUR 20 million. This stock could be taken up as 3.6% Malta Government Stock 2013 (Fourth Issue) (Fungibility Issue).

The Treasury received applications for a total value exceeding EUR 70 million. Out of these, the Treasury accepted applications for EUR 63,051,100 with a nominal value of EUR 100. The amount bid for by the general public, EUR 8,551,100, was allotted in full, while EUR 54,500,000 was allotted in order of bid price to institutional investors.

#### *(ii) Banking sector – increase in equity*

On 15 January, after the allotment of 26.7 million bonus shares, each fully paid up, Bank of Valletta p.l.c.'s issued and paid up share capital increased to EUR 160 million, divided into 160 million shares of EUR 1.00 each.

#### *(iii) Corporate sector – increase in equity*

In the first week of January, SmartCity Dubai increased its capital base by EUR 31 million. The Government's investment in the project was raised accordingly, so that its overall share was kept at 9%.

### *(iii) Banking sector – issue of bonds*

On 18 March FIM Bank p.l.c announced the issue of 7% subordinated bonds maturing in 2012 – 2019, for a value of EUR 15 million, with an over-allotment option for another EUR 15 million. The bonds were denominated in EUR and/or US dollars, and were offered at par, with a nominal value of EUR 100 and USD 100 per bond.

### *(iii) Corporate sector – issue of bonds*

On 2 January MIDI p.l.c offered for sale bonds denominated in euro and sterling, equivalent to EUR 30 million, with a coupon of 7%. The bond issue was oversubscribed, with EUR 12 million being collected at a pre-placement stage. An over-allotment option of EUR 10 million was applied, bringing the total value of the issue to EUR 40 million. The bonds, which were issued at par, had a nominal value of EUR 100 and STG 100 per bond and mature in 2016 – 2018.

### **Fitch Ratings affirms FIM Bank’s ratings**

On 9 January Fitch Ratings affirmed FIM Bank p.l.c’s long term rating at BB and its short term rating at B with stable outlook. The agency said it had affirmed these ratings because the bank reflected good management, acceptable asset quality, resilient core profitability and adequate capital ratios.

### **Double taxation agreements**

On 23 January Malta and the State of Qatar reached an agreement on a double taxation treaty. The process of ratification of the treaty has been initialled by both Governments.

On 13 March a protocol amending the agreement between Malta and Italy for the avoidance of double taxation with respect to taxes on income and the prevention of fiscal evasion was signed in Rome. The protocol amends some articles in the agreement, which had entered into force in July 1981, including those that refer to taxes covered, the elimination of double taxation and the exchange of information.

The Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income between Malta and the Republic of Ireland that had been signed on 14 November 2008 came into force on 15 January 2009. In this regard a legal notice, entitled Double Taxation Relief (Taxes on Income) (Ireland) Order 2009 was issued on 10 March under the Income Tax Act.

### **Suspension of financial services licences**

On 14 January the MFSA suspended the licence of Funidor Investment Services Ltd., a licence holder of a category 2 investment services licence.

### **Surrender of financial services licences**

On 22 January, the MFSA announced that Citation Alpha Strategies SICAV p.l.c. had surrendered its collective investment scheme licence in respect of Citation Multi Strategy Russia & CIS Hedge Fund. The surrender was made on a voluntary basis.

On 23 February the MFSA announced that Altma Fund SICAV p.l.c had surrendered its collective investment scheme licence in respect of the Conyngham, Pearse, Richmond and Trinity Sub-Funds. The notice for the surrender, which was made on a voluntary basis, was backdated to 17 February.

## Legislation related to banking and finance

### *Legal Notice 20 of 2009*

This legal notice, issued on 16 January under the Banking Act (Cap. 371) and entitled Declaration of Bank Holidays, declares 13 April 2009, 26 December 2009 and 2 January 2010 to be bank holidays.

## INTERNATIONAL NEWS

### Meetings of international groups/institutions

#### The G-7 Meeting

On 14 February the G7 Finance Ministers and Central Bank Governors met in Rome amid the ongoing global economic downturn and financial turmoil. They reaffirmed their commitment to act together using the full range of policy tools to support growth and employment and strengthen the financial sector. These actions, included:

- enhancing liquidity and funding through traditional and newly-created instruments and facilities
- strengthening the capital base according to the competent authorities' assessment of individual financial institutions and
- facilitating the orderly resolution of impaired assets.

Fiscal policy measures would:

- be frontloaded and quickly executed
- include an appropriate mix of spending and tax measures to stimulate domestic demand and job creation
- increase longer-term growth prospects, addressing structural weaknesses through targeted investments
- be consistent with medium-term fiscal sustainability and mostly rely on temporary measures.

#### The G-7

- Remained committed to avoiding protectionist measures.
- Stressed the need to support emerging and developing countries' access to credit and trade financing.
- Agreed that a reformed IMF, endowed with additional resources, was crucial to respond effectively and flexibly to the current crisis.
- Recognised that increased collaboration between the IMF and the expanded Financial Stability Forum would be particularly important to develop a timely and reliable assessment of macro-financial risks.

#### Informal Meeting of Heads of State or Government

On 1 March the European Union Heads of State and Government met in Brussels for an informal meeting during which:

- They agreed that the countries of Europe could only overcome the current crisis by continuing to act together in a coordinated manner within the framework of the Single Market and EMU.

- They agreed to build confidence and promote financial stability.
- They committed themselves to ensure the long-term sustainability of public finances in line with the Stability and Growth Pact.
- They welcomed the announcement by the EIB, the World Bank and the EBRD of a joint initiative to support the banking sectors in the region.
- They agreed to get the real economy back on track and stressed that protectionism would not resolve the crisis.
- They welcomed measures to sustain the automotive industry and recognised the importance of measures to counter the negative impact of the crisis on employment.
- They also agreed to work together at the global level to ensure that the EU's internal efforts and actions to restore financial stability and to promote open markets were adequately reflected at the international level.

### The European Council Meeting

On 19-20 March the European Council met in Brussels.

- It urged the Financial Stability Forum, the Basel Committee on Banking Supervision and the Commission to accelerate their work and to swiftly submit appropriate recommendations.
- It agreed to improve the regulation and supervision of financial institutions in the EU and that the report from the High Level Group on financial supervision chaired by Jacques de Larosière was the basis for action in this regard.
- It reaffirmed its commitment to sound public finances and to the Stability and Growth Pact framework and called for a swift conclusion of bilateral trade negotiations and of the WTO Doha Development Agenda.
- It stressed that energy security was a key priority which needed to be enhanced by improving energy efficiency, and that the European Union remained committed to playing a leading role in bringing about a global and a comprehensive climate agreement in Copenhagen in December.
- The European Council also said that the promotion of stability, good governance and economic development in its Eastern neighbourhood was of strategic importance to the EU.
- With reference to the Union of the Mediterranean, the Council reiterated its intention to strengthen its partnership with its southern Mediterranean partners.

### ECOFIN Council Meetings

*20 January 2009*

During this meeting:

- The Council took stock of measures taken with the aim of restoring confidence and returning to growth in the light of new economic forecasts from the Commission which suggested that the economic downturn would continue throughout the first half of 2009.
- It highlighted the importance of restoring the proper functioning of credit channels and noted that the economic recovery plan approved by the European Council in December to support demand and employment was being implemented.
- The Council emphasised the need to accompany these measures with structural reforms to improve the resilience and growth potential of European economies and approved a EUR 3.1 billion loan to Latvia.

- It also adopted conclusions on bank capital and on an investment framework established last year for the Western Balkans.

### *10 February 2009*

During this meeting:

The Council reviewed the implementation of the European economic recovery plan approved in December.

- It adopted a recommendation to the European Parliament on the discharge to be given to the Commission for the implementation of the EU general budget for 2007, as well as conclusions calling on the Commission to resume negotiation on an anti-fraud agreement with Lichtenstein.
- It adopted conclusions on the single euro payments area (SEPA) and considered that the launch of the SEPA direct debit scheme scheduled for 1 November 2009 would provide new impetus for SEPA migration; and, whilst underlining the need for clarity on long-term pricing issues, it invited the payments industry to accelerate the necessary preparatory work for its successful launch.

The Council also adopted common guidelines for the national sides and the issuance of euro coins intended for circulation

### *10 March 2009*

During this meeting:

The Council reached a political agreement on the use of reduced rates of value-added tax (VAT) in certain sectors.

- It adopted a key issues paper outlining the main policy objectives to be set for 2009 as regards economic and financial affairs.
- It also assessed a number of updated stability and convergence programmes presented by the Member States and established priorities for the EU's budget for 2010.



# STATISTICAL TABLES





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

(as at end-December 2008, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Euro exchange rates: <sup>1</sup>	EUR 1 = USD 1.3917 EUR 1 = GDP 0.9525
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> -1.2%
	GDP per capita at current market prices (2008) <sup>2</sup>	EUR 13,900
	GDP per capita in PPS relative to the EU-27 average (2007)	77.7%
	Ratio of gross general government debt to GDP <sup>2</sup> (2008)	64.1%
	Ratio of general government deficit to GDP <sup>2</sup> (2008)	4.7%
	RPI inflation rate	4.3%
	HICP inflation rate	4.7%
	Ratio of exports of goods and services to GDP <sup>2</sup>	73.7%
	Ratio of current account deficit to GDP <sup>2</sup>	16.2%
	Employment rate (Q3 2008)	56.1%
	Unemployment rate (Q3 2008)	5.8%
POPULATION	Total Maltese and foreigners (2007)	410,290
	Males	204,106
	Females	206,184
	Age composition in % of population (2007)	
	0 - 14	16%
	15 - 64	70%
	65 +	14%
	Average annual growth rate (1990-2007)	0.7%
	Density per km <sup>2</sup> (2007)	1,298
HEALTH	Life expectancy at birth (2007)	
	Males	77
	Females	82
	Crude birth rate, per 1,000 Maltese inhabitants (2007)	9.5
	Crude mortality rate, per 1,000 Maltese inhabitants (2007)	7.6
	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	93.5
	Private motor vehicle licences per 1,000 population	543
	Internet subscribers per 100 population	27.1

<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 December 2008:

Akbank T.A.S.  
APS Bank Ltd  
Banif Bank Malta plc  
Bank of Valletta plc  
BAWAG Malta Bank Ltd (from October 2003)  
Credit Europe NV (from March 2007)  
Commbank Europe Ltd (from September 2005)  
Erste Bank (Malta) Ltd  
FIMBank plc  
Finansbank (Malta) Ltd (from July 2005)  
Fortis Bank Malta Ltd  
HSBC Bank Malta plc  
Investkredit International Bank plc  
Izola Bank Ltd  
Lombard Bank Malta plc  
Mediterranean Bank plc (from January 2006)  
Raiffeisen Malta Bank plc  
Sparkasse Bank Malta plc  
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.

Note: As from *Quarterly Review* 2009:1, a new Table entitled 'General government financial accounts (end of period amounts)' is being included within the Government Finance section as Table 2.5.

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).

<b>PART 1: MONETARY, BANKING, INVESTMENT FUNDS AND FINANCIAL MARKETS</b>	
Table 1.1	Financial Statement of the Central Bank of Malta 60
Table 1.2	Balance Sheet of the Central Bank of Malta based on Statistical Principles 62
Table 1.3	Aggregated Balance Sheet of the Other Monetary Financial Institutions based on Statistical Principles 63
Table 1.4a	Monetary Base and Monetary Aggregates 65
Table 1.4b	The Contribution of Resident MFIs to the Euro Area Monetary Aggregates 65
Table 1.5a	Counterparts to the Monetary Aggregates 66
Table 1.5b	The Contribution of Resident MFIs to Counterparts of Euro Area Monetary Aggregates 66
Table 1.6a	Currency in Circulation 67
Table 1.6b	Currency Issued 67
Table 1.7a	Denominations of Maltese Currency Issued and Outstanding 68
Table 1.7b	Denominations of Euro Banknotes Allocated to Malta 68
Table 1.7c	Denominations of Euro Coins Issued by the Central Bank of Malta on behalf of the Treasury 68
Table 1.8	Deposits held with Other Monetary Financial Institutions by Sector 69
Table 1.9	Deposits held with Other Monetary Financial Institutions by Currency 70
Table 1.10	Other Monetary Financial Institutions' Loans by Size Class 71
Table 1.11	Other Monetary Financial Institutions' Loans to Residents of Malta by Economic Activity 72
Table 1.12	Other Monetary Financial Institutions' Loans by Sector 73
Table 1.13	Other Monetary Financial Institutions' Loans by Currency and Original Maturity to Residents of Malta 74
Table 1.14	Aggregated Statement of Assets and Liabilities - Investment Funds 75
Table 1.15	Monetary Policy Operations of the Central Bank of Malta 76
Table 1.16	Monetary Financial Institutions' Interest Rates on Deposits and Loans to Residents of Malta 77
Table 1.17	Monetary Financial Institutions' Interest Rates on Deposits and Loans to Euro Area Residents 78
Table 1.18	Key Central Bank of Malta, ECB and Money Market Interest Rates 79
Table 1.19	Other Rates and Indicators 80
Table 1.20	Debt Securities, by Sector of Resident Issuers 81
Table 1.21	Quoted Shares, by Sector of Resident Issuers 81
<b>PART 2: GOVERNMENT FINANCE</b>	
Table 2.1	General Government Revenue and Expenditure 82
Table 2.2	General Government Revenue by Main Components 82
Table 2.3	General Government Expenditure by Main Components 83
Table 2.4	General Government Expenditure by Function 83
Table 2.5	General Government Financial Accounts Positions (end of period amounts) 84
Table 2.6	General Government Deficit-Debt Adjustment 85
Table 2.7	General Government Debt and Guaranteed Debt Outstanding 85
Table 2.8	Treasury Bills Issued and Outstanding 86
Table 2.9	Treasury Bills Issued and Outstanding (as at end-December 2008) 87
Table 2.10	Malta Government Long-Term Debt Securities Outstanding (as at end-December 2008) 88
Table 2.11	Malta Government Long-Term Debt Securities Outstanding by Remaining Term to Maturity 89
Table 2.12	General Government External Loans by Currency and Remaining Term to Maturity 89
<b>PART 3: EXCHANGE RATES, EXTERNAL TRANSACTIONS AND POSITIONS</b>	
Table 3.1a	Selected Maltese Lira Exchange Rates (end of period closing middle rates) 90
Table 3.1b	Selected Maltese Lira Exchange Rates (averages for the period) 90
Table 3.2a	Euro Exchange Rates against the Major Currencies (end of period closing middle rates) 91
Table 3.2b	Euro Exchange Rates against the Major Currencies (averages for the period) 92
Table 3.3	Balance of Payments - Current, Capital and Financial Accounts (transactions) 93
Table 3.4	Official Reserve Assets 94
Table 3.5	International Investment Position (IIP) (end of period amounts) 94
Table 3.6	Gross External Debt by Sector, Maturity and Instrument 95
Table 3.7	Malta's Foreign Trade 96
Table 3.8	Direction of Trade - Exports 97
Table 3.9	Direction of Trade - Imports 98
<b>PART 4: REAL ECONOMY INDICATORS</b>	
Table 4.1a	Gross Domestic Product, Gross National Income and Expenditure Components (at current market prices) 99
Table 4.1b	Gross Domestic Product and Expenditure Components (at constant 2000 prices) 99
Table 4.2	Tourist Departures by Nationality 100
Table 4.3	Labour Market Indicators based on Administrative Records 101
Table 4.4	Labour Market Indicators based on the Labour Force Survey 102
Table 4.5	Property Prices Index based on Advertised Prices (base 2000 = 100) 102
Table 4.6	Development Permits for Commercial, Social and Other Purposes 103
Table 4.7	Development Permits for Dwellings, by Type 103
Table 4.8	Inflation Rates Measured by the Retail Price Index (base 1946 = 100) 104
Table 4.9	Main Categories of Retail Price Index (base December 2002 = 100) 105
Table 4.10	Main Categories of Harmonised Index of Consumer Prices (base 2005 = 100) 106
<b>GENERAL NOTES</b>	107

## 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
<b>2007</b>								
Jan.	2.8	85.6	2,051.5	2,139.9	70.5	80.4	60.8	2,351.6
Feb.	2.8	85.3	2,021.9	2,110.0	70.5	81.7	62.9	2,325.0
Mar.	2.8	84.9	1,969.0	2,056.7	70.5	79.9	63.3	2,270.4
Apr.	2.8	83.8	1,961.1	2,047.7	70.5	82.2	61.6	2,262.0
May	2.7	84.8	1,992.6	2,080.1	69.1	115.8	61.1	2,326.0
June	2.7	86.4	1,895.2	1,984.3	69.1	171.1	62.0	2,286.5
July	2.7	85.9	1,885.8	1,974.4	69.1	197.7	62.6	2,303.8
Aug.	2.7	86.7	1,907.9	1,997.3	69.1	217.5	62.9	2,346.8
Sep.	2.9	85.0	1,965.6	2,053.5	69.1	219.1	67.7	2,409.4
Oct.	3.0	84.3	1,919.1	2,006.5	69.1	214.0	67.9	2,357.5
Nov.	3.0	84.1	2,481.3	2,568.4	69.1	224.6	71.5	2,933.6
Dec.	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

<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
<b>2007</b>									
Jan.	1,130.9	70.5	727.8	186.0	22.5	936.2	177.9	-	36.0
Feb.	1,112.4	70.5	753.8	162.5	20.3	936.6	182.2	-	23.3
Mar.	1,106.3	70.5	712.5	161.6	21.0	895.1	180.8	-	17.6
Apr.	1,085.9	70.5	591.2	286.7	28.9	906.8	178.5	-	20.3
May	1,054.3	69.1	679.4	295.9	27.4	1,002.7	175.1	-	24.7
June	1,032.8	69.1	606.8	352.7	24.8	984.3	171.5	-	28.7
July	990.2	69.1	692.7	322.6	24.7	1,040.1	175.9	-	28.4
Aug.	948.7	69.1	772.8	296.6	49.7	1,119.1	179.3	-	30.6
Sep.	925.6	69.1	803.5	345.2	53.8	1,202.6	179.9	-	32.2
Oct.	875.8	69.1	782.5	349.3	61.9	1,193.7	184.7	-	34.2
Nov.	818.2	69.1	1,449.1	304.4	66.9	1,820.4	188.3	-	37.5
Dec.	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

<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>										
Jan.	0.4	5.5	209.2	214.7	1,135.6	757.3	287.5	2,180.4	100.7	2,496.2
Feb.	0.1	5.4	213.9	219.3	1,120.1	825.2	243.4	2,188.7	131.2	2,539.2
Mar.	0.0	5.4	215.2	220.6	1,105.4	844.0	229.0	2,178.4	132.4	2,531.3
Apr.	0.1	5.4	225.5	230.9	1,149.9	743.9	184.5	2,078.3	65.3	2,374.6
May	0.1	5.3	222.1	227.4	1,168.0	930.7	179.2	2,277.9	137.5	2,642.9
June	0.0	5.3	221.1	226.4	1,206.5	888.0	192.8	2,287.3	324.4	2,838.1
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	196.2	1,638.4	834.6	2,749.5

**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>										
Jan.	805.2	244.9	13.0	258.0	644.7	87.1	16.1	747.9	243.5	441.6
Feb.	720.6	223.2	10.0	233.3	803.3	79.9	3.8	887.0	235.5	462.8
Mar.	690.1	252.6	10.0	262.7	761.5	80.9	38.0	880.4	229.2	468.9
Apr.	679.3	333.6	10.0	343.7	569.4	79.8	4.9	654.1	233.4	464.1
May	680.0	419.4	10.0	429.5	751.1	68.7	22.6	842.5	230.9	459.9
June	684.7	423.7	15.0	438.8	852.8	72.8	86.4	1,012.0	236.7	466.1
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.	750.9	400.1	0.0	400.1	667.7	80.4	64.5	812.6	287.2	498.6

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Balances held with Central Bank of Malta <sup>2</sup>	Claims on residents of Malta			External assets				Other assets <sup>3</sup>	Total assets/liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2003	607.7	4,449.2	1,449.1	83.1	2,831.3	7,484.8	177.2	10,493.3	818.3	17,900.8
2004	448.6	4,734.9	1,531.2	77.9	3,626.4	8,794.1	787.5	13,208.0	837.6	20,838.2
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
<b>2007</b>										
Jan.	802.3	5,811.6	1,199.0	83.7	5,386.5	16,690.4	431.3	22,508.1	638.2	31,042.8
Feb.	809.7	5,839.0	1,232.3	84.7	5,399.3	17,000.2	400.0	22,799.4	640.5	31,405.6
Mar.	776.2	5,956.9	1,283.0	83.8	5,553.8	17,799.2	401.1	23,754.1	594.7	32,448.7
Apr.	651.8	5,969.4	1,292.8	85.0	5,866.8	18,430.7	470.1	24,767.7	607.6	33,374.3
May	736.8	5,999.9	1,251.1	87.3	5,892.6	19,563.6	553.5	26,009.7	631.9	34,716.8
June	649.4	6,066.5	1,296.8	87.1	5,732.1	20,619.8	572.1	26,924.1	687.5	35,711.3
July	763.0	6,067.9	1,303.1	94.1	5,910.7	20,994.7	616.1	27,521.4	667.9	36,417.3
Aug.	835.5	6,071.1	1,245.6	94.5	5,836.7	21,203.4	545.1	27,585.1	686.1	36,517.9
Sep.	841.6	6,166.9	1,221.2	95.1	5,957.3	21,263.4	532.7	27,753.4	633.1	36,711.3
Oct.	838.8	6,175.6	1,313.2	95.5	5,617.6	20,900.4	605.9	27,123.9	571.5	36,118.5
Nov.	1,510.1	6,235.0	1,300.0	93.3	5,346.2	20,879.2	608.6	26,834.1	593.4	36,565.8
Dec.	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	6,103.8	25,473.5	825.3	32,402.7	673.5	42,267.9

<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
<b>2007</b>											
Jan.	2,823.1	70.5	4,365.9	7,259.5	6,727.5	11,816.8	1,360.7	19,905.0	147.4	3,063.2	667.9
Feb.	2,833.4	67.3	4,436.4	7,337.2	6,577.7	12,221.5	1,334.7	20,133.9	146.8	3,153.3	634.5
Mar.	2,815.6	69.0	4,546.8	7,431.4	6,692.8	12,679.0	1,679.8	21,051.7	146.6	3,183.8	635.3
Apr.	2,815.7	70.4	4,484.0	7,370.1	6,883.0	13,032.0	2,109.5	22,024.5	146.9	3,197.0	635.8
May	2,827.3	77.3	4,592.6	7,497.2	6,828.5	14,139.1	2,228.8	23,196.5	147.3	3,222.1	653.6
June	2,910.1	81.7	4,639.9	7,631.7	7,003.8	15,052.7	1,911.6	23,968.0	147.3	3,246.4	717.9
July	3,009.8	87.7	4,764.8	7,862.2	7,078.0	15,397.4	1,976.1	24,451.5	146.8	3,238.6	718.2
Aug.	2,988.7	89.0	4,955.2	8,032.9	6,917.2	15,128.9	2,360.1	24,406.2	146.8	3,239.8	692.2
Sep.	3,015.4	89.3	4,984.5	8,089.2	7,259.4	15,016.9	2,174.7	24,450.9	145.8	3,350.9	674.5
Oct.	2,971.1	92.0	5,039.4	8,102.4	7,691.5	13,957.5	2,132.1	23,781.1	145.3	3,431.8	657.8
Nov.	3,012.6	96.6	5,068.6	8,177.9	7,391.9	14,665.1	2,109.9	24,166.9	144.8	3,391.9	684.3
Dec.	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.	3,167.4	114.5	5,222.2	8,504.1	9,240.4	17,300.8	2,233.4	28,774.6	172.2	3,376.5	1,440.5

<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
<b>2007</b>											
July	990.2	479.6	1,469.8	925.8	790.8	2,113.6	3,830.2	87.6	4,060.3	7,978.2	7,978.2
Aug.	948.7	488.6	1,437.3	890.4	811.8	2,090.6	3,792.8	89.0	4,292.9	8,174.7	8,174.7
Sep.	925.6	489.7	1,415.3	868.4	811.3	2,112.9	3,792.5	89.3	4,313.9	8,195.7	8,195.7
Oct.	875.8	496.0	1,371.8	820.5	792.8	2,116.0	3,729.2	92.0	4,384.6	8,205.8	8,205.8
Nov.	818.2	1,021.7	1,839.8	763.0	785.8	2,160.0	3,708.8	96.6	4,434.0	8,239.4	8,239.4
Dec.	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)										Total (M3) <sup>5</sup>
	Intermediate money (M2)							Repurchase agreements		Issues less holdings of MFI debt securities up to 2 years <sup>4</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	With other euro area residents		
<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.	679.2	3,117.4	60.4	114.2	0.0	4,668.0	192.7	-	-	-145.8	8,686.1

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

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

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

<sup>4</sup> Debt securities up to 2 years' 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
<b>2007</b>										
July	1,056.6	6,136.9	7,193.6	2,073.9	81.1	27,521.4	24,465.2	5,049.0	7,978.2	4,264.3
Aug.	1,040.9	6,139.5	7,180.3	2,099.0	75.8	27,585.1	24,420.0	5,188.3	8,174.7	4,194.0
Sep.	978.4	6,232.4	7,210.8	2,158.5	82.8	27,753.4	24,464.6	5,364.5	8,195.7	4,379.5
Oct.	1,072.4	6,246.6	7,319.0	2,112.5	86.6	27,123.9	23,794.8	5,354.9	8,205.8	4,468.1
Nov.	1,123.7	6,309.6	7,433.3	2,678.3	94.7	26,834.1	24,180.6	5,237.1	8,239.4	4,431.0
Dec.	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.	8,686.1	1,600.4	7,266.9	461.8	2,773.3	12,102.5	26,953.8	19,561.9	7,391.9	10,808.3

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.6a Currency in circulation**

EUR millions

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2003	1,088.0	42.6	1,130.6	58.1	1,072.5
2004	1,134.8	44.8	1,179.6	47.5	1,132.1
2005	1,164.5	46.8	1,211.4	49.2	1,162.2
2006	1,125.4	48.6	1,173.9	61.0	1,113.0
<b>2007</b>					
July	941.3	49.0	990.2	64.4	925.8
Aug.	899.3	49.4	948.7	58.3	890.4
Sep.	876.6	49.0	925.6	57.3	868.4
Oct.	827.5	48.3	875.8	55.3	820.4
Nov.	771.0	47.2	818.2	55.2	763.0
Dec.	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

<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

<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

<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

## Monetary, Banking, Investment Funds and Financial Markets

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

End of period	Resident deposits										Deposits held by non-residents of Malta		Total deposits
	General government <sup>2</sup>	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area				
2003	60.7	193.9	60.0	61.0	976.1	5,078.8	6,430.5	3,164.5	5,524.1	15,119.0			
2004	66.5	177.5	48.3	80.3	965.6	5,199.7	6,538.0	3,431.5	7,160.9	17,130.4			
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0			
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8			
<b>2007</b>													
Jan.	216.4	75.9	111.0	85.9	1,160.3	5,685.9	7,335.4	6,976.3	12,667.3	26,979.1			
Feb.	230.3	61.8	117.2	87.2	1,158.0	5,744.5	7,398.9	6,848.1	12,998.7	27,245.7			
Mar.	228.7	61.7	127.6	102.6	1,145.9	5,826.7	7,493.1	6,939.7	13,482.1	27,915.0			
Apr.	165.4	66.4	121.2	87.6	1,138.6	5,857.3	7,436.5	7,152.4	13,790.1	28,379.0			
May	214.8	80.2	115.8	96.9	1,146.3	5,923.5	7,577.5	7,099.0	14,824.1	29,500.6			
June	139.9	126.1	104.7	112.8	1,228.3	6,046.2	7,757.8	7,266.2	15,742.0	30,766.0			
July	165.5	104.5	109.8	117.4	1,322.4	6,147.2	7,966.7	7,309.7	16,065.4	31,341.8			
Aug.	168.8	97.0	130.5	109.0	1,416.6	6,208.0	8,129.8	7,355.6	16,145.2	31,630.6			
Sep.	161.3	123.7	152.9	112.6	1,409.0	6,253.3	8,212.9	7,465.8	16,111.5	31,790.2			
Oct.	153.0	103.7	179.6	125.2	1,354.4	6,290.2	8,206.1	8,009.6	14,878.3	31,094.0			
Nov.	136.2	99.6	174.3	146.4	1,348.3	6,372.7	8,277.5	7,740.3	15,521.6	31,539.4			
Dec.	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	1,280.3	6,727.0	9,383.0	9,276.9	17,639.5	36,299.3			

<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
<b>2007</b>										
Jan.	6,075.3	448.3	448.8	266.4	96.6	47.5	3,992.8	2,936.1	12,667.3	26,979.1
Feb.	6,134.6	462.3	445.7	257.5	98.9	45.0	4,045.1	2,758.0	12,998.7	27,245.7
Mar.	6,227.0	466.5	381.8	323.6	94.2	44.2	4,132.2	2,763.3	13,482.1	27,915.0
Apr.	6,151.1	486.7	357.1	347.0	94.6	47.7	4,220.7	2,884.0	13,790.1	28,379.0
May	6,300.0	478.0	376.7	328.4	94.3	43.0	4,383.0	2,673.0	14,824.1	29,500.6
June	6,356.8	589.4	298.5	345.5	167.6	43.4	4,555.4	2,667.4	15,742.0	30,766.0
July	6,536.4	621.7	378.4	337.3	93.0	50.8	4,888.3	2,370.5	16,065.4	31,341.8
Aug.	6,637.7	686.2	376.6	342.5	86.8	50.4	5,161.4	2,143.8	16,145.2	31,630.6
Sep.	6,698.0	695.2	378.8	353.9	87.0	47.8	5,364.1	2,053.9	16,111.5	31,790.2
Oct.	6,714.7	680.2	395.4	328.1	87.7	48.9	5,556.5	2,404.3	14,878.3	31,094.0
Nov.	6,802.7	680.1	383.4	322.4	88.8	46.7	5,368.6	2,325.1	15,521.6	31,539.4
Dec.	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	314.8	629.2	113.6		7,149.6	2,127.3	17,639.5	36,299.3

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Size classes <sup>2</sup>				Total
	Up to € 25,000	Over € 25,000 to € 250,000	Over € 250,000 to € 1 million	Over € 1 million	
2003	714.7	1,553.3	876.5	2,437.6	5,582.0
2004	774.8	1,845.8	1,529.6	5,547.2	9,697.4
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
<b>2007</b>					
Jan.	1,083.3	2,536.5	2,358.7	9,318.0	15,296.5
Feb.	981.6	2,503.8	2,396.8	9,728.5	15,610.6
Mar.	1,283.8	2,343.4	1,866.4	11,312.0	16,805.7
Apr.	1,110.7	2,623.7	1,842.3	11,431.1	17,007.8
May	1,236.1	2,717.6	1,869.7	12,103.0	17,926.5
June	1,250.5	2,760.7	1,932.5	12,999.9	18,943.6
July	1,104.0	3,168.7	1,920.9	13,137.8	19,331.4
Aug.	1,088.2	3,605.9	1,968.4	13,366.8	20,029.4
Sep.	1,148.4	3,867.6	2,021.5	13,279.7	20,317.2
Oct.	872.1	3,879.2	2,090.1	13,010.8	19,852.1
Nov.	1,177.5	3,637.0	2,095.3	13,106.4	20,016.2
Dec.	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

<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	EUR millions											Total lending to residents		
	Electricity, gas & water supply	Transport, storage & communication	Manufacturing	Construction	Hotels & restaurants	Wholesale & retail trade; repairs	Real estate, renting & business activities	Households & individuals <sup>1</sup>			Other <sup>2</sup>	Public sector	Private sector	
								Lending for house purchase	Consumer credit	Other lending				Total
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
<b>2007</b>														
Jan.	177.6	346.9	261.5	589.6	495.8	712.6	617.0	1,791.2	251.1	234.9	2,277.2	391.1	419.2	5,450.1
Feb.	176.9	347.3	259.6	591.3	497.1	705.7	627.8	1,810.6	251.9	238.7	2,301.2	389.2	419.5	5,476.5
Mar.	185.3	361.3	262.0	610.7	501.1	737.0	651.3	1,838.9	254.5	244.5	2,337.9	367.2	422.7	5,591.2
Apr.	174.7	344.1	265.6	607.8	500.3	732.7	662.4	1,857.6	257.8	246.3	2,361.7	377.3	399.1	5,627.3
May	170.5	346.2	269.1	618.8	487.8	730.8	660.2	1,880.1	263.7	249.9	2,393.8	379.8	394.9	5,662.0
June	176.3	341.6	270.8	625.6	484.0	737.0	668.6	1,908.9	268.4	251.0	2,428.2	381.6	398.0	5,715.7
July	175.5	322.1	270.0	619.5	484.1	734.7	685.4	1,928.5	271.9	257.4	2,457.8	362.2	406.8	5,704.5
Aug.	177.6	313.4	271.1	633.5	470.3	715.5	690.5	1,947.2	276.9	257.0	2,481.1	361.5	404.2	5,710.3
Sep.	178.6	313.1	276.7	644.8	488.5	743.2	706.3	1,967.3	280.6	258.0	2,518.5	347.8	405.7	5,792.0
Oct.	183.4	312.3	278.6	654.7	463.3	729.3	702.1	1,981.4	282.6	269.0	2,533.0	349.3	408.7	5,797.3
Nov.	187.4	317.2	293.0	666.9	472.9	721.8	707.9	1,993.8	284.9	275.9	2,554.6	343.5	411.8	5,853.4
Dec.	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

<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
	Lending to residents of Malta <sup>1</sup>										Other euro area residents	Non-residents of the euro area	
	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						
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			
<b>2007</b>													
Jan.	120.8	842.4	19.6	13.9	3,089.4	2,568.0	6,654.0	2,391.9	8,915.3	17,961.2			
Feb.	124.7	848.5	19.6	14.0	3,089.2	2,591.5	6,687.5	2,298.7	9,256.0	18,242.2			
Mar.	125.6	818.4	19.9	16.0	3,139.2	2,656.2	6,775.2	2,266.0	10,723.6	19,764.9			
Apr.	119.2	702.7	23.0	23.7	3,125.4	2,678.1	6,672.0	2,602.6	10,711.1	19,985.7			
May	120.5	795.9	24.5	22.7	3,123.5	2,708.6	6,795.7	2,730.7	11,765.8	21,292.3			
June	121.3	732.8	24.0	33.9	3,137.2	2,750.2	6,799.3	2,482.8	13,131.5	22,413.6			
July	121.1	815.6	23.6	20.8	3,120.9	2,781.3	6,883.5	2,688.4	13,125.0	22,696.9			
Aug.	123.1	888.6	23.3	17.9	3,108.1	2,798.6	6,959.7	2,783.1	13,885.4	23,628.3			
Sep.	124.9	920.2	18.8	18.1	3,171.1	2,834.0	7,087.2	2,946.1	14,387.7	24,421.0			
Oct.	124.8	879.1	19.2	18.9	3,160.6	2,852.1	7,054.7	2,596.1	14,041.9	23,692.7			
Nov.	124.0	1,547.8	19.0	17.9	3,200.7	2,873.5	7,782.8	2,344.0	14,167.8	24,294.6			
Dec.	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	3,454.2	20,124.4	31,341.9			

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

End of period	Lending to residents of Malta <sup>1</sup>																	Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors					
	MTL <sup>2</sup>		EUR		Other		MTL <sup>2</sup>		EUR		Other		MTL <sup>2</sup>		EUR		Other	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Other	
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		
<b>2007</b>																		
Jan.	892.2	1,697.8	68.4	394.9	24.8	11.2	212.8	2,319.5	2.4	29.8	0.2	3.3	807.7	171.4	17.6	6,654.0		
Feb.	876.1	1,716.2	67.9	394.7	23.2	11.1	210.8	2,343.6	3.3	29.9	0.6	3.3	815.2	175.3	16.3	6,687.5		
Mar.	881.1	1,752.9	68.7	399.2	25.8	11.4	231.8	2,387.9	1.5	31.2	0.7	3.1	780.4	180.6	18.9	6,775.2		
Apr.	857.1	1,737.5	73.9	421.4	24.2	11.3	233.1	2,408.5	1.5	31.2	0.7	3.0	674.9	177.9	15.8	6,672.0		
May	839.3	1,757.5	69.7	418.0	27.7	11.2	234.1	2,441.9	1.6	27.5	0.5	3.1	763.2	184.4	16.0	6,795.7		
June	848.9	1,755.5	72.2	413.1	36.1	11.2	234.9	2,481.3	1.6	28.8	0.5	3.0	703.8	177.4	30.7	6,799.3		
July	815.5	1,773.1	75.7	412.6	33.2	10.8	236.2	2,508.9	1.5	30.9	0.8	3.0	778.7	181.5	21.0	6,883.5		
Aug.	806.8	1,763.5	77.6	417.8	31.7	10.8	238.4	2,522.6	1.6	32.5	0.6	2.9	855.0	181.0	17.1	6,959.7		
Sep.	835.4	1,784.2	79.5	428.2	33.1	10.6	250.4	2,543.6	2.1	30.5	4.8	2.7	881.4	174.1	26.6	7,087.2		
Oct.	828.8	1,779.7	80.2	429.0	32.4	10.4	247.5	2,564.2	2.4	30.7	4.7	2.6	851.6	168.2	22.3	7,054.7		
Nov.	834.6	1,801.1	90.1	430.8	33.8	10.3	243.3	2,587.5	2.0	32.2	4.9	3.5	968.2	735.7	4.7	7,782.8		
Dec.	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	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	36.7	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	35.3	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	39.2	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	42.0	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	49.7	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	46.4	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	43.5	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	45.8	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	49.9	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	44.9	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	40.7	40.7	19.0			275.7	2,921.9	1.3	3.4		725.2	35.0	7,763.4		

<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
Jun.	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

**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
Jun.	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

<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>**

% per annum	2008								
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>NEW BUSINESS<sup>2</sup></b>									
<b>Deposits</b>									
Households and NPISH									
Overnight deposits <sup>4,5</sup>	1.28	1.27	1.27	1.31	1.41	1.38	0.99	0.75	0.57
Savings deposits redeemable at notice <sup>4,6</sup> up to 3 months	3.10	3.11	3.10	3.21	3.27	3.30	2.94	2.70	2.09
Time deposits with agreed maturity									
up to 1 year	3.86	3.87	3.91	4.09	4.15	4.09	3.92	3.40	3.06
over 1 and up to 2 years	4.44	5.14	4.57	4.44	4.33	4.36	4.18	4.30	4.60
over 2 years	4.37	4.51	4.46	4.46	4.61	4.64	4.64	4.67	4.77
Non-financial corporations									
Overnight deposits <sup>4,5</sup>	1.31	1.37	1.37	1.45	1.42	1.31	0.91	0.75	0.64
Time deposits with agreed maturity	4.11	3.99	4.30	4.18	4.20	4.46	4.02	3.60	2.60
<b>Loans</b>									
Households and NPISH									
Overdrafts <sup>4</sup>	7.64	7.62	7.61	7.94	7.98	7.99	7.59	7.19	7.16
Loans									
Lending for house purchase	4.99	4.94	5.09	5.31	5.36	5.44	4.89	4.48	3.84
Consumer credit <sup>8</sup>	6.68	6.86	6.51	7.16	7.17	7.30	6.97	6.93	6.12
Other lending	6.49	6.39	6.85	7.19	7.37	7.31	7.02	6.82	6.44
Non-financial corporations									
Overdrafts <sup>4</sup>	6.24	6.26	6.22	6.51	6.66	6.68	6.21	5.78	5.30
Loans <sup>8</sup>	6.68	6.81	6.53	6.48	6.82	6.66	6.55	6.19	5.50
APRC <sup>7</sup> for loans to households and NPISH									
Lending for house purchase	5.29	5.18	5.24	5.52	5.57	5.68	5.24	4.91	4.35
Consumer credit <sup>8</sup>	6.75	7.01	6.77	7.27	7.33	7.45	7.16	7.03	6.25
<b>OUTSTANDING AMOUNTS<sup>3</sup></b>									
<b>Deposits</b>									
Households and NPISH									
Time deposits with agreed maturity									
up to 2 years	4.05	4.06	4.06	4.09	4.14	4.16	4.13	4.05	3.90
over 2 years	3.09	3.11	3.09	3.05	3.09	3.10	3.11	3.13	3.19
Non-financial corporations									
Time deposits with agreed maturity									
up to 2 years	4.09	4.12	4.17	4.16	4.25	4.32	4.19	3.85	3.39
over 2 years	3.40	3.45	3.44	3.41	3.26	3.25	3.28	3.24	3.26
<b>Loans</b>									
Households and NPISH									
Lending for house purchase	5.24	5.23	5.22	5.44	5.44	5.45	4.99	4.58	4.03
Consumer credit and other lending <sup>9</sup>	7.07	7.07	7.08	7.37	7.38	7.39	6.97	6.60	5.80
Non-financial corporations <sup>9</sup>	6.35	6.32	6.32	6.56	6.57	6.56	6.17	5.82	5.45

<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									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
<b>NEW BUSINESS<sup>2</sup></b>										
<b>Deposits</b>										
Households and NPISH										
Overnight deposits <sup>4,5</sup>	1.28	1.27	1.26	1.30	1.40	1.38	0.98	0.74	0.57	
Savings deposits redeemable at notice <sup>4,6</sup>										
up to 3 months	3.10	3.11	3.10	3.21	3.27	3.30	2.94	2.70	2.09	
Time deposits with agreed maturity										
up to 1 year	3.85	3.87	3.91	4.09	4.14	4.09	3.92	3.40	3.05	
over 1 and up to 2 years	4.44	5.12	4.57	4.44	4.33	4.36	4.18	4.30	4.60	
over 2 years	4.37	4.51	4.46	4.46	4.61	4.64	4.64	4.67	4.77	
Non-financial corporations										
Overnight deposits <sup>4,5</sup>	1.42	1.44	1.44	1.51	1.54	1.36	0.97	0.80	0.65	
Time deposits with agreed maturity	4.25	4.18	4.38	4.61	4.58	4.81	4.66	4.63	2.06	
<b>Loans</b>										
Households and NPISH										
Overdrafts <sup>4</sup>	7.64	7.62	7.61	7.94	7.98	7.99	7.59	7.19	7.16	
Loans										
Lending for house purchase	5.00	4.95	5.09	5.31	5.36	5.44	4.89	4.48	3.84	
Consumer credit <sup>8</sup>	6.68	6.74	6.51	7.16	7.17	7.30	6.97	6.93	6.12	
Other lending	6.49	6.39	6.85	7.19	7.37	7.31	7.02	6.82	6.43	
Non-financial corporations										
Overdrafts <sup>4</sup>	6.07	6.08	6.04	6.33	6.45	6.50	6.11	5.72	5.14	
Loans <sup>8</sup>	6.24	6.11	6.02	6.36	6.59	6.49	6.33	5.79	4.93	
APRC <sup>7</sup> for loans to households and NPISH										
Lending for house purchase	5.30	5.18	5.25	5.52	5.57	5.68	5.24	4.91	4.35	
Consumer credit <sup>8</sup>	6.75	6.88	6.77	7.27	7.33	7.45	7.16	7.03	6.25	
<b>OUTSTANDING AMOUNTS<sup>3</sup></b>										
<b>Deposits</b>										
Households and NPISH										
Time deposits with agreed maturity										
up to 2 years	4.05	4.06	4.06	4.09	4.14	4.16	4.12	4.05	3.89	
over 2 years	3.14	3.16	3.14	3.11	3.14	3.15	3.16	3.18	3.24	
Non-financial corporations										
Time deposits with agreed maturity										
up to 2 years	4.26	4.29	4.34	4.33	4.44	4.48	4.45	4.13	3.57	
over 2 years	3.36	3.40	3.40	3.47	3.43	3.27	3.29	3.26	3.28	
<b>Loans</b>										
Households and NPISH										
Lending for house purchase	5.24	5.23	5.22	5.44	5.44	5.45	4.99	4.58	4.03	
Consumer credit and other lending <sup>9</sup>	7.07	7.07	7.07	7.37	7.38	7.39	6.97	6.60	5.79	
Non-financial corporations <sup>9</sup>	6.07	6.05	5.98	6.30	6.19	6.25	5.97	5.61	5.11	

<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

<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			
			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
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
Deposit facility	1.25	2.50	2.75	3.00	3.00	3.00	3.00	3.00	3.25	2.00
<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
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
3 months	2.18	3.08	3.82	4.06	4.50	4.72	4.48	4.86	4.98	4.21
6 months	2.23	3.23	3.94	4.19	4.57	4.70	4.48	4.93	5.18	4.28
1 year	2.33	3.44	4.09	4.38	4.65	4.68	4.48	5.06	5.37	4.35
<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				
			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	
Current deposits	0.45	0.57	0.69	0.72	0.78	0.78	0.83	0.77	0.84	0.51	
Savings deposits	1.17	1.17	1.41	1.62	1.72	1.73	1.67	1.62	1.72	0.73	
Time deposits	2.97	3.27	3.51	3.69	3.80	3.97	3.92	3.95	4.05	3.74	
Weighted average lending rate	5.48	5.90	6.11	6.34	6.33	6.30	5.96	5.95	6.20	4.96	
Non-financial companies	5.99	6.34	6.57	6.81	6.80	6.74	6.28	6.22	6.52	5.31	
Households and individuals	4.93	5.38	5.54	5.81	5.81	5.80	5.57	5.57	5.80	4.51	
Consumer credit	6.70	7.42	7.13	7.82	7.84	7.84	7.65	7.69	7.94	7.15	
House purchase	4.52	4.95	5.18	5.39	5.39	5.39	5.15	5.13	5.34	3.98	
Other lending	6.09	6.46	6.66	6.83	6.80	6.74	6.49	6.53	6.82	5.54	
<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	
6 month	3.23	4.00	4.24	4.31	4.54	4.54	4.33	5.04	4.81	2.75	
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	
3 month	3.22	3.90	4.18	4.36	4.37	4.35	4.27	4.94	4.60	2.64	
6 month	3.27	4.00	4.24	4.47	4.54	4.54	4.33	5.04	4.55	2.65	
1 year	3.32	4.20	4.26	4.70	4.61	4.58	4.51	5.19	4.41	2.73	
<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	
5 year	3.95	3.94	4.27	4.66	4.93	4.65	4.17	4.85	5.04	4.01	
10 year	4.55	4.32	4.37	4.72	4.99	4.82	4.57	4.98	5.15	4.53	
15 year	4.96	4.54	4.51	4.85	5.23	5.11	4.98	5.40	5.38	4.76	
<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	

<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>2007</b>											
Q1	3,024.9	146.6	17.0	596.6	3,785.1	26.8	59.0	0.0	7.2	92.9	-3.8
Q2	3,048.1	147.3	17.0	627.4	3,839.8	23.3	1.0	0.0	34.6	58.8	-4.2
Q3	3,070.8	145.9	17.0	609.7	3,843.3	22.6	0.0	0.0	-0.2	22.4	-18.9
Q4	3,116.3	145.0	17.0	625.0	3,903.2	45.5	0.0	0.0	26.6	72.2	-12.3
<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

<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>2007</b>									
Q1	2,431.5	173.3	785.2	3,390.1	0.0	0.0	16.3	16.3	-41.8
Q2	2,430.5	168.1	968.0	3,566.5	2.0	0.0	185.8	187.8	-11.4
Q3	2,435.9	153.6	1,204.3	3,793.8	0.0	0.0	185.2	185.2	42.2
Q4	2,520.0	170.1	1,163.9	3,854.0	7.9	0.0	0.0	7.9	52.3
<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

<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	1,834.9	173.0	2,007.9	1,909.9	235.8	2,145.7	-137.8	40.0
2006	1,936.7	168.0	2,104.7	2,004.2	231.1	2,235.3	-130.6	49.2
2007	2,128.3	72.8	2,201.1	2,108.1	212.6	2,320.6	-119.5	62.5
2008	2,257.5	40.6	2,298.1	2,374.3	190.3	2,564.6	-266.5	-78.7
<b>2007</b>								
Q1	508.0	12.0	520.0	501.0	53.6	554.7	-34.7	19.3
Q2	506.5	16.5	523.0	508.8	54.6	563.4	-40.4	-7.4
Q3	485.3	16.0	501.3	500.4	37.9	538.3	-37.0	6.2
Q4	628.4	28.4	656.8	597.9	66.4	664.3	-7.5	44.5
<b>2008</b>								
Q1	538.0	4.1	542.1	573.9	74.3	648.2	-106.0	-64.0
Q2	546.3	11.4	557.7	596.6	30.2	626.8	-69.1	-22.3
Q3	561.6	12.5	574.0	575.7	44.2	620.0	-45.9	-1.2
Q4	611.7	12.6	624.2	628.0	41.6	669.6	-45.4	8.7

**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	93.5	69.5	14.0	1834.9	17.5	155.5	173.0	2,007.9	1675.3
2006	609.8	759.3	389.8	95.4	63.5	19.0	1936.7	14.7	153.4	168.0	2,104.7	1773.4
2007	726.0	801.3	398.3	108.6	72.7	21.4	2128.3	15.7	57.2	72.8	2,201.1	1941.3
2008	742.8	833.9	432.0	152.6	71.1	25.1	2257.5	15.1	25.6	40.6	2,298.1	2023.7
<b>2007</b>												
Q1	153.9	179.7	106.0	27.6	37.2	3.7	508.0	3.9	8.1	12.0	520.0	443.5
Q2	180.8	189.6	93.6	29.6	8.5	4.4	506.5	4.1	12.4	16.5	523.0	468.1
Q3	135.7	210.8	94.7	24.1	11.9	8.2	485.3	3.6	12.3	16.0	501.3	444.7
Q4	255.6	221.3	104.0	27.3	15.1	5.1	628.4	4.0	24.3	28.4	656.8	585.0
<b>2008</b>												
Q1	146.3	190.5	109.8	42.0	45.4	4.0	538.0	2.7	1.5	4.1	542.1	449.3
Q2	190.7	199.0	104.3	38.1	8.6	5.7	546.3	3.8	7.6	11.4	557.7	497.8
Q3	190.8	225.2	97.3	34.5	8.6	5.1	561.6	3.6	8.8	12.5	574.0	516.9
Q4	215.0	219.2	120.6	38.0	8.5	10.3	611.7	4.9	7.7	12.6	624.2	559.7

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

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

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

Sources: Eurostat; NSO.

## Government Finance

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

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total <sup>2</sup>	
2003	647.2	580.3	149.6	220.8	95.6	52.8	1,746.3	206.8	139.4	349.8	2,096.1
2004	658.5	599.0	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	233.8	40.8	235.8	2,145.7
2006	678.4	665.9	179.7	292.5	109.4	78.2	2,004.2	211.8	37.6	231.1	2,235.3
2007	707.8	718.1	182.0	291.8	114.7	93.7	2,108.1	215.8	29.9	212.6	2,320.6
2008	789.9	796.5	187.8	386.1	123.9	90.0	2,374.3	151.0	34.9	190.3	2,564.6
<b>2007</b>											
Q1	173.6	169.4	53.9	57.5	25.5	21.0	501.0	52.1	6.1	53.6	554.7
Q2	177.6	184.3	33.0	67.5	29.8	16.6	508.8	70.5	9.7	54.6	563.4
Q3	179.4	163.8	43.2	65.4	23.7	24.8	500.4	38.1	5.0	37.9	538.3
Q4	177.1	200.6	51.9	101.4	35.7	31.2	597.9	55.2	9.2	66.4	664.3
<b>2008</b>											
Q1	198.5	170.1	42.1	92.5	44.0	26.7	573.9	53.1	13.8	74.3	648.2
Q2	198.8	196.6	46.8	94.6	42.2	17.6	596.6	30.4	7.3	30.2	626.8
Q3	195.6	194.4	44.8	96.4	23.2	21.3	575.7	33.1	6.0	44.2	620.0
Q4	196.9	235.5	54.1	102.6	14.5	24.4	628.0	34.4	7.9	41.6	669.6

<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	2,145.7
2006	341.8	39.7	76.4	296.2	77.5	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	298.9	757.0	2,320.6

<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 accounts (end of period amounts)<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	388.2	0.0	26.3	840.3	207.9	1,462.7	0.0	3,297.4	263.0	305.5	3,865.9	- 2,403.2
2007	428.6	0.0	27.1	819.5	284.0	1,559.2	8.3	3,311.8	263.3	348.2	3,931.5	- 2,372.3
2008	338.4	0.8	25.7	717.8	320.6	1,403.3	31.2	3,665.6	279.0	364.3	4,340.1	- 2,936.8
<b>2007</b>												
Q1	288.9	0.2	27.4	832.7	300.4	1,449.6	0.0	3,301.5	259.6	306.7	3,867.8	- 2,418.1
Q2	342.8	0.5	27.1	817.5	359.2	1,547.0	0.0	3,310.2	259.7	329.8	3,899.6	- 2,352.6
Q3	267.9	0.7	28.2	822.5	320.9	1,440.2	0.0	3,238.9	261.3	342.0	3,842.2	- 2,402.1
Q4	428.6	0.0	27.1	819.5	284.0	1,559.2	8.3	3,311.8	263.3	348.2	3,931.5	- 2,372.3
<b>2008</b>												
Q1	175.6	0.6	27.6	795.8	407.3	1,406.9	23.3	3,325.8	263.9	379.0	3,992.0	- 2,585.1
Q2	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
Q3	312.4	1.7	27.1	736.3	384.1	1,461.7	29.6	3,484.3	274.9	410.5	4,199.3	- 2,737.6
Q4	338.4	0.8	25.7	717.8	320.6	1,403.3	31.2	3,665.6	279.0	364.3	4,340.1	- 2,936.8

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

## 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	-15.0	21.3	-2.4
2005	106.0	-137.8	74.9	0.0	0.0	-55.3	-30.1	-21.3	-31.8
2006	-101.7	-130.6	37.9	-2.8	0.0	-219.4	-0.7	-47.3	-232.3
2007	125.6	-119.5	34.2	0.8	0.0	-32.1	-6.1	9.3	6.1
2008	250.6	-266.5	-92.3	-1.4	-0.1	-5.3	21.0	62.3	-15.8
<b>2007</b>									
Q1	23.8	-34.7	-99.3	1.0	0.2	-1.5	88.7	87.1	-10.9
Q2	134.0	-40.4	47.2	-0.2	0.2	0.0	46.4	49.6	93.6
Q3	-86.7	-37.0	-74.5	1.0	0.2	-26.9	-23.5	-30.2	-123.7
Q4	54.5	-7.5	160.8	-1.0	-0.7	-3.7	-108.3	-97.2	47.0
<b>2008</b>									
Q1	1.9	-106.1	-254.6	0.4	-0.1	-8.2	158.3	121.2	-104.2
Q2	177.9	-69.1	104.7	-0.1	-0.1	1.5	2.7	15.2	108.8
Q3	55.3	-45.9	31.8	-0.4	1.0	1.4	-24.4	-42.8	9.3
Q4	15.6	-45.4	25.9	-1.4	-0.9	0.1	-53.5	-31.4	-29.8

<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	65.6	212.9	278.5	3,629.9	703.7
<b>2007</b>									
Mar.	-	399.9	2,618.0	3,017.9	25.0	234.6	259.6	3,277.5	560.0
June	-	457.0	2,695.3	3,152.3	25.1	234.0	259.1	3,411.5	603.8
Sep.	-	368.2	2,695.3	3,063.5	27.1	234.2	261.3	3,324.8	616.3
Dec.	8.3	354.9	2,753.3	3,108.3	25.2	237.5	262.7	3,379.2	628.4
<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	65.6	212.9	278.5	3,629.9	703.7

<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

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

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

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

Sources: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.9 Treasury bills issued and outstanding (as at end-December 2008)<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>	
11/07/2008	09/01/2009	5.076	2.638	10.7	12.2	22.2	0.7	22.9
17/10/2008	16/01/2009	4.319	2.638	0.0	10.7	1.5	9.2	10.7
24/10/2008	23/01/2009	4.268	2.637	0.0	2.6	0.0	2.6	2.6
31/10/2008	30/01/2009	4.255	2.637	0.0	27.3	0.2	27.1	27.3
07/11/2008	06/02/2009	4.275	2.637	0.0	50.2	0.0	50.2	50.2
14/11/2008	13/02/2009	3.958	2.637	3.0	3.6	3.0	3.6	6.6
23/05/2008	20/02/2009	4.918	2.637	22.0	6.3	22.0	6.3	28.3
29/08/2008	27/02/2009	5.015	2.637	8.0	4.7	7.9	4.9	12.7
05/12/2008	06/03/2009	3.650	2.637	10.0	42.7	10.6	42.1	52.7
19/09/2008	20/03/2009	4.839	2.637	0.0	11.7	0.0	11.7	11.7
26/09/2008	27/03/2009	4.806	2.637	0.0	23.7	0.0	23.7	23.7
03/10/2008	03/04/2009	4.552	2.637	18.0	24.2	18.0	24.2	42.2
21/11/2008	22/05/2009	3.693	2.646	0.0	2.8	0.0	2.8	2.8
05/12/2008	05/06/2009	3.637	2.648	6.0	2.9	6.0	2.9	8.9
19/12/2008	19/06/2009	2.750	2.651	5.0	0.0	5.0	0.0	5.0
29/12/2008	26/06/2009	2.637	2.652	18.0	2.4	18.0	2.4	20.4
10/10/2008	10/07/2009	4.709	2.657	0.0	20.4	0.0	20.4	20.4
28/11/2008	28/08/2009	3.708	2.677	12.0	4.9	12.0	4.9	16.9
<b>Total</b>				<b>112.7</b>	<b>253.1</b>	<b>126.4</b>	<b>239.5</b>	<b>365.8</b>

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

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

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

Sources: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.10 Malta government long-term debt securities outstanding (as at end-December 2008)<sup>1</sup>**

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price <sup>5</sup>	ISMA Yield (%)	Interest dates	Held by		Amount
						MFI <sup>2</sup>	Others	
7.00	2009 (I)	1999	100	2.73	30/06 - 30/12	0.0	0.2	0.2
5.90	2009 (II)	1999	100	2.74	01/03 - 01/09	48.7	9.5	58.2
5.90	2009 (III)	2000/2005	100/107.8	N/A <sup>6</sup>	30/03 - 30/09	143.2	6.6	149.8
5.90	2010 (I)	1999	100	2.86	19/05 - 19/11	32.3	2.6	34.9
5.75	2010 (II)	2000	100	2.82	10/06 - 10/12	39.1	4.0	43.1
7.00	2010 (III) <sup>3</sup>	2000	100	2.82	30/06 - 30/12	0.0	1.3	1.3
5.40	2010 (IV)	2003/2004	100/104.5	2.79	21/02 - 21/08	58.5	53.3	111.8
7.50	2011 (I)	1996	100	3.05	28/03 - 28/09	19.2	15.7	34.9
6.25	2011 (II)	2001	100	2.89	01/02 - 01/08	53.1	40.0	93.2
7.00	2011 (III) <sup>3</sup>	2002	100	3.12	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	3.23	24/05 - 24/11	39.3	41.1	80.4
7.00	2012 (II) <sup>3</sup>	2002	100	3.40	30/06 - 30/12	0.0	0.4	0.4
5.70	2012 (III) FI <sup>4</sup>	2005/2007	100 / 102.75 /103.85/105.9	3.33	30/03 - 30/09	289.6	139.2	428.9
7.80	2013 (I)	1997	100	3.53	18/04 - 18/10	41.8	38.0	79.8
6.35	2013 (II)	2001	100	3.46	19/05 - 19/11	6.5	54.0	60.6
7.00	2013 (III)	2003	100	3.56	30/06 - 30/12	0.0	0.2	0.2
6.60	2014 (I)	2000	100	3.59	30/03 - 30/09	5.1	19.4	24.5
6.45	2014 (II)	2001	100	3.67	24/05 - 24/11	21.2	48.7	69.9
5.10	2014 (III) FI <sup>4</sup>	03/04/06/07	100/103.25/ 103.64/105.5	3.62	06/01 - 06/07	88.7	164.7	253.4
5.10	2014 (III) FI(e) <sup>4</sup>	2008	100	3.62	06/01 - 06/07	45.8	59.9	105.7
5.10	2014 (III) FI(f) <sup>4</sup>	2008	100	3.62	06/01 - 06/07	12.6	17.3	29.9
7.00	2014 (IV) <sup>3</sup>	2004	100	3.68	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)	2000	100	3.73	10/06 - 10/12	26.9	42.9	69.9
5.90	2015 (II) FI <sup>4</sup>	02/03/07	100/102/105	3.77	09/04 - 09/10	28.0	88.5	116.5
7.00	2015 (III)	2005	100	3.81	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)	2005	100	3.81	03/05 - 03/11	0.0	0.8	0.8
6.65	2016 (I)	2001	100	3.85	28/03 - 28/09	10.6	59.3	69.9
4.80	2016 (II) FI <sup>4</sup>	03/04/06	100/101/104	3.96	26/05 - 26/11	58.4	128.0	186.4
7.00	2016 (III)	2006	100	3.98	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I)	2007	100	4.10	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)	2007	100	4.10	30/06 - 30/12	0.0	10.3	10.3
7.80	2018 (I)	1998	100	4.14	15/01 - 15/07	75.9	87.1	163.1
7.00	2018 (II) <sup>3</sup>	2008	100	4.18	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III) <sup>3</sup>	2008	100	4.18	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	4.21	01/03 - 01/09	37.8	64.7	102.5
5.20	2020 (I)	2007	100	4.30	10/06 - 10/12	3.6	23.3	26.9
5.00	2021 FI(i)FI <sup>4</sup>	04/05/07/08	98.5/100	4.42	08/02 - 08/08	75.3	269.4	344.7
5.00	2021 (I) FI(f) <sup>4</sup>	2008	100	4.42	06/01 - 06/07	10.5	11.2	21.7
5.00	2021 (I) FI(g) <sup>4</sup>	2008	100	4.42	06/01 - 06/07	6.9	16.4	23.3
5.00	2021 (I) FI(g) <sup>4</sup>	2008	100	4.42	06/01 - 06/07	6.9	16.4	23.3
5.10	2022 (I)	2004	100	4.53	16/02 - 16/08	5.1	65.9	71.0
5.50	2023 (I)	2003	100	4.62	06/01 - 06/07	5.5	73.3	78.8
<b>Total</b>						<b>1,289.3</b>	<b>1,673.1</b>	<b>2,962.5</b>

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

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

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

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

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

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

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	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	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

<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 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 closing middle rates)<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>2007</b>						
Jan.	1.2954	0.6633	157.27	1.6214	1.6786	1.5325
Feb.	1.3211	0.6737	156.45	1.6136	1.6761	1.5419
Mar.	1.3318	0.6798	157.32	1.6247	1.6484	1.5366
Apr.	1.3605	0.6827	162.82	1.6458	1.6427	1.5187
May	1.3453	0.6801	163.56	1.6477	1.6269	1.4388
June	1.3505	0.6740	166.63	1.6553	1.5885	1.4245
Jul.	1.3707	0.6740	163.59	1.6519	1.5951	1.454
Aug.	1.3705	0.6780	159.25	1.6451	1.6692	1.4446
Sep.	1.4179	0.6968	163.55	1.6601	1.6073	1.4122
Oct.	1.4447	0.6973	166.49	1.6762	1.5658	1.3768
Nov.	1.4761	0.7146	163.43	1.6541	1.6643	1.4695
Dec.	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
<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

<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>2007</b>						
Jan.	1.2999	0.6634	156.56	1.6155	1.6602	1.5285
Feb.	1.3074	0.6680	157.60	1.6212	1.6708	1.5309
Mar.	1.3242	0.6802	155.24	1.6124	1.6704	1.5472
Apr.	1.3516	0.6793	160.68	1.6375	1.6336	1.5334
May	1.3511	0.6814	163.22	1.6506	1.6378	1.4796
June	1.3419	0.6756	164.55	1.6543	1.5930	1.4293
July	1.3716	0.6744	166.76	1.6567	1.5809	1.4417
Aug.	1.3622	0.6777	159.05	1.6383	1.6442	1.4420
Sep.	1.3896	0.6889	159.82	1.6475	1.6445	1.4273
Oct.	1.4227	0.6961	164.95	1.6706	1.5837	1.3891
Nov.	1.4684	0.7090	162.89	1.6485	1.6373	1.4163
Dec.	1.4570	0.7206	163.55	1.6592	1.6703	1.4620
<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

<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	1,349.9	838.3	780.6	821.9	139.4	185.0	-268.6	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	3,387.7	2,485.1	1,646.6	1,952.8	2,081.8	528.1	591.3	-334.6	55.8	4.4
2008 <sup>2</sup>	2,077.4	3,277.7	2,529.4	1,544.3	2,197.3	2,373.9	806.2	771.5	-357.1	32.1	4.6
<b>2007<sup>2</sup></b>											
Q1	565.3	753.4	521.7	363.4	431.1	487.8	56.8	65.6	-95.4	5.3	0.9
Q2	610.8	863.3	606.4	407.5	487.6	529.5	259.7	254.5	-90.2	2.4	0.7
Q3	575.5	837.7	760.1	423.7	515.4	553.4	140.6	110.7	66.1	28.5	1.1
Q4	655.2	933.4	597.0	452.0	518.7	511.1	71.0	160.4	-215.1	19.6	1.7
<b>2008<sup>2</sup></b>											
Q1	556.1	804.7	533.8	357.9	479.2	484.6	134.3	94.2	-38.0	4.5	1.1
Q2	521.1	854.1	643.7	414.9	519.2	622.8	459.4	398.3	-146.7	8.9	0.8
Q3	507.7	855.4	799.5	366.0	642.7	682.8	149.4	138.1	56.9	7.2	1.1
Q4	492.5	763.5	552.4	405.5	556.2	583.7	63.2	140.8	-229.2	11.6	1.6

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>	-6.2	317.8	-1,686.5	3.7	-13.8	-0.2	-1,029.1	2,387.1	161.1	133.9	68.0
2005 <sup>2</sup>	16.6	543.7	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	300.0	-35.4
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>	-21.1	683.9	367.0	1.1	-134.6	254.8	-7,593.5	6,909.2	-326.5	140.3	142.8
2008 <sup>2</sup>	-186.3	624.9	201.0	171.7	3.2	-346.2	-4,405.0	4,134.7	108.7	306.6	22.8
<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	191.1	-418.7	-4.8	22.3	3.8	-2,742.5	2,922.0	77.6	44.7	43.8
Q3	-1.9	308.0	782.5	-1.8	-6.6	52.4	-2,063.6	884.4	-73.7	-120.4	26.9
Q4	-20.3	48.0	136.2	7.6	-145.2	188.2	-690.9	1,001.0	-473.6	51.0	146.2
<b>2008<sup>2</sup></b>											
Q1	-49.9	102.9	-10.1	9.4	-40.0	-87.2	-1,660.2	1,839.4	-69.4	34.8	-0.2
Q2	-39.1	125.4	-1,478.1	62.6	88.6	20.1	-1,737.8	3,159.7	46.1	247.4	-108.8
Q3	-56.1	147.2	-965.7	98.1	-19.1	2.5	-1,765.7	2,306.5	42.3	-210.0	147.0
Q4	-41.2	249.5	2,654.9	1.7	-26.3	-281.6	758.7	-3,170.9	89.7	234.4	-15.3

<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
<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

<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	2,617.5	5,600.5	329.1	4.2	25.2	5,803.4	9,589.6	2,200.3	1,783.6
2004 <sup>1</sup>	823.2	2,981.6	7,144.4	354.5	10.7	38.2	6,745.2	11,563.0	2,029.1	1,815.0
2005 <sup>1</sup>	840.4	3,645.7	10,053.8	413.0	42.4	44.3	9,595.6	16,839.5	2,188.9	1,778.9
2006 <sup>1</sup>	868.9	4,930.6	11,371.5	407.9	34.5	49.4	12,328.2	19,959.2	2,240.6	1,496.6

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

End of period	General government			Other sectors <sup>2</sup>			Direct investment vis-à-vis:			Total gross external debt (a+b+c)	Memo item: MFIs <sup>3</sup>		
	Short term	Long term	Total (a)	Short term	Long term	Total (b)	Affiliated enterprises	Direct investors	Total (c)		Short term	Long term	Total
2003 <sup>4</sup>	10.1	203.3	213.4	214.8	506.3	721.1	12.1	263.7	275.8	1,210.3	5,514.3	3,433.1	8,947.4
2004 <sup>4</sup>	16.1	186.7	202.8	291.7	466.9	758.6	23.1	297.7	320.8	1,282.2	9,466.6	1,370.2	10,836.8
2005 <sup>4</sup>	7.0	173.8	180.8	502.8	586.5	1,089.3	74.9	439.5	514.4	1,784.5	13,555.4	2,244.1	15,799.5
2006 <sup>4</sup>	7.6	145.9	153.5	487.6	549.3	1,036.9	72.3	812.1	884.4	2,074.9	14,114.4	4,880.0	18,994.5
2007 <sup>4</sup>	4.8	126.9	131.7	585.4	576.5	1,161.9	54.8	901.3	956.1	2,249.7	18,226.5	6,171.1	24,397.6
2008 <sup>4</sup>	83.7	208.9	292.6	725.0	505.5	1,230.5	71.9	1,156.6	1,228.5	2,751.6	23,949.5	5,231.7	29,181.2
<b>2007<sup>4</sup></b>													
Mar.	4.7	143.2	147.9	484.2	556.2	1,040.4	68.9	859.6	928.5	2,116.8	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	2,130.9	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	2,205.4	16,987.6	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	2,249.7	18,226.5	6,171.1	24,397.6
<b>2008<sup>4</sup></b>													
Mar.	15.0	133.7	148.7	667.3	620.5	1,287.8	58.0	976.7	1,034.7	2,471.2	18,725.8	6,147.6	24,873.4
June	45.7	152.5	198.3	728.4	547.2	1,275.6	58.3	1,069.6	1,127.9	2,601.9	21,528.8	6,652.6	28,181.4
Sep.	76.0	202.6	278.6	720.4	511.0	1,231.4	64.2	1,130.1	1,194.3	2,703.9	23,266.4	9,473.9	32,740.3
Dec.	83.7	208.9	292.6	725.0	505.5	1,230.5	71.9	1,156.6	1,228.5	2,751.6	23,949.5	5,231.7	29,181.2

<sup>1</sup> These data may not be fully reconcilable with the international investment position (IIP) statistics primarily due to conceptual differences.

<sup>2</sup> Comprising the non-monetary financial institutions, insurance companies and pension funds, non-financial corporations and NPISH.

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

<sup>4</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	3487.5	-1230.7
2007 <sup>2</sup>	2287.4	3578.1	-1290.7
2008 <sup>2</sup>	2028.1	3395.2	-1367.1
<b>2007<sup>2</sup></b>			
Jan.	163.3	243.1	-79.8
Feb.	160.4	247.7	-87.3
Mar.	212.0	371.0	-159.0
Apr.	168.8	263.5	-94.7
May	204.8	280.8	-76.0
June	201.3	350.1	-148.8
July	199.3	332.4	-133.1
Aug.	166.9	261.2	-94.3
Sep.	182.6	267.7	-85.1
Oct.	191.4	365.4	-174.0
Nov.	194.1	295.6	-101.5
Dec.	242.5	299.6	-57.1
<b>2008<sup>2</sup></b>			
Jan.	180.0	281.8	-101.8
Feb.	167.2	268.5	-101.3
Mar.	183.3	277.6	-94.3
Apr.	165.8	329.3	-163.5
May	162.0	273.4	-111.4
June	171.4	281.9	-110.5
July	172.7	323.7	-151.0
Aug.	149.0	254.9	-105.9
Sep.	181.5	313.7	-132.2
Oct.	187.3	274.2	-86.9
Nov.	145.2	248.1	-102.9
Dec.	162.7	268.1	-105.4

<sup>1</sup> Figures may differ from those shown in the National Statistics Office'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	164.7	855.7	213.0	81.9	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>	234.4	267.6	101.8	88.3	692.1	165.8	61.3	919.2	671.4	182.7	254.8	2028.1
<b>2007<sup>2</sup></b>												
Jan.	22.2	26.0	6.7	7.8	62.7	19.6	5.7	88.0	40.0	19.7	15.6	163.3
Feb.	19.1	23.0	6.2	10.1	58.4	16.7	6.3	81.4	39.6	21.0	18.4	160.4
Mar.	25.6	32.5	8.7	14.5	81.3	22.9	8.0	112.2	55.6	22.7	21.5	212.0
Apr.	21.4	24.6	8.1	9.9	64.0	19.4	6.4	89.8	47.4	17.1	14.5	168.8
May	24.6	26.2	8.4	12.2	71.4	20.6	9.6	101.6	60.0	22.3	20.9	204.8
June	23.3	21.0	8.3	26.5	79.1	16.7	5.0	100.8	59.0	21.3	20.2	201.3
July	23.5	30.1	8.8	11.4	73.8	21.1	10.0	104.9	55.2	21.1	18.1	199.3
Aug.	19.0	26.0	5.6	8.4	59.0	15.7	6.4	81.1	54.9	17.9	13.0	166.9
Sep.	21.4	25.7	8.4	8.5	64.0	17.2	8.8	90.0	60.1	20.4	12.1	182.6
Oct.	27.0	26.7	8.5	8.1	70.3	19.2	6.8	96.3	55.7	21.6	17.8	191.4
Nov.	21.6	23.7	6.6	9.6	61.5	22.3	5.7	89.5	63.2	19.3	22.1	194.1
Dec.	22.5	19.8	6.4	5.9	54.6	10.5	6.1	71.2	129.2	22.3	19.8	242.5
<b>2008<sup>2</sup></b>												
Jan.	21.4	28.0	12.5	8.6	70.5	16.8	4.8	92.1	47.7	16.6	23.6	180.0
Feb.	19.8	23.2	11.3	10.0	64.3	17.5	5.4	87.2	47.5	15.6	16.9	167.2
Mar.	19.8	24.5	8.6	7.5	60.4	14.8	5.0	80.2	54.6	26.8	21.7	183.3
Apr.	21.8	21.0	11.9	7.6	62.3	19.1	2.8	84.2	44.3	15.0	22.3	165.8
May	20.7	20.7	8.9	9.2	59.5	14.0	4.9	78.4	53.7	13.8	16.1	162.0
June	18.9	27.0	10.2	5.8	61.9	12.6	8.1	82.6	53.6	11.5	23.7	171.4
July	15.2	24.6	9.0	7.5	56.3	13.0	4.9	74.2	62.8	11.6	24.1	172.7
Aug.	18.2	24.5	5.1	6.4	54.2	8.9	4.7	67.8	50.3	11.7	19.2	149.0
Sep.	17.6	22.2	7.2	7.0	54.0	11.6	5.0	70.6	71.0	13.6	26.3	181.5
Oct.	20.7	24.3	8.6	6.7	60.3	14.3	5.1	79.7	66.2	12.8	28.6	187.3
Nov.	19.7	16.6	5.0	5.7	47.0	13.5	7.3	67.8	50.2	12.9	14.3	145.2
Dec.	20.6	11.0	3.5	6.3	41.4	9.7	3.3	54.4	69.5	20.8	18.0	162.7

<sup>1</sup> Figures may differ from those shown in the National Statistics Office'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	965.9	373.1	2,008.2	344.0	69.6	2,421.8	635.1	179.5	251.1	3,487.5
2007 <sup>2</sup>	420.2	290.3	875.4	376.5	1,962.4	498.1	101.7	2,562.2	598.6	206.6	210.7	3,578.1
2008 <sup>2</sup>	262.7	254.6	896.4	408.0	1,821.7	431.9	116.6	2,370.2	596.2	74.7	354.1	3,395.2
<b>2007<sup>2</sup></b>												
Jan.	14.9	23.0	59.7	23.5	121.1	32.3	4.4	157.8	48.2	9.7	27.4	243.1
Feb.	23.4	19.0	69.0	28.6	140.0	31.6	7.6	179.2	42.5	11.2	14.8	247.7
Mar.	100.8	26.1	84.3	30.9	242.1	33.9	5.6	281.6	56.3	12.3	20.8	371.0
Apr.	28.6	22.8	67.9	30.9	150.2	26.5	10.1	186.8	55.5	9.2	12.0	263.5
May	28.0	23.5	70.5	29.9	151.9	46.3	7.4	205.6	49.3	7.7	18.2	280.8
June	64.6	17.7	90.9	28.3	201.5	43.0	19.5	264.0	41.3	28.4	16.4	350.1
July	20.6	25.6	85.7	42.5	174.4	43.0	9.2	226.6	64.5	26.0	15.3	332.4
Aug.	30.3	19.5	58.0	29.9	137.7	44.2	7.4	189.3	43.8	9.3	18.8	261.2
Sep.	38.9	23.9	58.5	28.5	149.8	43.6	7.3	200.7	46.9	6.8	13.3	267.7
Oct.	21.7	28.8	69.5	42.8	162.8	56.7	9.7	229.2	48.8	65.9	21.5	365.4
Nov.	27.0	33.8	71.9	30.1	162.8	42.2	7.9	212.9	51.7	9.6	21.4	295.6
Dec.	21.4	26.6	89.5	30.6	168.1	54.8	5.6	228.5	49.8	10.5	10.8	299.6
<b>2008<sup>2</sup></b>												
Jan.	25.6	23.2	68.3	29.7	146.8	37.7	4.3	188.8	59.4	6.5	27.1	281.8
Feb.	21.4	27.5	61.9	43.3	154.1	39.8	7.3	201.2	48.9	5.6	12.8	268.5
Mar.	21.7	27.7	89.0	31.9	170.3	34.8	5.0	210.1	50.1	6.3	11.1	277.6
Apr.	20.5	21.2	89.3	46.3	177.3	39.6	14.5	231.4	52.5	7.3	38.1	329.3
May	29.8	20.7	66.0	48.3	164.8	26.1	5.8	196.7	49.4	7.5	19.8	273.4
June	18.5	23.4	83.8	30.6	156.3	42.2	6.4	204.9	52.9	3.8	20.3	281.9
July	23.7	19.5	85.9	33.5	162.6	50.0	22.1	234.7	56.1	5.2	27.7	323.7
Aug.	29.7	17.3	76.9	31.7	155.6	26.8	7.6	190.0	42.9	3.6	18.4	254.9
Sep.	23.0	20.2	66.2	26.7	136.1	38.5	14.0	188.6	50.1	6.8	68.2	313.7
Oct.	15.2	21.4	83.5	31.2	151.3	37.6	11.8	200.7	47.5	10.8	15.2	274.2
Nov.	20.3	18.3	72.9	27.3	138.8	32.9	8.7	180.4	45.4	5.7	16.6	248.1
Dec.	13.3	14.2	52.7	27.5	107.7	25.9	9.1	142.7	41.0	5.6	78.8	268.1

<sup>1</sup> Figures may differ from those shown in the National Statistics Office'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	853.7	-80.0	4,683.2	3,538.2	3,719.8	-181.6	4,501.6	4,451.2
2005 <sup>1</sup>	3,117.0	945.0	939.8	60.7	5,062.5	3,700.3	3,957.0	-256.7	4,805.8	4,587.9
2006 <sup>1</sup>	3,210.2	1,018.7	1,023.4	114.6	5,366.9	4,451.5	4,704.4	-252.9	5,113.9	4,888.8
2007 <sup>1</sup>	3,322.7	1,039.3	1,079.8	160.7	5,602.4	4,891.5	5,029.9	-138.4	5,465.0	5,318.4
2008 <sup>1</sup>	3,576.2	1,217.5	932.5	238.8	5,965.0	4,606.8	4,822.0	-215.2	5,749.8	5,551.8
<b>2007<sup>1</sup></b>										
Q1	762.9	243.0	248.0	27.6	1,281.5	1,086.9	1,116.2	-29.3	1,252.3	1,192.1
Q2	810.1	251.9	254.0	99.3	1,415.3	1,217.0	1,269.4	-52.3	1,363.0	1,316.9
Q3	850.0	257.8	250.7	10.9	1,369.4	1,335.4	1,260.6	74.8	1,444.2	1,401.9
Q4	899.8	286.6	327.0	22.8	1,536.2	1,252.1	1,383.8	-131.6	1,404.6	1,407.5
<b>2008<sup>1</sup></b>										
Q1	808.9	288.4	244.0	59.0	1,400.3	1,089.9	1,162.6	-72.7	1,327.5	1,316.1
Q2	890.3	297.5	239.0	133.3	1,560.1	1,164.8	1,269.0	-104.2	1,455.9	1,347.9
Q3	925.3	314.0	232.4	-43.7	1,428.0	1,307.2	1,221.4	85.8	1,513.8	1,467.9
Q4	951.8	317.6	217.1	90.2	1,576.6	1,044.9	1,169.0	-124.1	1,452.6	1,420.0

<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	781.7	-72.5	4,270.3	3,746.6	3,968.3	-221.7	4,048.7
2005 <sup>1</sup>	2,824.4	792.8	863.5	55.5	4,536.2	3,769.0	4,103.5	-334.5	4,201.7
2006 <sup>1</sup>	2,841.7	839.9	883.7	101.7	4,667.0	4,163.7	4,492.4	-328.8	4,338.3
2007 <sup>1</sup>	2,894.4	835.8	898.9	141.8	4,771.0	4,299.2	4,560.9	-261.7	4,509.3
2008 <sup>1</sup>	3,027.0	944.1	727.9	198.8	4,897.9	3,981.8	4,250.7	-268.8	4,629.0
<b>2007<sup>1</sup></b>									
Q1	676.4	196.2	208.6	24.6	1,105.9	965.0	1,020.9	-56.0	1,050.0
Q2	708.6	202.4	214.4	87.8	1,213.3	1,077.9	1,178.7	-100.8	1,112.5
Q3	736.6	206.5	202.8	9.5	1,155.3	1,133.0	1,120.6	12.5	1,167.7
Q4	772.8	230.7	273.1	19.9	1,296.6	1,123.2	1,240.6	-117.4	1,179.1
<b>2008<sup>1</sup></b>									
Q1	695.9	224.9	189.1	51.6	1,161.5	957.3	1,035.2	-77.9	1,083.6
Q2	759.5	231.2	189.5	115.9	1,296.1	991.3	1,133.3	-142.0	1,154.1
Q3	783.2	243.2	172.8	-37.9	1,161.4	1,109.9	1,067.9	42.0	1,203.4
Q4	788.4	244.9	176.5	69.1	1,278.9	923.3	1,014.3	-91.0	1,187.9

<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	204.2	580.5	454.4	98.6	1,133.5	157.4	1,290.9
<b>2007</b>										
Jan.	2.0	4.5	6.8	4.1	17.4	23.1	3.6	44.1	7.6	51.7
Feb.	2.3	6.2	3.9	4.8	17.1	24.4	2.0	43.6	7.0	50.5
Mar.	4.0	10.1	6.3	8.9	29.3	29.3	3.4	62.1	9.2	71.3
Apr.	7.0	11.9	10.5	14.9	44.4	36.6	9.5	90.5	11.3	101.8
May	8.6	10.6	8.4	16.3	43.9	41.3	9.1	94.3	14.8	109.0
June	6.2	11.9	7.3	16.3	41.6	50.0	10.2	101.8	15.6	117.4
July	11.2	10.5	16.8	22.4	60.9	50.9	14.8	126.6	21.1	147.7
Aug.	12.4	12.8	25.3	29.2	79.6	59.3	15.8	154.8	21.6	176.4
Sep.	7.9	14.4	10.9	21.9	55.0	58.1	12.6	125.6	18.1	143.7
Oct.	7.1	19.3	7.5	21.1	55.0	57.5	10.5	123.1	16.9	139.9
Nov.	4.2	11.6	5.2	10.7	31.7	32.9	6.8	71.4	11.1	82.5
Dec.	2.2	6.5	4.7	7.3	20.7	19.0	5.1	44.8	6.7	51.5
<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	16.8	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

<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>2007<sup>3</sup></b>												
Jan.	103.1	44.4	147.4	97.4	42.7	140.1	5.6	5.4	1.7	3.8	7.3	5.0
Feb.	103.1	44.5	147.6	97.6	42.8	140.4	5.5	5.3	1.7	3.7	7.2	4.9
Mar.	103.1	44.5	147.6	97.7	42.9	140.6	5.4	5.2	1.6	3.6	7.0	4.8
Apr.	103.0	44.6	147.6	97.7	43.1	140.8	5.3	5.1	1.5	3.3	6.7	4.6
May	103.0	44.7	147.8	97.9	43.3	141.2	5.2	5.0	1.4	3.2	6.6	4.5
June	103.1	45.1	148.2	98.1	43.7	141.8	5.0	4.8	1.4	3.1	6.3	4.3
July	103.5	45.4	148.9	98.6	43.9	142.5	4.9	4.7	1.5	3.3	6.3	4.3
Aug.	103.6	45.6	149.2	98.6	44.0	142.6	5.0	4.8	1.6	3.6	6.6	4.4
Sep.	103.5	45.7	149.2	98.6	44.0	142.6	4.9	4.8	1.7	3.7	6.6	4.4
Oct.	103.6	45.8	149.4	98.6	44.2	142.7	5.0	4.8	1.6	3.6	6.7	4.5
Nov.	103.8	46.0	149.8	98.8	44.4	143.2	5.0	4.8	1.6	3.5	6.6	4.4
Dec.	103.2	45.9	149.0	98.5	44.4	142.8	4.7	4.5	1.5	3.2	6.2	4.1
<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	112.5	54.5	167.0	105.8	50.4	156.1	6.7	6.0	4.2	7.6	10.9	6.5
<b>2007</b>												
Q1	113.6	51.5	165.2	105.5	47.7	153.2	8.2	7.2	3.8	7.5	12.0	7.3
Q2	113.1	55.5	168.6	106.9	50.9	157.8	6.2	5.5	4.6	8.3	10.8	6.4
Q3	113.3	54.8	168.1	107.1	50.6	157.7	6.2	5.5	4.2	7.7	10.5	6.2
Q4	109.9	56.2	166.2	103.6	52.3	155.9	6.3	5.8	4.0	7.0	10.3	6.2
<b>2008</b>												
Q1	112.8	55.1	167.9	106.7	51.1	157.8	6.1	5.4	4.0	7.2	10.1	6.0
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

<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>2007</b>					
Q1	180.2	185.2	183.5	198.2	164.5
Q2	181.9	182.6	182.3	210.3	186.8
Q3	177.3	181.7	181.6	210.3	172.7
Q4	176.4	183.5	178.2	202.2	163.8
<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

<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
Jan.	108.6	2.7	2.2	2.2	-1.4	4.6	24.2	1.4	2.9	2.8	0.0	2.2
Feb.	108.9	2.6	2.5	2.2	-1.5	4.4	22.3	1.4	2.5	2.7	0.2	2.1
Mar.	109.4	2.4	2.5	2.2	-1.9	4.4	17.7	1.3	2.2	2.7	0.4	1.9
Apr.	110.2	2.0	2.3	2.1	-2.1	4.2	13.4	1.2	1.6	2.5	0.6	1.7
May	110.4	1.7	2.3	2.0	-2.6	4.0	9.6	1.0	0.9	2.4	0.7	1.4
June	110.5	1.4	2.5	1.8	-3.1	3.8	6.0	0.8	0.3	2.2	0.9	1.2
July	110.7	1.1	2.5	1.8	-3.3	3.6	2.8	0.9	-0.3	2.1	1.0	1.0
Aug.	111.0	0.9	2.8	1.8	-3.9	3.5	-0.1	0.7	-0.7	2.0	1.1	0.9
Sep.	112.2	0.8	3.2	1.8	-3.4	3.4	-3.0	0.8	-1.3	1.9	1.2	0.7
Oct.	113.2	0.8	3.6	1.9	-2.2	3.2	-5.6	0.8	-1.6	1.8	1.4	0.6
Nov.	113.5	1.0	3.9	2.0	-0.8	3.0	-6.1	0.8	-1.3	1.8	1.5	0.5
Dec.	113.5	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008												
Jan.	112.4	1.4	4.7	2.3	1.0	2.9	-7.0	0.6	-0.8	1.8	1.5	0.4
Feb.	112.9	1.6	5.3	2.3	1.9	2.9	-7.4	0.5	-0.6	1.8	1.4	0.4
Mar.	113.7	1.9	5.9	2.4	2.8	2.9	-6.2	0.5	-0.5	1.8	1.3	0.5
Apr.	114.1	2.2	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	1.0	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	7.9	2.7	6.2	3.6	3.8	0.3	1.5	1.9	1.1	1.6
Sept.	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

<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>2007</b>														
Jan.	99.5	2.5	2.3	0.6	-1.4	10.0	1.9	3.9	3.6	0.2	0.4	2.6	1.8	2.8
Feb.	99.7	2.4	2.7	0.6	-1.4	9.4	1.8	3.8	2.9	0.2	0.6	2.7	1.5	2.6
Mar.	100.5	2.2	2.6	0.6	-1.9	8.2	1.6	3.8	2.5	0.3	0.9	2.7	1.5	2.5
Apr.	103.0	1.8	2.4	0.6	-2.1	6.8	1.5	3.5	1.8	0.3	0.8	2.9	0.9	2.3
May	103.8	1.4	2.3	0.6	-2.6	5.6	1.3	3.4	0.9	0.3	0.8	3.0	0.4	2.0
June	104.0	1.1	2.4	0.5	-3.0	4.4	1.2	3.3	0.1	0.4	0.8	3.1	0.1	1.8
July	104.7	0.7	2.4	0.5	-3.3	3.4	1.0	3.1	-0.6	0.4	0.8	3.2	-0.4	1.5
Aug.	105.3	0.5	2.7	0.5	-3.9	2.4	1.0	3.0	-1.2	0.4	1.0	3.3	-0.6	1.4
Sep.	105.8	0.4	2.9	0.6	-3.4	1.4	1.0	2.9	-2.0	0.4	1.0	3.4	-0.9	1.2
Oct.	105.9	0.3	3.3	0.6	-2.2	0.5	0.9	2.8	-2.2	0.3	0.9	3.7	-0.9	1.1
Nov.	103.6	0.5	3.5	0.7	-0.8	0.2	0.9	2.8	-1.8	0.3	0.8	4.0	-0.8	1.0
Dec.	103.7	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
<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
Sept.	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

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 accounts (end of period amounts), which includes balance sheet statistics on financial assets and liabilities of the general government sector split by maturity. 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*". Such data may not be fully reconcilable with the data shown in the IIP primarily due to some conceptual differences. The external debt of the MFIs is being shown separately as a memorandum item as such debt is fully backed by foreign assets of these institutions.

## **Part 4 Real Economy**

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

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

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

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



